COMSTOCK RESOURCES INC
Form S-4/A
August 31, 2016
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As filed with the Securities and Exchange Commission on August 31, 2016

No. 333-212795

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 2

to

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

COMSTOCK RESOURCES, INC.

Additional Registrants Listed on Schedule A Hereto (Exact name of registrant as specified in its charter)

Nevada	**1311**	**94-1667468**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification No.)**

5300 Town and Country Blvd., Suite 500

Frisco, Texas 75034

(972) 668-8800

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

M. Jay Allison

Chairman of the Board of Directors and Chief Executive Officer

Comstock Resources, Inc.

5300 Town and Country Blvd., Suite 500

Frisco, Texas 75034

(972) 668-8800

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Jack E. Jacobsen
Locke Lord LLP
2200 Ross Avenue, Suite 2800
Dallas, Texas 75201
(214) 740-8000

Doug Rayburn
Baker Botts L.L.P.
2001 Ross Avenue, Suite 600
Dallas, Texas 75201
(214) 953-6500

Approximate date of commencement of proposed sale of the securities to the public: The exchange will occur as soon as practicable after the effective date of this Registration Statement.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box: ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

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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 x
Non-Accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting Company ¨

The registrants hereby amend this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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Schedule A

Exact Name of Additional Registrants	Jurisdiction of Incorporation or Formation	Principal Executive Offices	Primary Standard Industrial Classification Code Number	I.R.S. Employer Identification No.
Comstock Oil & Gas, LP	NV	5300 Town and Country Blvd., Suite 500 Frisco, Texas 75034	1311	75-2272352
Comstock Oil & Gas-Louisiana, LLC	NV	5300 Town and Country Blvd., Suite 500 Frisco, Texas 75034	1311	26-0012430
Comstock Oil & Gas GP, LLC	NV	5300 Town and Country Blvd., Suite 500 Frisco, Texas 75034	1311	(not applicable)
Comstock Oil & Gas Investments, LLC	NV	5300 Town and Country Blvd., Suite 500 Frisco, Texas 75034	1311	90-0155903
Comstock Oil & Gas Holdings, Inc.	NV	5300 Town and Country Blvd., Suite 500 Frisco, Texas 75034	1311	75-2968982

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Subject to Completion, Dated August 31, 2016

Prospectus

Comstock Resources, Inc.

OFFER TO EXCHANGE AND CONSENT SOLICITATION

Senior Secured Toggle Notes due 2020 and

Warrants For Shares of Common Stock

for

Any and All 10% Senior Secured Notes due 2020

(CUSIP Nos. 205768 AK0 and U2038J AC1)

and

7 ¾% Convertible Secured PIK Notes due 2019

for

Any and All 7 ¾% Senior Notes due 2019

(CUSIP No. 205768 AH7)

and

9 ½% Convertible Secured PIK Notes due 2020

for

Any and All 9 ½% Senior Notes due 2020

(CUSIP No. 205768 AJ3)

In accordance with the terms and subject to the conditions set forth in this prospectus and related letter of transmittal, as each may be amended from time to time, Comstock Resources, Inc. is offering to exchange (collectively, the Exchange Offer) (a) its Senior Secured Toggle Notes due 2020 (the New Senior Secured Notes) and warrants exercisable for shares of common stock for any and all outstanding 10% Senior Secured Notes due 2020 (the Old Senior Secured Notes), (b) its 7 ¾% Convertible Secured PIK Notes due 2019 (the New 2019 Convertible Notes) for any and all outstanding 7 ¾% Senior Notes due 2019 (the Old 2019 Notes) and (c) its 9 ½% Convertible Secured PIK Notes due 2020 (the New 2020 Convertible Notes and together with the New Senior Secured Notes and the New 2019 Convertible Notes, the new notes) for any and all outstanding 9 ½% Senior Notes due 2020 (the Old 2020 Notes and together with the Old Senior Secured Notes and the Old 2019 Notes, the old notes). See the Summary Offering Table. The New 2019 Convertible Notes and the New 2020 Convertible Notes are collectively referred to herein as the New Convertible Notes.

THE EXCHANGE OFFER AND THE CONSENT SOLICITATION (AS DEFINED BELOW) WILL EXPIRE AT 11:59 P.M., NEW YORK CITY TIME, ON SEPTEMBER 2, 2016, UNLESS EXTENDED OR EARLIER TERMINATED BY US WITH RESPECT TO ANY OR ALL SERIES (SUCH DATE AND TIME, AS THE SAME MAY BE EXTENDED, THE EXPIRATION DATE). TO BE ELIGIBLE TO RECEIVE THE APPLICABLE EARLY EXCHANGE CONSIDERATION (AS DEFINED HEREIN), ELIGIBLE HOLDERS MUST TENDER THEIR OLD NOTES (AS DEFINED HEREIN) AT OR PRIOR TO 11:59 P.M., NEW YORK CITY TIME, ON SEPTEMBER 2, 2016 UNLESS EXTENDED (SUCH TIME AND DATE WITH RESPECT TO AN EXCHANGE OFFER AND CONSENT SOLICITATION, AS IT MAY BE EXTENDED FOR SUCH EXCHANGE OFFER, THE EARLY TENDER DATE). TENDERS MAY BE WITHDRAWN AT ANY TIME BEFORE 11:59 P.M., NEW YORK CITY TIME, ON SEPTEMBER 2, 2016 (SUCH DATE AND TIME, AS THE SAME MAY BE EXTENDED, THE WITHDRAWAL DEADLINE).

IF YOU ELECT NOT TO PARTICIPATE IN THE EXCHANGE OFFER AND COMSTOCK SUBSEQUENTLY FILES FOR BANKRUPTCY, YOUR NOTES MAY BE WORTHLESS BECAUSE THEY WILL RANK JUNIOR TO ALL OF THE NEW NOTES.

Subject to the tender acceptance procedures described herein: (i) for each $1,000 principal amount of old notes tendered at or prior to the Early Tender Date, accepted for exchange and not validly withdrawn, holders of old notes will be eligible to receive the applicable early exchange consideration set forth in the table on page ii of this prospectus (the Early Exchange Consideration); and (ii) for each $1,000 principal amount of old notes tendered after the Early Tender Date and prior to the Expiration Date and accepted for exchange, holders of old notes will be eligible to receive the applicable late exchange consideration set forth in such table (the Late Exchange Consideration). The Early Tender Date and the Expiration Date are currently the same. Accordingly, all holders whose old notes are tendered and not validly withdrawn prior to the Expiration Date will receive the applicable Early Exchange Consideration. However, if we extend the Expiration Date past the Early Tender Date, holders whose old notes are tendered and not validly withdrawn prior to the Expiration Date but after the Early Tender Date will receive the applicable Late Exchange Consideration.

Payment of accrued and unpaid interest on the old notes will be made in cash on the date on which the Exchange Offer is completed (the Closing Date).

The New Senior Secured Notes will bear interest at a rate of 10.0% per annum, if we elect to pay interest in cash, or 12 ¼% per annum, if we elect to pay interest in kind, in each case payable semi-annually, but no more than $75.0 million of cash interest may be replaced by the payment in kind of the New Senior Secured Notes. As a result, we may issue up to approximately $91.9 million of New Senior Secured Notes as payment of interest in kind. The New Senior Secured Notes will mature on March 15, 2020. See Description of New Senior Secured Notes.

The New 2019 Convertible Notes will bear interest at a rate of 7 ¾% per annum, payable semi-annually. Interest will be paid only by the issuance of additional New 2019 Convertible Notes. The New 2019 Convertible Notes will mature on April 1, 2019 and will be convertible at the option of the holders, and in certain instances mandatorily convertible, in each case into shares of our common stock, subject to certain circumstances. See Description of New Convertible Notes.

The New 2020 Convertible Notes will bear interest at a rate of 9 ½% per annum, payable semi-annually. Interest will be paid only by the issuance of additional New 2020 Convertible Notes. The New 2020 Convertible Notes will mature on June 15, 2020 and will be convertible at the option of the holders, and in certain instances mandatorily convertible, in each case into shares of our common stock, subject to certain circumstances. See Description of New Convertible Notes.

The new notes will be guaranteed on a senior basis by all of our current and certain of our future subsidiaries (the Guarantors). Other than with respect to the payment of interest on the New 2019 Convertible Notes and New 2020 Convertible Notes in kind, the provisions relating to the second priority liens on the collateral, the provisions regarding the conversion of such notes into our common stock, a prohibition with respect to the New 2019 Convertible Notes and the New 2020 Convertible Notes on incurring any liens securing indebtedness other than permitted liens and the addition of permitted investments in unrestricted subsidiaries and joint ventures in an amount not to exceed $25 million, the restrictive covenants in the respective indentures governing the New 2019 Convertible Notes and the New 2020 Convertible Notes will be substantially similar to the covenants in the indenture governing the Old 2020 Notes. Other than with respect to our ability to pay up to $75.0 million of cash interest by issuing New Senior Secured Notes in kind, the restrictive covenants in the indenture governing the New Senior Secured Notes will be substantially similar to the covenants in the indenture governing the Old Senior Secured Notes. For a more detailed description of the new notes, see Description of New Senior Secured Notes and Description of New Convertible Notes.

Concurrently with this Exchange Offer, we are also soliciting consents (the Consent Solicitation) from holders for certain amendments to the indentures governing the old notes to eliminate or amend certain of the restrictive covenants, release the collateral securing the Old Senior Secured Notes and modify various other provisions contained in the existing indentures (collectively, the Proposed Amendments). We refer to the Exchange Offer and the Consent Solicitation collectively in this prospectus as the Exchange Offer. See Proposed Amendments to Existing Indentures and Old Notes.

It is a condition to the consummation of this Exchange Offer, among other things, that (i) (x) holders of not less than 67% in aggregate principal amount of the Old Senior Secured Notes having validly tendered (and not validly withdrawn) their old notes in the Exchange Offer and (y) holders of not less than 90% in total aggregate principal amount of the Old 2019 Notes and Old 2020 Notes (on a combined basis) having validly tendered (and not validly withdrawn) their old notes in the Exchange Offer (collectively, the Minimum Condition), (ii) consents with respect to more than 50% of the aggregate principal amount of each series of the old notes approving the Proposed Amendments (other than the consent regarding a release of the collateral with respect to the Old Senior Secured Notes, which requires the consent of at least 66 ⅔% of the aggregate principal amount of the Old Senior

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Secured Notes) are delivered and not revoked prior to the Expiration Date in connection with the consent solicitation described below and (iii) the Exchange Offer is completed by September 15, 2016. With respect to the condition described in clause (ii) of the preceding sentence, since the Minimum Condition threshold is greater than the threshold required to approve the Proposed Amendments and because consents to the Proposed Amendments are required if holders tender their old notes, the minimum threshold for the consents will automatically be achieved if the Minimum Condition is satisfied.

Our common stock is listed on the New York Stock Exchange (NYSE) under the symbol CRK. There is no market for the new notes or warrants and we do not intend to list the new notes or warrants on the NYSE or any national or regional securities exchange.

If we are unable to complete the Exchange Offer and Consent Solicitation and address our near term liquidity needs, we will consider other restructuring alternatives available to us at that time. Those alternatives include seeking asset dispositions, joint ventures, additional debt and relief under the U.S. Bankruptcy Code, all of which involve uncertainties, potential delays and other risks.

You should carefully consider the risks set forth under Risk Factors beginning on page 21 of this prospectus before you decide whether to participate in the Exchange Offer.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SECURITIES BEING OFFERED IN EXCHANGE FOR OUR OLD NOTES OR THIS TRANSACTION, PASSED UPON THE MERITS OR FAIRNESS OF THIS TRANSACTION OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Dealer Manager

BofA Merrill Lynch

The date of this prospectus is August 31, 2016.

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SUMMARY OFFERING TABLE

This summary offering table indicates the new notes and warrants, as the case may be, to be offered in the Exchange Offer. For the purposes of this prospectus, the term exchange consideration refers to the new notes and in certain cases warrants being offered to holders of the old notes.

Title of Old Notes to be Tendered	Aggregate Principal Amount Outstanding[1]	Early Exchange Consideration per $1,000 Principal Amount of Old Notes if Tendered and Not Withdrawn Prior to Early Tender Date[2][3][4][5]	Late Exchange Consideration per $1,000 Principal Amount of Old Notes if Tendered After the Early Tender Date and Not Withdrawn Prior to the Expiration Date[2][3][4][5]
10% Senior Secured Notes due 2020	$ 700,000,000	$1,000 principal amount of Senior Secured Toggle Notes due 2020 and warrants exercisable for 2.75 shares of common stock of the Company	$950 principal amount of Senior Secured Toggle Notes due 2020 and warrants exercisable for 2.75 shares of common stock of the Company
7 ¾% Senior Notes due 2019	$ 288,516,000	$1,000 principal amount of 7 ¾% Convertible Secured PIK Notes due 2019	$950 principal amount of 7 ¾% Convertible Secured PIK Notes due 2019
9 ½% Senior Notes due 2020	$ 174,607,000	$1,000 principal amount of 9 ½% Convertible Secured PIK Notes due 2020	$950 principal amount of 9 ½% Convertible Secured PIK Notes due 2020

(1) The outstanding principal amount reflects the aggregate principal amount outstanding as of August 29, 2016.

(2) Any accrued and unpaid interest on the old notes through the closing date of the Exchange Offer will be paid in cash.

(3) Subject to certain conditions, the New 2019 Convertible Notes and New 2020 Convertible Notes will be convertible into shares of common stock. The warrants issued in connection with the New Senior Secured Notes will be exercisable for shares of common stock at an exercise price of $0.01 per share. See Description of New Senior Secured Notes, Description of New Convertible Notes and Description of Warrants.

(4) The share and per share data reflects the one-for-five (1:5) reverse stock split that became effective on July 29, 2016.

(5) The Early Tender Date and the Expiration Date are currently the same. Accordingly, all holders whose old notes are tendered and not validly withdrawn prior to the Expiration Date will receive the applicable Early Exchange Consideration. However, if we extend the Expiration Date past the Early Tender Date, holders whose old notes are tendered and not validly withdrawn prior to the Expiration Date but after the Early Tender Date will receive the applicable Late Exchange Consideration.

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NONE OF THE COMPANY, ITS SUBSIDIARIES, THE COMPANY S BOARD OF DIRECTORS, THE TRUSTEE NOR THE INFORMATION AND EXCHANGE AGENT HAS MADE ANY RECOMMENDATION AS TO WHETHER OR NOT HOLDERS SHOULD TENDER THEIR OLD NOTES FOR EXCHANGE PURSUANT TO THE EXCHANGE OFFER. YOU MUST MAKE YOUR OWN DECISION WHETHER TO EXCHANGE ANY OLD NOTES PURSUANT TO THE EXCHANGE OFFER, AND, IF YOU WISH TO EXCHANGE OLD NOTES, THE PRINCIPAL AMOUNT OF OLD NOTES TO TENDER.

This prospectus does not constitute an offer to participate in the Exchange Offer to any person in any jurisdiction where it is unlawful to make such an offer or solicitations. The Exchange Offer is being made on the basis of this prospectus and is subject to the terms described herein and those that may be set forth in any amendment or supplement thereto or incorporated by reference herein. Any decision to participate in the Exchange Offer should be based on the information contained in this prospectus or any amendment or supplement thereto or specifically incorporated by reference herein. In making an investment decision or decisions, prospective investors must rely on their own examination of us and the terms of the Exchange Offer and the securities being offered and the terms of the amendments being sought, including the merits and risks involved. Prospective investors should not construe anything in this prospectus as legal, business or tax advice. Each prospective investor should consult its advisors as needed to make its investment decision and to determine whether it is legally permitted to participate in the Exchange Offer under applicable legal investment or similar laws or regulations.

Each prospective investor must comply with all applicable laws and regulations in force in any jurisdiction in which it participates in the Exchange Offer or possesses or distributes this prospectus and must obtain any consent, approval or permission required by it for participation in the Exchange Offer under the laws and regulations in force in any jurisdiction to which it is subject, and neither we nor any of our respective representatives shall have any responsibility therefor.

No action with respect to the offer of exchange consideration has been or will be taken in any jurisdiction (except the United States) that would permit a public offering of the offered securities, or the possession, circulation or distribution of this prospectus or any material relating to the Company or the offered securities where action for that purpose is required. Accordingly, the offered securities may not be offered, sold or exchanged, directly or indirectly, and neither this prospectus nor any other offering material or advertisement in connection with the Exchange Offer may be distributed or published, in or from any such jurisdiction, except in compliance with any applicable rules or regulations of any such jurisdiction.

This prospectus contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All of those summaries are qualified in their entirety by this reference. Copies of documents referred to herein will be made available to prospective investors upon request to us at the address and telephone number set forth in Prospectus Summary Corporate Information.

This prospectus, including the documents incorporated by reference herein, and the related letters of transmittal contain important information that should be read before any decision is made with respect to participating in the Exchange Offer.

The delivery of this prospectus shall not under any circumstances create any implication that the information contained herein is correct as of any time subsequent to the date hereof or that there has been no change in the information set forth herein or in any attachments hereto or in the affairs of the Company or affiliates since the date hereof.

We are responsible only for the information contained in or incorporated by reference into this prospectus. No one has been authorized to give any information or to make any representations with respect to the matters described in this prospectus and the related letter(s) of transmittal, other than those contained in this prospectus and the related letter(s) of transmittal. If given or made, such information or representation may not be relied upon as having been authorized by us.

This prospectus incorporates important business and financial information about the Company that is not included in or delivered with this document. This information is available without charge to security

holders upon written or oral request to the Company, which may be made in writing or by phone to the following address or telephone number: 5300 Town and Country Blvd., Suite 500, Frisco, Texas 75034, Tel. (972) 668-8800, Attention: Corporate Secretary. To obtain timely delivery of such information, security holders must request such information no later than August 31, 2016.

In making a decision in connection with the Exchange Offer, you must rely on your own examination of our business and the terms of the Exchange Offer, including the merits and risks involved. You should not construe the contents of this prospectus as providing any legal, business, financial or tax advice. You should consult with your own legal, business, financial and tax advisors with respect to any such matters concerning this prospectus and the Exchange Offer and Consent Solicitation contemplated hereby.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The information contained in this prospectus, including the documents incorporated by reference herein and our public releases, include certain forward-looking statements. These forward-looking statements are identified by their use of terms such as expect, estimate, anticipate, project, plan, intend, believe and similar terms. All state than statements of historical facts, included in this prospectus, are forward-looking statements, including statements 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 prospectus 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 prospectus;
- 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 integrate future acquisitions effectively;
- 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;

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changes in regulatory requirements, including those relating to environmental matters, permitting or other aspects of our operations;

general economic conditions, status of the financial markets and competitive conditions;

the adequacy and availability of capital resources, credit and liquidity, including, but not limited to, access to additional borrowing capacity and our inability to generate sufficient cash flow from operations to fund our capital expenditures and meet working capital needs;

the willingness and ability of the Organization of Petroleum Exporting Countries (OPEC) to set and maintain oil price and production controls;

counterparty credit risks;

competition in the oil and gas industry in general, and specifically in our areas of operations;

the success of our business and financial strategies, and hedging strategies;

our ability to retain key members of our senior management and other 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.

Other factors that could cause actual results to differ materially from those anticipated are discussed in Risk Factors included in this prospectus. Should one or more of the risks or uncertainties described above or elsewhere in this prospectus or in the documents incorporated by reference herein occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in any forward-looking statements. We specifically disclaim all responsibility to publicly update any information contained in a forward-looking statement or any forward-looking statement in its entirety and therefore disclaim any resulting liability for potentially related damages. We note, however, that the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995 does not apply to statements made in connection with the Exchange Offer.

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IMPORTANT INFORMATION

Old notes tendered and not validly withdrawn prior to the Withdrawal Deadline may not be withdrawn at any time after the Withdrawal Deadline, which is 11:59 P.M., New York City time, on September 2, 2016.

Old notes tendered for exchange, along with letters of transmittal and any other required documents, should be directed to the Information and Exchange Agent. Any requests for assistance in connection with the Exchange Offer or for additional copies of this prospectus or related materials should be directed to the Information and Exchange Agent. Contact information for the Information and Exchange Agent is set forth on the back cover of this prospectus. None of the Company, its subsidiaries, their respective boards of directors and the Information and Exchange Agent has made any recommendation as to whether or not holders should tender their old notes for exchange pursuant to the Exchange Offer.

Merrill Lynch, Pierce, Fenner & Smith Incorporated is acting as Dealer Manager for the Exchange Offer. D.F. King & Co., Inc. is acting as the Information and Exchange Agent for the Exchange Offer.

Subject to the terms and conditions set forth in the Exchange Offer, the exchange consideration to which an exchanging holder is entitled pursuant to the Exchange Offer will be paid on the Closing Date, which is the date promptly following the applicable expiration date of the Exchange Offer, subject to satisfaction or waiver (to the extent permitted) of all conditions precedent to the Exchange Offer. Under no circumstances will any interest be payable because of any delay in the transmission of the exchange consideration to holders by the Information and Exchange Agent.

Notwithstanding any other provision of the Exchange Offer, our obligation to pay the exchange consideration for old notes validly tendered for exchange and not validly withdrawn pursuant to the Exchange Offer is subject to, and conditioned upon, the satisfaction or waiver of the conditions described under General Terms of the Exchange Offer and Consent Solicitation Conditions of the Exchange Offer and Consent Solicitation.

Subject to applicable securities laws and the terms of the Exchange Offer, we reserve the right:

- to waive any and all conditions to the Exchange Offer that may be waived by us;
- to extend the Exchange Offer;
- to terminate the Exchange Offer; or
- otherwise to amend the Exchange Offer in any respect in compliance with applicable securities laws.

If the Exchange Offer is withdrawn or otherwise not completed, the exchange consideration will not be paid or become payable to holders of the old notes who have validly tendered their old notes for exchange in connection with the Exchange Offer, and the old notes tendered for exchange pursuant to the Exchange Offer will be promptly returned to the tendering holders.

Only registered holders of old notes are entitled to tender old notes for exchange and give consents. Beneficial owners of old notes that are held of record by a broker, bank or other nominee or custodian must instruct such nominee or custodian to tender the old notes for exchange on the beneficial owner s behalf. A letter of instructions is included in the materials provided along with this prospectus, which may be used by a beneficial owner in this process to affect the tender of old notes for exchange. See General Terms of the Exchange Offer and Consent Solicitation Procedures for Tendering Old Notes General.

Exchanging holders will not be obligated to pay brokerage fees or commissions to the Information and Exchange Agent or us. If a broker, bank or other nominee or custodian tenders old notes on behalf of a tendering holder, such broker, bank or other nominee or custodian may charge a fee for doing so. Exchanging holders who own old notes through a broker, bank or other nominee or custodian should consult their broker, bank or other nominee or custodian to determine whether any charges will apply.

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IMPORTANT DATES

Holders of old notes should note the following dates and times relating to the Exchange Offer, unless extended:

Event	***Date and Time***	***Event Description***
Launch Date	August 1, 2016	Commencement of the Exchange Offer.
Early Tender Date	11:59 P.M., New York City time, on September 2, 2016	The last time for you to validly tender old notes to qualify for payment of the applicable Early Exchange Consideration.
Withdrawal Deadline	11:59 P.M., New York City time, on September 2, 2016	The last time for you to validly withdraw tenders of old notes. If your tenders are validly withdrawn, you will no longer receive the applicable consideration on the Closing Date (unless you validly retender such old notes at or before the Expiration Date).
Expiration Date	11:59 P.M., New York City Time, on September 2, 2016	The last time for you to validly tender old notes. The Early Tender Date and the Expiration Date are currently the same. Accordingly, all holders whose old notes are tendered and not validly withdrawn prior to the Expiration Date will receive the applicable Early Exchange Consideration. However, if we extend the Expiration Date past the Early Tender Date, holders whose old notes are tendered and not validly withdrawn prior to the Expiration Date but after the Early Tender Date will receive the applicable Late Exchange Consideration.
Closing Date	Promptly after the Expiration Date	Subject to the tender acceptance procedures described herein, payment of the Early

Expected to be on or about September 6, 2016	Exchange Consideration and the Late Exchange Consideration, as applicable, plus the payment in cash of accrued and unpaid interest on old notes accepted for exchange from the applicable last interest payment date to, but not including, the Closing Date (subject to the right of holders on the relevant record date to receive interest due on the relevant interest payment date).

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QUESTIONS AND ANSWERS ABOUT THE EXCHANGE OFFER

The following are some questions and answers regarding the Exchange Offer, including the Consent Solicitation. It does not contain all of the information that may be important to you. You should carefully read this prospectus to fully understand the terms of the Exchange Offer and Consent Solicitation, as well as the other considerations that are important to you in making your investment decision. You should pay special attention to the information provided under the captions entitled Risk Factors and Cautionary Note Regarding Forward-Looking Statements.

Who is making the Exchange Offer?

Comstock Resources, Inc., a Nevada corporation and the issuer of the old notes, is making the Exchange Offer. The mailing address of our principal executive offices is 5300 Town and Country Blvd., Suite 500, Frisco, Texas 75034. Our telephone number is (972) 668-8800. Our common stock is currently listed on the New York Stock Exchange under the symbol CRK. See General Terms of the Exchange Offer and Consent Solicitation.

Why are we making the Exchange Offer?

We are making the Exchange Offer in order to restructure the terms of our consolidated outstanding indebtedness to enhance liquidity, add equity and pay-in-kind (PIK) interest components, to provide collateral security to certain unsecured debt obligations, to modify the restrictive covenants and to make other changes in such terms. We believe that restructuring our outstanding indebtedness will promote our long-term financial viability. See General Terms of the Exchange Offer and Consent Solicitation Exchange Offer.

The Company continues to assess strategic alternatives to address our liquidity needs and capital structure and if we are not successful in our efforts to restructure our debt obligations, including because the response to the Exchange Offer is too limited, or if we are otherwise unable to extend the maturities of our debt obligations, we may consider seeking relief under the U.S. Bankruptcy Code. Even if we are successful with the Exchange Offer, avoidance of an in-court restructuring under the U.S. Bankruptcy Code in the future is not guaranteed and we expect to continue to restructure our remaining obligations and will likely attempt to undertake other financing and refinancing alternatives, the success of which cannot be predicted at this time.

What will happen to the Company if the Exchange Offer is not completed?

If we are unable to complete the Exchange Offer and Consent Solicitation and improve our near-term liquidity, we will consider other restructuring alternatives available to us at that time. Those alternatives include seeking asset dispositions, joint ventures, additional debt and relief under the U.S. Bankruptcy Code, all of which involve uncertainties, potential delays and other risks. If we seek bankruptcy relief, there is a substantial risk that some holders of old notes would receive little or no consideration for their old notes and the ability of such holders to recover all or a portion of their investment would be substantially delayed and more impaired than under the Exchange Offer restructuring. For a more complete description of potential bankruptcy relief and the risks relating to our failure to complete the Exchange Offer, see Risk Factors Risks Relating to the Exchange Offer and Consent Solicitation.

What will happen to the old notes if the Company files for bankruptcy?

Any old notes that remain outstanding after the Exchange Offer is completed may be worthless in the event of our bankruptcy. That is because all of the new notes will rank ahead of any remaining old notes in a bankruptcy.

Why are we pursuing an out-of-court restructuring rather than an in-court restructuring?

An out-of-court restructuring through the Exchange Offer or an in-court restructuring pursuant to the U.S. Bankruptcy Code provide alternative means of restructuring our liabilities and seeking to achieve the survival and long-term viability of our business. We believe that there are advantages to restructuring the Company s indebtedness out-of-court. We believe that the successful consummation of the Exchange Offer out-of-court would, among other things:

- enable us to continue operating our business without the negative impact that a bankruptcy could have on our relationships with our customers, suppliers, employees and others;

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reduce the risk of a potentially precipitous decline in our revenues in a bankruptcy; and

allow us to complete our restructuring in less time, with less cash and with less risk than any bankruptcy alternatives.

If we have to resort to bankruptcy relief, among other things, we expect that the ability of holders of old notes to recover all or a portion of their investment would likely be impaired to a greater degree than if the Exchange Offer is completed.

When does the Exchange Offer expire?

The Exchange Offer will expire at 11:59 P.M., New York City time, on September 2, 2016 (unless extended). See General Terms of the Exchange Offer and Consent Solicitation Early Tender Date, Expiration Date, Extensions, Amendments or Termination.

Can the Exchange Offer be extended?

Yes, we can extend the Exchange Offer. See General Terms of the Exchange Offer and Consent Solicitation Early Tender Date, Expiration Date, Extensions, Amendments or Termination.

What securities are being sought in the Exchange Offer?

We are offering to exchange, for new notes and in certain cases warrants, upon the terms and subject to the conditions described in this prospectus, any and all of the $1.2 billion in aggregate principal amount of outstanding old notes that are validly tendered and not validly withdrawn, as permitted under the terms of the Exchange Offer, on or prior to the Expiration Date. Our acceptance of validly tendered old notes and the closing of the Exchange Offer are subject to the conditions described under General Terms of the Exchange Offer and Consent Solicitation Conditions of the Exchange Offer and Consent Solicitation.

The old notes were issued pursuant to three existing indentures and have the following payment terms:

(i) Old Senior Secured Notes: 10% Senior Secured Notes due March 15, 2020; interest payable semi-annually on each March 15 and September 15.

(ii) Old 2019 Notes: 7 ¾% Notes due April 1, 2019; interest payable semi-annually on each April 1 and October 1.

(iii) Old 2020 Notes: 9 ½% Notes due June 15, 2020; interest payable semi-annually on each June 15 and December 15.

The Old Senior Secured Notes are secured on a first-priority basis equally and ratably with our revolving credit facility described under Description of Other Indebtedness, subject to certain payment priorities in favor of the revolving credit facility.

The old notes are guaranteed by all of our subsidiaries. Upon a change of control of the Company, we are obligated to offer to repurchase the old notes for cash at 101% of the aggregate principal amount tendered plus accrued and unpaid interest. The Exchange Offer and Consent Solicitation, if completed, will not trigger this change of control repurchase obligation. For a description of the terms governing the old notes, see Description of Other Indebtedness.

What will I receive in the Exchange Offer?

Holders of old notes that are validly tendered and accepted in the Exchange Offer will, subject to the terms and conditions of the Exchange Offer, receive for each $1,000 in principal amount of old notes exchanged, the following:

(i) Holders of Old Senior Secured Notes will receive exchange consideration consisting of (a) new Senior Secured Toggle Notes due 2020 (the New Senior Secured Notes) and (b) warrants exercisable for 2.75 shares of our common stock at an exercise price of $0.01 per share;

(ii) Holders of Old 2019 Notes will receive exchange consideration consisting of new 7 ¾% Convertible Secured PIK Notes due 2019 (the New 2019 Convertible Notes); and

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(iii) Holders of Old 2020 Notes will receive exchange consideration consisting of new 9 ½% Convertible Secured PIK Notes due 2020 (the New 2020 Convertible Notes).

In each instance, if the tender is made by the Early Tender Date, you will receive $1,000 principal amount of the applicable new notes. The Early Tender Date and the Expiration Date are currently the same. Accordingly, all holders whose old notes are tendered and not validly withdrawn prior to the Expiration Date will receive the applicable Early Exchange Consideration. However, if we extend the Expiration Date past the Early Tender Date, and if the tender is made after the Early Tender Date and prior to the Expiration Date, you will receive $950 principal amount of the applicable new notes.

Payment of accrued and unpaid interest on the old notes tendered and accepted in the Exchange Offer will be made in cash on the Closing Date. The Exchange Offer and Consent Solicitation are each subject to the conditions described under General Terms of the Exchange Offer and Consent Solicitation Conditions of the Exchange Offer and Consent Solicitation.

The exchange consideration will be in full satisfaction of the principal amount of the old notes that are tendered and accepted in the Exchange Offer, and any accrued and unpaid interest to, but excluding, the Closing Date of the Exchange Offer on the old notes that are tendered and accepted in the Exchange Offer will be paid in cash on the date on which the Exchange Offer is completed.

When are the new notes convertible into shares of common stock of the Company?

The New Senior Secured Notes will not be convertible into shares of our common stock but holders of the New Senior Secured Notes will receive for each $1,000 principal amount of old notes tendered warrants exercisable for 2.75 shares of our common stock at an exercise price of $0.01 per share. The share and per share data reflects the one-for-five (1:5) reverse stock split that became effective on July 29, 2016.

The New 2019 Convertible Notes and the New 2020 Convertible Notes will be convertible, subject to and following receipt of required stockholder approval, at the option of the holder, into shares of our common stock at a conversion rate of 81.2 shares of common stock per $1,000 principal amount of such new notes (equivalent to a conversion price of approximately $12.32 per share of common stock), subject to customary anti-dilution adjustments.

Provided that required stockholder approval has been obtained for the convertibility of the New Convertible Notes, any holder of New Convertible Notes who would beneficially own (as determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder) in excess of 9.99% of the outstanding shares of our common stock or otherwise be deemed an affiliate of the Company upon conversion of such holder s New Convertible Notes (all such holders, the affected holders) will be required to provide 61 days written notice to the Company prior to any optional conversion. Further, after the consummation of the Exchange Offer and upon request by any affected holder, we will agree to file a shelf registration statement on Form S-3 with respect to the resale of shares of our common stock issued pursuant to the conversion of such New Convertible Notes. Such undertaking will be pursuant to a registration rights agreement to be entered into between us and the affected holders. Our obligation to maintain any such shelf registration statement will not extend for longer than one year after effectiveness thereof and will terminate if the applicable affected holder is no longer considered an affiliate of the Company.

In addition, subject to and following receipt of required stockholder approval, the New 2019 Convertible Notes and New 2020 Convertible Notes will be mandatorily convertible into shares of our common stock at the conversion rate of 81.2 shares of common stock per $1,000 principal amount of such notes (equivalent to a conversion price of approximately $12.32 per share of common stock) on or before the third business day following required notice of the

15 consecutive trading day period during which the daily volume weighted average price on the NYSE for our common stock is equal to or greater than $12.32 per share, subject to customary anti-dilution adjustments.

If the required stockholder approval is not obtained by December 31, 2016, the New 2019 Convertible Notes and New 2020 Convertible Notes will not be convertible into common stock, and such failure to obtain stockholder

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approval will result in a default under such notes. If such default continues for 90 days, it will become an Event of Default. Such default may in turn result in a default under the New Senior Secured Notes.

Interest shall cease to accrue on any new notes on the date such new notes have been converted (the Conversion Date). All accrued and unpaid interest on new notes that are being converted will be paid in cash on any Conversion Date. See Description of New Senior Secured Notes and Description of New Convertible Notes.

What percentage of the ownership of the Company will holders receive or be entitled to if the Exchange Offer is completed?

Assuming all $1.2 billion in outstanding old notes are validly tendered and accepted in the Exchange Offer, we will reserve for issuance, (i) subject to stockholder approval, up to approximately 48.8 million shares of common stock to be issuable upon conversion of the New 2019 Convertible Notes and New 2020 Convertible Notes and (ii) up to approximately 1.93 million shares of common stock to be issuable upon exercise of the warrants. If the conversion of the New Convertible Notes was to occur immediately after receipt of stockholder approval, approximately 37.6 million shares of common stock would be issued, which would represent in the aggregate approximately 72.3% of our outstanding common stock. If the conversion of the New Convertible Notes was to occur immediately prior to their respective maturity date, approximately 48.8 million shares of common stock would be issued, which would represent in the aggregate approximately 77.1% of our outstanding common stock. Exercise of the warrants would represent in the aggregate approximately 3.7% of our outstanding common stock. If the maximum number of shares of common stock were issued upon conversion of the New Convertible Notes and exercise of the warrants, it would represent approximately 80.8% of our outstanding shares. The foregoing assumes (i) all $1.2 billion in outstanding old notes are validly tendered and accepted in the Exchange Offer, (ii) all of the New Convertible Notes are converted into and all warrants are exercised for common stock and (iii) the number of outstanding shares of our common stock prior to such conversion or exercise is equal to 12,504,562, which is the approximate number of outstanding shares on August 29, 2016.

Who may participate in the Exchange Offer?

All holders of the old notes may participate in the Exchange Offer.

Is there a minimum tender condition to the Exchange Offer?

Yes. The Exchange Offer is conditioned upon holders of not less than (i) 67% in aggregate principal amount of the Old Senior Secured Notes and (ii) 90% in total aggregate principal amount of the Old 2019 Notes and Old 2020 Notes (on a combined basis) having validly tendered (and not validly withdrawn) their old notes in the Exchange Offer.

Are there any other conditions to the Exchange Offer?

Yes. The Exchange Offer is conditioned on the closing conditions described under General Terms of the Exchange Offer and Consent Solicitation Conditions of the Exchange Offer and Consent Solicitation. We will not be required, but we reserve the right, to the extent legally permitted, to accept for exchange any old notes tendered (or, alternatively, we may terminate the Exchange Offer) if any of the conditions of the Exchange Offer as described under General Terms of the Exchange Offer and Consent Solicitation Conditions of the Exchange Offer and Consent Solicitation remain unsatisfied.

What rights will I lose if I exchange my old notes in the Exchange Offer?

If you validly tender your old notes and we accept them for exchange, you will have rights as a holder of new notes and/or a holder of warrants, as the case may be, and will lose the rights of a holder of old notes. For example, as a holder of warrants to purchase common stock, your claims would rank below those of a holder of old notes and/or new notes in any bankruptcy proceeding involving the Company.

How can I determine the market value of the old notes?

The old notes are not listed on any securities exchange. To the extent that old notes have traded, prices of the old notes have fluctuated depending, among other things, upon trading volume, the balance between buy and sell orders, prevailing interest rates, our operating results and financial condition, our business prospects and the market for similar securities.

Will the new securities be freely tradable?

The new notes and the warrants received in the Exchange Offer, and the shares of common stock issuable upon exercise of the warrants or conversion of the New Convertible Notes will be freely tradable in the United States, unless you are an affiliate of the Company, as that term is defined in the Securities Act. The Company s common stock is currently listed on the NYSE under the symbol CRK. However, our common stock may be delisted if it does not maintain an average closing price of $1.00 per share or our average market capitalization is less than $50.0 million, in each case over a consecutive 30-day trading period. As of July 29, 2016, our average market capitalization was $52.5 million and the average closing price of our common stock was $0.84 (prior to the reverse stock split), in each case over the preceding 30-day trading period. The Company has submitted, and the NYSE has accepted, a plan to address the market capitalization and minimum trading price issues. The plan is closely tied to the successful completion of the restructuring, along with other operating initiatives, which the Company also believes will address the $1.00 minimum price and market capitalization deficiency. To address the minimum stock price requirement, on July 20, 2016, we announced a one-for-five (1:5) reverse split of our common stock which became effective on July 29, 2016. We do not intend to list the new notes or the warrants on the NYSE or any national or regional securities exchange, and therefore no trading market for the new notes will exist upon consummation of the Exchange Offer, and none is likely to develop.

What risks should I consider in deciding whether or not to exchange the old notes?

In deciding whether to participate in the Exchange Offer, you should carefully consider the discussion of the risks and uncertainties relating to the Exchange Offer, our Company and our industry described in the section entitled Risk Factors, beginning on page 20 of this prospectus.

How do I participate in the Exchange Offer?

To tender your old notes, you must deliver the required documents to D.F. King & Co., Inc. as Information and Exchange Agent, on or prior to the Expiration Date, which is 11:59 P.M., New York City time, on September 2, 2016, unless extended as described in this prospectus. See General Terms of the Exchange Offer and Consent Solicitation Early Tender Date, Expiration Date, Extensions, Amendments or Termination.

A holder who is a DTC participant should tender its old notes electronically through DTC s Automatic Tender Offer Program (ATOP), subject to the terms and procedures of that system. See General Terms of the Exchange Offer and Consent Solicitation Procedures for Tendering Old Notes Tender of Notes Through ATOP.

What happens if I do not participate in the Exchange Offer?

If you currently hold old notes and do not tender them, then, following completion of the Exchange Offer, your old notes will continue to be outstanding according to their terms (as amended pursuant to any amendments resulting from the Consent Solicitation). Because the new notes will be secured by substantially all assets of the Company and the old notes are (or as a result of the Proposed Amendments will be) unsecured, any old notes remaining outstanding after the Exchange Offer will effectively be subordinated to the new notes to the extent of the assets securing the new notes. The Proposed Amendments will also remove certain of the covenants from the indentures governing the old notes. Moreover, if we complete the Exchange Offer, the liquidity and value of, and any trading market for, any old notes that remain outstanding after completion of the Exchange Offer may be adversely affected.

HOLDERS THAT TENDER THROUGH DTC NEED NOT SUBMIT A PHYSICAL LETTER OF TRANSMITTAL TO THE INFORMATION AND EXCHANGE AGENT IF SUCH HOLDERS COMPLY WITH THE TRANSMITTAL PROCEDURES OF DTC.

A holder whose old notes are held by a broker, dealer, commercial bank, trust company or other nominee must contact that nominee if that holder desires to tender its old notes and instruct that nominee to tender the old notes on the holder s behalf.

A holder whose old notes are held in certificated form must properly complete and execute the applicable Letter of Transmittal, and deliver such Letter(s) of Transmittal and old notes in certificated form to the Information and Exchange Agent, with any other required documents and the certificates representing the old notes to be tendered in the Exchange Offer.

May I withdraw my tender of old notes?

Yes. You can withdraw old notes previously tendered for exchange at any time before the Withdrawal Deadline. The Withdrawal Deadline is 11:59 P.M., New York City time, on September 2, 2016, unless extended as described in this prospectus. See General Terms of the Exchange Offer and Consent Solicitation Early Tender Date, Expiration Date, Extensions, Amendments or Termination.

HOLDERS THAT WITHDRAW THROUGH DTC NEED NOT SUBMIT A PHYSICAL NOTICE OF WITHDRAWAL TO THE INFORMATION AND EXCHANGE AGENT IF SUCH HOLDERS COMPLY WITH THE WITHDRAWAL PROCEDURES OF DTC.

What happens if my old notes are not accepted in the Exchange Offer?

If we decide for any reason not to accept your old notes for exchange, the old notes will be returned to you promptly after the expiration or termination of the Exchange Offer. In the case of old notes tendered by book entry transfer into the Information and Exchange Agent s account at DTC, any unaccepted old notes will be credited to your account at DTC. See General Terms of the Exchange Offer and Consent Solicitation.

Do I need to do anything if I do not wish to tender my old notes?

No. If you do not deliver a properly completed and duly executed Letter of Transmittal to the Information and Exchange Agent or tender your old notes electronically through DTC s ATOP before the Expiration Date, your old notes will remain outstanding subject to their terms (as amended pursuant to any amendments resulting from the Consent Solicitation).

If I choose to tender my old notes for exchange, do I have to tender all of my old notes?

No. You may tender a portion of your old notes, all of your old notes or none of your old notes for exchange. See General Terms of the Exchange Offer and Consent Solicitation.

How will I be taxed under United States federal income tax laws on the exchange of the old notes if I am a United States holder of old notes?

Though it is not free from doubt, we intend to take the position that, the exchange of the old notes for exchange consideration should be treated as part of a recapitalization for United States federal income tax purposes. In such case, you generally should not recognize loss or gain for United States federal income tax purposes as a result of exchanging your old notes for exchange consideration, even if you have otherwise recognized an economic loss or gain with respect to such exchange. You should consult with your own tax advisor regarding the tax consequences of exchanging your old notes. See Certain United States Federal Income Tax Consequences.

Has the Board of Directors adopted a position on the Exchange Offer?

Our board of directors, which we refer to in this prospectus as the Board of Directors or the Board, has approved the making of the Exchange Offer. However, our directors do not make any recommendation as to whether you should tender your old notes pursuant to the Exchange Offer. You should consult your own financial, tax, legal and other advisors and must make your own decision as to whether to tender your old notes.

Who will pay the fees and expenses associated with the Exchange Offer?

We will bear all of our fees and expenses incurred in connection with consummating the Exchange Offer. No brokerage commissions are payable by the holders to the Information and Exchange Agent or us. If your old notes are held through a broker or other nominee who tenders old notes on your behalf, your broker or other nominee may charge you a commission or fee for doing so. You should consult with your broker or other nominee to determine whether any charges will apply. See General Terms of the Exchange Offer and Consent Solicitation.

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How do I vote for the Proposed Amendments?

If a holder validly tenders old notes prior to 11:59 P.M., New York City time, on the Expiration Date, such tender will be deemed to constitute the delivery of consent to the Proposed Amendments as a holder of old notes with respect to the tendered old notes. See Proposed Amendments to Existing Indentures and Old Notes.

Who can answer questions concerning the Exchange Offer?

Requests for assistance in connection with the tender of your old notes pursuant to the Exchange Offer may be directed to the Information and Exchange Agent, D.F. King & Co., Inc., 48 Wall Street, 22nd Floor, New York, New York 10005, Attention: Peter Aymar; phone: (877) 732-3619 or to the Dealer Manager, BofA Merrill Lynch, Attention: Debt Advisory; The Hearst Building, 214 North Tryon Street, 14th Floor, Charlotte, North Carolina 28255, toll-free: (888) 292-0070; collect: (980) 388-4813 and (646) 855-2464.

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PROSPECTUS SUMMARY

For the definitions of certain terms and abbreviations used in the oil and natural gas industry, see Definitions.

Our Company

We are engaged in the acquisition, development, production and exploration of oil and natural gas. Our common stock is listed and traded on the New York Stock Exchange under the symbol CRK.

Our oil and gas operations are concentrated in Texas and Louisiana. Our oil and natural gas properties are estimated to have proved reserves of 625 Bcfe with a standardized measure of discounted future net cash flows of $372.1 million as of December 31, 2015. Our proved oil and natural gas reserve base is 91% natural gas and 9% oil and was 59% developed as of December 31, 2015.

Our proved reserves at December 31, 2015 and our 2015 average daily production are summarized below:

	Proved Reserves at December 31, 2015				2015 Average Daily Production			
	Oil (MMBbls)	Natural Gas (Bcf)	Total (Bcfe)	% of Total	Oil (MBbls/d)	Natural Gas (MMcf/d)	Total (MMcfe/d)	% of Total
East Texas / North Louisiana	0.3	493.6	495.4	79.3%	0.2	106.9	107.9	59.5%
South Texas	8.8	67.3	119.9	19.2%	8.1	20.3	68.9	38.0%
Other Regions	0.1	8.7	9.7	1.5%	0.2	3.4	4.6	2.5%
Total	9.2	569.6	625.0	100.0%	8.5	130.6	181.4	100.0%

Recent Developments

With the substantial decline in oil and natural gas prices we experienced in 2015, which continued into 2016, we continue to experience declining cash flows and reductions in our overall liquidity. Given current oil and natural gas prices, our operating cash flow is not sufficient to cover our fixed debt service costs and as a result, we have had to fund capital expenditures with asset sale proceeds or from cash on hand. In late 2014 and into 2015, we reduced our drilling activity and released three operated drilling rigs. We substantially reduced our capital spending in 2015 and directed our drilling program to natural gas. We drilled ten horizontal wells on our Haynesville and Bossier shale properties in North Louisiana, employing an enhanced completion design using longer laterals and larger well stimulations. The well results were successful but natural gas prices substantially declined in response to a very warm winter. In order to preserve liquidity, we recently released our last operated rig after drilling and completing three additional successful Haynesville shale wells in 2016. While the reduction in drilling activity will allow us to preserve more of our cash on our balance sheet, it will result in future reductions to our natural gas production and proved oil and natural gas reserves. Without additional drilling in 2016, we expect our natural gas production to decline by 25-30% in 2017.

A successful completion of the Exchange Offer combined with our previous repurchases of $236.9 million of our senior notes in 2015 and 2016 will free up our cash flow from operations to allow us to restart our Haynesville shale drilling program which will allow us to increase our natural gas production and proved oil and gas reserves into 2017 and benefit from improving natural gas prices. To the extent that the Exchange Offer is not completed, we intend to pursue other initiatives to enhance our liquidity. Such initiatives could include entering into a drilling joint venture on our Haynesville shale properties or additional asset divestitures. We may also seek to issue additional secured debt to the extent permitted by the indentures governing the old notes. Such initiatives may help to meet our short-term liquidity needs but may come with terms that diminish our longer-term value and ability to benefit from improving oil and natural gas prices.

We have received a notice of non-compliance with continued listing standards from the New York Stock Exchange (the NYSE) for our common stock in that our common stock did not meet the minimum trading price of $1.00 per share and our market capitalization was less than the minimum requirement of $50 million. We have submitted a business plan to the NYSE demonstrating our intent to regain compliance with the NYSE s continued listing standards which has been accepted by the NYSE. As part of the plan to regain compliance, we have effected a one-for-five (1:5) reverse split of our common stock that became effective on July 29, 2016. All share and per share information in this prospectus has been adjusted to reflect the reverse stock split, unless the context otherwise requires.

Strengths

High Quality Properties. Our operations are focused in two operating areas: East Texas/North Louisiana and South Texas. Our properties have an average reserve life of approximately 9.4 years and have extensive development and exploration potential. Our properties in the East Texas/North Louisiana region, which are primarily prospective for natural gas, include 78,759 acres (66,864 net to us) in the Haynesville or Bossier shale formations. Advances in drilling and completion technology have allowed us to increase the reserves recovered through longer horizontal lateral length and substantially larger well stimulation. As a result of the improved economic returns that we achieved with our Haynesville shale natural gas wells, and the continuing decline of oil prices, our 2015 drilling activity primarily targeted natural gas in the Haynesville shale. In our South Texas region, our Eagleville field includes 26,416 acres (19,293 net to us) located in the oil window of the Eagle Ford shale. Our oil development program in the Eagleville field in 2015 was limited to the completion of wells that were drilled in 2014. In addition to our acreage in the Eagle Ford shale, we have 81,421 acres (75,669 net to us) in Mississippi and Louisiana that are prospective for oil development in the Tuscaloosa Marine shale. We did not drill on these properties in 2015 due to the low oil prices throughout the year, and we have extended lease terms on key acreage in this area to hold this oil acreage until prices support further development.

Successful Exploration and Development Program. In 2015, we spent $227.7 million on exploration and development activities, of which $196.4 million was for drilling and completing wells. We drilled 15 wells (13.6 net to us) and completed 23 wells (19.6 net to us). We also spent $13.7 million in 2015 on leasehold costs and $31.3 million for other development costs. Of our 2015 capital expenditures, 48% was directed towards natural gas projects. In 2015, our natural gas drilling program grew our natural gas production by 20% over 2014 and increased our proved natural gas reserves by 167 Bcf.

Efficient Operator. We operated 98% of our proved reserve base as of December 31, 2015. As the operator, we are better able 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.

Successful Acquisitions. We have had significant growth over the years as a result of our acquisition activity. In recent years, we have focused primarily on acquiring undrilled acreage rather than producing properties. We apply strict economic and reserve risk criteria in evaluating acquisitions. Over the past 25 years, we have added 1.1 Tcfe of proved oil and natural gas reserves from 38 acquisitions of producing oil and gas properties at an average cost of $1.17 per Mcfe. Our applications of strict economic and reserve risk criteria have enabled us to successfully evaluate and integrate acquisitions.

Business Strategy

Pursue Exploration Opportunities. Each year, we conduct exploration activities to grow our reserve base and to replace our production. In 2015, we focused on natural gas development as our natural gas projects in the Haynesville and Bossier shales provide us the highest returns within our opportunity set. We deferred further development of our oil properties under the low oil price environment.

In 2015, our Haynesville shale properties were the primary focus of our drilling activity. We have 80,657 acres (68,331 net to us) in East Texas and North Louisiana with Haynesville or Bossier shale natural gas potential. In January 2016, we completed an acreage swap with another operator which increased our Haynesville shale properties by 3,637 net acres in DeSoto Parish, Louisiana. Our 2015 drilling program focused on natural gas development based on a new well design that significantly enhanced the economics of these wells. We spent $109.9 million to drill 10 wells (9.6 net to us) on our Haynesville and Bossier shale properties and to recomplete two wells using the new enhanced completion design.

From 2010 through 2015, we spent approximately $169.5 million leasing acreage in South Texas, in the oil window of the Eagle Ford shale formation. We have in place a joint venture which allows us to accelerate the development of this field. Our joint venture partner participates for a one-third interest in the wells that we drill in exchange for paying $25,000 per net acre that is earned by its participation. Through December 31, 2015, we have drilled 196 wells (138.2 net to us) in our Eagleville field. Our joint venture partner participated in 144 of these wells and contributed $86.0 million through 2015 for acreage and an additional $9.1 million to reimburse us for a portion of common production facilities. During 2015, we completed four oil wells that were drilled on these properties during 2014, but we did not drill any new wells in 2015 and we are not currently anticipating any drilling activity on our oil properties until oil prices improve. In January 2016, we exchanged 2,547 net acres in Atascosa County, Texas for Haynesville shale acreage.

We divested all of our acreage in or near Burleson County, Texas in 2015 which were prospective for oil in the Eagle Ford shale formation. Cash proceeds realized from this sale were $102.5 million. We spent $69.1 million to drill four wells (4.0 net to us) and to complete eight wells (7.8 net to us) on this acreage in 2015 prior to their sale.

Through the end of 2015 we spent $94.2 million to acquire 87,746 acres (81,537 net to us) in Louisiana and Mississippi which are prospective for oil in the Tuscaloosa Marine shale. During 2014 we drilled our first well on this acreage but did not drill any wells in 2015 due to the decline in oil prices. We are not currently anticipating any drilling activity on this acreage during 2016 until oil prices improve. The lease terms on our key acreage in this area were modified during 2015 to allow us to defer drilling activity until 2018.

Enhance Liquidity and Reduce Leverage. With the substantial decline in oil and natural gas prices we experienced in 2015, which continued into 2016, we have taken several steps to enhance liquidity, reduce corporate commitments and ultimately reduce our leverage. In late 2014 and into 2015, we reduced our drilling activity and released three operated drilling rigs. We substantially reduced our capital spending in 2015 and have further reduced activity in 2016. In March 2015, we refinanced our bank revolving credit facility with $700 million of senior secured notes which mature in 2020. The bank revolving credit facility was subject to a semi-annual borrowing base which was based on current oil and gas prices. During 2015 and 2016, we repurchased $236.9 million in principal amount of our senior unsecured notes for $46.1 million in cash and the issuance of 2.7 million shares of our common stock. The repurchases reduced our annual interest expense by $20.6 million.

Exploit Existing Reserves. We seek to maximize the value of our oil and gas properties by increasing production and recoverable reserves through development drilling and workover, recompletion and exploitation activities. We utilize advanced industry technology, including 3-D seismic data, horizontal drilling, enhanced logging tools, and formation stimulation techniques. We spent $4.6 million in 2015 to refrac two of our producing horizontal wells in the Haynesville shale. This pilot program was successful in enhancing production from these wells by 577%. The success of this program supports a future program to re-stimulate many of our 186 producing natural gas shale wells and may also have applicability to our 196 horizontal oil shale wells when well economics support these investments.

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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. We operate most of the drilling projects in which we participate. Consequently, we have a significant degree of flexibility to adjust the level of such expenditures according to market conditions. In 2016, we drilled three horizontal Haynesville shale wells and in June 2016 suspended our drilling program. We may restart our drilling program later in 2016 conditioned on our liquidity and industry conditions.

Acquire High Quality Properties at Attractive Costs. Historically, we have had a successful track record of increasing our oil and natural gas reserves through opportunistic acquisitions. Over the past 25 years, we have added 1.1 Tcfe of proved oil and natural gas reserves from 38 acquisitions of producing oil and gas properties at a total cost of $1.3 billion, or $1.17 per Mcfe. In evaluating acquisitions, we apply strict economic and reserve risk criteria. 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.

Markets and Customers

The market for our production of oil and natural gas depends on factors beyond our control, including the extent of domestic production and imports of oil and natural gas, the proximity and capacity of natural gas pipelines and other transportation facilities, demand for oil and natural gas, the marketing of competitive fuels and the effects of state and federal regulation. The oil and gas industry also competes with other industries in supplying the energy and fuel requirements of industrial, commercial and individual consumers.

Our oil production is currently sold under short-term contracts with a duration of six months or less. The contracts require the purchasers to purchase the amount of oil production that is available at prices tied to the spot oil markets. Our natural gas production is primarily sold under contracts with various terms and priced on first of the month index prices or on daily spot market prices. Approximately 50% of our 2015 natural gas sales were priced utilizing first of the month index prices and approximately 50% were priced utilizing daily spot prices. BP Energy Company and its subsidiaries and Shell Oil Company and its subsidiaries accounted for 52% and 25%, respectively, of our total 2015 sales. The loss of either of these customers would not have a material adverse effect on us as there is an available market for our crude oil and natural gas production from other purchasers.

We have entered into longer term marketing arrangements to ensure that we have adequate transportation to get our natural gas production in North Louisiana to the markets. As an alternative to constructing our own gathering and treating facilities, we have entered into a variety of gathering and treating agreements with midstream companies to transport our natural gas to the long-haul natural gas pipelines. We have entered into certain agreements with a major natural gas marketing company to provide us with firm transportation for 15,000 MMBtu per day for our North Louisiana natural gas production on the long-haul pipelines. These agreements expire from 2016 to 2019. To the extent we are not able to deliver the contracted natural gas volumes, we may be responsible for the transportation costs. Our production available to deliver under these agreements in North Louisiana is expected to exceed the firm transportation arrangements we have in place. In addition, the marketing company managing the firm transportation is required to use reasonable efforts to supplement our deliveries should we have a shortfall during the term of the agreements.

Competition

The oil and gas industry is highly competitive. Competitors include major oil companies, other independent energy companies and individual producers and operators, many of which have financial resources, personnel and facilities substantially greater than we do. We face intense competition for the acquisition of oil and natural gas properties and leases for oil and gas exploration.

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Summary of the Terms of the Exchange Offer

We refer to the notes to be registered under the registration statement of which this prospectus forms a part as new notes. You may exchange your old notes for new notes and warrants, as the case may be and as further described herein, in this Exchange Offer. You should read the discussion under the headings General Terms of the Exchange Offer and Consent Solicitation, Description of New Senior Secured Notes and Description of New Convertible Notes for further information regarding the new notes.

Securities Subject to the Exchange Offer	Any and all of $700.0 million aggregate principal amount of 10% Senior Secured Notes due 2020, any and all of $288.5 million aggregate principal amount of 7 3⁄4% Senior Notes due 2019 and any and all of $174.6 million aggregate principal amount of 9 1⁄2% Senior Notes due 2020.
The Exchange Offer	We are offering to exchange any and all of our outstanding old notes tendered prior to the Expiration Date for new notes and, in the case of the Old Senior Secured Notes, warrants, upon the terms and subject to the conditions set forth in this prospectus and the accompanying Letter(s) of Transmittal (collectively, as the same may be amended or supplemented from time to time, the Offer Documents). Payment of accrued and unpaid interest on each of the old notes will be made in cash on the date on which the Exchange Offer is completed.
Early Tender Date	To be eligible to receive the Early Exchange Consideration, holders must tender the old notes at or prior to 11:59 P.M., New York City time, on September 2, 2016, unless extended by us.
Withdrawal Deadline; Expiration Date and Time	A holder s right to withdraw any old notes tendered will expire at 11:59 P.M., New York City time on September 2, 2016 unless extended by us. See General Terms of the Exchange Offer and Consent Solicitation Withdrawal of Tenders; Revocation of Consents. The Exchange Offer will expire at 11:59 P.M., New York City time, on September 2, 2016, unless extended by us. See General Terms of the Exchange Offer and Consent Solicitation Early Tender Date, Expiration Date, Extensions, Amendments or Termination.
Exchange Consideration	Eligible holders whose old notes are tendered prior to the Early Tender Date, not validly withdrawn and accepted for exchange will receive the following Early Exchange Consideration:

For each $1,000 principal amount of Old Senior Secured Notes so tendered, $1,000 principal amount of New Senior Secured Notes and warrants exercisable for 2.75 shares of common stock of the Company;

For each $1,000 principal amount of Old 2019 Notes so tendered, $1,000 principal amount of New 2019 Convertible Notes; and

For each $1,000 principal amount of Old 2020 Notes so tendered, $1,000 principal amount of New 2020 Convertible Notes.

The Early Tender Date and the Expiration Date are currently the same. Accordingly, all holders who tender their old notes prior to the Expiration Date will receive the Early Exchange Consideration. However, if we extend the Expiration Date past the Early Tender Date, eligible holders whose old notes are tendered after the Early Tender Date and prior to the Expiration Date, not validly withdrawn and accepted for exchange will receive the following Late Exchange Consideration:

For each $1,000 principal amount of Old Senior Secured Notes so tendered, $950 principal amount of New Senior Secured Notes and warrants exercisable for 2.75 shares of common stock of the Company;

For each $1,000 principal amount of Old 2019 Notes so tendered, $950 principal amount of New 2019 Convertible Notes; and

For each $1,000 principal amount of Old 2020 Notes so tendered, $950 principal amount of New 2020 Convertible Notes.

For additional information regarding the terms of the new notes, see Description of New Senior Secured Notes and Description of New Convertible Notes.

Accrued Interest

Payment of accrued and unpaid interest on the old notes will be made in cash on the Closing Date.

Proposed Amendments

Holders that tender old notes pursuant to the Exchange Offer prior to the Expiration Date will be deemed automatically to have delivered a consent to the Proposed Amendments with respect to all such old notes. If consents representing a majority of the outstanding principal amount of the respective old notes are delivered (and not revoked) prior to the Expiration Date, we will, subject to consummation of the Exchange Offer, execute supplemental indentures with respect to each series of the old notes with American Stock Transfer & Trust Company, LLC, as successor Trustee. Each such supplemental indenture will eliminate or amend certain of the restrictive covenants contained in the respective indenture governing the applicable series of old notes. If consents from holders representing at least 66 ⅔% of the aggregate outstanding principal amount of the Old Senior Secured Notes are delivered (and not revoked) prior to the Expiration Date, the supplemental indenture with respect to the Old Senior Secured Notes will, subject to the consummation of the Exchange Offer, also release all liens securing the Old Senior Secured Notes. See Proposed Amendments to Existing Indentures and Old Notes. Since

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the Minimum Condition threshold is greater than the threshold required to approve the Proposed Amendments and because consents to the Proposed Amendments are required if holders tender their old notes, the minimum threshold for the consents will automatically be achieved if the Minimum Condition is satisfied.

Conditions to the Exchange Offer

Our obligation to accept, and exchange, any old notes validly tendered (and not validly withdrawn) pursuant to the Exchange Offer is conditioned, among other things, upon: (i) the Minimum Condition; (ii) consents with respect to more than 50% of the aggregate principal amount of the old notes approving the Proposed Amendments are delivered and not revoked prior to the Expiration Date in connection with the Consent Solicitation, provided that the requested consent regarding a release of the collateral with respect to the Old Senior Secured Notes requires the consent of at least 66 2⁄3% of the aggregate principal amount of the Old Senior Secured Notes; and (iii) the Exchange Offer is completed by September 15, 2016.

In addition, pursuant to NYSE rules, we may not issue shares of our common stock representing in excess of 19.9% of our outstanding shares without the approval of our stockholders. If the Exchange Offer is completed, we intend to call a special meeting of stockholders as soon as reasonably practicable for stockholders of record as of the Closing Date (or such later date that we may designate) to consider the following matters: (1) a proposal to amend our restated articles of incorporation to increase the number of shares of our common stock authorized for issuance, in order to provide a sufficient number of authorized shares of common stock for the issuance of shares upon conversion of the New Convertible Notes; (2) a proposal to issue shares of common stock in excess of 19.9% of the currently outstanding shares that would be issued upon conversion of the New Convertible Notes and exercise of the warrants; and (3) any other matters properly brought before the meeting. If stockholder approval is not obtained by December 31, 2016, the New 2019 Convertible Notes and New 2020 Convertible Notes will not be convertible into common stock and such failure to obtain stockholder approval will result in a default under such notes. If such default continues for 90 days, it will become an Event of Default. Such default may in turn result in a default under the New Senior Secured Notes. See General Terms of the Exchange Offer and Consent Solicitation Conditions of the Exchange Offer and Consent Solicitation.

Closing Date

The Closing Date will be promptly after the Expiration Date and is expected to be the first business day after the Expiration Date. Assuming the Exchange Offer is not extended, we expect the Closing Date will be on or about September 6, 2016.

Acceptance of Tenders	All properly completed, executed and delivered Letters of Transmittal and properly tendered old notes received by the Information and Exchange Agent prior to the Expiration Date may be accepted.

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Procedure for Tenders

If you wish to participate in the Exchange Offer and your old notes are held by a custodial entity such as a bank, broker, dealer, trust company or other nominee, you must instruct that custodial entity to tender your old notes on your behalf pursuant to the procedures of the custodial entity.

Custodial entities that are participants in The Depository Trust Company, or DTC, may tender old notes through DTC s Automated Tender Offer Program, known as ATOP, by which the custodial entity and the beneficial owner on whose behalf the custodial entity is acting agree to be bound by the Letter of Transmittal. Holders may also tender old notes at their option through the completion and delivery to the Information and Exchange Agent of a Letter of Transmittal. See General Terms of the Exchange Offer and Consent Solicitation Procedures for Tendering Old Notes. A Letter of Transmittal need not accompany tenders effected through ATOP.

Withdrawal of Tenders

You may withdraw the tender of your old notes at any time prior to 11:59 P.M., New York Time, on September 2, 2016 unless extended by us, by submitting a notice of withdrawal to the Information and Exchange Agent using the procedures described in General Terms of the Exchange Offer and Consent Solicitation Withdrawal of Tenders; Revocation of Consents. Any old note withdrawn pursuant to the terms of the Exchange Offer shall not thereafter be considered tendered for any purpose unless and until such old note is again tendered pursuant to the Exchange Offer. Any old notes tendered prior to the Withdrawal Deadline that are not validly withdrawn prior to such Withdrawal Deadline may not be withdrawn thereafter, except as otherwise provided by law.

Further Information

Requests for additional copies of this prospectus and the Letter of Transmittal and questions about the terms of the Exchange Offer should be directed to the Information and Exchange Agent at the address and telephone numbers set forth on the back cover of this prospectus.

Fees and Expenses

We will bear all of our fees and expenses incurred in connection with consummating the Exchange Offer. No brokerage commissions are payable by the holders to the Information and Exchange Agent or us. If your old notes are held through a broker or other nominee who tenders old notes on your behalf, your broker or other nominee may charge you a commission or fee for doing so. You should consult with your broker or other nominee to determine whether any charges will apply. See General Terms of the Exchange Offer and Consent Solicitation.

Soliciting Dealer Fee

We will agree to pay a soliciting dealer fee equal to $5.00 for each $1,000 principal amount of old notes that are validly tendered for exchange and not validly withdrawn pursuant to the Exchange Offer to retail brokers that are appropriately designated by their clients to receive this fee, but only if the old notes of each applicable series that are tendered by or for that beneficial owner have an aggregate equivalent principal amount of $250,000 or less. Soliciting dealer fees will only be paid to retail brokers upon consummation of the Exchange Offer. No soliciting dealer fees will be paid if the Exchange Offer is not consummated, and the fees will be payable thereafter upon request by the soliciting dealers and presentation of such supporting documentation as we may reasonably request.

Extensions, Amendments or Termination We may extend, in our sole discretion, the Early Tender Date, the Withdrawal Deadline or the Expiration Date. We may terminate the Exchange Offer if the conditions to the Exchange Offer are not met on or prior to the Expiration Date. We reserve the right, subject to applicable law, to (i) waive any and all of the conditions of the Exchange Offer prior to the Expiration Date, or (ii) amend the terms of the Exchange Offer. In the event that the Exchange Offer is terminated, withdrawn or otherwise not consummated prior to the Expiration Date, no new notes will be issued or become payable to holders who have tendered their old notes. In any such event, the old notes previously tendered pursuant to the Exchange Offer will be promptly returned to the tendering holders and the Proposed Amendments will not become effective.

Use of Proceeds We will not receive any cash proceeds in the Exchange Offer.

Delivery of Letters of Transmittal and Consent Properly completed and executed Letters of Transmittal and Consent should be sent by mail, first class postage prepaid, overnight courier or hand delivery to the Information and Exchange Agent at the address, or faxed to the Information and Exchange Agent at the facsimile number, set forth on the back cover of this prospectus.

In lieu of physically completing and signing the Letter of Transmittal and delivering it to the Information and Exchange Agent, DTC participants may electronically transmit their acceptance of the Exchange Offer through the ATOP procedures described above.

Letters of Transmittal and Consent should not be delivered directly to the Company.

Certain United States Federal Income Tax Consequences For a discussion of the United States federal income tax consequences of the Exchange Offer, see Certain United States Federal Income Tax Consequences.

Consequences of Failure To Exchange	Old notes not exchanged will continue to be outstanding according to their terms (as amended pursuant to any amendments resulting from the Consent Solicitation). Because the new notes will be secured by

	certain assets of the Company and the guarantors and the old notes are (or by result of the Proposed Amendments will be) unsecured, any old notes left outstanding after the Exchange Offer will effectively be subordinated to the new notes to the extent of the assets securing the new notes. The Proposed Amendments will also remove certain of the covenants from the indentures governing the old notes. See Consequences of Not Exchanging Old Notes.
Additional Information	Questions or requests for assistance in completing and delivering the Letter(s) of Transmittal or tendering old notes and requests for additional copies of any Offer Document or other related documents should be directed to the Information and Exchange Agent, at the addresses and telephone numbers set forth on the back cover of this prospectus.
Information and Exchange Agent	D.F. King & Co., Inc.
Dealer Manager	Merrill Lynch, Pierce, Fenner & Smith Incorporated.
Trustee	American Stock Transfer & Trust Company, LLC

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THE NEW SENIOR SECURED NOTES

The summary below describes the principal terms of the New Senior Secured Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The Description of New Senior Secured Notes section of this prospectus contains more detailed descriptions of the terms and conditions of the New Senior Secured Notes.

Issuer	Comstock Resources, Inc.
Notes Offered	$700.0 million aggregate principal amount of Senior Secured Toggle Notes due 2020.
Maturity	The New Senior Secured Notes will mature on March 15, 2020.
Interest Rate	The New Senior Secured Notes will bear interest at a rate of 10.0% per annum, if the Company elects to pay interest in cash, or 12 1/4% per annum, if the Company elects to pay interest in kind, in each case accruing from the issue date of the New Senior Secured Notes; provided, that not more than $91.875 million of interest may be paid in kind on the New Senior Secured Notes.
Interest Payment Dates	Interest on the New Senior Secured Notes will be payable on March 15 and September 15, commencing on March 15, 2017.
Payment-In-Kind Election	Up to an aggregate of $91.875 million of interest will be payable, at the election of the Company (made by delivering a notice to the trustee for the New Senior Secured Notes (the Senior Secured Notes Trustee) prior to the end of each interest period), by issuing additional New Senior Secured Notes in lieu of all or part of the cash interest that would otherwise be payable.
Use of Proceeds	We will not receive any proceeds in connection with the Exchange Offer.
Collateral	The New Senior Secured Notes will be secured by liens on the Collateral, on an equal and ratable, first priority basis with the obligations under our existing revolving credit facility (the Revolving Credit Agreement Obligations and, together with the obligations under the New Senior Secured Notes, the Pari Passu Obligations), subject to payment priorities in favor of lenders under our existing revolving credit facility pursuant to

	the terms of the pari passu intercreditor agreement (as described more fully below). The Collateral will consist of substantially all of the assets of the Company and the subsidiary guarantors.
Guarantees	All of our subsidiaries that guarantee our Old Senior Secured Notes, which consist of all of our subsidiaries in existence on the issue date, will initially guarantee the New Senior Secured Notes. In the future, the New Senior Secured Notes will be guaranteed by all of our future wholly-owned restricted subsidiaries and any of our other subsidiaries that guarantee our existing revolving credit facility. See Description of New Senior Secured Notes Subsidiary Guarantees of New Senior Secured Notes and Description of New Senior Secured Notes Certain Covenants Future Subsidiary Guarantees.

Ranking

The New Senior Secured Notes:

- will be our senior obligations;
- will rank pari passu in right of payment with all of our existing and future senior indebtedness, subject to the terms of the pari passu intercreditor agreement;
- will be secured, on an equal and ratable first priority basis with the Revolving Credit Agreement Obligations (subject to payment priorities in favor of our existing revolving credit facility pursuant to the terms of the pari passu intercreditor agreement and subject to permitted collateral liens) by liens on the same collateral that secure the Revolving Credit Agreement Obligations;
- will rank senior in right of payment to any of our existing and future subordinated indebtedness;
- will effectively rank senior to all existing and future unsecured senior indebtedness, including the Old Senior Secured Notes (which will become unsecured upon completion of the Exchange Offer), our Old 2019 Notes and our Old 2020 Notes, to the extent of the value of the Collateral; and
- will effectively rank senior to our New 2019 Convertible Notes and our New 2020 Convertible Notes, to the extent of the value of the Collateral.

The subsidiary guarantees:

- will be senior obligations of each subsidiary guarantor;
- will rank pari passu in right of payment with all existing and future senior indebtedness of each such subsidiary guarantor, subject to the terms of the pari passu intercreditor agreement;
- will be secured, on an equal and ratable first priority basis with the Revolving Credit Agreement Obligations (subject to payment

priorities in favor of our existing revolving credit facility pursuant to the terms of the pari passu intercreditor agreement and subject to permitted collateral liens), by liens on the same collateral that secure the Revolving Credit Agreement Obligations;

will rank senior in right of payment to any existing and future subordinated indebtedness of each such guarantor;

will effectively rank senior to all existing and future unsecured senior indebtedness of such subsidiary guarantor, including the Old Senior Secured Notes, the Old 2019 Notes and the Old 2020 Notes, to the extent of the value of the Collateral; and

will effectively rank senior to each subsidiary guarantor s guarantee of the New 2019 Convertible Notes and the New 2020 Convertible Notes to the extent of the value of the Collateral.

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Intercreditor Agreements	The allocation of the proceeds of the Collateral among the New Senior Secured Notes and our existing revolving credit facility will be governed by a pari passu intercreditor agreement. The pari passu intercreditor agreement will provide that (i) our existing revolving credit facility will have priority of payment as to the proceeds of the Collateral securing obligations up to an amount of $50.0 million plus accrued and unpaid interest, fees, costs and expenses, any swap obligations we or our subsidiaries enter into with our revolving credit lenders or their affiliates and letters of credit outstanding (the priority obligations) and (ii) subsequent to the satisfaction in full, in cash, of the priority obligations, the New Senior Secured Notes will be entitled to the proceeds of the Collateral.
	The Controlling Agent will control (i) the exercise of remedies relating to the Collateral and (ii) certain amendments to the Collateral Agreements governing the Collateral, including releases of liens thereunder. Controlling Agent means the administrative agent under our existing revolving credit facility until the earlier of (x) the satisfaction in full, in cash, of the priority obligations or (y) the passage of 180 days after an event of default under the indenture with respect to the New Senior Secured Notes has occurred, such obligations have been accelerated, and the Senior Secured Notes Trustee has provided notice thereof to the Controlling Agent, and provided that the Controlling Agent has not taken action to exercise remedies within such 180 day time period.
	In addition, the allocation of the proceeds of the Collateral among the Pari Passu Obligations and the obligations under the New 2019 Convertible Notes and the New 2020 Convertible Notes (the Junior Lien Obligations) will be governed by a junior lien intercreditor agreement. The junior lien intercreditor agreement will provide that the Pari Passu Obligations will have priority of payment as to the proceeds of the Collateral securing both the Pari Passu Obligations and the Junior Lien Obligations.
Optional Redemption	We may redeem some or all of the New Senior Secured Notes at redemption prices that decrease over time, plus accrued and unpaid interest and additional amounts, if any, to the redemption date.
	See Description of New Senior Secured Notes Redemption Optional Redemption.
Change of Control Offer	Upon the occurrence of a change of control (as defined in Description of New Senior Secured Notes Certain Definitions), each holder of New

Senior Secured Notes may require us to repurchase some or all of its New Senior Secured Notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the repurchase date. See Description of New Senior Secured Notes Certain Covenants Change of Control.

Asset Sale Offer

We may be required to offer to use all or a portion of the net proceeds of certain asset sales to purchase New Senior Secured Notes at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the repurchase date. See Description of New Senior Secured Notes Certain Covenants Limitation on Asset Sales.

Certain Covenants

We will issue the New Senior Secured Notes under an indenture. The indenture governing the New Senior Secured Notes will contain covenants that, among other things, will limit our and our restricted subsidiaries ability to:

- pay dividends, purchase or redeem our capital stock or our or our subsidiary guarantor s junior lien, unsecured and subordinated indebtedness or make other restricted payments;
- incur or guarantee additional indebtedness or issue preferred stock;
- create or incur liens;
- create unrestricted subsidiaries;
- enter into transactions with affiliates;
- enter into new lines of business; and
- transfer or sell assets or enter into mergers.

The covenants in the New Senior Secured Notes are substantially the same as the covenants in the Old Senior Secured Notes.

The indenture governing the New Senior Secured Notes will also contain covenants that limit our and our subsidiaries ability to consummate a merger or consolidation and that limit our ability to consummate a sale of all or substantially all of their assets.

These covenants are subject to important exceptions and qualifications. See Description of New Senior Secured Notes Certain Covenants.

Many of these covenants will cease to apply to the New Senior Secured Notes during any period that the New Senior Secured Notes have investment grade ratings from both Moody s Investors Service, Inc. (Moody s) and S&P Global Ratings (S&P) and no default has occurred and is continuing under the indenture governing the New Senior Secured Notes. See Description of New Senior Secured Notes Covenant Suspension.

Risk Factors

You should consider carefully all of the information set forth or incorporated by reference in this prospectus and, in particular, the information under the heading Risk Factors beginning on page 20 of this prospectus.

THE NEW CONVERTIBLE NOTES

The summary below describes the principal terms of the New Convertible Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The Description of New Convertible Notes section of this prospectus contains more detailed descriptions of the terms and conditions of the New Convertible Notes.

Issuer	Comstock Resources, Inc.
Notes Offered	Up to $288,516,000 aggregate principal amount of 7 ¾% Convertible Secured PIK Notes due 2019 (the New 2019 Convertible Notes)
	Up to $174,607,000 aggregate principal amount of 9 ½% Convertible Secured PIK Notes due 2020 (the New 2020 Convertible Notes and, together with the New 2019 Convertible Notes, the New Convertible Notes)
Maturity	The New 2019 Convertible Notes will mature on April 1, 2019.
	The New 2020 Convertible Notes will mature on June 15, 2020.
Interest Rate	The New 2019 Convertible Notes will bear interest at a rate of 7 ¾% per annum, accruing from the issue date of the New 2019 Convertible Notes.
	The New 2020 Convertible Notes will bear interest at a rate of 9 ½% per annum, accruing from the issue date of the New 2020 Convertible Notes.
Interest Payment Dates	Interest on the New 2019 Convertible Notes will be payable on April 1 and October 1, commencing on April 1, 2017.
	Interest on the New 2020 Convertible Notes will be payable on June 15 and December 15, commencing on December 15, 2016.
Payment-In-Kind	For each series of New Convertible Notes, interest will be payable solely by issuing additional notes in an amount equal to the applicable amount of interest for the interest period (rounded down to the nearest whole dollar). No scheduled interest payments on the New Convertible Notes

will be made in cash.

Use of Proceeds	We will not receive any proceeds in connection with the Exchange Offer.
Collateral	Each series of New Convertible Notes will be secured by liens on the Collateral, on a second priority basis, subject to (i) the liens securing the obligations under our existing revolving credit facility (the Revolving Credit Agreement Obligations) and the New Senior Secured Notes (together with the Revolving Credit Agreement Obligations, the Priority Lien Obligations) and (ii) permitted collateral liens. The Collateral for the New Convertible Notes is the same as the collateral for the Revolving Credit Obligations and the New Senior Secured Notes.

Guarantees

All of our subsidiaries that guarantee our Old 2019 Notes and Old 2020 Notes, which consist of all of our subsidiaries in existence on the issue date of each series of New Convertible Notes, will initially guarantee the New Convertible Notes. In the future, the New Convertible Notes will be guaranteed by any future wholly-owned restricted subsidiary that has outstanding or guarantees any other indebtedness of ours or our subsidiary guarantors. See Description of New Convertible Notes Junior Lien Subsidiary Guarantees of New Convertible Notes and Description of New Convertible Notes Certain Covenants Future Junior Lien Subsidiary Guarantees.

Ranking

The New Convertible Notes:

- will be our senior obligations;
- will rank pari passu in right of payment with all of our existing and future senior indebtedness;
- will be secured, on a second priority basis, subject to the Priority Lien Obligations and permitted collateral liens, by junior liens on the same collateral that secures such Priority Lien Obligations;
- will rank senior in right of payment to any of our existing and future subordinated indebtedness;
- will effectively rank senior to all existing and future unsecured senior indebtedness, including the Old Senior Secured Notes (which will become unsecured upon completion of the Exchange Offer), our Old 2019 Notes and our Old 2020 Notes, to the extent of the value of the Collateral; and
- will effectively be subordinated, pursuant to the terms of the Junior Lien Intercreditor Agreement (as defined below), to all Priority Lien Obligations, to the extent of the value of the Collateral.

The subsidiary guarantees:

- will be senior obligations of each subsidiary guarantor;

will rank pari passu in right of payment with all existing and future senior indebtedness of each such subsidiary guarantor;

will be secured, on a second priority basis, subject to the Priority Lien Obligations and permitted collateral liens, by junior liens on the same collateral that secures such Priority Lien Obligations;

will rank senior in right of payment to any existing and future subordinated indebtedness of each such guarantor;

will effectively rank senior to all existing and future unsecured senior indebtedness of such subsidiary guarantor, including the Old Senior Secured Notes, the Old 2019 Notes and the Old 2020 Notes, to the extent of the value of the Collateral; and will effectively be subordinated, pursuant to the terms of the Junior Lien Intercreditor Agreement, to all Priority Lien Obligations, to the extent of the value of the Collateral.

Junior Lien Intercreditor Agreement

The allocation of the proceeds of the Collateral among the Priority Lien Obligations and the New Convertible Notes will be governed by a junior lien intercreditor agreement (the Junior Lien Intercreditor Agreement). The Junior Lien Intercreditor Agreement will provide that the Priority Lien Obligations will have priority of payment as to the proceeds of the Collateral securing both the Priority Lien Obligations and the New Convertible Notes.

Collateral Trust Agreement

The New Convertible Notes will be subject to a collateral trust agreement that will set forth the terms on which the junior lien collateral agent will receive, hold, administer, maintain, enforce and distribute the proceeds of all liens upon the Collateral held by it, in trust for the benefit of the holders of the New Convertible Notes. The junior lien collateral agent will hold (directly or through co-trustees or agents), and, subject to the terms of the Junior Lien Intercreditor Agreement, will be entitled to enforce, all liens on the Collateral securing the New Convertible Notes.

Optional Redemption

We may redeem some or all of each series of New Convertible Notes at redemption prices payable in cash that decrease over time, plus accrued and unpaid interest and additional amounts, if any, to the redemption date.

See Description of New Convertible Notes Redemption Optional Redemption of the New 2019 Convertible Notes and Description of New Convertible Notes Redemption Optional Redemption of the New 2020 Convertible Notes.

Conversion Rights

At any time following issuance, the New 2019 Convertible Notes and the New 2020 Convertible Notes will be convertible, subject to and following receipt of required stockholder approval and the effectiveness of an amendment to our restated articles of incorporation, at the option of the holder, into shares of our common stock at a conversion rate of 81.2 shares of common stock per $1,000 principal amount of such new notes (equivalent to a conversion price of approximately $12.32 per share of common stock), which will be subject to customary adjustments with respect to, among other things, dividends and distributions, mergers and reclassifications.

Mandatory Conversion	Subject to and following receipt of required stockholder approval and the effectiveness of an amendment to our restated articles of incorporation, the New 2019 Convertible Notes and New 2020 Convertible Notes will be mandatorily convertible into shares of our common stock at the conversion rate then in effect per $1,000 principal amount of such notes on or before the third business day

following required notice of the 15 consecutive trading day period during which the daily volume weighted average price on the relevant stock exchange for our common stock is equal to or greater than $12.32 per share.

Any holder who would own in excess of 9.99% of the outstanding shares of our common stock or otherwise be considered an affiliate under the Securities Act and/or Exchange Act upon conversion of the New Convertible Notes will have the right to request that we file a registration statement on Form S-3 with respect to the resale of such shares pursuant to a registration rights agreement.

See Description of New Convertible Notes Conversion Rights.

Change of Control Offer

Upon the occurrence of a change of control (as defined in Description of New Convertible Notes Certain Definitions), each holder of each series of New Convertible Notes may require us to repurchase some or all of its New Convertible Notes at a price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the repurchase date. See Description of New Convertible Notes Certain Covenants Change of Control.

Asset Sale Offer

We may be required to offer to use all or a portion of the net proceeds of certain asset sales to purchase New Convertible Notes in each series at a price in cash equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the repurchase date. See Description of New Convertible Notes Certain Covenants Limitation on Asset Sales.

Certain Covenants

We will issue each series of New Convertible Notes under an indenture. The indentures governing the New Convertible Notes will contain covenants that, among other things, will limit our and our restricted subsidiaries ability to:

- pay dividends, purchase or redeem our capital stock or our or our subsidiary guarantor s subordinated indebtedness or make other restricted payments;
- incur or guarantee additional indebtedness or issue preferred stock;
- create or incur liens;

- create unrestricted subsidiaries;
- enter into transactions with affiliates;
- enter into new lines of business; and
- transfer or sell assets or enter into mergers.

The covenants for each series of the New Convertible Notes are substantially the same as the covenants in the Old 2019 Notes and the Old 2020 Notes except that the indentures governing the New

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Convertible Notes will (i) prohibit the Company and its restricted subsidiaries from directly or indirectly creating, incurring, assuming or suffering to exist any Lien of any kind securing Indebtedness on any of their respective property or assets, except for permitted liens and (ii) permit investments in unrestricted subsidiaries and joint ventures in an aggregate amount not to exceed at any one time outstanding $25,000,000.

The indentures governing the New Convertible Notes will also contain covenants that limit our and our subsidiaries ability to consummate a merger or consolidation and that limit our ability to consummate a sale of all or substantially all of their assets.

Many of these covenants will cease to apply to a series of New Convertible Notes during any period that such New Convertible Notes have investment grade ratings from both Moody s Investors Service, Inc. (Moody s) and S&P Global Ratings (S&P) and no default has occurred and is continuing under the applicable indenture governing the New Convertible Notes. See Description of New Convertible Notes Covenant Suspension.

These covenants are subject to important exceptions and qualifications. See Description of New Convertible Notes Certain Covenants.

Risk Factors

You should consider carefully all of the information set forth or incorporated by reference in this prospectus and, in particular, the information under the heading Risk Factors beginning on page 20 of this prospectus.

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Consequences of Not Exchanging Old Notes

If you currently hold old notes and do not tender them, then, following completion of the Exchange Offer, your old notes will continue to be outstanding according to their terms (as amended pursuant to any amendments resulting from the Consent Solicitation). Because the new notes will be secured by certain assets of the Company and the guarantors and the old notes are (or by result of the Proposed Amendments will be) unsecured, any old notes left outstanding after the Exchange Offer will effectively be subordinated to the new notes to the extent of the assets securing the new notes. The Proposed Amendments will also remove certain of the covenants from the indentures governing the old notes. Moreover, if we complete the Exchange Offer, the liquidity of any old notes that remain outstanding after completion of the Exchange Offer may be adversely affected and the value of the old notes may otherwise be affected by the completion of the Exchange Offer.

Corporate Information

Our principal executive offices are located at 5300 Town and Country Blvd., Suite 500, Frisco, Texas 75034 and our telephone number is (972) 668-8800. Our website can be found on the Internet at http://www.comstockresources.com. Information on our website is not deemed to be a part of this prospectus. Our common stock is currently listed on the New York Stock Exchange under the symbol CRK.

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RISK FACTORS

You should carefully consider the risk factors set forth below as well as the other information contained in this prospectus before investing in the new notes. The risks described below are not the only risks facing us. Additional risks and uncertainties not currently known to us or those we currently view to be immaterial may also materially and adversely affect our business, financial condition or results of operations. Any of the following risks could materially and adversely affect our business, financial condition or results of operations. In such a case, you may lose all or part of your investment.

Risks Related to the Exchange Offer and Holding the New Notes

Risks Relating to the Exchange Offer and Consent Solicitation

We may not complete the Exchange Offer and Consent Solicitation.

Our ability to make required payments under our indebtedness would be adversely affected if we were to be unable to complete the Exchange Offer and Consent Solicitation. The purpose of the Exchange Offer is to restructure the terms of our outstanding notes to promote our long-term financial viability through the issuance of the exchange consideration.

The completion of the Exchange Offer and Consent Solicitation is subject to the satisfaction, or in certain cases, waiver of specified conditions. It is a condition to the completion of the Exchange Offer that, among other things, (i) holders of not less than 67% in aggregate principal amount of the Old Senior Secured Notes having validly tendered (and not validly withdrawn) their old notes in the Exchange Offer; (ii) holders of not less than 90% in total aggregate principal amount of the Old 2019 Notes and Old 2020 Notes (on a combined basis) having validly tendered (and not validly withdrawn) their old notes in the Exchange Offer (collectively, the Minimum Condition); (iii) consents approving the Proposed Amendments with respect to more than 50% of the aggregate principal amount of each series of the old notes (except regarding the release of the collateral with respect to the Old Senior Secured Notes which requires not less than 66 ⅔% of the aggregate principal amount) are delivered and not revoked prior to the Expiration Date; and (iv) the Exchange Offer is completed by September 15, 2016. If the conditions to the completion of the Exchange Offer and Consent Solicitation are not satisfied or, if permitted, waived, the Exchange Offer may not be completed.

If we are unable to consummate the Exchange Offer and Consent Solicitation, we will consider other restructuring alternatives available to us at that time. Any alternative restructuring could be on terms less favorable to the holders of old notes than the terms of the Exchange Offer and Consent Solicitation.

If we are unable to consummate the Exchange Offer and Consent Solicitation, we will consider other restructuring alternatives available to us at that time. Those alternatives may include asset dispositions, joint ventures, additional debt or the commencement of a Chapter 11 proceeding with or without a pre arranged plan of reorganization. Moreover, there can be no assurance that any alternative out of court restructuring arrangement or plan will be pursued or accomplished. Any alternative restructuring could be on terms less favorable to the holders of old notes than the terms of the Exchange Offer and Consent Solicitation. If a protracted and non orderly reorganization were to occur, there is a risk that the ability of the holders to recover their investments would be substantially delayed and more impaired than under the proposed Exchange Offer restructuring.

A long and protracted restructuring could cause us to lose key management employees and otherwise adversely affect our business.

If we fail to consummate the Exchange Offer and Consent Solicitation, any alternative we pursue, whether in or out of court, may take substantially longer to consummate than the Exchange Offer and Consent Solicitation. A protracted financial restructuring could disrupt our business and would divert the attention of our management

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from the operation of our business and implementation of our business plan. It is possible that such a prolonged financial restructuring or bankruptcy proceeding would cause us to lose many of our key management employees. Such losses of key management employees would likely make it difficult for us to complete a financial restructuring and may make it less likely that we will be able to continue as a viable business.

The uncertainty surrounding a prolonged financial restructuring could also have other adverse effects on us. For example, it could also adversely affect:

- our ability to raise additional capital;
- our ability to capitalize on business opportunities and react to competitive pressures;
- our ability to attract and retain employees;
- our liquidity;
- how our business is viewed by investors, lenders, strategic partners or customers; and
- our enterprise value.

Our ability to use our NOLs to offset our future income may be limited.

For United States federal income tax purposes, it is possible that a Section 382 ownership change could occur as a result of the transactions contemplated by the Exchange Offer (in particular, as a result of the conversion of all of the New Convertible Notes). In the event such a Section 382 ownership change occurs, our ability to use our tax loss carryforwards and other tax attributes would be restricted. See Certain United States Federal Income Tax Consequences.

We will incur significant costs in conducting the Exchange Offer and Consent Solicitation.

The Exchange Offer and Consent Solicitation have resulted, and will continue to result, in significant costs to us, including advisory and professional fees paid in connection with evaluating our alternatives under the old notes and pursuing the Exchange Offer and Consent Solicitation.

We have not obtained a third party determination that the Exchange Offer is fair to holders of the old notes.

We are not making a recommendation as to whether holders of the old notes should exchange their old notes or consent to the Proposed Amendments. We have not retained and do not intend to retain any unaffiliated representative to act solely on behalf of the holders of the old notes for purposes of negotiating the Exchange Offer or preparing a report concerning the fairness of the Exchange Offer. We cannot assure holders of the old notes that the value of the exchange consideration received in the Exchange Offer will in the future equal or exceed the value of the old notes tendered, and we do not take a position as to whether you ought to participate in the Exchange Offer and Consent

Solicitation.

If the Exchange Offer is consummated, holders of old notes that do not exchange their old notes in the Exchange Offer will be subject to certain risks.

If the Exchange Offer is consummated, holders that do not validly tender their old notes in the Exchange Offer will not be entitled to receive exchange consideration. The New Convertible Notes and the related guarantees will become secured second lien obligations and, assuming adoption of the Proposed Amendments, will effectively rank senior in right of payment to the old notes to the extent of the value of the collateral securing such new obligations.

If the Exchange Offer is consummated, the Proposed Amendments to the Existing Indentures and old notes will become effective, and will substantially reduce, and in some cases eliminate entirely, the covenant protection, collateral security, certain event of default protection, and other provisions of the old notes. See Proposed Amendments to Existing Indentures and Old Notes.

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In addition, consummation of the Exchange Offer and Consent Solicitation would substantially reduce the aggregate principal amount of old notes outstanding, which could adversely affect the trading market, if any, for the untendered old notes. This could adversely affect the liquidity, market price, and price volatility of any untendered old notes. If a market for untendered old notes exists, such old notes may trade at a discount to the price at which the old notes would trade if the amount outstanding had not been reduced, depending on prevailing interest rates, the market for similar securities, and other factors.

You may find it difficult to sell your new notes.

The new notes are a new issue of securities and, although the new notes will be registered under the Securities Act, the new notes will not be listed on any securities exchange. Because there is no public market for the new notes, you may not be able to resell them.

We cannot assure you that an active market will develop for the new notes or that any trading market that does develop will be liquid. If an active market does not develop or is not maintained, the market price and liquidity of the new notes may be adversely affected. If a market for the new notes develops, they may trade at a discount from their historic trading prices. Any trading market for the new notes may be adversely affected by:

- changes in the overall market for non-investment grade securities;
- changes in our financial performance or prospects;
- the financial performance or prospects for companies in our industry generally;
- the number of holders of the new notes;
- the interest of securities dealers in making a market for the new notes; and
- prevailing interest rates and general economic conditions.

Historically, the market for non-investment grade debt has been subject to substantial volatility in prices. The market for the new notes, if any, may be subject to similar volatility. Prospective investors in the new notes should be aware that they may be required to bear the financial risks of such investment for an indefinite period of time.

Consideration paid to holders in the Exchange Offer could be subject to avoidance as a preferential transfer.

If we were to become a debtor in a case under the U.S. Bankruptcy Code within 90 days after the consummation of the Exchange Offer (or, with respect to any insiders, as defined in the U.S. Bankruptcy Code, within one year after consummation of the Exchange Offer) and certain other conditions were met, it is possible that the consideration paid to holders of old notes in the Exchange Offer, absent any of the U.S. Bankruptcy Code s defenses to avoidance, could be subject to avoidance, in whole or in part, as a preferential transfer and, to the extent avoided, the value of such consideration could be recovered from such holders and possibly from subsequent transferees.

Risks Related to Holding the New Notes

To service our indebtedness, including the new notes, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.

Our ability to pay our expenses and make payments due on our indebtedness, including the new notes, depends on our future performance, which will be affected by financial, business, economic, legislative and other factors, many of which are beyond our control. The new notes contain pay-in-kind (PIK) interest provisions which reduce the cash needed to pay interest while increasing the principal amount of notes that ultimately must be retired with a cash payment. Our business may not generate sufficient cash flow from operations in the future, which could result in our being unable to pay interest in cash or repay indebtedness, including the new notes, or to fund other liquidity needs. A range of economic, competitive, business and industry factors will affect our future financial performance, and many of these factors, such as oil, NGL and natural gas prices, economic and financial conditions in our industry and the global economy and initiatives of our competitors, are beyond our control. If we do not generate enough cash flow from operations to satisfy our debt obligations, we may have to undertake alternative financing plans, such as:

- selling assets;
- pursuing joint ventures;
- reducing or delaying capital investments;
- seeking to raise additional capital; or
- restructuring or refinancing all or a portion of our indebtedness, including the new notes, at or before maturity.

We cannot assure you that we will be able to accomplish any of these alternatives on terms acceptable to us, or at all. In addition, the terms of existing or future debt agreements may restrict us from adopting any of these alternatives. The failure to generate sufficient cash flow or to achieve any of these alternatives could materially adversely affect the value of the new notes and our ability to pay the amounts due under such notes.

Rights of holders of new notes in the collateral may be adversely affected by the failure to have, obtain and/or perfect liens on certain assets.

Subject to certain exceptions, the liens securing the new notes will cover substantially all of our and the subsidiary guarantors assets, whether now owned or acquired in the future. Applicable law requires that certain property and rights acquired after the grant of a general security interest or lien can only be perfected at the time such property and rights are acquired and identified. There can be no assurance that the Trustee or the collateral agent will monitor, or that we will inform the Trustee or the collateral agent of, the future acquisition of property and rights that constitute collateral, and that the necessary action will be taken to properly perfect the lien on such after acquired collateral. The collateral agent for the new notes has no obligation to monitor the acquisition of additional property or rights that constitute collateral or the perfection of any security interests therein. Such failure may result in the loss of the liens thereon or of the priority of the liens securing the new notes.

Our substantial level of indebtedness could materially adversely affect our financial condition and prevent us from fulfilling our obligations under the new notes and any other indebtedness.

We have a substantial amount of debt. As of August 29, 2016, we had $1.2 billion principal amount of total funded indebtedness consisting of the old notes in the aggregate principal amount of $1.2 billion. The respective indentures governing the new notes will allow us to continue to maintain a senior secured revolving credit facility and incur certain other additional indebtedness, including pari passu senior secured indebtedness in certain circumstances. Our substantial indebtedness could have important consequences to you and significant effects on our business, including the following:

- it may make it difficult for us to satisfy our obligations under the new notes and our other indebtedness and contractual and commercial commitments and, if we fail to comply with these requirements, an event of default could result;

- we will be required to use a substantial portion of our cash flow from operations to make payments on the new notes and any other indebtedness, which will reduce the funds available to us for other purposes, such as funding operations or other business activities;

- we will be more vulnerable to economic downturns and adverse developments in our business;

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- our ability to obtain additional debt financing in the future for working capital, capital expenditures, acquisitions or general corporate purposes may be limited;

- our flexibility in reacting to changes in our industry may be limited and we could be more vulnerable to adverse changes in our business or economic conditions in general; and

- we may be at a competitive disadvantage compared to our competitors that are not as highly leveraged.

The occurrence of any one of these events could have a material adverse effect on our business, financial condition, results of operations, prospects and ability to satisfy our obligations under the new notes.

We are a holding company, and therefore our ability to make any required payments on our indebtedness depends upon the ability of our subsidiaries to pay dividends or to advance funds.

We have no direct operations and no significant assets other than the equity interests of our subsidiaries. Because we conduct our operations through our operating subsidiaries, we depend on those entities for dividends and other payments to generate the funds necessary to meet our financial obligations, including our required obligations under the new notes. However, each of our subsidiaries is a legally distinct entity, and while our subsidiaries will guarantee the new notes, such guarantees are subject to risks. See Risks Relating to the Exchange Offer and Consent Solicitation Consideration paid to holders in the Exchange Offer could be subject to avoidance as a preferential transfer ; Risks Related to Holding the New Notes A court could cancel the new notes or the related guarantees of our existing and future restricted subsidiaries under fraudulent conveyance laws or certain other circumstances and Rights of holders of new notes in the collateral may be adversely affected by the failure to have, obtain and/or perfect liens on certain assets. The ability of our subsidiaries to pay dividends and make distributions to us will be subject to, among other things, the terms of any debt instruments of our subsidiaries then in effect and applicable law. If distributions from our subsidiaries to us were eliminated, delayed, reduced or otherwise impaired, our ability to make payments on the new notes would be substantially impaired.

Despite our substantial level of indebtedness, we may still incur significantly more debt, which could exacerbate any or all of the risks described above.

The PIK interest feature of the new notes will increase the aggregate amount of debt that must be repaid at maturity or otherwise. In addition, we may be able to incur other substantial indebtedness in the future. Although the indentures governing the new notes will limit our ability and the ability of our subsidiaries to incur additional indebtedness, these restrictions are subject to a number of qualifications and exceptions and, under certain circumstances, debt incurred in compliance with these restrictions could be substantial. In addition, the indentures governing the new notes may not prevent us from incurring obligations that do not constitute indebtedness. See Description of New Senior Secured Notes and Description of New Convertible Notes. To the extent that we incur additional indebtedness or such other obligations, the risks associated with our substantial leverage described above, including our possible inability to service our debt, would increase.

The new notes will contain restrictive covenants that limit our operational flexibility.

The new notes will contain covenants that, among other things, restrict our ability to take specific actions, even if we believe them to be in our best interest. These covenants will include restrictions on our ability to:

incur or guarantee additional indebtedness or issue certain preferred stock;

pay dividends or make other distributions;

issue capital stock of our restricted subsidiaries;

transfer or sell assets, including the capital stock of our restricted subsidiaries;

make certain investments or acquisitions;

grant liens on our assets;

- incur dividend or other payment restrictions affecting our restricted subsidiaries;
- enter into certain transactions with affiliates; and
- merge, consolidate or transfer all or substantially all of our assets.

Our failure to comply with these restrictions could lead to a default under the new notes. The actual covenants will be contained in the indentures governing the new notes. See Description of New Senior Secured Notes Certain Covenants and Description of New Convertible Notes Certain Covenants.

The restrictive covenants in the new notes may permit us to enter into and contribute assets to joint ventures and to effect asset sales or other dispositions that may not benefit holders of the new notes.

The indentures governing the new notes will permit us, in certain circumstances, to contribute assets to joint ventures that may not guarantee the new notes. In addition, we will have 365 days to apply the proceeds of asset sales before we are required to make an offer to repurchase the new notes. During such period, we can use such proceeds in any manner not prohibited by the indentures governing the new notes. See Description of New Senior Secured Notes Certain Covenants and Description of New Convertible Notes Certain Covenants.

The indebtedness under our revolving credit facility and New Senior Secured Notes will be effectively senior to the New 2019 Convertible Notes and New 2020 Convertible Notes to the extent of the value of the collateral securing those obligations.

Assuming completion of the Exchange Offer as contemplated hereby, we do not expect to have any amounts outstanding under our revolving credit facility at the completion of the Exchange Offer, with $50.0 million available for borrowing. Assuming 100% participation in the Exchange Offer, we expect to have $700.0 million of New Senior Secured Notes, $288.5 million of New 2019 Convertible Notes and $174.6 million of New 2020 Convertible Notes outstanding at the completion of the Exchange Offer.

The New Senior Secured Notes will be secured on an equal and ratable first priority basis with our revolving credit facility but subject to payment priority in favor of the credit facility. The New Convertible Notes will be secured on a second priority basis, subject to the obligations under the revolving credit facility and the New Senior Secured Notes, by junior liens on the same collateral that secures the revolving credit facility and the New Senior Secured Notes. To the extent the value of the collateral is not sufficient to satisfy the obligations under the revolving credit facility and the New Senior Secured Notes, the New Convertible Notes would effectively be unsecured obligations.

We may be unable to maintain compliance with certain financial ratio covenants of our outstanding indebtedness which could result in an event of default that, if not cured or waived, would have a material adverse effect on our business, financial condition and results of operations.

We are in compliance with our financial ratio covenants in our debt agreements as of June 30, 2016. However, we cannot guarantee that we will be able to comply with such terms at all times in the future. Any failure to comply with the conditions and covenants that is not waived by our lenders or otherwise cured could lead to an event of default that would have a material adverse effect on our business, financial condition and results of operations. These restrictions may limit our ability to obtain future financings to withstand a future downturn in our business or the economy in general, or to otherwise conduct necessary corporate activities. We may also be prevented from taking advantage of business opportunities that arise because of the limitations that the restrictive covenants under our indebtedness impose on us.

The new notes will be structurally subordinated to all liabilities of any of our non guarantor subsidiaries.

Not all of our future subsidiaries will guarantee the new notes. If any of our future non-guarantor subsidiaries becomes insolvent, liquidates, reorganizes, dissolves or otherwise winds up, holders of its indebtedness and its trade creditors generally will be entitled to payment on their claims from the assets of such subsidiary before any of those assets would be made available to us. Consequently, your claims in respect of the new notes effectively would be subordinated to all of the existing and future liabilities of our future non-guarantor subsidiaries, if any.

There are circumstances other than repayment or discharge of the new notes under which the collateral securing the new notes and guarantees would be released automatically, without your consent or the consent of the indenture trustee and the collateral agent.

Pursuant to the indentures governing the new notes, under various circumstances all or a portion of the collateral securing the new notes and guarantees would be released automatically without your consent or the consent of the indenture trustee and the collateral agent, including:

- in the absence of an event of default under the indentures governing the new notes at such time, with respect to the collateral, upon the release of liens securing our revolving credit facility and the New Senior Secured Notes in accordance with the terms of such agreements;

- upon the sale, transfer or other disposition of such collateral in a transaction not prohibited under the indentures governing the new notes;

- with respect to collateral held by a guarantor, upon the release of such guarantor from its guarantee in accordance with the indentures governing the new notes;

- with the consent of the holders of the requisite percentage of notes in accordance with the provisions described under Description of New Senior Secured Notes Amendments and Waivers and Description of New Convertible Notes Amendments and Waivers; and

- in other circumstances specified in the intercreditor agreements, including in connection with the exercise of remedies by the collateral agent.

See Description of New Senior Secured Notes The Pari Passu Intercreditor Agreement and Description of New Convertible Notes The Junior Lien Intercreditor Agreement.

The indentures governing the new notes will also permit us to designate one or more of our subsidiaries as unrestricted subsidiaries, subject to certain conditions. If we designate a subsidiary as an unrestricted subsidiary, all of the liens on any collateral owned by such unrestricted subsidiary or any of its subsidiaries and any guarantees of the notes by such unrestricted subsidiary or any of its subsidiaries will be automatically released under the indentures. Designation of one or more of our subsidiaries as an unrestricted subsidiary will therefore reduce the aggregate value of the collateral securing the notes.

The imposition of certain permitted liens may cause the assets on which such liens are imposed to be excluded from the collateral securing the new notes and the guarantees. There are also certain other categories of property that are excluded from the collateral.

The indentures governing the new notes will permit us and the guarantors to grant certain permitted liens in favor of third parties and, in certain cases, any assets subject to such liens will be automatically excluded from the collateral securing the new notes and the guarantees to the extent inclusion in such collateral would be prohibited by the documents relating to such permitted liens.

In the event of our bankruptcy or the bankruptcy of any of the guarantors, the ability of the holders of the new notes to realize upon the collateral will be subject to certain bankruptcy law limitations.

The ability of holders of the new notes to realize upon the collateral will be subject to certain bankruptcy law limitations in the event of our bankruptcy or the bankruptcy of our guarantor subsidiaries. Under applicable U.S. federal bankruptcy laws, secured creditors are prohibited from, among other things, repossessing their security from a debtor in a bankruptcy case without bankruptcy court approval and may be prohibited from retaining security repossessed by such creditor without bankruptcy court approval. Moreover, applicable federal

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bankruptcy laws generally permit the debtor to continue to retain collateral, including cash collateral, even though the debtor is in default under the applicable debt instruments, provided that the secured creditor is given adequate protection.

The secured creditor is entitled to adequate protection to protect the value of the secured creditor s interest in the collateral as of the commencement of the bankruptcy case but the adequate protection actually provided to a secured creditor may vary according to the circumstances. Adequate protection may include cash payments or the granting of additional security if and at such times as the court, in its discretion and at the request of such creditor, determines after notice and a hearing that the collateral has diminished in value as a result of the imposition of the automatic stay or the debtor s use, sale or lease of such collateral during the pendency of the bankruptcy case. In view of the lack of a precise definition of the term adequate protection and the broad discretionary powers of a U.S. bankruptcy court, we cannot predict whether or when the Trustee and collateral agent under the indentures governing the new notes could foreclose upon or sell the collateral or whether or to what extent holders of notes would be compensated for any delay in payment or loss of value of the collateral through the requirement of adequate protection.

Moreover, the Trustee and collateral agent under the indentures governing the new notes may need to evaluate the impact of the potential liabilities before determining to foreclose on collateral consisting of real property, if any, because secured creditors that hold a security interest in real property may be held liable under environmental laws for the costs of remediating or preventing the release or threatened releases of hazardous substances at such real property. Consequently, the collateral agent may decline to foreclose on such collateral or exercise remedies available in respect thereof if it does not receive indemnification to its satisfaction from the holders of the new notes.

In the event of a bankruptcy of us or any of the guarantors, holders of the New Senior Secured Notes and/or the New Convertible Notes may be deemed to have an unsecured claim to the extent that our obligations in respect of the New Senior Secured Notes and/or the New Convertible Notes exceed the fair market value of the collateral securing the New Senior Secured Notes and/or the New Convertible Notes, respectively.

In any bankruptcy proceeding with respect to us or any of the guarantors, it is possible that the bankruptcy trustee, the debtor-in-possession or competing creditors will assert that the fair market value of the collateral (taking into account the relative priority of the liens securing the New Senior Secured Notes and the New Convertible Notes) available to satisfy the New Senior Secured Notes and/or the New Convertible Notes on the date of the bankruptcy filing was less than the then-current principal amount of the New Senior Secured Notes and/or the New Convertible Notes, respectively. Upon a finding by the bankruptcy court that any of the new notes are under-collateralized, the claims in the bankruptcy proceeding with respect to that series of notes would be bifurcated between a secured claim in an amount equal to the value of such collateral and an unsecured claim with respect to the remainder of its claim which would not be entitled to the benefits of security in the collateral. Other consequences of a finding of under-collateralization would be, among other things, a lack of entitlement on the part of the new notes that are under-collateralized to receive post-petition interest and a lack of entitlement on the part of the unsecured portion of such new notes to receive adequate protection under federal bankruptcy laws. In addition, if any payments of post-petition interest had been made at any time prior to such a finding of under-collateralization, those payments would be recharacterized by the bankruptcy court as a reduction of the principal amount of the secured claim with respect to the new notes that are under-collateralized. Further, in any bankruptcy proceeding with respect to us or any of the guarantors, the holders of the New Senior Secured Notes will have priority of payment over the holders of the New 2019 Convertible Notes and New 2020 Convertible Notes, to the extent of the value of the collateral for the new notes.

The value of the collateral securing the New Senior Secured Notes and/or the New Convertible Notes may not be sufficient to secure post-petition interest.

In the event of a bankruptcy proceeding with respect to us or any of the guarantors, holders of the new notes will only be entitled to post-petition interest under the U.S. Bankruptcy Code to the extent that the value of their security interest in the collateral is greater than their pre-bankruptcy claim (taking into account the relative priority of the liens securing the New Senior Secured Notes and the New Convertible Notes). Holders of any series of new notes that have a security interest in collateral with a value equal or less than their pre-bankruptcy claim will not be entitled to post-petition interest under the U.S. Bankruptcy Code. The value of the new note holders interest in the collateral may change over time, and may not equal or exceed the principal amount of the new notes. Further, in any bankruptcy proceeding with respect to us or any of the guarantors, the holders of the New Senior Secured Notes will have priority of payment over the holders of the New 2019 Convertible Notes and New 2020 Convertible Notes, to the extent of the value of the collateral for the new notes.

In the event of our bankruptcy or the bankruptcy of any of the guarantors, the present grant, and any future grant, of a lien on collateral might be challenged as preferences under certain circumstances and, if successful, avoided.

The present grant, and any future grant of a lien on the collateral in favor of the Trustee and the collateral agent might be avoidable under the preference laws by the person granting such lien (as debtor-in-possession) or by its trustee or other creditor representative in bankruptcy if certain events or circumstances exist or occur, including if the person granting such lien is insolvent at the time the lien is granted, the lien permits the holders of the notes to receive a greater recovery in the bankruptcy than if the lien had not been given and a bankruptcy proceeding in respect of the person granting such lien is commenced within 90 days following the date the lien was granted. If such claims are filed, the allowance of your claim under the new notes and subsidiary guarantees, as applicable (including your right to a distribution in the bankruptcy case on account of such debt obligations) may be suspended or disallowed pending the outcome of such claims in court. To the extent a challenge to a lien succeeded in court, you would lose the benefit of the security or recourse that the collateral was intended to provide.

Security over certain collateral, including all mortgages on oil and gas properties, on which a lien in favor of the collateral agent is required, may not be perfected on the Closing Date.

Security interests over certain collateral, including all mortgages on oil and gas properties, which are required under the indentures governing the new notes, may not be perfected on the Closing Date. To the extent such security interests are not perfected on such date, we will be required to have such security interests thereafter perfected promptly, but in no event later than the date that is 60 days after the Closing Date, but there can be no assurance that such security interest will be perfected on a timely basis. In the event that more than a reasonable time passes between the issuance of the notes and the perfection of the security interests on the oil and gas properties, such security interests may be set aside or avoided as a preferential transfer if the collateral grantor becomes a debtor that is the subject of a voluntary or involuntary bankruptcy case under the U.S. Bankruptcy Code (or under certain similar state law insolvency proceedings) on or before 90 days from the perfection of the security interests. In the event of such a determination in such bankruptcy case or insolvency proceeding, the collateral agent will not have a security interest in that collateral.

The value of the collateral securing the new notes may not be sufficient to satisfy our and the guarantors obligations under the new notes and the guarantees.

No appraisal of the value of the collateral has been made in connection with this Exchange Offer, and the fair market value of the collateral is subject to fluctuations based on factors that include general economic conditions and similar factors. The amount to be received upon a sale of the collateral would be dependent on numerous factors, including the actual fair market value of the collateral at such time, the timing and the manner of the sale and the availability of buyers. By its nature, portions of the collateral may be illiquid and may have no readily ascertainable market value. Accordingly, in the event of a foreclosure, liquidation, bankruptcy or similar proceeding, the collateral may not be sold in a timely or orderly manner, and the proceeds from any sale or liquidation of the collateral may not be sufficient to satisfy our and the guarantors obligations under the new notes and the guarantees.

To the extent that pre-existing liens, liens permitted under the indentures governing the new notes and other rights, including liens on excluded property (in addition to the holders of obligations secured by higher-priority liens), encumber any of the collateral securing the new notes and the guarantees, those parties have or may exercise rights and remedies with respect to the collateral that could adversely affect the value of the collateral and the ability of the collateral agent, the indenture Trustee or the holders of the new notes to realize or foreclose on the collateral.

Your security interest in certain items of present and future collateral may not be perfected. Even if your security interests in certain items of collateral are perfected, it may not be practicable for you to enforce or economically benefit from your rights with respect to such security interests.

The security interests are not perfected with respect to certain items of collateral that cannot be perfected by the filing of financing statements in each debtor s jurisdiction of organization, the filing of mortgages, the delivery of possession of certificated securities, the filing of a notice of security interest with the U.S. Patent and Trademark Office or the U.S. Copyright Office or certain other conventional methods to perfect security interests in the U.S. Security interests in collateral such as deposit accounts and securities accounts, which require or benefit from additional special filings or other actions or the obtaining of additional consents, may not be perfected or may not have priority with respect to the security interests of other creditors. We and the guarantors will have limited obligations to perfect the security interest of the holders of the new notes in specified collateral. To the extent that your security interests in any items of collateral are unperfected, your rights with respect to such collateral are equal to the rights of our general unsecured creditors in the event of any bankruptcy filed by or against us under applicable United States federal bankruptcy laws.

In addition, applicable law requires that certain property and rights acquired after the grant of a general security interest can only be perfected at the time such property and rights are acquired and identified. Necessary action may not be taken to properly perfect the security interest in such after-acquired collateral. Failure to perfect security interests may invalidate such security interests, limit the assets included in the collateral and block the exercise of remedies with respect to such assets. Moreover, the collateral agent may need to obtain the consent of a governmental agency to obtain or enforce a security interest in certain of the collateral or to otherwise operate our business. We cannot assure you that the collateral agent will be able to obtain any such consent or that any such consent will not be delayed, the event of which may adversely affect your rights as holders. Moreover, the collateral agent in exercising its rights to foreclose on certain assets may need to commence governmental proceedings in order to obtain any necessary governmental approvals. As a result, there may be prolonged delays in receiving such approval, or such approval may not be granted to the collateral agent, the result of which may adversely affect your rights as holders.

A court could cancel the new notes or the related guarantees of our existing and future restricted subsidiaries under fraudulent conveyance laws or certain other circumstances.

Our issuance of the new notes and the issuance of the related guarantees by our existing and future restricted subsidiaries (as well as the respective liens on collateral securing such obligations) may be subject to review under federal or state fraudulent transfer or similar laws.

All of our existing and certain of our future restricted subsidiaries will guarantee the new notes. If we or such a subsidiary becomes a debtor in a case under the Bankruptcy Code or encounters other financial difficulty, under federal or state laws governing fraudulent conveyance, renewable transactions or preferential payments, a court in the relevant jurisdiction might avoid or cancel the guarantee and/or the respective liens securing such guarantee. The court might do so if it found that, when the subsidiary entered into its guarantee or, in some states, when payments become due thereunder, (a) it received less than reasonably equivalent value or fair consideration for such guarantee and (b) either (i) was or was rendered insolvent, (ii) was left with inadequate capital to conduct its business, or (iii) believed or should have believed that it would incur debts beyond its ability to pay. The court might also avoid such guarantee or lien, without regard to the above factors, if it found that the subsidiary entered into its guarantee or granted liens with actual or deemed intent to hinder, delay, or defraud its creditors.

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A court would likely find that a subsidiary did not receive reasonably equivalent value or fair consideration for its guarantee unless it benefited directly or indirectly from the issuance of the related notes. If a court avoided such guarantee, you would no longer have a claim against such subsidiary or the collateral granted by such subsidiary to secure its guarantee. In addition, the court might direct you to repay any amounts already received from such subsidiary. If the court were to avoid any guarantee, we cannot assure you that funds would be available to pay the related notes from another subsidiary or from any other source.

The indentures governing the new notes will state that the liability of each guarantor on its guarantee is limited to the maximum amount that the subsidiary can incur without risk that the guarantee will be subject to avoidance as a fraudulent conveyance. This limitation may not protect the guarantees from a fraudulent conveyance attack or, if it does, we cannot assure you that the guarantees and the collateral granted by such subsidiary to secure its guarantee will be in amounts sufficient, if necessary, to pay obligations under the new notes when due.

Similarly, if we become a debtor in a case under the Bankruptcy Code or encounter other financial difficulty, a court might cancel our obligations under the new notes and related liens, if it found that when we issued the such notes (or in some jurisdictions, when payments become due under such notes or granted liens), factors (a) and (b) above applied to us, or if it found that we issued such notes with actual intent to hinder, delay or defraud our creditors.

Even though the New 2019 Convertible Notes and the New 2020 Convertible Notes are convertible into shares of our common stock, the terms of such new notes will not provide protection against some types of important corporate events.

The New 2019 Convertible Notes and New 2020 Convertible Notes are, subject to certain conditions, convertible into shares of our common stock. Upon the occurrence of certain change of control events, we may be required to offer to repurchase all of the new notes then outstanding. However, certain important corporate events, such as leveraged recapitalizations, that would increase the level of our indebtedness, would not constitute a change of control under the new notes. See Description of New Convertible Notes.

The convertibility of the New 2019 Convertible Notes and New 2020 Convertible Notes will be delayed until required stockholder approval is obtained and will result in a default if such approval is not obtained.

If the required stockholder approval of the issuance of additional shares of common stock and other related actions in connection with the Exchange Offer is not obtained promptly or at all, the convertibility of the New 2019 Convertible Notes and New 2020 Convertible Notes will be delayed until such approval is obtained. If such stockholder approval is not received by December 31, 2016, the inability to obtain such approval will result in a default under the New 2019 Convertible Notes and New 2020 Convertible Notes. If such default continues for 90 days, it will become an Event of Default. Such default may in turn result in a default under the New Senior Secured Notes.

The market price of the New 2019 Convertible Notes and the New 2020 Convertible Notes could be significantly affected by the market price of our common stock, which may fluctuate significantly.

We expect that the market price of the New 2019 Convertible Notes and the New 2020 Convertible Notes will be significantly affected by the market price of our common stock. This may result in greater volatility in the trading value for the New 2019 Convertible Notes and the New 2020 Convertible Notes than would be expected for nonconvertible debt securities. Factors that could affect our common stock price include the following:

fluctuations in our quarterly results of operations and cash flows or those of other companies in our industry;

the public s reaction to our press releases, announcements and filings with the SEC;

additions or departures of key personnel;

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- changes in financial estimates or recommendations by research analysts;
- changes in the amount of indebtedness we have outstanding;
- changes in the ratings of the new notes or our other securities;
- changes in general conditions in the United States and international economy, financial markets or the industry in which we operate, including changes in regulatory requirements;
- significant contracts, acquisitions, dispositions, financings, joint marketing relationships, joint ventures or capital commitments by us or our competitors;
- developments related to significant claims or proceedings against us;
- our dividend policy; and
- future sales of our equity or equity linked securities.

In recent years, stock markets, including the NYSE, have experienced extreme price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies for reasons unrelated to the operating performance of these companies. These broad market fluctuations may adversely affect the market prices of our common stock and the new notes.

The issuances of our common stock in connection with the conversion of the New Convertible Notes and the exercise of the warrants would cause substantial dilution, which could materially affect the trading price of our common stock and earnings per share.

The New Convertible Notes are, subject to certain conditions, convertible into shares of our common stock. In addition, the warrants issued pursuant to the Exchange Offer are exercisable for shares of our common stock. As a result, substantial amounts of our common stock may be issued subsequent to the Exchange Offer. If the maximum number of shares of common stock issuable in connection with the conversion of the New Convertible Notes and the exercise of the warrants are issued, such shares would represent approximately 80.8% of our outstanding shares. Such issuances could result in substantial decreases to our stock price and earnings per share.

The conversion rate of the New Convertible Notes may not be adjusted for all dilutive events that may occur.

The conversion rate of the New Convertible Notes is subject to adjustment for certain events including, but not limited to, the issuance of stock dividends on our common stock, the issuance of certain rights or warrants, subdivisions or combinations of our common stock, certain distributions of assets, debt securities, capital stock or cash to holders of our common stock and certain tender or exchange offers as described under Description of New Convertible Notes Conversion Rights. The conversion rate will not be adjusted for other events, such as certain stock issuances for cash, that may adversely affect the trading price of the new notes.

You may be required to pay taxes on ordinary interest income over the term of the new notes without receiving cash payments to pay such taxes.

The new notes will be considered to be issued with original issue discount (OID). A United States Holder generally will be required to accrue and recognize its share of OID as ordinary interest income over the term of the new notes, possibly in advance of the receipt of any cash payments attributable to such income. See Certain United States Federal Income Tax Consequences Consequences to United States Holders Consequences of Holding New Notes Stated Interest; Original Issue Discount.

As a holder of the new notes and/or warrants, you will not be entitled to any rights with respect to our common stock, but you will be subject to all changes made with respect to our common stock.

If you hold any of our new notes or warrants, you will not be entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions, if

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any, on our common stock), but you will be subject to all changes affecting our common stock. You will have rights with respect to our common stock only when we deliver shares of common stock to you upon conversion of your New Convertible Notes and, in limited cases, under the conversion rate adjustments applicable to the new notes, or upon exercise of warrants granted in connection with the issuance of the New Senior Secured Notes. For example, if an amendment is proposed to our restated articles of incorporation or amended and restated bylaws requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to the delivery of common stock, if any, to you, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers, preferences or special rights of our common stock.

The repurchase rights in the new notes triggered by a change of control could discourage a potential acquiror.

The repurchase rights in the new notes triggered by a change of control, as described under the headings Description of New Senior Secured Notes Certain Covenants Change of Control and Description of New Convertible Notes Certain Covenants Change of Control, could discourage a potential acquiror from engaging in a transaction that may be beneficial to the holders of our common stock and might impact the value of the new notes.

We may not have the ability to purchase the new notes upon a change of control or upon certain sales or other dispositions of assets, or to make the cash payment due upon conversion or at maturity.

If a change of control, as described under the headings Description of New Senior Secured Notes Certain Covenants Change of Control and Description of New Convertible Notes Certain Covenants Change of Control, occurs holders of the new notes may require us to repurchase, for cash, all or a portion of their new notes. In addition, upon certain sales or other dispositions of assets, we may be obligated to make offers to purchase the new notes with a portion of the net available cash of such sales or other dispositions. We may not have sufficient funds to pay the repurchase price when due. In addition, our current and future debt or other agreements may restrict our ability to make cash payments in connection with the repurchase of the new notes upon a change of control or upon certain asset sales or other dispositions. For example, the existing revolving credit facility does not permit cash payments in connection with the repurchase of the notes upon a change of control if an event of default under the revolving credit facility then exists or would result from such payment. If we fail to repurchase the new notes when required, we will be in default under the indentures governing the new notes. See Description of New Senior Secured Notes Certain Covenants Change of Control ; and Limitation on Asset Sales and Description of New Convertible Notes Certa Covenants Change of Control ; and Limitation on Asset Sales.

While the issuance of the New Convertible Notes to holders who tender their old notes will not be subject to Nevada s Combination with Interested Stockholders statute, a transferee of such New Convertible Notes could be subject to such statute.

Under Nevada s Combination With Interested Stockholders statute, an interested stockholder may not enter into a combination with a Nevada corporation for a period of two years after becoming an interested stockholder. While each initial holder of the New Convertible Notes (those parties that tender old notes) could be considered an interested stockholder upon conversion of the New Convertible Notes, the statute contains an exception which would prevent application of the statute to the initial holders because the Exchange Offer received prior approval of our board of directors. However, this exception would not apply to any transferee of such notes, and each transferee could be considered an interested stockholder if the transferee otherwise meets the definition of interested stockholder and thus would be subject to the provisions of the statute. The application of the statute could have a negative effect on your ability to transfer the New Convertible Notes. See Description of Common Stock Anti-Takeover Provisions Combination with Interested Stockholders Statute.

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Risks Related to Our Business

An extended period of depressed oil and natural gas prices will adversely affect our business, financial condition, cash flow, liquidity, results of operations and our ability to meet our capital expenditure obligations and financial commitments.

Our business is heavily dependent upon the prices of, and demand for, oil and natural gas. Historically, the prices for oil and natural gas have been volatile and are likely to remain volatile in the future. Oil and natural gas prices have declined substantially since mid 2014 and have continued to decline into 2016. For example, during the year ended December 31, 2015, commodity prices changed significantly, with the settlement price for West Texas Intermediate (WTI) crude oil ranging from a high of approximately $61.43 per barrel to a low of approximately $34.73 per barrel and settlement prices for Henry Hub natural gas ranging from a high of approximately $3.23 per Mcf to a low of approximately $1.76 per Mcf. Oil and natural gas price weakness continued into 2016 and, through June 30, 2016, the WTI settlement price of crude oil had a low of approximately $26.21 per barrel, and the Henry Hub settlement price of natural gas had a low of approximately $1.78 per Mcf.

The prices we receive for our oil and natural gas production are subject to wide fluctuations and depend on numerous factors beyond our control, including the following:

- the domestic and foreign supply of oil, NGLs and natural gas;
- weather conditions;
- the price and quantity of imports of oil and natural gas;
- political conditions and events in other oil-producing and natural gas-producing countries, including embargoes, hostilities in the Middle East and other sustained military campaigns, and acts of terrorism or sabotage;
- the actions of the Organization of Petroleum Exporting Countries, or OPEC;
- domestic government regulation, legislation and policies;
- the level of global oil and natural gas inventories;
- technological advances affecting energy consumption;
- the price and availability of alternative fuels; and

- overall economic conditions.

Lower oil and natural gas prices will adversely affect:

- our revenues, profitability and cash flow from operations;
- the value of our proved oil and natural gas reserves;
- the economic viability of certain of our drilling prospects;
- our borrowing capacity; and
- our ability to obtain additional capital.

Our debt service requirements could adversely affect our operations and limit our growth.

We had $1.2 billion principal amount of debt as of August 29, 2016.

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Our outstanding debt has important consequences, including, without limitation:

- a portion of our cash flow from operations is required to make debt service payments;
- our ability to borrow additional amounts for capital expenditures (including acquisitions) or other purposes is limited; and
- our debt limits our ability to capitalize on significant business opportunities, our flexibility in planning for or reacting to changes in market conditions and our ability to withstand competitive pressures and economic downturns.

In addition, future acquisition or development activities may require us to alter our capitalization significantly. These changes in capitalization may significantly increase our debt. Moreover, our ability to meet our debt service obligations and to reduce our total debt will be dependent upon our future performance, which will be subject to general economic conditions and financial, business and other factors affecting our operations, many of which are beyond our control. If we are unable to generate sufficient cash flow from operations in the future to service our indebtedness and to meet other commitments, we will be required to adopt one or more alternatives, such as refinancing or restructuring our indebtedness, selling material assets or seeking to raise additional debt or equity capital. We cannot assure you that any of these actions could be effected on a timely basis or on satisfactory terms or that these actions would enable us to continue to satisfy our capital requirements.

Our debt agreements contain a number of significant covenants. These covenants limit our ability to, among other things:

- borrow additional money;
- merge, consolidate or dispose of assets;
- make certain types of investments;
- enter into transactions with our affiliates; and
- pay dividends.

Our failure to comply with any of these covenants could cause a default under our revolving credit facility and the respective indentures governing the old notes and new notes. A default, if not waived, could result in acceleration of our indebtedness, in which case the debt would become immediately due and payable. If this occurs, we may not be able to repay our debt or borrow sufficient funds to refinance it given the current status of the credit markets. Even if new financing is available, it may not be on terms that are acceptable to us. Complying with these covenants may cause us to take actions that we otherwise would not take or not take actions that we otherwise would take.

Our access to capital markets may be limited in the future.

Adverse changes in the financial and credit markets could negatively impact our ability to grow production and reserves and meet our future obligations. In addition, the continuation of the current low oil and natural gas price environment, or further declines of oil and natural gas prices, will affect our ability to obtain financing for acquisitions and drilling activities and could result in a reduction in drilling activity which results in the loss of acreage through lease expirations, both of which could negatively affect our ability to replace reserves.

Our future production and revenues depend on our ability to replace our reserves.

Our future production and revenues depend upon our ability to find, develop or acquire additional oil and natural gas reserves that are economically recoverable. Our proved reserves will generally decline as reserves are depleted, except to the extent that we conduct successful exploration or development activities or acquire properties containing proved reserves, or both. To increase reserves and production, we must continue our acquisition and drilling activities. We cannot assure you that we will have adequate capital resources to conduct acquisition and drilling activities or that our acquisition and drilling activities will result in significant additional reserves or that we will have continuing success drilling productive wells at low finding and development costs. Furthermore, while our revenues may increase if prevailing oil and natural gas prices increase significantly, our finding costs for additional reserves could also increase.

Prospects that we decide to drill may not yield oil or natural gas in commercially viable quantities or quantities sufficient to meet our targeted rate of return.

A prospect is a property in which we own an interest or have operating rights and that has what our geoscientists believe, based on available seismic and geological information, to be an indication of potential oil or natural gas. Our prospects are in various stages of evaluation, ranging from a prospect that is ready to be drilled to a prospect that will require substantial additional evaluation and interpretation. There is no way to predict in advance of drilling and testing whether any particular prospect will yield oil or natural gas in sufficient quantities to recover drilling or completion costs or to be economically viable. The use of seismic data and other technologies and the study of producing fields in the same area will not enable us to know conclusively prior to drilling whether oil or natural gas will be present or, if present, whether oil or natural gas will be present in commercial quantities. The analysis that we perform using data from other wells, more fully explored prospects and/or producing fields may not be useful in predicting the characteristics and potential reserves associated with our drilling prospects. If we drill additional unsuccessful wells, our drilling success rate may decline and we may not achieve our targeted rate of return.

Our business involves many uncertainties and operating risks that can prevent us from realizing profits and can cause substantial losses.

Our success depends on the success of our exploration and development activities. Exploration activities involve numerous risks, including the risk that no commercially productive natural gas or oil reserves will be discovered. In addition, these activities may be unsuccessful for many reasons, including weather, cost overruns, equipment shortages and mechanical difficulties. Moreover, the successful drilling of a natural gas or oil well does not ensure we will realize a profit on our investment. A variety of factors, both geological and market-related, can cause a well to become uneconomical or only marginally economical. In addition to their costs, unsuccessful wells can hurt our efforts to replace production and reserves.

Our business involves a variety of operating risks, including:

- unusual or unexpected geological formations;
- fires;
- explosions;
- blow-outs and surface cratering;

uncontrollable flows of natural gas, oil and formation water;

natural disasters, such as hurricanes, tropical storms and other adverse weather conditions;

pipe, cement, or pipeline failures;

casing collapses;

mechanical difficulties, such as lost or stuck oil field drilling and service tools;

abnormally pressured formations; and

environmental hazards, such as natural gas leaks, oil spills, pipeline ruptures and discharges of toxic gases.

If we experience any of these problems, well bores, gathering systems and processing facilities could be affected, which could adversely affect our ability to conduct operations.

We could also incur substantial losses as a result of:

- injury or loss of life;
- severe damage to and destruction of property, natural resources and equipment;
- pollution and other environmental damage;
- clean-up responsibilities;
- regulatory investigation and penalties;
- suspension of our operations; and
- repairs to resume operations.

We maintain insurance against sudden and accidental occurrences, which may cover some, but not all, of the risks described above. Most significantly, the insurance we maintain will not cover the risks described above which occur over a sustained period of time. Further, there can be no assurance that such insurance will continue to be available to cover all such cost or that such insurance will be available at a cost that would justify its purchase. The occurrence of a significant event not fully insured or indemnified against could have a material adverse effect on our financial condition and results of operations.

We operate in a highly competitive industry, and our failure to remain competitive with our competitors, many of which have greater resources than we do, could adversely affect our results of operations.

The oil and natural gas industry is highly competitive in the search for and development and acquisition of reserves. Our competitors often include companies that have greater financial and personnel resources than we do. These resources could allow those competitors to price their products and services more aggressively than we can, which could hurt our profitability. Moreover, our ability to acquire additional properties and to discover reserves in the future will be dependent upon our ability to evaluate and select suitable properties and to close transactions in a highly competitive environment.

If oil and natural gas prices decline further or remain depressed for an extended period of time, we may be required to further write-down the carrying values and/or the estimates of total reserves of our oil and natural gas properties, which would constitute a non-cash charge to earnings and adversely affect our results of operations.

Accounting rules applicable to us require that we review periodically the carrying value of our oil and natural gas properties for possible impairment. Based on specific market factors and circumstances at the time of prospective impairment reviews and the continuing evaluation of development plans, production data, economics and other factors, we may be required to write down the carrying value of our oil and natural gas properties. A write-down constitutes a non-cash charge to earnings. During 2015, we recognized impairments of $801.3 million which reduced the carrying value of our oil and natural gas properties. We may incur additional non-cash charges in the future, which could have a material adverse effect on our results of operations in the period taken. We may also reduce our estimates of the reserves that may be economically recovered, which could have the effect of reducing the total value of our reserves.

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Our reserve estimates depend on many assumptions that may turn out to be inaccurate. Any material inaccuracies in our reserve estimates or underlying assumptions will materially affect the quantities and present value of our reserves.

Reserve engineering is a subjective process of estimating the recovery from underground accumulations of oil and natural gas that cannot be precisely measured. The accuracy of any reserve estimate depends on the quality of available data, production history and engineering and geological interpretation and judgment. Because all reserve estimates are to some degree imprecise, the quantities of oil and natural gas that are ultimately recovered, production and operating costs, the amount and timing of future development expenditures and future oil and natural gas prices may all differ materially from those assumed in these estimates. The information regarding present value of the future net cash flows attributable to our proved oil and natural gas reserves is only estimated and should not be construed as the current market value of the oil and natural gas reserves attributable to our properties. Thus, such information includes revisions of certain reserve estimates attributable to proved properties included in the preceding year s estimates. Such revisions reflect additional information from subsequent activities, production history of the properties involved and any adjustments in the projected economic life of such properties resulting from changes in product prices. Any future downward revisions could adversely affect our financial condition, our borrowing ability, our future prospects and the value of our common stock.

As of December 31, 2015, 41% of our total proved reserves were undeveloped and 10% were developed non-producing. These reserves may not ultimately be developed or produced. Furthermore, not all of our undeveloped or developed non-producing reserves may be ultimately produced at the time periods we have planned, at the costs we have budgeted, or at all. As a result, we may not find commercially viable quantities of oil and natural gas, which in turn may result in a material adverse effect on our results of operations.

Some of our undeveloped leasehold acreage is subject to leases that will expire unless production is established on units containing the acreage.

Leases on oil and gas properties normally have a term of three to five years and will expire unless, prior to expiration of the lease term, production in paying quantities is established. If the leases expire and we are unable to renew them, we will lose the right to develop the related properties. Our drilling plans for these areas are subject to change based upon various factors, including drilling results, commodity prices, the availability and cost of capital, drilling and production costs, availability of drilling services and equipment, gathering system and pipeline transportation constraints and regulatory approvals.

We pursue acquisitions as part of our growth strategy and there are risks in connection with acquisitions.

Our growth has been attributable in part to acquisitions of producing properties and companies. More recently we have been focused on acquiring acreage for our drilling program. We expect to continue to evaluate and, where appropriate, pursue acquisition opportunities on terms we consider favorable. However, we cannot assure you that suitable acquisition candidates will be identified in the future, or that we will be able to finance such acquisitions on favorable terms. In addition, we compete against other companies for acquisitions, and we cannot assure you that we will successfully acquire any material property interests. Further, we cannot assure you that future acquisitions by us will be integrated successfully into our operations or will increase our profits.

The successful acquisition of producing properties requires an assessment of numerous factors beyond our control, including, without limitation:

recoverable reserves;

exploration potential;

future oil and natural gas prices;

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- operating costs; and
- potential environmental and other liabilities.

In connection with such an assessment, we perform a review of the subject properties that we believe to be generally consistent with industry practices. The resulting assessments are inexact and their accuracy uncertain, and such a review may not reveal all existing or potential problems, nor will it necessarily permit us to become sufficiently familiar with the properties to fully assess their merits and deficiencies. Inspections may not always be performed on every well, and structural and environmental problems are not necessarily observable even when an inspection is made.

Additionally, significant acquisitions can change the nature of our operations and business depending upon the character of the acquired properties, which may be substantially different in operating and geologic characteristics or geographic location than our existing properties. While our current operations are focused in Texas, Louisiana and Mississippi, we may pursue acquisitions or properties located in other geographic areas.

If we are unsuccessful at marketing our oil and natural gas at commercially acceptable prices, our profitability will decline.

Our ability to market oil and natural gas at commercially acceptable prices depends on, among other factors, the following:

- the availability and capacity of gathering systems and pipelines;
- federal and state regulation of production and transportation;
- changes in supply and demand; and
- general economic conditions.

Our inability to respond appropriately to changes in these factors could negatively affect our profitability.

Market conditions or operational impediments may hinder our access to oil and natural gas markets or delay our production.

Market conditions or the unavailability of satisfactory oil and natural gas transportation arrangements may hinder our access to oil and natural gas markets or delay our production. The availability of a ready market for our oil and natural gas production depends on a number of factors, including the demand for and supply of oil and natural gas and the proximity of reserves to pipelines and processing facilities. Our ability to market our production depends in a substantial part on the availability and capacity of gathering systems, pipelines and processing facilities, in some cases owned and operated by third parties. Our failure to obtain such services on acceptable terms could materially harm our business. We may be required to shut in wells for a lack of a market or because of the inadequacy or unavailability of pipelines or gathering system capacity. If that were to occur, then we would be unable to realize revenue from those wells until arrangements were made to deliver our production to market.

We are subject to extensive governmental laws and regulations that may adversely affect the cost, manner or feasibility of doing business.

Our operations and facilities are subject to extensive federal, state and local laws and regulations relating to the exploration for, and the development, production and transportation of, oil and natural gas, and operating safety. Future laws or regulations, any adverse changes in the interpretation of existing laws and regulations or our failure to comply with existing legal requirements may harm our business, results of operations and financial condition. We may be required to make large and unanticipated capital expenditures to comply with governmental laws and regulations, such as:

- lease permit restrictions;

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- drilling bonds and other financial responsibility requirements, such as plug and abandonment bonds;
- spacing of wells;
- unitization and pooling of properties;
- safety precautions;
- regulatory requirements; and
- taxation.

Under these laws and regulations, we could be liable for:

- personal injuries;
- property and natural resource damages;
- well reclamation costs; and
- governmental sanctions, such as fines and penalties.

Our operations could be significantly delayed or curtailed and our cost of operations could significantly increase as a result of regulatory requirements or restrictions. We are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations.

Our operations are substantially dependent on the availability of water. Restrictions on our ability to obtain water may have an adverse effect on our financial condition, results of operations and cash flows.

Water is an essential component of both the drilling and hydraulic fracturing processes. Historically, we have been able to purchase water from various sources for use in our operations. In recent years South Texas has experienced the lowest inflows of water in recent history. As a result of this severe drought, some local water districts may begin restricting the use of water subject to their jurisdiction for drilling and hydraulic fracturing in order to protect the local water supply. If we are unable to obtain water to use in our operations from local sources, we may be unable to economically produce oil and natural gas, which could have an adverse effect on our financial condition, results of operations and cash flows.

Our operations may incur substantial liabilities to comply with environmental laws and regulations.

Our oil and natural gas operations are subject to stringent federal, state and local laws and regulations relating to the release or disposal of materials into the environment and otherwise relating to environmental protection. These laws and regulations:

- require the acquisition of one or more permits before drilling commences;
- impose limitations on where drilling can occur and/or requires mitigation before authorizing drilling in certain locations;
- restrict the types, quantities and concentration of substances that can be released into the environment in connection with drilling and production activities;
- require reporting of significant releases, and annual reporting of the nature and quantity of emissions, discharges and other releases into the environment;
- limit or prohibit drilling activities on certain lands lying within wilderness, wetlands and other protected areas; and
- impose substantial liabilities for pollution resulting from our operations.

Failure to comply with these laws and regulations may result in:

- the assessment of administrative, civil and criminal penalties;
- the incurrence of investigatory and/or remedial obligations; and
- the imposition of injunctive relief.

Changes in environmental laws and regulations occur frequently, and any changes that result in more stringent or costly restrictions on emissions, and/or waste handling, storage, transport, disposal or cleanup requirements could require us to make significant expenditures to reach and maintain compliance and may otherwise have a material adverse effect on our industry in general and on our own results of operations, competitive position or financial condition. Under these environmental laws and regulations, we could be held strictly liable for the removal or remediation of previously released materials or property contamination regardless of whether we were responsible for the release or contamination or if our operations met previous standards in the industry at the time they were performed. Future environmental laws and regulations, including proposed legislation regulating climate change, may negatively impact our industry. The costs of compliance with these requirements may have an adverse impact on our financial condition, results of operations and cash flows.

Our hedging transactions could result in financial losses or could reduce our income. To the extent we have hedged a significant portion of our expected production and actual production is lower than we expected or the costs of goods and services increase, our profitability would be adversely affected.

To achieve more predictable cash flows and to reduce our exposure to adverse fluctuations in the prices of oil and gas, we have entered into and may in the future enter into hedging transactions for certain of our expected oil and natural gas production. These transactions could result in both realized and unrealized hedging losses. Further, these hedges may be inadequate to protect us from continuing and prolonged decline in the price of oil and natural gas. To the extent that the price of oil and natural gas remain at current levels or declines further, we will not be able to hedge future production at the same level as our current hedges, and our results of operations and financial condition would be negatively impacted.

The extent of our commodity price exposure is related largely to the effectiveness and scope of our derivative activities. For example, the derivative instruments we utilize are primarily based on NYMEX futures prices, which may differ significantly from the actual crude oil and gas prices we realize in our operations. Furthermore, we have adopted a policy that requires, and our revolving credit facility also requires, that we enter into derivative transactions related to only a portion of our expected production volumes and, as a result, we will continue to have direct commodity price exposure on the portion of our production volumes not covered by these derivative financial instruments.

Our actual future production may be significantly higher or lower than we estimate at the time we enter into derivative transactions. If our actual future production is higher than we estimated, we will have greater commodity price exposure than we intended. If our actual future production is lower than the nominal amount that is subject to our derivative financial instruments, we might be forced to satisfy all or a portion of our derivative transactions without the benefit of the cash flow from our sale or purchase of the underlying physical commodity, resulting in a substantial diminution in our profitability and liquidity. As a result of these factors, our derivative activities may not be as effective as we intend in reducing the volatility of our cash flows, and in certain circumstances may actually increase the volatility of our cash flows.

In addition, our hedging transactions are subject to the following risks:

- we may be limited in receiving the full benefit of increases in oil and gas prices as a result of these transactions;

- a counterparty may not perform its obligation under the applicable derivative financial instrument or may seek bankruptcy protection;

- there may be a change in the expected differential between the underlying commodity price in the derivative instrument and the actual price received; and

- the steps we take to monitor our derivative financial instruments may not detect and prevent violations of our risk management policies and procedures, particularly if deception or other intentional misconduct is involved.

The enactment of derivatives legislation and regulation could have an adverse effect on our ability to use derivative instruments to reduce the effect of commodity price, interest rate and other risks associated with our business.

In 2010, new comprehensive financial reform legislation, known as the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), was enacted that established federal oversight regulation of over-the-counter derivatives market and entities, such as us, that participate in that market. Dodd-Frank requires the Commodities Futures Trading Commission, or CFTC, the SEC and other regulators to promulgate rules and regulations implementing the new legislation. The final rules adopted under Dodd-Frank identify the types of products and the classes of market participants subject to regulation and will require us in connection with certain derivatives activities to comply with clearing and trade-execution requirements (or take steps to qualify for an exemption from such requirements). While most of the regulations have been finalized, it is not possible at this time to predict with certainty the full effects of Dodd-Frank and CFTC rules on us or the timing of such effects. We believe that Dodd-Frank and associated regulations could significantly increase the cost of derivative contracts from additional recordkeeping and reporting requirements and through requirements to post collateral which could adversely affect our available liquidity. If we reduce our use of derivatives as a result of Dodd-Frank and associated regulations, our results of operations may become more volatile and our cash flows may be less predictable, which could adversely affect our ability to plan for and fund capital expenditures. These consequences could have a material adverse effect on our consolidated financial position, results of operations and cash flows.

Federal and state legislation and regulatory initiatives relating to hydraulic fracturing could result in increased costs and additional operating restrictions or delays as well as restrict our access to our oil and gas reserves.

Hydraulic fracturing is an essential and common practice that is used to stimulate production of oil and natural gas from dense subsurface rock formations such as shale and tight sands. We routinely apply hydraulic fracturing techniques in completing our wells. The process involves the injection of water, sand and additives under pressure into a targeted subsurface formation. The water and pressure create fractures in the rock formations, which are held open by the grains of sand, enabling the oil or natural gas to flow to the wellbore. The use of hydraulic fracturing is necessary to produce commercial quantities of oil and natural gas from many reservoirs including the Haynesville shale, Bossier shale, Eagle Ford shale, Tuscaloosa Marine shale, Cotton Valley and other tight natural gas and oil reservoirs. Substantially all of our proved oil and gas reserves that are currently not producing and our undeveloped acreage require hydraulic fracturing to be productive. All of the wells currently being drilled by us utilize hydraulic fracturing in their completion.

The use of hydraulic fracturing in our well completion activities could expose us to liability for negative environmental effects that might occur. Although we have not had any incidents related to hydraulic fracturing operations that we believe have caused any negative environmental effects, we have established operating procedures to respond and report any unexpected fluid discharge which might occur during our operations, including plans to remediate any spills that might occur. In the event that we were to suffer a loss related to hydraulic fracturing operations, our insurance coverage will be net of a deductible per occurrence and our ability to recover costs will be limited to a total aggregate policy limit of $26.0 million, which may or may not be sufficient to pay the full amount of our losses incurred.

Drilling and completion activities are typically regulated by state oil and natural gas commissions. Our drilling and completion activities are conducted primarily in Louisiana and Texas. Texas adopted a law in June 2012 requiring disclosure to the Railroad Commission of Texas and the public of certain information regarding the components used in the hydraulic-fracturing process. Several proposals are before the United States Congress that, if implemented, would subject the process of hydraulic fracturing to regulation under the Safe Drinking Water Act. In June 2015, the EPA released a draft report on the potential impacts of hydraulic fracturing on drinking water resources, which concluded that hydraulic fracturing activities have not led to widespread, systemic impacts on drinking water resources in the United States, although there may be above and below ground mechanisms by which hydraulic fracturing activities have the potential to impact drinking water resources. The draft report is expected to be finalized after a public comment period and a formal review by the EPA s Science Advisory Board. Other governmental agencies, including the U.S. Department of Energy, have evaluated or are evaluating various other aspects of hydraulic fracturing. These ongoing or proposed studies have the potential to impact the likelihood or scope of future legislation or regulation.

State and federal regulatory agencies recently have focused on a possible connection between the hydraulic fracturing related activities and the increased occurrence of seismic activity. When caused by human activity, such events are called induced seismicity. In a few instances, operators of injection wells in the vicinity of seismic events have been ordered to reduce injection volumes or suspend operations. Some state regulatory agencies, including those in Colorado, Ohio, Oklahoma, and Texas, have modified their regulations to account for induced seismicity. Regulatory agencies at all levels are continuing to study the possible linkage between oil and gas activity and induced seismicity. A 2012 report published by the National Academy of Sciences concluded that only a very small fraction of the tens of thousands of injection wells have been suspected to be, or have been, the likely cause of induced seismicity; and a 2015 report by researchers at the University of Texas has suggested that the link between seismic activity and wastewater disposal may vary by region. In 2015, the United States Geological Survey identified eight states, including Texas, with areas of increased rates of induced seismicity that could be attributed to fluid injection or oil and gas extraction. More recently, in March 2016, the United States Geological Survey identified six states with the most significant hazards from induced seismicity, including Texas, Colorado, Oklahoma, Kansas, New Mexico, and Arkansas. In addition, a number of lawsuits have been filed, most recently in Oklahoma, alleging that disposal well operations have caused damage to neighboring properties or otherwise violated state and federal rules regulating waste disposal. These developments could result in additional regulation and restrictions on the use of injection wells and hydraulic fracturing.

Potential changes to US federal tax regulations, if passed, could have an adverse effect on us.

The United States Congress continues to consider imposing new taxes and repealing many tax incentives and deductions that are currently used by independent oil and gas producers. Such changes include, but are not limited to:

- the elimination of current deductions for intangible drilling and development costs;
- the repeal of the percentage depletion allowance for oil and gas properties;
- an elimination of the deduction for U.S. oil and gas production activities;
- an extension of the amortization period for certain geological and geophysical expenditures; and

implementation of a fee on non-producing leases located on federal lands.

It is unclear, however, whether any such changes will be enacted or how soon such changes could be effective. The passage of any legislation containing these or similar changes in U.S. federal income tax law could eliminate or defer certain tax deductions that are currently available with respect to oil and gas exploration and development, and any such changes could negatively affect our financial condition and results of operations. A reduction in operating cash flow could require us to reduce our drilling activities. Since none of these proposals have yet been included in new legislation, we do not know the ultimate impact they may have on our business.

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Loss of our information and computer systems could adversely affect our business.

We are heavily dependent on our information systems and computer-based programs, including our well operations information, seismic data, electronic data processing and accounting data. If any of such programs or systems were to fail or create erroneous information in our hardware or software network infrastructure or we were subject to cyberspace breaches or attacks, possible consequences include our loss of communication links, inability to find, produce, process and sell oil and natural gas and inability to automatically process commercial transactions or engage in similar automated or computerized business activities. Any such consequence could have a material effect on our business.

Our business could be negatively impacted by security threats, including cyber-security threats and other disruptions.

As an oil and natural gas producer, we face various security threats, including cyber-security threats to gain unauthorized access to sensitive information or to render data or systems unusable, threats to the safety of our employees, threats to the security of our facilities and infrastructure or third party facilities and infrastructure, such as processing plants and pipelines, and threats from terrorist acts. Cyber-security attacks in particular are evolving and include, but are not limited to, malicious software, attempts to gain unauthorized access to data, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information and corruption of data. Although we utilize various procedures and controls to monitor and protect against these threats and to mitigate our exposure to such threats, there can be no assurance that these procedures and controls will be sufficient in preventing security threats from materializing. If any of these events were to materialize, they could lead to losses of sensitive information, critical infrastructure, personnel or capabilities, essential to our operations and could have a material adverse effect on our reputation, financial position, results of operations, or cash flows.

We are exposed to the credit risk of our customers and counterparties, and our credit risk management may not be adequate to protect against such risk.

We are subject to the risk of loss resulting from nonpayment and/or nonperformance by our customers and counterparties in the ordinary course of our business. Our credit procedures and policies may not be adequate to fully eliminate customer and counterparty credit risk particularly in light of the sustained declines in oil and natural gas prices since mid 2014. We cannot predict to what extent our business would be impacted by deteriorating conditions in the economy, including declines in our customers and counterparties creditworthiness. If we fail to adequately assess the creditworthiness of existing or future customers and counterparties, unanticipated deterioration in their creditworthiness and any resulting increase in nonpayment and/or nonperformance by them could cause us to write-down or write-off doubtful accounts. Such write-downs or write-offs could negatively affect our operating results in the periods in which they occur and, if significant, could have a material adverse effect on our business, results of operations, cash flows and financial condition.

Substantial exploration and development activities could require significant outside capital, which could dilute the value of our common shares and restrict our activities. Also, we may not be able to obtain needed capital or financing on satisfactory terms, which could lead to a limitation of our future business opportunities and a decline in our oil and natural gas reserves.

We expect to expend substantial capital in the acquisition of, exploration for and development of oil and natural gas reserves. In order to finance these activities, we may need to alter or increase our capitalization substantially through the issuance of debt or equity securities, the sale of non-strategic assets or other means. The issuance of additional equity securities could have a dilutive effect on the value of our common shares, and may not be possible on terms acceptable to us given the current volatility in the financial markets. The issuance of additional debt would require that a portion of our cash flow from operations be used for the payment of interest on our debt, thereby reducing our ability to use our cash flow to fund working capital, capital expenditures, acquisitions,

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dividends and general corporate requirements, which could place us at a competitive disadvantage relative to other competitors. Our cash flow from operations and access to capital is subject to a number of variables, including:

- our estimated proved reserves;
- the level of oil and natural gas we are able to produce from existing wells;
- our ability to extract NGLs from the natural gas we produce;
- the prices at which oil, NGLs and natural gas are sold; and
- our ability to acquire, locate and produce new reserves.

If our revenues decrease as a result of lower oil or natural gas prices, operating difficulties or declines in reserves, our ability to obtain the capital necessary to undertake or complete future exploration and development programs and to pursue other opportunities may be limited, which could result in a curtailment of our operations relating to exploration and development of our prospects, which in turn could result in a decline in our oil and natural gas reserves.

We depend on our key personnel and the loss of any of these individuals could have a material adverse effect on our operations.

We believe that the success of our business strategy and our ability to operate profitably depend on the continued employment of M. Jay Allison, our Chief Executive Officer, and Roland O. Burns, our President and Chief Financial Officer, and a limited number of other senior management personnel. Loss of the services of Mr. Allison, Mr. Burns or any of those other individuals could have a material adverse effect on our operations.

Our insurance coverage may not be sufficient or may not be available to cover some liabilities or losses that we may incur.

If we suffer a significant accident or other loss, our insurance coverage will be net of our deductibles and may not be sufficient to pay the full current market value or current replacement value of our lost investment, which could result in a material adverse impact on our operations and financial condition. Our insurance does not protect us against all operational risks. We do not carry business interruption insurance. For some risks, we may not obtain insurance if we believe the cost of available insurance is excessive relative to the risks presented. Because third party drilling contractors are used to drill our wells, we may not realize the full benefit of workers compensation laws in dealing with their employees. In addition, some risks, including pollution and environmental risks, generally are not fully insurable.

Provisions of our restated articles of incorporation, amended and restated bylaws, Nevada law and our rights plan will make it more difficult to effect a change in control of us, which could adversely affect the price of our common stock.

Nevada corporate law and our restated articles of incorporation and amended and restated bylaws contain provisions that could delay, defer or prevent a change in control of us. These provisions include:

- allowing for authorized but unissued shares of common and preferred stock;

- requiring special stockholder meetings to be called only by our chairman of the board, our chief executive officer, a majority of the board, a majority of our executive committee or the holders of at a majority of our outstanding stock;

- requiring removal of directors by a supermajority stockholder vote;

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prohibiting cumulative voting in the election of directors; and

Nevada control share laws that may limit voting rights in shares representing a controlling interest in us.
These provisions could make an acquisition of us by means of a tender offer or proxy contest or removal of our incumbent directors more difficult. As a result, these provisions could make it more difficult for a third party to acquire us, even if doing so would benefit our stockholders, which may limit the price that investors are willing to pay in the future for shares of our common stock.

We adopted a rights plan in October 2015 to preserve our accumulated net operating losses. While this rights plan is intended to preserve our tax net operating losses, it effectively deters current and potential future purchases of our common stock above 4.9% of the total outstanding shares. This rights plan could make it more difficult for a third party to acquire us, even if doing so would benefit our stockholders, which may limit the price that investors are willing to pay in the future for shares of our common stock.

We have received a notice of non-compliance with continued listing standards from the New York Stock Exchange (the NYSE) for our common stock. If we are unable to avoid the delisting of our common stock from the NYSE, it could have a substantial effect on the trading price and liquidity of our common stock.

On March 24, 2016, we received a notification from the NYSE informing us that we were no longer in compliance with the NYSE s continued listing standards for our common stock because the average closing price of our common stock and our average market capitalization have fallen below the NYSE s requirements. The NYSE s continued listing standards require that (i) the average closing price of a listed company s common stock be at least $1.00 per share and (ii) a listed company s equity market capitalization be at least $50 million, in each case over a consecutive 30 trading-day period. As of July 29, 2016, the average closing price of our common stock over the preceding 30 trading-day period was $0.84 per share (prior to the reverse stock split) and our average equity market capitalization over the same period was $52.5 million.

We have submitted and the NYSE has accepted a business plan to regain compliance with the NYSE s continued listing standards. We may regain compliance with the NYSE s stock price standard at any time during a six-month cure period commencing on receipt of the NYSE notification if our common stock has a closing stock price of at least $1.00 and an average closing stock price of at least $1.00 over the 30 trading-day period ending on the last trading day of that month or the last trading day of the cure period. We must regain compliance with respect to our market capitalization within eighteen months of receipt of the NYSE notification. Failure to regain compliance with the NYSE s continued listing standards within the applicable time periods will result in the commencement of suspension and delisting procedures. To address the minimum stock price requirement, on July 20, 2016, we announced a one-for-five (1:5) reverse split of our common stock, which became effective on July 29, 2016.

The NYSE notification did not affect our business operations or our SEC reporting requirements and did not conflict with or cause an event of default under any of our material debt or other agreements. However, if our common stock ultimately were to be delisted for any reason, it could negatively impact us by (i) reducing the liquidity and market price of our common stock; (ii) reducing the number of investors willing to hold or acquire our common stock, which could negatively impact our ability to raise equity financing; (iii) limiting our ability to use a registration statement to offer and sell freely tradable securities, thereby preventing us from accessing the public capital markets; and (iv) impairing our ability to provide equity incentives to our employees.

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USE OF PROCEEDS

We will not receive any cash proceeds from the Exchange Offer. In consideration for the exchange consideration, we will receive the old notes. Old notes acquired by us pursuant to the Exchange Offer will be cancelled upon receipt thereof.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratios of earnings to fixed charges on a consolidated basis for the periods shown. You should read these ratios in connection with our consolidated financial statements, including the notes to those statements.

	Year Ended December 31,					Six Months Ended June 30,	
	2011	**2012**	**2013**	**2014**	**2015**	**2015**	**2016**
Ratio of earnings to fixed charges							
Coverage deficiency (in millions)	$ (61.2)	$ (165.1)	$ (165.6)	$ (92.0)	$ (1,202.4)	$ (328.8)	$ (47.2)

PRICE RANGE OF COMMON STOCK, OLD NOTES AND DIVIDEND POLICY

Our common stock is listed for trading on the New York Stock Exchange under the symbol CRK . The following table sets forth, on a per share basis for the periods indicated, the high and low sales prices by calendar quarter for the periods indicated as reported by the New York Stock Exchange. All amounts below have been adjusted to give effect to the one-for-five (1:5) reverse stock split which became effective on July 29, 2016.

		High	Low
2014	First Quarter	$ 115.75	$ 81.10
	Second Quarter	$ 145.75	$ 112.10
	Third Quarter	$ 147.45	$ 91.50
	Fourth Quarter	$ 94.00	$ 25.05
2015	First Quarter	$ 36.10	$ 16.15
	Second Quarter	$ 27.20	$ 16.45
	Third Quarter	$ 20.35	$ 4.95
	Fourth Quarter	$ 16.90	$ 8.00
2016	First Quarter	$ 9.40	$ 3.20
	Second Quarter	$ 5.45	$ 2.75
	Third Quarter (through August 29, 2016)	$ 7.38	$ 2.64

As of August 29, 2016, we had approximately 12,504,562 shares of common stock outstanding after giving effect to the one-for-five (1:5) reverse stock split which became effective on July 29, 2016 (subject to minor variations resulting from the treatment of fractional shares). Such shares were held by 194 holders of record and approximately 11,600 beneficial owners who maintain their shares in street name accounts.

We paid a quarterly cash dividend on our common stock in 2014, resulting in total dividends paid of $23.8 million. On February 13, 2015, we announced that the dividend was being suspended until oil and natural gas prices improve. Any future determination as to the payment of dividends will depend upon the results of our operations, capital requirements, our financial condition and such other factors as our board of directors may deem relevant.

The old notes are not listed on any national or regional securities exchange or authorized to be quoted in any inter-dealer quotation system of any national securities association. Reliable pricing information for the old notes may not always be available. The Company believes trading in the old notes has been limited and sporadic. Quotations for securities that are not widely traded, such as the old notes, may differ from actual trading prices

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and should be viewed as approximations. To the extent such information is available, holders of old notes are urged to contact their brokers or financial advisors or call the Information and Exchange Agent at the number set forth on the back cover of this prospectus with respect to current information regarding the trading price of the old notes.

To the extent that the old notes are tendered and accepted in the Exchange Offer, such old notes will cease to be outstanding. A debt security with a smaller outstanding principal amount available for trading (a smaller float) may command a lower price and trade with greater volatility than would a comparable debt security with a greater float. Consequently, any old notes that the Company acquires in the Exchange Offer will reduce the float and may negatively impact the liquidity, market value and price volatility of the old notes that remain outstanding following the Exchange Offer.

We cannot assure you that a trading market will exist for the old notes following the Exchange Offer. The extent of the market for the old notes following the consummation of the Exchange Offer will depend upon, among other things, the remaining outstanding principal amount of the old notes at such time, the number of holders of old notes remaining at such time and the interest in maintaining a market in such old notes on the part of securities firms.

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CAPITALIZATION

The following table sets forth our cash and cash equivalents and our capitalization as of June 30, 2016 on:

- an a historical basis; and
- on a pro forma basis to give effect to the exchange by us of exchange consideration for our outstanding old notes, assuming the tender and acceptance of all of the outstanding old notes and other transactions related to the Exchange Offer.

This information should be read in conjunction with the sections entitled Selected Historical Consolidated Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations elsewhere in this prospectus and our historical consolidated financial statements and related notes thereto included in this prospectus.

	As of June 30, 2016	
	Historical	As Adjusted
	(In thousands)	
Cash and Cash equivalents	$ 67,412	$ 58,212
Long-term debt:		
Principal:		
Revolving credit facility(1)	$ -	$ -
10% senior secured notes due 2020	700,000	-
7 ¾% senior notes due 2019	288,516	-
9 ½% senior notes due 2020	174,607	-
Senior secured toggle notes due 2020	-	700,000
7 ¾% convertible secured PIK notes due 2019	-	288,516
9 ½% convertible secured PIK notes due 2020	-	174,607
Premiums (discounts) on notes:		
7 ¾% senior notes due 2019	2,325	-
9 ½% senior notes due 2020	(4,008)	-
Senior secured toggle notes due 2020(3)	-	(11,820)
7 ¾% convertible secured PIK notes due 2019(3)	-	(17,975)
9 ½% convertible secured PIK notes due 2020(3)	-	(17,408)
Deferred financing costs	(16,250)	(16,250)
Total long-term debt	1,145,190	1,099,670
Stockholders Deficit:		
Common stock(2)	6,253	6,253
Additional paid in capital(2)	518,905	518,905
Stock warrants(3)	-	11,820
Accumulated deficit	(732,425)	(732,425)

Total stockholders deficit	(207,267)	(195,447)
Total capitalization	$ 937,923	$ 904,223

(1) As of June 30, 2016, there was no outstanding balance under our revolving credit facility.

(2) Common stock and additional paid-in capital has been adjusted to reflect the one-for-five (1:5) reverse stock split of our common stock which became effective on July 29, 2016.

(3) Reflects the impact of the Exchange Offer with amounts of the new notes being adjusted for the estimated value of the stock warrants issued in connection with the senior secured toggle notes due 2020 and the estimated value of the mandatory conversion feature in connection with the 7 $\frac{3}{4}$% convertible secured PIK notes due 2019 and 9 $\frac{1}{2}$% convertible secured PIK notes due 2020, assuming the approval of our stockholders of the authorized share proposal at a special meeting of the stockholders.

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following tables present selected historical financial data as of and for the periods indicated. The financial results are not necessarily indicative of our future operations or future financial results. In the opinion of management, such information contains all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation of the results of such periods. The data presented below should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations contained elsewhere in this prospectus and our consolidated financial statements and the notes thereto contained in the exhibits to the registration statement to which this prospectus relates. All share and per share data presented below has been adjusted to give effect to the Company s one-for-five (1:5) reverse stock split which became effective on July 29, 2016, unless the context otherwise requires.

Statement of Operations Data:

	Year Ended December 31,					Six Months Ended June 30,	
	2011	2012	2013	2014	2015	2015	2016
	(In thousands, except per share data)						
Revenues:							
Natural gas sales	$ 354,123	$ 203,651	$ 188,453	$ 165,461	$ 109,753	$ 46,757	$ 50,874
Oil sales	80,244	181,163	231,837	389,770	142,669	97,077	26,004
Total oil and gas sales	434,367	384,814	420,290	555,231	252,422	143,834	76,878
Gain on sales and exchanges of oil and gas properties		24,271					
Total revenues	434,367	409,085	420,290	555,231	252,422	143,834	76,878
Operating expenses:							
Production taxes	3,670	11,727	14,524	23,797	10,286	6,781	2,513
Gathering and transportation	28,491	26,265	17,245	12,897	14,298	6,113	8,390
Lease operating(1)	46,552	51,248	52,844	60,283	64,502	32,963	25,948
Exploration	10,148	61,449	33,423	19,403	70,694	65,269	7,753
Depreciation, depletion and amortization	290,776	343,858	337,134	378,275	321,323	182,462	74,865
General and administrative, net	35,172	33,798	34,767	32,379	23,541	15,142	11,238

Impairment of oil and gas properties	60,817	25,368	652	60,268	801,347	2,387	24,460
Loss on sales of oil and gas properties	57		2,033		112,085	111,830	907
Total operating expenses	475,683	553,713	492,622	587,302	1,418,076	422,947	156,074
Operating loss	(41,316)	(144,628)	(72,332)	(32,071)	(1,165,654)	(279,113)	(79,196)
Other income (expenses):							
Gain on sale of marketable securities	35,118	26,621	7,877				
Gain (loss) from derivative financial instruments		21,256	(8,388)	8,175	2,676	627	674
Net gain (loss) on extinguishment of debt	(1,096)		(17,854)		78,741	4,532	89,576
Other income	790	944	1,059	727	1,275	643	595
Interest expense	(41,592)	(57,906)	(73,242)	(58,631)	(118,592)	(54,561)	(58,826)
Total other income (expenses)	(6,780)	(9,085)	(90,548)	(49,729)	(35,900)	(48,759)	32,019
Loss from continuing operations before income taxes	(48,096)	(153,713)	(162,880)	(81,800)	(1,201,554)	(327,872)	(47,177)
Benefit from income taxes	14,624	50,634	56,157	24,689	154,445	114,302	(4,548)
Loss from continuing operations	(33,472)	(103,079)	(106,723)	(57,111)	(1,047,109)	(213,570)	(51,725)
Income from discontinued operations, net of income taxes		3,019	147,752				
Net income (loss)	$ (33,472)	$ (100,060)	$ 41,029	$ (57,111)	$ (1,047,109)	$ (213,570)	$ (51,725)

Basic and diluted net income (loss) per share:							
Loss from continuing operations	$ (3.64)	$ (11.10)	$ (11.09)	$ (6.20)	$ (113.53)	$ (23.18)	$ (4.82)
Income from discontinued operations		0.32	15.36				
Net Income (loss)	$ (3.64)	$ (10.78)	$ 4.27	$ (6.20)	$ (113.53)	$ (23.18)	(4.82)
Dividends per common share	$	$	$ 1.88	$ 2.50	$	$	$
Basic and diluted weighted average shares outstanding	9,199	9,284	9,311	9,309	9,223	9,215	10,729

(1) Includes ad valorem taxes.

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Balance Sheet Data:

	As of December 31,					Six Months Ended June 30,	
	2011	2012	2013	2014	2015	2015	2016
	(In thousands)						
Cash and cash equivalents	$ 8,460	$ 4,471	$ 2,967	$ 2,071	$ 134,006	$ 130,214	$ 67,412
Property and equipment, net	2,155,568	1,958,687	2,066,735	2,198,169	1,038,420	1,911,807	915,350
Total assets(1)	2,632,009	2,554,930	2,130,112	2,264,546	1,195,850	2,181,640	1,047,226
Total debt(1)	1,186,319	1,309,416	789,414	1,060,654	1,249,330	1,355,816	1,145,190
Stockholders equity (deficit)	1,037,625	933,534	952,005	870,272	(171,258)	658,255	(207,267)

(1) Restated to reclassify debt issuance costs from total assets to total debt in the amount of $10,589, $14,967, $9,286 and $9,791 as of December 31, 2011, 2012, 2013, and 2014, respectively and $23,618 for the six-months ended June 30, 2015.

Cash Flow Data:

	Year Ended December 31,					Six Months Ended June 30,	
	2011	2012	2013	2014	2015	2015	2016
	(In thousands)						
Cash flows provided by (used for) operating activities from continuing operations	$ 275,433	$ 219,721	$ 268,994	$ 400,984	$ 30,086	24,238	(31,204)
Cash flows used for investing activities from continuing operations	(597,809)	(205,393)	(408,678)	(634,787)	(161,725)	(197,263)	(31,587)
Cash flows provided by (used for)	673,381	117,502	(576,140)	232,907	263,574	301,168	(3,803)

financing activities from continuing operations							
Cash flows provided by (used for) operating activities of discontinued operations		42,508	(7,715)				
Cash flows provided by (used for) investing activities of discontinued operations	(344,277)	(178,327)	722,035				

Summary Operating Data:

The following table sets forth certain of our summary operating data for the periods indicated:

	Year Ended December 31,					Six Months Ended June 30,	
	2011	**2012**	**2013**	**2014**	**2015**	**2015**	**2016**
Oil & Gas Sales (in thousands):							
Natural gas sales	$ 354,123	$ 203,651	$ 188,453	$ 165,461	$ 109,753	$ 46,757	$ 50,874
Oil sales	80,244	181,163	231,837	389,770	142,669	97,077	26,004
Total oil and gas sales	$ 434,367	$ 384,814	$ 420,290	$ 555,231	$ 252,422	$ 143,834	$ 76,878
Net Production Data:							
Natural gas (MMcf)	90,593	81,762	55,694	39,768	47,676	19,273	27,344
Oil (MBbls)	838	1,792	2,314	4,313	3,089	1,960	772
Natural gas equivalent (MMcfe)	95,622	92,515	69,577	65,645	66,207	31,034	31,974
Average Sales Price:							
Natural gas ($/Mcf)	$ 3.91	$ 2.49	$ 3.38	$ 4.16	$ 2.30	$ 2.43	$ 1.86
Oil ($/Bbl)	$ 95.73	$ 101.09	$ 100.20	$ 90.37	$ 46.19	$ 49.53	$ 33.69
Average	$ 4.54	$ 4.16	$ 6.04	$ 8.46	$ 3.81	$ 4.63	$ 2.40

equivalent price ($/Mcfe)														
Expenses ($ per Mcfe):														
Production taxes	$	0.04	$	0.13	$	0.21	$	0.36	$	0.16	$	0.22	$	0.08
Gathering and transportation	$	0.30	$	0.28	$	0.25	$	0.20	$	0.22	$	0.20	$	0.26
Lease operating(1)	$	0.48	$	0.55	$	0.76	$	0.92	$	0.97	$	1.06	$	0.81
Depreciation, depletion and amortization(2)	$	3.03	$	3.76	$	4.83	$	5.74	$	4.84	$	5.86	$	2.32

(1) Includes ad valorem taxes.

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

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SELECTED QUARTERLY FINANCIAL DATA

Set forth below are unaudited quarterly financial data (in thousands, except per share amounts):

	2016	
	First Quarter	Second Quarter
	(In thousands, except per share data)	
Total oil and gas sales	$ 36,163	$ 40,715
Operating loss	$ (56,490)	$ (22,706)
Net income (loss)	$ (56,577)	$ 4,852
Income (loss) per share:		
Basic and diluted	$ (5.71)	$ 0.41

	2015			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In thousands, except per share data)			
Total oil and gas sales	$ 66,522	$ 77,312	$ 61,360	$ 47,228
Operating loss	$ (96,928)	$ (182,185)	$ (596,026)	$ (290,515)
Net loss	$ (78,502)	$ (135,068)	$ (544,996)	$ (288,543)
Loss per share:				
Basic and diluted	$ (8.53)	$ (14.64)	$ (59.05)	$ (31.26)

	2014			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In thousands, except per share data)			
Total oil and gas sales	$ 141,909	$ 155,723	$ 144,983	$ 112,616
Operating income (loss)	$ 20,228	$ 27,729	$ 263	$ (80,291)
Net income (loss)	$ 1,165	$ 1,898	$ (1,903)	$ (58,271)
Income (loss) per share:				
Basic and diluted	$ 0.11	$ 0.19	$ (0.22)	$ (6.31)

Basic and diluted per share amounts are the same for each of the quarters and for the years ended where a net loss was reported. All share and per share data presented above has been adjusted to give effect to the Company s one-for-five (1:5) reverse stock split which became effective on July 29, 2016.

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SUMMARY OIL AND NATURAL GAS RESERVES

The following table summarizes the estimates of our net proved oil and natural gas reserves relating to our continuing operations as of the dates indicated and the present value attributable to these reserves at such dates based on reserve reports prepared by Lee Keeling and Associates, Inc. For additional information relating to our oil and natural gas reserves, see Risk Factors Risks Related to Our Business Our reserve estimates depend on many assumptions that may turn out to be inaccurate. Any material inaccuracies in our reserve estimates or underlying assumptions will materially affect the quantities and present value of our reserves and Business and Properties, contained in this prospectus.

	As of December 31,		
	2013	2014	2015
PROVED RESERVES:			
Natural Gas (MMcf)	452,653	495,266	569,596
Oil (Mbbls)	21,976	20,854	9,229
Total (MMcfe)	584,511	620,388	624,971
PROVED DEVELOPED RESERVES:			
Natural Gas (MMcf)	344,278	324,598	311,130
Oil (Mbbls)	13,914	16,247	9,229
Total (MMcfe)	427,764	422,077	366,505

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our selected historical consolidated financial data and our accompanying consolidated financial statements and the notes to those financial statements included elsewhere in this prospectus. The following discussion includes forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this prospectus, particularly in Risk Factors and Cautionary Note Regarding Forward-Looking Statements. The following discussion should be read in conjunction with the consolidated financial statements and notes thereto included in this prospectus and in our annual report filed on Form 10-K for the year ended December 31, 2015, as adjusted by our Current Report on Form 8-K filed on August 1, 2016, and our quarterly report filed on Form 10-Q for the three months ended June 30, 2016. All share and per share data presented below has been restated to give effect to our one-for-five (1:5) reverse stock split that became effective on July 29, 2016, unless the context otherwise requires.

Overview

We are an independent energy company engaged in the acquisition, exploration, development and production of oil and natural gas in the United States. At December 31, 2015 we owned interests in 1,575 producing oil and natural gas wells (859.7 net to us) and we operated 952 of these wells. In managing our business, we are concerned primarily with maximizing return on our stockholders equity. To accomplish this goal, we focus on profitably increasing our oil and natural gas reserves and production.

In 2011, we acquired an undeveloped acreage position and some producing oil wells in Gaines and Reeves Counties in West Texas. We operated these properties, which we designated as our West Texas region, through May 2013 when we sold all of these properties for total proceeds of $823.1 million. Accordingly, we are presenting our West Texas operations as discontinued operations in our financial statements for all periods presented. Unless indicated otherwise, the amounts in the accompanying tables and discussion relate to our continuing operations.

We use the successful efforts method of accounting, which allows only for the capitalization of costs associated with developing proven oil and natural gas properties as well as exploration costs associated with successful exploration activities. Accordingly, our exploration costs consist of costs we incur to acquire and reprocess 3-D seismic data, impairments of our unevaluated leasehold where we were not successful in discovering reserves and the costs of unsuccessful exploratory wells that we drill.

We generally sell our oil and natural gas at current market prices at the point our wells connect to third party purchaser pipelines or terminals. We have entered into certain transportation and treating agreements with midstream and pipeline companies to transport a substantial portion of our natural gas production in North Louisiana to long-haul gas pipelines. We market our products several different ways depending upon a number of factors, including the availability of purchasers for the product, the availability and cost of pipelines near our wells, market prices, pipeline constraints and operational flexibility. Accordingly, our revenues are heavily dependent upon the prices of, and demand for, oil and natural gas. Oil and natural gas prices have historically been volatile and are likely to remain volatile in the future. Oil and natural gas prices have declined substantially since June 2014 and have continued to decline into 2016.

Our operating costs are generally comprised of several components, including costs of field personnel, insurance, repair and maintenance costs, production supplies, fuel used in operations, transportation costs, workover expenses and state production and ad valorem taxes.

Like all oil and natural gas exploration and production companies, we face the constant challenge of replacing our reserves. Although in the past we have offset the effect of declining production rates from existing properties through successful acquisition and drilling efforts, there can be no assurance that we will be able to continue to offset production declines or maintain production at current rates through future acquisitions or drilling activity. Our future growth will depend on our ability to continue to add new reserves in excess of production.

Our operations and facilities are subject to extensive federal, state and local laws and regulations relating to the exploration for, and the development, production and transportation of, oil and natural gas, and operating safety. Future laws or regulations, any adverse changes in the interpretation of existing laws and regulations or our failure to comply with existing legal requirements may have an adverse effect on our business, results of operations and financial condition. Applicable environmental regulations require us to remove our equipment after production has ceased, to plug and abandon our wells and to remediate any environmental damage our operations may have caused. The present value of the estimated future costs to plug and abandon our oil and gas wells and to dismantle and remove our production facilities is included in our reserve for future abandonment costs, which was $16.0 million as of June 30, 2016.

Prices for crude oil and natural gas have been highly volatile, and we are currently experiencing a period of extraordinarily low prices primarily due to an oversupply of crude oil and natural gas. As prices remain depressed, we will continue to experience low revenues and cash flows. We expect our oil production to remain depressed until we resume drilling on these properties. We expect our natural gas production to remain depressed to the extent that we do not offset this decline from production from the new wells we plan to drill in 2016 and future periods. Depending upon future prices and our production volumes, our cash flows from our operating activities may not be sufficient to fund our capital expenditures, and we will need to either continue to curtail drilling activity or we may seek additional borrowings which would increase our interest expense.

We recognized significant impairments of our proved oil and gas properties in 2015. We may need to recognize further impairments if oil and natural gas prices remain depressed, and as a result, the expected future cash flows from these properties becomes insufficient to recover their carrying value. In addition, we may recognize additional impairments of our unevaluated oil and gas properties should we determine that we no longer intend to retain these properties for future oil and natural gas development.

Six Months Ended June 30, 2016 Compared to Six Months Ended June 30, 2015

Results of Operations

Revenues

In the first six months of 2016, our oil and natural gas sales decreased by $66.9 million (47%) to $76.9 million from $143.8 million in the first six months of 2015. Natural gas sales in the first six months of 2016 increased by $4.1 million (9%) from 2015 while oil sales decreased by $71.1 million (73%) from 2015. Our natural gas production increased by 42% from 2015 while our realized natural gas price decreased by 23%. The increase in our natural gas production has been driven by our successful natural gas drilling program that we commenced in 2015. The decrease in oil sales is attributable to the 61% decline in our production and the 32% decrease in realized oil prices. The decline in oil production is attributable to the sale of our East Texas Eagle Ford shale properties in or near Burleson, Texas in 2015 and the lack of drilling activity in our South Texas Eagle Ford shale properties in South Texas.

Costs and Expenses

Production taxes of $2.5 million for the first six months of 2016 decreased $4.3 million as compared with production taxes of $6.8 million for the first six months of 2015. These decreases are mainly related to our lower oil and gas sales in 2016 as well as state exemptions on our Haynesville shale wells drilled in 2015 and 2016.

Gathering and transportation costs for the first six months of 2016 increased $2.3 million to $8.4 million as compared to $6.1 million for the first six months of 2015. Our gathering and transportation costs have increased due to the volume growth from our Haynesville shale drilling program.

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Our lease operating expense for the first six months of 2016 of $25.9 million decreased $7.1 million or 21% from our lease operating expense of $33.0 million for the first six months of 2015. This decrease primarily reflects lower costs associated with our declining oil production. Our lease operating expense of $0.81 per Mcfe produced for the six months ended June 30, 2016 was $0.25 per Mcfe lower than the lease operating expense of $1.06 per Mcfe for the same period in 2015.

Exploration costs of $7.8 million in the six months ended June 30, 2016 primarily related to impairments of unevaluated leases. Exploration costs of $65.3 million in the six months ended June 30, 2015 primarily include impairments of unevaluated leases and rig termination fees.

Depreciation, depletion and amortization (DD&A) for the first six months of 2016 of $74.9 million decreased $107.6 million (59%) from DD&A expense of $182.5 million for the six months ended June 30, 2015. For the first six months of 2016, our per unit DD&A rate of $2.32 decreased $3.54 (60%) from our DD&A rate of $5.86 for the first six months of 2015. The lower rates in 2016 reflect the impairments we recognized in 2015 as well as the increase in production from the lower cost Haynesville shale properties.

General and administrative expenses, which are reported net of overhead reimbursements, decreased $3.9 million (26%) to $11.2 million for the first six months of 2016 from general and administrative expenses for the six months ended June 30, 2015 of $15.1 million. Included in general and administrative expense is stock-based compensation of $2.5 million and $4.0 million for the six months ended June 30, 2016 and 2015, respectively. The lower general and administrative costs are attributable to a reduction in personnel and related compensation costs in 2016.

We assess the need for impairment of the capitalized costs for our oil and gas properties on a property basis. We recognized impairment charges of $3.7 million and $2.4 million on our oil and gas properties during the six months ended June 30, 2016 and June 30, 2015, respectively, primarily due to the decline in management s oil and natural gas price outlook. Also included in impairments for the six months ended June 30, 2016 is an impairment of $20.8 million to reduce the carrying value of our South Texas natural gas properties classified as assets held for sale to their net realizable value less costs to sell. The net loss on sales and exchange of oil and gas properties of $0.9 million for the first six months of 2016 reflects the non-monetary exchange we completed in January, 2016 and the sale of certain other oil and gas properties. The loss on sale of oil and gas properties of $111.8 million for the six months ended June 30, 2015 relates to our sale of our Burleson County, Texas oil properties.

Interest expense increased $4.2 million to $58.8 million for the first six months of 2016 from interest expense of $54.6 million in the first six months of 2015. We did not capitalize any interest during the six months ended June 30, 2016 and we capitalized interest of $0.9 million on our unevaluated properties during the six months ended June 30, 2015. The increase in interest expense for the six months ended June 30, 2016 primarily relates to the issuance of $700.0 million of senior secured notes in March 2015, which was partially offset by the lower interest from our debt reduction program.

We utilize oil and natural gas price swaps to manage our exposure to oil and natural gas prices and protect returns on investment from our drilling activities. Gains related to our natural gas derivative financial instruments that covered a portion of our production were $0.7 million for the six months ended June 30, 2016. We had no cash settlements for crude oil or natural gas swaps during the six months ended June 30, 2015. The following table presents our natural gas prices before and after the effect of cash settlements of our derivative financial instruments:

	Six Months Ended June 30,			
	2015		2016	
Average Realized Oil Price:				
Natural gas, per Mcf	$	2.43	$	1.86
Cash settlements of derivative financial instruments, per Mcf				0.08
Price per Mcf, including cash settlements of derivative financial instruments	$	2.43	$	1.94

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During the six months ended June 30, 2016 and 2015, we recognized a net gain on extinguishment of debt of $89.6 million and $4.5 million, respectively. We retired $87.5 million and $19.8 million of principal of the 2019 Notes and the 2020 Notes in the six months ended June 30, 2016 and 2015, respectively, as part of our debt reduction program.

Income taxes for the six months ended June 30, 2016 were a provision of $4.5 million as compared to a benefit of $114.3 million for the six months ended June 30, 2015. Our effective tax rate was a provision of 9.6% for the first six months of 2016 as compared to a benefit of 34.9% for the first six months of 2015. During the first quarter of 2016, Louisiana changed its tax laws with respect to the utilization of net operating losses. As a result of this tax law change we increased our deferred income tax liability related to state income taxes by $4.5 million. No benefit for income taxes was reflected on the loss in the first six months of 2016 due to the increase to our valuation allowances related to federal and certain state net operating losses. The effective tax rate for the first six months of 2015 differed slightly from the expected rate of 35% primarily because of state taxes.

We reported a net loss of $51.7 million, or $4.82 per share, for the six months ended June 30, 2016, as compared to a net loss of $213.6 million, or $23.18 per share, for the six months ended June 30, 2015. The net loss in the six months ended June 30, 2016 was primarily due to the oil and gas property impairment charges recognized, lower oil and natural gas prices and higher interest expense.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Results of Operations

Revenues

Our oil and gas sales decreased $302.8 million (55%) in 2015 to $252.4 million from $555.2 million in 2014. Oil sales decreased by $247.1 million (63%) from 2014 while our natural gas sales decreased by $55.7 million (34%) from 2014. The decrease in oil sales was attributable to the 28% decline in oil production and a 49% decrease in our realized oil price in 2015. Our natural gas production increased by 20% from 2014 while our realized natural gas price decreased by 45%. Our drilling activity in the Haynesville and Bossier shale fields in East Texas and North Louisiana generated the natural gas production growth.

Costs and Expenses

Production taxes decreased $13.5 million or 57% to $10.3 million in 2015 from $23.8 million in 2014. The decrease in 2015 is due to the 63% decline in our oil sales during the year. Much of our natural gas sales in 2014 and 2015 qualified for temporary exemption from state production taxes.

Gathering and transportation costs in 2015 increased $1.4 million (11%) to $14.3 million as compared to $12.9 million in 2014 due to the 20% increase in natural gas we produced during 2015. Gathering and transportation per Mcf produced improved from 2014 as the additional volumes produced in the Haynesville shale properties allowed us to lower our unit transportation costs.

Our lease operating expenses, including ad valorem taxes, of $64.5 million in 2015 were $4.2 million or 7% higher than our operating expenses of $60.3 million in 2014. Our lease operating expense per Mcfe produced rose by 6% to $0.97 per Mcfe in 2015 as compared to $0.92 per Mcfe in 2014. The increase in operating costs mainly reflects the higher lifting costs associated with our oil wells including additional costs incurred related to adding artificial lift to many of our producing oil wells.

We incurred $70.7 million in exploration expense in 2015 as compared to $19.4 million in 2014. Exploration expense in 2015 consisted of $69.0 million in impairments of unevaluated leasehold costs and $1.7 million in rig termination fees. Our 2014 exploration cost consisted of $11.8 million in dry hole costs, $6.7 million in rig termination fees, $0.5 million of impairments of unevaluated leasehold costs and $0.4 million for the acquisition of seismic data.

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Depreciation, depletion and amortization expense (DD&A) of $321.3 million decreased by $57.0 million (15%) from DD&A of $378.3 million in 2014. Our DD&A rate per Mcfe produced averaged $4.84 in 2015 as compared to $5.74 for 2014. The decrease in DD&A expense and the DD&A rate primarily resulted from higher production from our lower cost natural gas properties.

General and administrative expense of $23.5 million for 2015 was 27% lower than general and administrative expense of $32.4 million for 2014 primarily due to lower employee compensation in 2015 including stock based compensation which decreased to $8.1 million in 2015 as compared to $10.7 million in 2014.

We assess the need for impairment of the capitalized costs for our oil and gas properties on a property basis. During 2015, with the substantial decline in management s estimates of future oil and natural gas prices, we recognized an impairment charge of $801.3 million on our oil and gas properties. During 2014 we recognized an impairment charge of $60.3 million.

We utilized oil and natural gas price swaps to manage our exposure to commodity prices and protect returns on investment from our drilling activities. We had gains of $2.7 million and $8.2 million on derivative financial instruments in 2015 and 2014, respectively. Our total net cash received from derivative financial instruments was $1.2 million and $9.1 million in 2015 and 2014, respectively.

The following tables present our oil and natural gas prices before and after the effect of cash settlements of our derivative financial instruments:

Average Realized Natural Gas Price:	**2014**	**2015**
Natural gas, per Mcf	$4.16	$2.30
Cash settlements on derivative financial instruments, per Mcf		0.03
Price per Mcf, including cash settlements on derivative financial instruments	$4.16	$2.33

Average Realized Oil Price:	**2014**	**2015**
Oil, per barrel	$90.37	$46.19
Cash settlements on derivative financial instruments, per barrel	2.13	
Price per barrel, including cash settlements on derivative financial instruments	$92.50	$46.19

Interest expense increased $60.0 million (102%) to $118.6 million in 2015 from interest expense of $58.6 million in 2014. The increase was primarily related to the refinancing of our bank credit facility with 10% secured senior notes in March 2015 and a reduction in the interest we capitalized in 2015. We issued $700.0 million of senior secured notes in March 2015. We capitalized interest of $0.9 million and $10.2 million in 2015 and 2014, respectively.

The benefit from income taxes from continuing operations increased in 2015 to $154.4 million from $24.7 million in 2014 due to the higher net loss in 2015. Our effective tax rate of 12.9% in 2015 differed from the federal income tax rate of 35% primarily due to a valuation allowance on deferred tax assets of $282.9 million.

We reported a loss of $1.0 billion or $113.53 per share for 2015 as compared to a loss of $57.1 million or $6.20 per share for 2014. The loss in 2015 was primarily due to the oil and gas property impairment charges recognized, the loss on sale of oil and gas properties, lower oil and natural gas prices, higher exploration costs and higher interest expense. The net loss in 2014 was primarily due to impairments of proved and unproved properties, and other exploration costs.

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Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Revenues

Our oil and gas sales increased $134.9 million (32%) in 2014 to $555.2 million from $420.3 million in 2013. Oil sales in 2014 increased by $157.9 million (68%) from 2013 while our natural gas sales decreased by $23.0 million (12%) from 2013. The increase in oil sales was attributable to the 86% growth in oil production offset by a 10% decrease in our realized oil prices in 2014. Our drilling activity in the Eagleville and Giddings fields in South Texas principally generated the growth in the oil production. With limited drilling in our natural gas properties in 2014, our natural gas production fell by 29% from 2013 while our realized natural gas prices increased by 23%.

Costs and Expenses

Production taxes increased $9.3 million or 64% to $23.8 million in 2014 from $14.5 million in 2013. The increase in 2014 was due to the 68% growth in our oil sales during the year. Much of our natural gas sales in 2013 and 2014 qualified for a temporary exemption from state production taxes.

Gathering and transportation costs in 2014 decreased $4.3 million (25%) to $12.9 million as compared to $17.2 million in 2013 due to the lower natural gas volumes that we produced in North Louisiana in 2014.

Our lease operating expenses, including ad valorem taxes, of $60.3 million in 2014 were $7.5 million or 14% higher than our operating expenses of $52.8 million in 2013. Our lease operating expense per Mcfe produced increased by 21% to $0.92 per Mcfe in 2014 as compared to $0.76 per Mcfe in 2013. The increase in operating costs mainly reflects our growing oil production. Our oil wells are typically more costly to operate on a per Mcfe basis than our natural gas wells. The increase in our per unit costs is also partially attributable to the lower production on a Mcfe basis. Oil production comprised 39% of our total production in 2014 as compared to 20% in 2013.

We incurred $19.4 million in exploration expense in 2014 as compared to $33.4 million in 2013. Exploration expense in 2014 consisted of $11.8 million in dry hole costs, $6.7 million in rig termination fees, $0.5 million of impairments of unevaluated leasehold costs and $0.4 million for the acquisition of seismic data. Our 2013 exploration cost consisted of $33.0 million of impairments of unevaluated leasehold costs and $0.4 million for the acquisition of seismic data.

DD&A of $378.3 million increased by $41.2 million (12%) from DD&A of $337.1 million in 2013. Our DD&A rate per Mcfe produced averaged $5.74 in 2014 as compared to $4.83 for 2013. The increase in DD&A primarily resulted from the increased development costs per Mcfe associated with the oil wells drilled in 2014 and 2013.

General and administrative expense of $32.4 million for 2014 was 7% lower than general and administrative expense of $34.8 million for 2013. The decrease is primarily related to stock-based compensation which decreased by $2.1 million to $10.7 million in 2014 as compared to $12.8 million in 2013.

We recorded impairments to our oil and gas properties of $60.3 million and $0.7 million in 2014 and 2013, respectively. These impairments relate to older, conventional oil and gas properties with declining production and limited potential for future investments.

We utilized oil price swaps to manage our exposure to oil prices and protect returns on investment from our drilling activities in 2013 and 2014. We had a gain of $8.2 million and a loss of $8.4 million on derivative financial instruments in 2014 and 2013, respectively. Our total net cash received from derivative financial instruments was $9.1

million in 2014 and $2.3 million in 2013.

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The following table presents our crude oil equivalent prices before and after the effect of cash settlements of our derivative financial instruments:

Average Realized Oil Price:	**2013**	**2014**
Oil, per barrel	$ 100.20	$ 90.37
Cash settlements on derivative financial instruments, per barrel	0.99	2.13
Price per barrel, including cash settlements on derivative financial instruments	$ 101.19	$ 92.50

Interest expense decreased $14.6 million (20%) to $58.6 million in 2014 from interest expense of $73.2 million in 2013. The decrease was primarily related to lower interest expense due to the retirement in September 2013 of our 8 3⁄8% senior notes due in 2017. We capitalized interest of $10.2 million and $4.7 million in 2014 and 2013, respectively, which reduced interest expense. We had interest expense allocated to discontinued operations of $8.4 million in 2013 of which $2.0 million was capitalized. Average borrowings under our bank credit facility increased to $319.2 million in 2014 as compared to $201.5 million for 2013 and the average interest rate on the outstanding borrowings under our bank credit facility of 2.0% in 2014 was lower than the interest rate of 2.6% in 2013. Interest expense related to our outstanding senior notes decreased by 21% due to the retirement of our 8 3⁄8% senior notes offset partially by the issuance an additional $100.0 million of our 7 3⁄4% senior notes in 2014.

The benefit from income taxes from continuing operations decreased in 2014 to $24.7 million from $56.2 million in 2013 due to the lower net loss from continuing operations in 2014. Our effective tax rate of 30.2% in 2014 differed from the federal income tax rate of 35% primarily due to the effect of nondeductible compensation, state income taxes and an increase in the valuation allowance for state income tax net operating loss carry forwards.

We reported a net loss from continuing operations of $57.1 million or $6.20 per share for 2014 as compared to a loss of $106.7 million or $11.09 per share for 2013. The net loss in 2014 was primarily due to impairments of proved and unproved properties and other exploration costs. The loss in 2013 was due to impairments of proved and unproved properties and a loss on early extinguishment of debt.

Net income from discontinued operations for 2013 of $147.8 million, or $15.36 per share, included a gain on the sale of our West Texas oil and gas properties of $230.0 million ($148.6 million after income taxes). Excluding the gain, the net loss from discontinued operations for the year ended December 31, 2013 was $0.8 million.

Liquidity and Capital Resources

Funding for our activities has historically been provided by our operating cash flow, debt or equity financings or proceeds from asset sales. For the six months ended June 30, 2016, our primary source of funds was cash on hand. Cash used for operating activities for the six months ended June 30, 2016 was $31.2 million as compared to cash provided by operating activities of $24.2 million for the first six months of 2015. This decrease primarily reflects our lower revenues from oil and gas sales and working capital changes.

For 2015, our primary source of funds was operating cash flow, borrowings and net proceeds from asset sales. Cash provided by operating activities in 2015 of $30.1 million decreased $370.9 million from $401.0 million in 2014. Cash flow was lower than 2014 due to decreased revenues related to the decreased oil production and lower oil and gas prices along with higher interest expense from our senior notes issued in 2015. Our other primary source of funds in

2015 included net proceeds from the issuance of the senior secured notes of $683.8 million, $40.0 million of net borrowings under our bank credit facility and net proceeds from asset sales of $102.5 million. In 2014, our primary source of funds was operating cash flow and borrowings. Cash provided by operating activities from continuing operations in 2014 of $401.0 million increased $132.0 million (49%) from $269.0 million in 2013 primarily due to the higher revenues related to increased oil production and higher natural gas prices in 2014. Our other primary source of funds during 2014 included $103.3 million of proceeds from an additional issuance of our 7 ¾% senior unsecured notes and $165.0 million of borrowings under our bank revolving credit facility.

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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 six months of 2016, we incurred capital expenditures of $30.4 million primarily for our development and exploration activities. In 2015, our capital expenditures of $243.2 million represented a decrease of $345.4 million as compared to 2014 capital expenditures of $588.6 million, mainly due to our significant reduction in drilling activity during 2015 in response to the low commodity price environment throughout the year. During 2014 our capital expenditures of $588.6 million represented an increase of $107.7 million as compared to 2013 capital expenditures of $480.9 million due primarily to our high level of drilling activity during 2014.

Our capital expenditure activity related to our continuing operations, on an accrual basis, is summarized in the following table:

	Year Ended December 31,			Six Months Ended June 30,	
	2013	2014	2015	2015	2016
			(In thousands)		
Exploration and development:					
Acquisitions of proved oil and gas properties	$ 6,450	$ 2,400	$	$	$
Acquisitions of unproved oil and gas properties	130,113	91,960	12,972	6,928	
Developmental leasehold costs	461	3,386	767	377	1,089
Development drilling	317,241	398,604	184,393	133,870	26,798
Exploratory drilling		51,725	11,985	11,534	
Other development costs	26,348	39,282	31,237	23,938	2,455
	480,613(1)	587,357(1)	241,354	176,647	30,342
Other	260	1,257	1,893	1,849	11
Total	$ 480,873(1)	$ 588,614(1)	$ 243,247	$ 178,496	$ 30,353

(1) Net of reimbursements received from joint venture partner of $51.5 million and $28.7 million in 2013 and 2014, respectively.

We expect to fund our development and exploration activities with future operating cash flow, proceeds from anticipated asset sales and from cash on hand. Our cash flows for the first six months of 2016 were significantly impacted by the low oil and natural gas prices and a reduction in accounts payable due to our lower drilling activity. The timing of most of our capital expenditures is discretionary because we have no material long-term capital expenditure commitments. Consequently, we have a significant degree of flexibility to adjust the level of our capital expenditures as circumstances warrant. We presently have no contracts for future drilling services. We have maximum commitments of $5.3 million to transport and treat natural gas through July 2019. We also have obligations to incur future payments for dismantlement, abandonment and restoration costs of oil and gas properties which are currently estimated to be incurred primarily after 2020.

With the substantial decline in oil and natural gas prices in 2015, which have continued into 2016, we continue to experience declining cash flows and reductions in our overall liquidity. At current oil and natural gas prices, operating cash flow was not sufficient to cover our fixed debt service costs. Our capital expenditures have been funded with asset sale proceeds or from cash on hand. Beginning in 2015, we redirected our drilling program to natural gas and drilled ten successful horizontal wells on Haynesville and Bossier shale properties in North Louisiana employing an enhanced completion design using longer laterals and larger well stimulations. The well results were successful but natural gas prices substantially declined in response to a very warm winter. In order to preserve liquidity, we recently released our last operated rig after drilling and completing three additional successful Haynesville shale wells in 2016. While the reduction in drilling activity will allow us to preserve more of the cash on our balance sheet, it will result in future reductions to natural gas production and proved oil and natural gas reserves.

If the Exchange Offer is consummated, we are planning to resume our drilling program later this year. We are planning to drill five (4.5 net) additional wells in 2016 and 19 (15.7 net) wells in 2017. Capital expenditures for this program would approximate $46.0 million in the second half of 2016 and $147.0 million in 2017. Restarting the drilling program is dependent on successful completion of the Exchange Offer. The Exchange Offer, if successful, would free up cash flow from operations to allow us to fund our capital expenditures. To the extent that the Exchange Offer is not completed, we will pursue other initiatives to enhance liquidity, which may not be sufficient to fund this drilling program. Such initiatives could include additional asset divestitures or entering into a drilling joint venture on our Haynesville shale properties.

In March 2015, we issued $700.0 million of 10% senior secured notes (the Secured Notes) which are due on March 15, 2020. Interest on the Secured Notes is payable semi-annually on each March 15 and September 15. Net proceeds from the issuance of the Secured Notes of $683.8 million were used to retire our bank credit facility and for general corporate purposes. We also have outstanding (i) $288.5 million of 7 ¾% senior notes (the 2019 Notes) which are due on April 1, 2019 and bear interest which is payable semi-annually on each April 1 and October 1 and (ii) $174.6 million of 9 ½% senior notes (the 2020 Notes) which are due on June 15, 2020 and bear interest which is payable semi-annually on each June 15 and December 15. The Secured Notes are secured on a first priority basis equally and ratably with our revolving credit facility described below, subject to payment priorities in favor of the revolving credit facility by the collateral securing the revolving credit facility, which consists of, among other things, at least 80% of our and its subsidiaries oil and gas properties. The Secured Notes, the 2019 Notes and 2020 Notes are our general obligations and are guaranteed by all of our subsidiaries. Such subsidiary guarantors are 100% owned and all of the guarantees are full and unconditional and joint and several obligations. There are no restrictions on our ability to obtain funds from our subsidiaries through dividends or loans. As of June 30, 2016, we had no material assets or operations which are independent of our subsidiaries.

During 2015 we purchased $23.9 million in principal amount of the 2019 Notes and $105.6 million in principal amount of the 2020 Notes for an aggregate purchase price of $42.7 million. The gain of $82.4 million recognized on the purchase of the 2019 Notes and 2020 Notes and the loss resulting from the write-off of deferred loan costs associated with our prior bank credit facility of $3.7 million are included in the net gain on extinguishment of debt, which is reported as a component of other income (expense). During the six months ended June 30, 2016, we retired $87.5 million in principal amount of the 2019 Notes and $19.8 million of the 2020 Notes in exchange in the aggregate for the issuance of 2,748,403 shares of common stock and $3.5 million in cash. A gain of $89.6 million was recognized on the exchanges and purchases of the 2019 Notes and the 2020 Notes during the six months ended June 30, 2016 for the difference between the market value of the stock on the closing date of the exchanges and sales and the net carrying value of the debt and the related net premium and net debt issuance costs. The gain is included in the net gain on extinguishment of debt, which is reported as a component of other income (loss).

We have a $50.0 million revolving credit facility with Bank of Montreal and Bank of America, N.A. The revolving credit facility is a four year credit commitment that matures on March 4, 2019. Indebtedness under the revolving credit facility is secured by substantially all of our and our subsidiaries assets and is guaranteed by all of our subsidiaries. Borrowings under the revolving credit facility bear interest at our option at either (1) LIBOR plus 2.5% or (2) the base rate (which is the higher of the administrative agent s prime rate, the federal funds rate plus 0.5% or 30 day LIBOR plus 1.0%) plus 1.5%. A commitment fee of 0.5% per annum is payable quarterly on the unused credit line. The revolving credit facility contains covenants that, among other things, restrict the payment of cash dividends and repurchases of common stock, limit the amount of consolidated debt that we may incur and limit our ability to make certain loans, investments and divestitures. The only financial covenants are the maintenance of a current ratio of at least 1.0 to 1.0 and the maintenance of an asset coverage ratio of proved developed reserves to total debt outstanding under the revolving credit facility of at least 2.5 to 1.0. We were in compliance with these covenants as of June 30, 2016.

Upon successful completion of the Exchange Offer, we believe that our future cash flow from operations, proceeds from asset sales, cash on hand and available borrowings under our revolving credit facility 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 or we do not consummate the

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Exchange Offer, we may be required to seek asset dispositions, joint ventures, additional debt or other alternatives, all of which involve uncertainties, potential delays and other risks. We cannot provide any assurance that we will be able to achieve such alternatives, or if such alternatives are achieved, that we will be able to achieve them on acceptable terms.

The following table summarizes our aggregate liabilities and commitments as of December 31, 2015 by year of maturity:

	2016	2017	2018	2019	2020	Thereafter	Total
				(In thousands)			
10% senior secured notes	$	$	$	$	$ 700,000	$	$ 700,000
7 ¾% senior unsecured notes				376,090			376,090
9 ½% senior unsecured notes					194,367		194,367
Interest on debt	117,612	117,612	117,612	95,752	23,046		471,634
Operating leases	1,994	2,021	2,060	1,560	1,560	1,560	10,755
Natural gas transportation and treating agreements	2,199	1,780	1,696	690			6,365
Contracted drilling services	1,593						1,593
	$ 123,398	$ 121,413	$ 121,368	$ 474,092	$ 918,973	$ 1,560	$ 1,760,804

Future interest costs are based upon the effective interest rates of our outstanding senior notes.

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 2020. We record a separate liability for the fair value of these asset retirement obligations, which totaled $16.0 million as of June 30, 2016.

Federal and State Taxation

As of December 31, 2015, we had $558.7 million in U.S. federal net operating loss carryforwards. The utilization of $34.7 million of the U.S. federal net operating loss carryforward is limited to approximately $1.1 million per year pursuant to a prior change of control of an acquired company. Accordingly, as of December 31, 2014, a valuation allowance of $23.0 million, with a tax effect of $8.0 million, has been established for the estimated U.S. federal net operating loss carryforwards that will not be utilized as a result of the prior change in control. As of December 31, 2015, we have also established a valuation allowance of $775.3 million, with a tax effect of $271.4 million, against our other U.S. federal net operating loss carryforwards that are not subject a change in control, due to the uncertainty of generating future taxable income prior to the expiration of the carry-over period. In addition, as of December 31, 2015, we have established a valuation allowance of $957.7 million, with a tax effect of $49.8 million, against our Louisiana state net deferred tax assets due to the uncertainty of generating taxable income in the state of Louisiana prior to the expiration of the carry-over period. As of December 31, 2014, we had a valuation allowance of $742.2 million, with a tax effect of $38.6 million, against our Louisiana state deferred tax assets.

Future use of our net operating loss carryforwards may be limited in the event that a cumulative change in the ownership of our common stock by more than 50% occurs within a three-year period. Such a change in ownership could result in a substantial portion of our net operating loss carryforwards being eliminated or becoming restricted, and we would need to recognize a valuation allowance reflecting the restricted use of these net operating loss carryforwards in the period when such an ownership change occurred. We may also need to recognize additional valuation allowances on our net operating loss carryforwards in future periods if we incur significant losses and accordingly a tax benefit may not be recognized on such losses. In 2015, we adopted a Rights Plan intended to prevent these potential limitations on our ability to utilize our net operating loss carryforwards. Completion of the Exchange Offer could result in a change of control and impact the utilization of our net operating loss carry-forwards. See Certain United States Federal Income Tax Consequences.

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Our federal income tax returns for the years subsequent to December 31, 2011 remain subject to examination. Our income tax returns in one major state income tax jurisdiction remain subject to examination for the year ended December 31, 2008 and various periods subsequent to December 31, 2010. We currently believe that our significant filing positions are highly certain and that all of our other significant income tax filing positions and deductions would be sustained upon audit or the final resolution would not have a material effect on our consolidated financial statements. Therefore, we have not established any significant reserves for uncertain tax positions. 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.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and use assumptions that can affect the reported amounts of assets, liabilities, revenues or expenses.

Successful efforts accounting. We are required to select among alternative acceptable accounting policies. There are two generally acceptable methods for accounting for oil and gas producing activities. The full cost method allows the capitalization of all costs associated with finding oil and natural gas reserves, including certain general and administrative expenses. The successful efforts method allows only for the capitalization of costs associated with developing proven oil and natural gas properties as well as exploration costs associated with successful exploration projects. Costs related to exploration that are not successful are expensed when it is determined that commercially productive oil and gas reserves were not found. We have elected to use the successful efforts method to account for our oil and gas activities and we do not capitalize any of our general and administrative expenses.

Oil and natural gas reserve quantities. The determination of depreciation, depletion and amortization expense is highly dependent on the estimates of the proved oil and natural gas reserves attributable to our properties. The determination of whether impairments should be recognized on our oil and gas properties is also dependent on these estimates, as well as estimates of probable reserves. Reserve engineering is a subjective process of estimating underground accumulations of oil and natural gas that cannot be precisely measured. The accuracy of any reserve estimate depends on the quality of available data, production history and engineering and geological interpretation and judgment. Because all reserve estimates are to some degree imprecise, the quantities and timing of oil and natural gas that are ultimately recovered, production and operating costs, the amount and timing of future development expenditures and future oil and natural gas prices may all differ materially from those assumed in these estimates. The information regarding present value of the future net cash flows attributable to our proved oil and natural gas reserves are estimates only and should not be construed as the current market value of the estimated oil and natural gas reserves attributable to our properties. Thus, such information includes revisions of certain reserve estimates attributable to proved properties included in the preceding year s estimates. Such revisions reflect additional information from subsequent activities, production history of the properties involved and any adjustments in the projected economic life of such properties resulting from changes in product prices. Any future downward revisions could adversely affect our financial condition, our future prospects and the value of our common stock.

Impairment of oil and gas properties. We evaluate our properties on a field area basis for potential impairment when circumstances indicate that the carrying value of an asset may not be recoverable. If impairment is indicated based on a comparison of the asset s carrying value to its undiscounted expected future net cash flows, then it is recognized to the extent that the carrying value exceeds fair value. A significant amount of judgment is involved in performing these evaluations since the results are based on estimated future events. Expected future cash flows are determined using estimated future prices based on market based forward prices applied to projected future production volumes. The projected production volumes are based on the property s proved and risk adjusted probable oil and natural gas reserves estimates at the end of the period. At December 31, 2015, we excluded probable undeveloped reserves from our impairment analysis given our limited capital resources available for future drilling activities. The estimated future cash flows that we use in our assessment of the need for an impairment are based on a corporate forecast which considers forecasts from multiple independent price forecasts. Prices are not escalated to levels that exceed observed historical market prices. Costs are also assumed to escalate at a rate that is based on our historical experience, currently estimated at 2% per annum. The oil and natural gas prices used for determining asset impairments will generally differ from those used in the standardized measure of discounted future net cash flows because the standardized measure requires the use of the average first day of the month historical price for the year. During 2015, our oil and natural gas price outlook declined significantly and our access to capital to develop our proved and probable undeveloped reserves was limited. Accordingly, we recognized impairment charges of $801.3 million to reduce the capitalized costs of our evaluated oil and natural gas properties. It is reasonably possible that our estimates of undiscounted future net cash flows attributable to its oil and gas properties may change in the future. The primary factors that may affect estimates of future cash flows include future adjustments, both positive and negative, to proved and appropriate risk-adjusted probable oil and gas reserves, results of future drilling activities, future prices for oil and natural gas, and increases or decreases in production and capital costs. As a result of these changes, there may be further impairments in the carrying values of our evaluated oil and gas properties. Specifically, as part of the impairment review performed at December 31, 2015, we observed that a decline in excess of 30% for our future cash flow estimates for our Eagleville field in South Texas could result in an additional impairment being recorded in an amount that could be at least $130.0 million. In addition, we may recognize additional impairments of our unevaluated oil and gas properties should we determine that we no longer intend to retain these propertied for future oil and natural gas development.

Income Taxes. The Company accounts for income taxes using the asset and liability method, whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax basis, as well as the future tax consequences attributable to the future utilization of existing tax net operating loss and other types of carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences and carryforwards are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that the change in rate is enacted.

In recording deferred income tax assets, we consider whether it is more likely than not that some portion or all of our deferred income tax assets will be realized in the future. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those deferred income tax assets would be deductible. We believe that after considering all the available objective evidence, historical and prospective, with greater weight given to historical evidence, we are not able to determine that it is more likely than not that all of our deferred tax assets will be realized. As a result, in 2015 we established an additional valuation allowance of $775.3 million, with a tax effect of $271.4 million, for our estimated U.S. federal net operating loss carryforwards and other U.S. federal tax assets and an additional valuation allowance of $215.5 million, with a tax effect of $11.2 million, for our estimated Louisiana state net operating loss carryforwards that are not expected be utilized due to the uncertainty of generating taxable income prior to the expiration of the respective U.S. federal and Louisiana state carry-over periods. During the six months ended June 30, 2016, we recorded an additional valuation allowance of $17.9 million and $4.9 million against our net federal deferred tax assets and our state deferred tax assets (net of the federal tax benefit). We will continue to assess the valuation allowance against deferred tax assets considering all available information obtained in future reporting periods.

Stock-based compensation. We follow the fair value based method in accounting for equity-based compensation. Under the fair value based method, compensation cost is measured at the grant date based on the fair value of the award and is recognized on a straight-line basis over the award vesting period.

Recent accounting pronouncements. In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09), which supersedes nearly all existing revenue recognition guidance under existing generally accepted accounting principles. This new standard is based upon the principal that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. ASU 2014-09 is effective for annual and interim periods beginning after December 15, 2017. Early adoption is permitted beginning with periods after December 15, 2016 and entities have the option of using either a full retrospective or modified approach to adopt ASU 2014-09. We are currently evaluating the new guidance and have not determined the impact this standard may have on our financial statements or decided upon the method of adoption.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity s Ability to Continue as a Going Concern* (ASU 2014-15). ASU 2014-15 provides guidance about management s responsibility to evaluate whether there is substantial doubt about an entity s ability to continue as a going concern and sets rules for how this information should be disclosed in the financial statements. ASU 2014-15 is effective for annual periods ending after December 15, 2016 and interim periods thereafter. Early adoption is permitted. We have elected to not adopt ASU 2014-15 early and do not expect adoption of ASU 2014-15 to have any impact on our consolidated financial condition, results of operations or cash flows.

In February 2016, the FASB issued ASU No. 2016-02, *Leases,* (ASU 2016-02). ASU 2016-02 requires lessees to put most leases on their balance sheets, but recognize lease costs in their financial statements in a manner similar to accounting for leases prior to ASC 2016-02. ASU 2016-02 is effective for annual periods ending after December 15, 2018 and interim periods thereafter. Early adoption is permitted. The Company is currently evaluating the new guidance and has not determined the impact this standard may have on its financial statements or decided upon the method of adoption.

In March 2016, the FASB issued ASU No. 2016-09, *Improvements to Employee Share-Based Payment Accounting,* (ASU 2016-09). ASU 2016-09 will change how companies account for certain aspects of share-based payments, including recognizing the income tax effects of awards in the income statement when the awards vest or are settled. ASC 2016-09 revises guidance on employers accounting for employee s use of shares to satisfy the employer s statutory income tax withholding obligation and the treatment of forfeitures. ASU 2016-09 is effective for annual periods ending after December 15, 2016 and interim periods thereafter. Early adoption is permitted, but all guidance must be adopted in the same period. The Company is currently evaluating the new guidance and has not determined the impact this standard may have on its financial statements or decided upon the method of adoption.

Related Party Transactions

Along with M. Jay Allison, our Chairman and CEO, and Roland O. Burns, our President, Chief Financial Officer and a director, we formed an entity in 2010 in which we jointly owned and operated a private airplane. The entity was owned 80% by us and 10% by each of Messrs. Allison and Burns. Each party funded their respective share of the acquisition costs of the airplane in exchange for their ownership interest. This arrangement was approved by our audit committee and board of directors. In January 2015, we acquired from Messrs. Allison and Burns their collective 20% interest in the entity for aggregate consideration of $1,680,000, which amount was based upon the then fair market value of the airplane (the only asset owned by the entity). The airplane is leased to and managed by a third party operator. The airplane, which is intended to be used primarily for company business, also provides charter services to third parties. The termination of this related party relationship was approved by our audit committee and the board of directors in accordance with our policy on related party transactions. We have not entered into any other business transactions with our significant stockholders or any other related parties.

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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 natural gas and oil. 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 natural gas and oil 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 natural gas and oil 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 natural gas and oil 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 six months ended June 30, 2016 and our outstanding natural gas price swap agreements, a $0.10 change in the price per Mcf of natural gas would have changed our cash flow by approximately $2.5 million and a $1.00 change in the price per barrel of oil would have resulted in a change in our cash flow from continuing operations for such period by approximately $0.7 million.

Interest Rates

At June 30, 2016, we had approximately $1.2 billion of long-term debt outstanding. Of this amount, $700.0 million bears interest at a fixed rate of 10%, $288.5 million bears interest at a fixed rate of 7 ¾% and $174.6 million bears interest at a fixed rate of 9 ½%. The fair market value of our fixed rate debt as of June 30, 2016 was $730.2 million based on the market price of approximately 64% of the face amount. At June 30, 2016, we had no borrowings outstanding under our revolving credit facility, which is subject to variable rates of interest that are tied at our option to either LIBOR or the corporate base rate.

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BUSINESS AND PROPERTIES

The following table summarizes the estimated proved oil and natural gas reserves for our ten largest fields as of December 31, 2015:

	Oil (MBbls)	Natural Gas (MMcf)	Total (MMcfe)[(1)]	%
East Texas / North Louisiana:				
Logansport	18	422,504	422,614	67.6%
Beckville	105	23,923	24,551	3.9%
Toledo Bend		18,796	18,796	3.0%
Waskom	48	8,642	8,931	1.4%
Blocker	29	6,707	6,881	1.1%
Other	101	13,062	13,667	2.3%
	301	493,634	495,440	79.3%
South Texas:				
Eagleville	8,701	9,119	61,327	9.8%
Fandango		27,487	27,487	4.4%
Rosita		20,258	20,258	3.2%
Javelina	35	4,251	4,459	0.7%
Las Hermanitas		3,210	3,210	0.5%
Other	35	2,998	3,207	0.6%
	8,771	67,323	119,948	19.2%
Other	157	8,639	9,583	1.5%
Total	9,229	569,596	624,971	100.0%

(1) Oil is converted to natural gas equivalents by using a conversion factor of one barrel of oil for six Mcf of natural gas based upon the approximate relative energy content of oil to natural gas, which is not indicative of oil and natural gas prices.

East Texas/North Louisiana Region

Approximately 79%, or 495.4 Bcfe of our proved reserves are located in East Texas and North Louisiana where we own interests in 921 producing wells (573.0 net to us) in 28 field areas. We operate 644 of these wells. The largest of our fields in this region are the Logansport, Beckville, Toledo Bend, Waskom and Blocker fields. Production from this region averaged 107 MMcf of natural gas per day and 158 barrels of oil per day during 2015 or 108 MMcfe per day.

Most of the reserves in this area produce from the upper Jurassic aged Haynesville or Bossier shale or Cotton Valley formations and the Cretaceous aged Travis Peak/Hosston formation. In 2015, we spent $109.9 million drilling ten wells (9.6 net to us), $1.4 million on other development and $0.8 million on leasehold costs in this region.

Logansport

The Logansport field located in DeSoto Parish, Louisiana primarily produces from the Haynesville and Bossier shale formations at a depth of 11,100 to 11,500 feet and from multiple sands in the Cotton Valley and Hosston formations at an average depth of 8,000 feet. Our proved reserves of 422.6 Bcfe in the Logansport field represent approximately 68% of our proved reserves. We own interests in 250 wells (168.7 net to us) and operate 182 of these wells in this field. In 2015 we drilled nine wells (8.6 net to us) in the Logansport field. Our 2016 drilling program will be focused primarily on drilling additional horizontal wells in Logansport targeting the Haynesville shale formation each with a planned lateral length of 7,500 to 10,000 feet.

Beckville

The Beckville field, located in Panola and Rusk Counties, Texas, has estimated proved reserves of 24.6 Bcfe which represents approximately 4% of our proved reserves. We operate 187 wells in this field and own interests in 72 additional wells for a total of 259 wells (156.2 net to us). The Beckville field produces primarily from the Cotton Valley formation at depths ranging from 9,000 to 10,000 feet. The field is also prospective for future Haynesville shale development.

Toledo Bend

The Toledo Bend field, located in DeSoto and Sabine Parishes in Louisiana, is productive in the Haynesville shale from 11,400 to 11,800 feet and in the Bossier shale from 10,880 to 11,300 feet. Our proved reserves of 18.8 Bcfe in the Toledo Bend field represent approximately 3% of our reserves. We own interests in 76 producing wells (39.3 net to us) and operate 41 of these wells in this field. During 2015 we drilled one well (0.9 net to us) in the Toledo Bend field.

Waskom

The Waskom field, located in Harrison and Panola Counties in Texas, represents approximately 1% (8.9 Bcfe) of our proved reserves. We own interests in 59 wells (35.5 net to us) and operate 43 wells in this field. The Waskom field produces from the Cotton Valley formation at depths ranging from 9,000 to 10,000 feet and from the Haynesville shale formation at depths of 10,800 to 10,900 feet.

Blocker

Our proved reserves of 6.9 Bcfe in the Blocker field located in Harrison County, Texas represent approximately 1% of our proved reserves. We own interests in 74 wells (68.4 net to us) and operate 69 of these wells. Most of this production is from the Cotton Valley formation between 8,600 and 10,150 feet and the Haynesville shale formation between 11,100 and 11,450 feet.

South Texas Region

Approximately 19%, or 20.0 MMBOE (119.9 Bcfe), of our proved reserves are located in South Texas, where we own interests in 322 producing wells (208.2 net to us). We own interests in 13 field areas in the region, the largest of which are the Eagleville, Fandango, Rosita, Javelina and Las Hermanitas fields. Net daily production rates from this region averaged 8,105 barrels of oil and 20 MMcf of natural gas during 2015 or 11,485 BOE per day. We have no current plans to drill or recomplete wells in South Texas during 2016 due to the continued low oil price environment.

Eagleville

We have 26,416 acres (19,293 net to us) in McMullen, Atascosa, Frio, La Salle, Karnes and Wilson Counties which comprise our Eagleville field. The Eagle Ford shale is found between 7,500 feet and 11,500 feet across our acreage position. At December 31, 2015 we had 196 wells (138.1 net to us) producing in the Eagleville field. Our proved reserves in this field are estimated to be 10.2 MMBOE (61.3 Bcfe) (85% oil) and represent 10% of our total proved reserves. We spent $17.4 million in 2015 to complete four oil wells (4.0 net to us) and $24.2 million for other development activity in Eagleville.

Fandango

We own interests in 17 wells (17.0 net to us) in the Fandango field located in Zapata County, Texas. We operate all of these wells which produce from the Wilcox formation at depths from approximately 13,000 to 18,000 feet. Our proved reserves of 27.5 Bcfe in this field represent approximately 4% of our total proved reserves.

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Rosita

We own interests in 24 wells (13.2 net to us) in the Rosita field, located in Duval County, Texas. We operate 23 of these wells which produce from the Wilcox formation at depths from approximately 9,300 to 17,000 feet. Our proved reserves of 20.3 Bcfe in this field represent approximately 3% of our total proved reserves.

Javelina

We own interests in and operate 17 wells (17.0 net to us) in the Javelina field in Hidalgo County in South Texas. These wells produce primarily from the Vicksburg formation at a depth of approximately 10,900 to 12,500 feet. Proved reserves attributable to our interests in the Javelina field are 4.5 Bcfe, which represents approximately 1% of our total proved reserves.

Las Hermanitas

We own interests in and operate 11 natural gas wells (11.0 net to us) in the Las Hermanitas field, located in Duval County, Texas. These wells produce from the Wilcox formation at depths from approximately 11,400 to 11,800 feet. Our proved reserves of 3.2 Bcfe in this field represent approximately 1% of our total proved reserves.

Other Regions

Approximately 2%, or 9.6 Bcfe, of our proved reserves are in other regions, primarily in New Mexico and the Mid-Continent region. We also have a large acreage position in Mississippi and Louisiana in the emerging Tuscaloosa Marine shale play. We own interests in 332 producing wells (78.5 net to us) in 15 fields within these regions. Net daily production from our other regions during 2015 totaled 3 MMcf of natural gas and 199 barrels of oil or 5 MMcfe per day.

Major Property Acquisitions

As a result of our acquisitions of producing oil and gas properties, we have added 1.1 Tcfe of proved oil and natural gas reserves over the past 25 years. In recent years we have focused more on acreage acquisition and drilling for reserve growth and have not completed any significant acquisitions of producing properties.

Regulation

General. Various aspects of our oil and natural gas operations are subject to extensive and continually changing regulation, as legislation affecting the oil and natural gas industry is under constant review for amendment or expansion. Numerous departments and agencies, both federal and state, are authorized by statute to issue, and have issued, rules and regulations binding upon the oil and natural gas industry and its individual members. The Federal Energy Regulatory Commission, or FERC , regulates the transportation and sale for resale of natural gas in interstate commerce pursuant to the Natural Gas Act of 1938, or NGA , and the Natural Gas Policy Act of 1978, or NGPA . In 1989, however, Congress enacted the Natural Gas Wellhead Decontrol Act, which removed all remaining price and nonprice controls affecting all first sales of natural gas, effective January 1, 1993, subject to the terms of any private contracts that may be in effect. While sales by producers of natural gas and all sales of crude oil, condensate and natural gas liquids can currently be made at uncontrolled market prices, in the future Congress could reenact price controls or enact other legislation with detrimental impact on many aspects of our business. Under the provisions of the Energy Policy Act of 2005 (the 2005 Act), the NGA has been amended to prohibit any form of market manipulation with the purchase or sale of natural gas, and the FERC has issued new regulations that are intended to increase natural gas pricing transparency. The 2005 Act has also significantly increased the penalties for violations of the NGA. The FERC has issued Order No. 704 et al. which requires a market participant to make an annual filing if it has sales or purchases equal to or greater than 2.2 million MMBtu in the reporting year to facilitate price transparency.

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Regulation and transportation of natural gas. Our sales of natural gas are affected by the availability, terms and cost of transportation. The price and terms for access to pipeline transportation are subject to extensive regulation. The FERC requires interstate pipelines to provide open-access transportation on a not unduly discriminatory basis for similarly situated shippers. The FERC frequently reviews and modifies its regulations regarding the transportation of natural gas, with the stated goal of fostering competition within the natural gas industry.

Intrastate natural gas transportation is subject to regulation by state regulatory agencies. The Texas Railroad Commission has been changing its regulations governing transportation and gathering services provided by intrastate pipelines and gatherers. While the changes by these state regulators affect us only indirectly, they are intended to further enhance competition in natural gas markets. We cannot predict what further action the FERC or state regulators will take on these matters; however, we do not believe that we will be affected differently in any material respect than other natural gas producers with which we compete by any action taken.

Additional proposals and proceedings that might affect the natural gas industry are pending before Congress, the FERC, state commissions and the courts. The natural gas industry historically has been very heavily regulated; therefore, there is no assurance that the less stringent regulatory approach pursued by the FERC, Congress and state regulatory authorities will continue.

Federal leases. Some of our operations are located on federal oil and natural gas leases that are administered by the Bureau of Land Management (BLM) of the United States Department of the Interior. These leases are issued through competitive bidding and contain relatively standardized terms. These leases require compliance with detailed Department of Interior and BLM regulations and orders that are subject to interpretation and change. These leases are also subject to certain regulations and orders promulgated by the Department of Interior s Bureau of Ocean Energy Management, Regulation & Enforcement (BOEMRE), through its Minerals Revenue Management Program, which is responsible for the management of revenues from both onshore and offshore leases.

Oil and natural gas liquids transportation rates. Our sales of crude oil, condensate and natural gas liquids are not currently regulated and are made at market prices. In a number of instances, however, the ability to transport and sell such products is dependent on pipelines whose rates, terms and conditions of service are subject to FERC jurisdiction under the Interstate Commerce Act. In other instances, the ability to transport and sell such products is dependent on pipelines whose rates, terms and conditions of service are subject to regulation by state regulatory bodies under state statutes. The price received from the sale of these products may be affected by the cost of transporting the products to market.

The FERC s regulation of pipelines that transport crude oil, condensate and natural gas liquids under the Interstate Commerce Act is generally more light-handed than the FERC s regulation of natural gas pipelines under the NGA. FERC-regulated pipelines that transport crude oil, condensate and natural gas liquids are subject to common carrier obligations that generally ensure non-discriminatory access. With respect to interstate pipeline transportation subject to regulation of the FERC under the Interstate Commerce Act, rates generally must be cost-based, although settlement rates agreed to by all shippers are permitted and market-based rates are permitted in certain circumstances. Effective January 1, 1995, the FERC implemented regulations establishing an indexing system (based on inflation) for transportation rates governed by the Interstate Commerce Act that allowed for an increase or decrease in the transportation rates. The FERC s regulations include a methodology for such pipelines to change their rates through the use of an index system that establishes ceiling levels for such rates. The mandatory five year review in 2005 revised the methodology for this index to be based on Producer Price Index for Finished Goods (PPI-FG) plus 1.3 percent for the period July 1, 2006 through June 30, 2011. The mandatory five year review in 2012 revised the methodology for this index to be based on PPI-FG plus 2.65 percent for the period July 1, 2011 through June 30, 2016. The regulations provide that each year the Commission will publish the oil pipeline index after the PPI-FG becomes available.

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With respect to intrastate crude oil, condensate and natural gas liquids pipelines subject to the jurisdiction of state agencies, such state regulation is generally less rigorous than the regulation of interstate pipelines. State agencies have generally not investigated or challenged existing or proposed rates in the absence of shipper complaints or protests. Complaints or protests have been infrequent and are usually resolved informally.

We do not believe that the regulatory decisions or activities relating to interstate or intrastate crude oil, condensate or natural gas liquids pipelines will affect us in a way that materially differs from the way it affects other crude oil, condensate and natural gas liquids producers or marketers.

Environmental regulations. We are subject to stringent federal, state and local laws. These laws, among other things, govern the issuance of permits to conduct exploration, drilling and production operations, the amounts and types of materials that may be released into the environment, the discharge and disposition of waste materials, the remediation of contaminated sites and the reclamation and abandonment of wells, sites and facilities. Numerous governmental departments issue rules and regulations to implement and enforce such laws, which are often difficult and costly to comply with and which carry substantial civil and even criminal penalties for failure to comply. Some laws, rules and regulations relating to protection of the environment may, in certain circumstances, impose strict liability for environmental contamination, rendering a person liable for environmental damages and cleanup cost without regard to negligence or fault on the part of such person. Other laws, rules and regulations may restrict the rate of oil and natural gas production below the rate that would otherwise exist or even prohibit exploration and production activities in sensitive areas. In addition, state laws often require various forms of remedial action to prevent pollution, such as closure of inactive pits and plugging of abandoned wells. The regulatory burden on the oil and natural gas industry increases our cost of doing business and consequently affects our profitability. These costs are considered a normal, recurring cost of our on-going operations. Our domestic competitors are generally subject to the same laws and regulations.

We believe that we are in substantial compliance with current applicable environmental laws and regulations and that continued compliance with existing requirements will not have a material adverse impact on our operations. However, environmental laws and regulations have been subject to frequent changes over the years, and the imposition of more stringent requirements or new regulatory schemes such as carbon cap and trade programs could have a material adverse effect upon our capital expenditures, earnings or competitive position, including the suspension or cessation of operations in affected areas. As such, there can be no assurance that material cost and liabilities will not be incurred in the future.

The Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA , imposes liability, without regard to fault, on certain classes of persons that are considered to be responsible for the release of a hazardous substance into the environment. These persons include the current or former owner or operator of the disposal site or sites where the release occurred and companies that disposed or arranged for the disposal of hazardous substances. Under CERCLA, such persons may be subject to joint and several liability for the cost of investigating and cleaning up hazardous substances that have been released into the environment, for damages to natural resources and for the cost of certain health studies. In addition, companies that incur liability frequently also confront third party claims because it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by hazardous substances or other pollutants released into the environment from a polluted site.

The Federal Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976, or RCRA , regulates the generation, transportation, storage, treatment and disposal of hazardous wastes and can require cleanup of hazardous waste disposal sites. RCRA currently excludes drilling fluids, produced waters and other wastes associated with the exploration, development or production of oil and natural gas from regulation as hazardous waste .

Disposal of such non-hazardous oil and natural gas exploration, development and production wastes usually are regulated by state law. Other wastes handled at exploration and production sites or used in the course of providing well services may not fall within this exclusion. Moreover, stricter standards for waste handling and disposal may be imposed on the oil and natural gas industry in the future. From time to time,

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legislation is proposed in Congress that would revoke or alter the current exclusion of exploration, development and production wastes from RCRA s definition of hazardous wastes , thereby potentially subjecting such wastes to more stringent handling, disposal and cleanup requirements. If such legislation were enacted, it could have a significant impact on our operating costs, as well as the oil and natural gas industry in general. The impact of future revisions to environmental laws and regulations cannot be predicted.

Our operations are also subject to the Clean Air Act, or CAA , and comparable state and local requirements. Amendments to the CAA were adopted in 1990 and contain provisions that may result in the gradual imposition of certain pollution control requirements with respect to air emissions from our operations. On April 17, 2012, the U. S. Environmental Protection Agency or EPA promulgated new emission standards for the oil and gas industry. These rules require a nearly 95 percent reduction in volatile organic compounds (VOCs) emitted from hydraulically fractured gas wells by January 1, 2015. This significant reduction in emissions is to be accomplished primarily through the use of green completions (i.e., capturing natural gas that currently escapes to the air). These rules also have notification and reporting requirements. On September 23, 2014, EPA revised the emission requirements for storage tanks emitting certain levels of VOCs requiring a 95% reduction of VOC emissions by April 15, 2014 and April 15, 2015 (depending upon the date of construction of the storage tank). On December 19, 2014, EPA finalized updates and clarifications to these emission standards for the oil and gas industry. We believe our operations comply in all material respects with these emission limitations. In June 2016, the EPA finalized new regulations that require further reductions in VOC and methane emissions. In addition to reducing emissions from hydraulically fractured wells, the rules require emission reductions further downstream, including equipment in the natural gas transmission segment of the industry. As a result of these rules, we may be required to incur certain capital expenditures in the future for air pollution control equipment in connection with obtaining and maintaining operating permits and approvals for air emissions. However, we believe our operations will not be materially adversely affected by any such requirements, and the requirements are not expected to be any more burdensome to us than to other similarly situated companies involved in oil and natural gas exploration and production activities.

The Federal Water Pollution Control Act of 1972, as amended, or the Clean Water Act , imposes restrictions and controls on the discharge of produced waters and other wastes into navigable waters. Permits must be obtained to discharge pollutants into state and federal waters and to conduct construction activities in waters and wetlands. Certain state regulations and the general permits issued under the Federal National Pollutant Discharge Elimination System program prohibit the discharge of produced waters and sand, drilling fluids, drill cuttings and certain other substances related to the oil and natural gas industry into certain coastal and offshore waters, unless otherwise authorized. Further, the EPA has adopted regulations requiring certain oil and natural gas exploration and production facilities to obtain permits for storm water discharges. Costs may be associated with the treatment of wastewater or developing and implementing storm water pollution prevention plans. The Clean Water Act and comparable state statutes provide for civil, criminal and administrative penalties for unauthorized discharges for oil and other pollutants and impose liability on parties responsible for those discharges for the cost of cleaning up any environmental damage caused by the release and for natural resource damages resulting from the release. We believe that our operations comply in all material respects with the requirements of the Clean Water Act and state statutes enacted to control water pollution.

The Federal Safe Drinking Water Act of 1974, as amended, requires EPA to develop minimum federal requirements for Underground Injection Control (UIC) programs and other safeguards to protect public health by preventing injection wells from contaminating underground sources of drinking water. The UIC program does not regulate wells that are solely used for production. However, EPA has authority to regulate hydraulic fracturing when diesel fuels are used in fluids or propping agents. In February 2014, EPA issued new guidance on when UIC permitting requirements apply to fracking fluids containing diesel. We believe our operations will not be materially adversely affected by the new guidance, and the requirements are not expected to be any more burdensome to us than to other similarly situated companies involved in oil and natural gas exploration and production activities.

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Federal regulators require certain owners or operators of facilities that store or otherwise handle oil to prepare and implement spill prevention, control, countermeasure and response plans relating to the possible discharge of oil into surface waters. The Oil Pollution Act of 1990 (OPA) contains numerous requirements relating to the prevention and response to oil spills in the waters of the United States. The OPA subjects owners of facilities to strict joint and several liability for all containment and cleanup costs and certain other damages relating to a spill. Non-compliance with OPA may result in varying civil and criminal penalties and liabilities.

Executive Order 13158, issued on May 26, 2000, directs federal agencies to safeguard existing Marine Protected Areas, or MPAs , in the United States and establish new MPAs. The order requires federal agencies to avoid harm to MPAs to the extent permitted by law and to the maximum extent practicable. It also directs the EPA to propose new regulations under the Clean Water Act to ensure appropriate levels of protection for the marine environment. This order has the potential to adversely affect our operations by restricting areas in which we may carry out future exploration and development projects and/or causing us to incur increased operating expenses.

Certain flora and fauna that have officially been classified as threatened or endangered are protected by the Endangered Species Act. This law prohibits any activities that could take a protected plant or animal or reduce or degrade its habitat area. If endangered species are located in an area we wish to develop, the work could be prohibited or delayed and/or expensive mitigation might be required.

Other statutes that provide protection to animal and plant species and which may apply to our operations include, but are not necessarily limited to, the Oil Pollution Act, the Emergency Planning and Community Right to Know Act, the Marine Mammal Protection Act, the Marine Protection, Research and Sanctuaries Act, the Fish and Wildlife Coordination Act, the Fishery Conservation and Management Act, the Migratory Bird Treaty Act and the National Historic Preservation Act. These laws and regulations may require the acquisition of a permit or other authorization before construction or drilling commences and may limit or prohibit construction, drilling and other activities on certain lands lying within wilderness or wetlands and other protected areas and impose substantial liabilities for pollution resulting from our operations. The permits required for our various operations are subject to revocation, modification and renewal by issuing authorities. In addition, laws such as the National Environmental Policy Act and the Coastal Zone Management Act may make the process of obtaining certain permits more difficult or time consuming, resulting in increased costs and potential delays that could affect the viability or profitability of certain activities.

Certain statutes such as the Emergency Planning and Community Right to Know Act require the reporting of hazardous chemicals manufactured, processed, or otherwise used, which may lead to heightened scrutiny of the company s operations by regulatory agencies or the public. In 2012, the EPA adopted a new reporting requirement, the Petroleum and Natural Gas Systems Greenhouse Gas Reporting Rule (40 C.F.R. Part 98, Subpart W), which requires certain onshore petroleum and natural gas facilities to begin collecting data on their emissions of greenhouse gases (GHGs) in January 2012, with the first annual reports of those emissions due on September 28, 2012. GHGs include gases such as methane, a primary component of natural gas, and carbon dioxide, a byproduct of burning natural gas. Different GHGs have different global warming potentials with CO_2 having the lowest global warming potential, so emissions of GHGs are typically expressed in terms of CO_2 equivalents, or CO_2e. The rule applies to facilities that emit 25,000 metric tons of CO_2e or more per year, and requires onshore petroleum and natural gas operators to group all equipment under common ownership or control within a single hydrocarbon basin together when determining if the threshold is met. These greenhouse gas reporting rules were amended on October 22, 2015 to expand the number of sources and operations that are subject to these rules. We have determined that these reporting requirements apply to us and we believe we have met all of the EPA required reporting deadlines and strive to ensure accurate and consistent emissions data reporting. Other EPA actions with respect to the reduction of greenhouse gases (such as EPA s Greenhouse Gas Endangerment Finding, and EPA s Prevention of Significant Deterioration and Title V Greenhouse

Gas Tailoring Rule) and various state actions have or could impose mandatory reductions in greenhouse gas emissions. We are unable to predict at this time how much the cost of compliance with any legislation or regulation of greenhouse gas emissions will be in future periods.

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Such changes in environmental laws and regulations which result in more stringent and costly reporting, or waste handling, storage, transportation, disposal or cleanup activities, could materially affect companies operating in the energy industry. Adoption of new regulations further regulating emissions from oil and gas production could adversely affect our business, financial position, results of operations and prospects, as could the adoption of new laws or regulations which levy taxes or other costs on greenhouse gas emissions from other industries, which could result in changes to the consumption and demand for natural gas. We may also be assessed administrative, civil and/or criminal penalties if we fail to comply with any such new laws and regulations applicable to oil and natural gas production.

In June 2009, the United States House of Representatives passed the American Clean Energy and Security Act of 2009. A similar bill, the Clean Energy Jobs and American Power Act, introduced in the Senate, did not pass. Both bills contained the basic feature of establishing a cap and trade system for restricting greenhouse gas emissions in the United States. Under such a system, certain sources of greenhouse gas emissions would be required to obtain greenhouse gas emission allowances corresponding to their annual emissions of greenhouse gases. The number of emission allowances issued each year would decline as necessary over time to meet overall emission reduction goals. As the number of greenhouse gas emission allowances declines each year, the cost or value of allowances is expected to escalate significantly. It appears that the prospects for a cap and trade system such as that proposed in these bills have dimmed significantly; however, the EPA has moved ahead with its efforts to regulate GHG emissions from certain sources by rule. The EPA issued Subpart W of the Final Mandatory Reporting of Greenhouse Gases Rule, which required petroleum and natural gas systems that emit 25,000 metric tons of CO_2e or more per year to begin collecting GHG emissions data under a new reporting system. We believe we have met all of the reporting requirements under these new regulations. Beyond measuring and reporting, the EPA issued an Endangerment Finding under section 202(a) of the Clean Air Act, concluding greenhouse gas pollution threatens the public health and welfare of current and future generations. The EPA has adopted regulations that would require permits for and reductions in greenhouse gas emissions for certain facilities. States in which we operate may also require permits and reductions in GHG emissions. Since all of our oil and natural gas production is in the United States, these laws or regulations that have been or may be adopted to restrict or reduce emissions of greenhouse gases could require us to incur substantial increased operating costs, and could have an adverse effect on demand for the oil and natural gas we produce. In June 2016, the EPA finalized rules that regulate methane and volatile organic compound emissions from new and modified oil and gas sources.

Other federal agencies, including the Bureau of Land Management, have also imposed new or more stringent regulations on the oil and gas sector that will have the effect of further reducing methane emissions. In 2010 the Bureau of Land Management began implementation of a proposed oil and gas leasing reform. The leasing reform requires, among other things, a more detailed environmental review prior to leasing oil and natural gas resources on federal lands, increased public engagement in the development of Master Leasing Plans prior to leasing areas where intensive new oil and gas development is anticipated, and a comprehensive parcel review process with greater public involvement in the identification of key environmental resource values before a parcel is leased. New leases would incorporate adaptive management stipulations, requiring lessees to monitor and respond to observed environmental impacts, possibly through the implementation of expensive new control measures or curtailment of operations, potentially reducing profitability. The leasing reform policy could have the effect of reducing the amount of new federal lands made available for lease, increasing the competition for and cost of available parcels. On March 26, 2015, the Bureau of Land Management adopted a new rule concerning hydraulic fracturing on federal land. On June 21, 2016, a federal district judge in Wyoming struck down the rule, finding that the Bureau of Land Management lacked the authority to promulgate environmental regulations relating to hydraulic fracturing. The federal government has appealed this decision to the 10th Circuit Court of Appeals. Due to the ongoing litigation, we cannot at this time predict what effect the new rule will have on our operations.

On August 16, 2012, the EPA adopted final regulations under the Clean Air Act that, among other things, require additional emissions controls for natural gas and natural gas liquids production, including New Source

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Performance Standards to address emissions of sulfur dioxide and volatile organic compounds (VOCs) and a separate set of emission standards to address hazardous air pollutants frequently associated with such production activities. The final regulations require the reduction of VOC emissions from natural gas wells through the use of reduced emission completions or green completions on all hydraulically fractured wells constructed or refractured after January 1, 2015. For well completion operations occurring at such well sites before January 1, 2015, the final regulations allow operators to capture and direct flowback emissions to completion combustion devices, such as flares, in lieu of performing green completions. These regulations also establish specific new requirements regarding emissions from dehydrators, storage tanks and other production equipment. On September 23, 2014, the EPA revised the emission requirements for storage tanks emitting certain levels of VOCs requiring a 95% reduction of VOC emissions by April 15, 2014 and April 15, 2015 (depending on the date of construction of the storage tank). In June 2016, the EPA finalized additional amendments to these rules that would require further reductions in VOC and methane emissions. In addition to reducing emissions from hydraulically fractured wells, the rules require emission reductions further downstream, including equipment in the natural gas transmission segment of the industry. As a result of these rules, we may be required to incur certain capital expenditures in the future for air pollution control equipment in connection with obtaining and maintaining operating permits and approvals for air emissions. However, we believe our operations will not be materially adversely affected by any such requirements, and the requirements are not expected to be any more burdensome to us than to other similarly situated companies involved in oil and natural gas exploration and production activities.

In addition, efforts have been made and continue to be made in the international community toward the adoption of international treaties or protocols that would address global climate change issues. Most recently in 2015, the United States participated in the United Nations Conference on Climate Change, which led to the creation of the Paris Agreement. The United States signed the Paris Agreement on April 22, 2016 and indicated that it intends to ratify the agreement in 2016. The Paris Agreement, once effective, would require ratifying countries to review and represent a progression in the ambitions of their nationally determined contributions, which set GHG emission reduction goals, every five years.

Regulation of oil and natural gas exploration and production. Our exploration and production operations are subject to various types of regulation at the federal, state and local levels. Such regulations include requiring permits and drilling bonds for the drilling of wells, regulating the location of wells, the method of drilling and casing wells and the surface use and restoration of properties upon which wells are drilled. Many states also have statutes or regulations addressing conservation matters, including provisions for the unitization or pooling of oil and natural gas properties, the establishment of maximum rates of production from oil and natural gas wells and the regulation of spacing, plugging and abandonment of such wells. Some state statutes limit the rate at which oil and natural gas can be produced from our properties.

State regulation. Most states regulate the production and sale of oil and natural gas, including requirements for obtaining drilling permits, the method of developing new fields, the spacing and operation of wells and the prevention of waste of oil and gas resources. The rate of production may be regulated and the maximum daily production allowable from both oil and gas wells may be established on a market demand or conservation basis or both.

Office and Operations Facilities

Our executive offices are located at 5300 Town and Country Blvd., Suite 500 in Frisco, Texas 75034 and our telephone number is (972) 668-8800. We lease office space in Frisco, Texas covering 66,382 square feet at a monthly rate of $124,466. This lease expires on December 31, 2021. We also own production offices and pipe yard facilities near Marshall, Jourdanton and Zapata, Texas and Logansport, Louisiana.

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Employees

As of August 29, 2016, we had 117 employees and utilized contract employees for certain of our field operations. We consider our employee relations to be satisfactory.

Legal Proceedings

We are not a party to any legal proceedings which management believes will have a material adverse effect on our consolidated results of operations or financial condition.

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MANAGEMENT

Directors and Executive Officers

The following table sets forth certain information concerning our directors and executive officers.

Name	Age	Position with Company
M. Jay Allison	60	Chief Executive Officer and Chairman of the Board of Directors
Roland O. Burns	56	President, Chief Financial Officer, Secretary and Director
Mack D. Good	65	Chief Operating Officer
D. Dale Gillette	70	Vice President of Legal and General Counsel
Michael D. McBurney	60	Vice President of Marketing
Daniel K. Presley	55	Vice President of Accounting, Controller and Treasurer
Russell W. Romoser	64	Vice President of Reservoir Engineering
LaRae L. Sanders	54	Vice President of Land
Richard D. Singer	62	Vice President of Financial Reporting
Blaine M. Stribling	45	Vice President of Corporate Development
Elizabeth B. Davis	53	Director
David K. Lockett	62	Director
Cecil E. Martin	75	Director
Frederic D. Sewell	81	Director
David W. Sledge	59	Director
Jim L. Turner	70	Director

A brief biography of each person who serves as a director or executive officer follows below.

Executive Officers

M. Jay Allison has been our Chief Executive Officer since 1988. Mr. Allison was elected Chairman of the Board in 1997 and has been a director since 1987. From 1988 to 2013, Mr. Allison served as our President. From 1981 to 1987, he was a practicing oil and gas attorney with the firm of Lynch, Chappell & Alsup in Midland, Texas. Mr. Allison was Chairman of the board of directors of Bois d Arc Energy, Inc. from the time of its formation in 2004 until its merger with Stone Energy Corporation in 2008. Mr. Allison currently also serves as a Director of Tidewater, Inc. and is on the Board of Regents for Baylor University. Mr. Allison has 28 years of executive leadership experience in the oil and gas industry. Mr. Allison combines his educational background in business and in commercial law, along with his entrepreneurial spirit, his driven work ethic and extensive knowledge of the oil and gas industry, to pursue disciplined investments intended to enhance stockholder value. Mr. Allison s service on the board of directors and audit committee of Tidewater, Inc. also provides him with knowledge, experience and insight from a global perspective.

Roland O. Burns has been our President since 2013, Chief Financial Officer since 1990, Secretary since 1991 and a director since 1999. Mr. Burns served as our Senior Vice President from 1994 to 2013 and Treasurer from 1990 to 2013. From 1982 to 1990, Mr. Burns was employed by the public accounting firm, Arthur Andersen. During his tenure with Arthur Andersen, Mr. Burns worked primarily in the firm s oil and gas audit practice. Mr. Burns was a director, Senior Vice President and the Chief Financial Officer of Bois d Arc Energy, Inc. from the time of its formation in 2004 until its merger with Stone Energy Corporation in 2008. Mr. Burns currently serves on the Board of Directors of the Cotton Bowl Athletic Association. Mr. Burns is an experienced financial executive with extensive knowledge and experience in financial reporting, internal controls in the oil and gas industry, treasury and risk management, mergers and acquisitions, and regulatory compliance. Mr. Burns works with Mr. Allison to evaluate and consider business development opportunities and financing proposals. Mr. Burns, who is our principal contact with investors and investment bankers, updates the Board on trends in the capital markets, including the availability of debt and equity financing and transactional activity in the oil and gas industry.

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Mack D. Good returned as our Chief Operating Officer in March 2015. Mr. Good previously served as our Chief Operating Officer from 2004 until 2011, when he retired. From 1997 until 2004 he served in various other management and engineering positions with us. From 1983 until 1997 Mr. Good was with Enserch Exploration, Inc., serving in various engineering and operations management positions. Mr. Good received a B.S. of Biology/Chemistry from Oklahoma State University in 1975 and a B.S. degree of Petroleum Engineering from the University of Tulsa in 1983.

D. Dale Gillette became our General Counsel and Vice President of Legal in 2014. He has been our General Counsel since 2006. From 2006 until November 2014, Mr. Gillette was also our Vice President of Land. Prior to joining us, Mr. Gillette practiced law extensively in the energy sector for 34 years, most recently as a partner with Gardere Wynne Sewell LLP, and before that with Locke Liddell & Sapp LLP (now known as Locke Lord LLP). During that time he represented independent exploration and production companies and large financial institutions in numerous oil and gas transactions. Mr. Gillette has also served as corporate counsel in the legal department of Mesa Petroleum Co. and in the legal department of Enserch Corp. Mr. Gillette holds B.A. and J.D. degrees from the University of Texas and is a member of the State Bar of Texas.

Michael D. McBurney has been our Vice President of Marketing since 2013. Mr. McBurney has over 33 years of energy industry experience within the oil, natural gas, LNG, and power segments. For the past seven years Mr. McBurney worked for EXCO Resources, Inc., an independent exploration and production company where he was responsible for natural gas and natural gas liquids marketing. From 2000 to 2006, Mr. McBurney was with FPL Energy of Florida, where he was responsible for Fuel and Transportation logistics for large scale power generation facilities located throughout the U.S. Mr. McBurney received a B.B.A. in Finance from the University of North Texas in 1978.

Daniel K. Presley was named our Treasurer in 2013. Mr. Presley, who has been with us since 1989, also continues to serve as our Vice President of Accounting and Controller, positions he has had held since 1997 and 1991, respectively. Prior to joining us, Mr. Presley had six years of experience with several independent oil and gas companies including AmBrit Energy, Inc. Prior thereto, Mr. Presley spent two and one-half years with B.D.O. Seidman, a public accounting firm. Mr. Presley received a B.B.A. degree from Texas A & M University in 1983.

Russell W. Romoser has been our Vice President of Reservoir Engineering since 2012. Mr. Romoser has over 39 years of experience as a reservoir engineer both with industry and with a petroleum engineering consulting firm. Prior to joining us, Mr. Romoser served eleven years as the Acquisitions Engineering Manager for EXCO Resources, Inc. Mr. Romoser received a B.S. Degree in Petroleum Engineering in 1975 and a Masters Degree in Petroleum Engineering in 1976 from the University of Texas and is a Registered Professional Engineer in Oklahoma and Texas.

LaRae L. Sanders was named our Vice President of Land in November 2014. Ms. Sanders has been with us since 1995. She has served as Land Manager since 2007, and has been instrumental in all of our active development programs and major acquisitions. Prior to joining us, Ms. Sanders held positions with Bridge Oil Company and Kaiser-Francis Oil Company, as well as other independent exploration and production companies. Ms. Sanders is a Certified Professional Landman with 35 years of experience. She became the nation s first Certified Professional Lease and Title Analyst in 1990.

Richard D. Singer has been our Vice President of Financial Reporting since 2005. Mr. Singer has over 39 years of experience in financial accounting and reporting. Prior to joining us, Mr. Singer most recently served as an assistant controller for Holly Corporation from 2004 to 2005 and as assistant controller for Santa Fe International Corporation from 1988 to 2002. Mr. Singer received a B.S. degree from the Pennsylvania State University in 1976 and is a Certified Public Accountant.

Blaine M. Stribling has been our Vice President of Corporate Development since 2012. From 2007 to early 2012, Mr. Stribling served as our Asset & Corporate Development Manager. Prior to joining us, Mr. Stribling managed a development project team at Encana Oil & Gas from 2005 to 2007. Prior to 2005 he worked in various petroleum engineering operations management positions of increasing responsibility for several independent oil and gas exploration and development companies. Mr. Stribling received a B.S. Degree in Petroleum Engineering from the Colorado School of Mines.

Outside Directors

Elizabeth B. Davis has served as a director since 2014. Dr. Davis is currently the President of Furman University. Dr. Davis was the Executive Vice President and Provost for Baylor University until 2014, and served as Interim Provost from 2008 to 2010. Prior to her appointment as Provost, she was a professor of accounting in the Hankamer School of Business at Baylor University where she also served as associate dean for undergraduate programs and as acting chair for the Department of Accounting and Business Law. Prior to joining Baylor University, she worked for the public accounting firm Arthur Andersen from 1984 to 1987. Dr. Davis brings to the Board executive experience from her leadership roles in higher education as well as expertise in finance and accounting from her teaching and research experiences.

David K. Lockett has served as a director since 2001. Mr. Lockett was a Vice President with Dell Inc. and held executive management positions in several divisions within Dell from 1991 until his retirement from Dell in 2012. Since 2014, Mr. Lockett has served as President of Austex Fence & Deck in Austin, Texas. Between 2012 and 2014, Mr. Lockett, who has over 35 years of experience in the technology industry, provided consulting services to small and mid-size companies. Mr. Lockett was a director of Bois d Arc Energy, Inc. from 2005 until its merger with Stone Energy Corporation in 2008. Mr. Lockett joined Dell during its start-up years and worked in executive level positions at Dell throughout his tenure there. He is an experienced manager, having supervised large organizations through a series of business cycles in the highly competitive personal computer/peripheral business. Mr. Lockett shares the good business judgment and insight gained from these experiences with the Board and also provides guidance from the perspective gained from a long career in a global market-focused company.

Cecil E. Martin has served as a director since 1989 and is currently the chairman of our audit committee and our Lead Director. Mr. Martin is an independent commercial real estate investor who has primarily been managing his personal real estate investments since 1991. From 1973 to 1991, he also served as chairman of a public accounting firm in Richmond, Virginia. Mr. Martin was a director and chairman of the audit committee of Bois d Arc Energy, Inc. from 2005 until its merger with Stone Energy Corporation in 2008. Mr. Martin also served on the board of directors of Crosstex Energy, Inc. and Crosstex Energy, L.P. until their merger with EnLink Midstream and EnLink Midstream Partners LP, respectively, in March 2014. Mr. Martin currently serves on the board of directors of Garrison Capital, Inc. He served as chairman of the compensation committee at Crosstex Energy L.P. and currently serves as chairman of the Audit Committee at Garrison Capital, Inc. Mr. Martin is a Certified Public Accountant. Mr. Martin brings to our Board a combination of financial literacy and business management experience as well as an excellent understanding of the capital markets. Mr. Martin has a strong background in internal controls, financial reporting and financial analysis. He works closely with our Chief Financial Officer, independent public accountants and internal auditors on a wide range of issues. His service on the compensation and audit committees of other publicly traded companies allows him to bring a wide range of experience and insights as part of his service on our Board.

Frederic D. Sewell has served as a director since 2012. Mr. Sewell has extensive experience in the oil and gas industry, where he has had a distinguished career as an executive leader and a petroleum engineer. Mr. Sewell was the co-founder of Netherland, Sewell & Associates, Inc. (NSAI), a worldwide oil and gas consulting firm, where he served as the Chairman and Chief Executive Officer until his retirement in 2008. Mr. Sewell is presently the President and Chief Executive Officer of Sovereign Resources LLC, an exploration and production company that he founded. Mr. Sewell has over 50 years of experience as a petroleum engineer. During his career with NSAI, Mr. Sewell established relationships with many of the leading energy firms in the United States and gained extensive knowledge of domestic and international oil and gas operations. Mr. Sewell managed the

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growth of NSAI, which he co-founded in 1969, into one of the most respected worldwide upstream petroleum consulting organizations in the world. Mr. Sewell brings expertise and extensive knowledge of petroleum engineering, the geology of North American oil and gas basins and the estimation of oil and gas reserves to our Board.

David W. Sledge has served as a director since 1996. Mr. Sledge is the Chief Operating Officer of ProPetro Services, Inc. Mr. Sledge was President and Chief Operating Officer of Sledge Drilling Company until it was acquired by Basic Energy Services, Inc. in 2007 and served as a Vice President of Basic Energy Services, Inc. from 2007 to 2009. He served as an area operations manager for Patterson-UTI Energy, Inc. from 2004 until 2006. From 2009 through 2011, and from 1996 until 2004, Mr. Sledge managed his personal investments in oil and gas exploration activities. Mr. Sledge was a director of Bois d Arc Energy, Inc. from 2005 until its merger with Stone Energy Corporation in 2008. Mr. Sledge is a past director of the International Association of Drilling Contractors and is a past chairman of the Permian Basin chapter of this association. Mr. Sledge is an experienced oil field executive who has managed and started drilling and oil field service companies during a career that spans more than 30 years. Mr. Sledge s experience ranges from founding and directing the operations of a drilling rig business to serving as an executive manager for one of the largest drilling companies in the United States. Mr. Sledge has extensive contacts in the oil and gas industry, which, coupled with his oil field experience, makes him a valuable resource in understanding industry trends, operating practices and business prospects.

Jim L. Turner has served as a director since 2014. Mr. Turner currently serves as principal of JLT Beverages, L.P., a position he has held since 1996. Mr. Turner is also Chief Executive Officer of JLT Automotive, Inc. Mr. Turner served as President and Chief Executive Officer of Dr. Pepper/Seven Up Bottling Group, Inc., from its formation in 1999 through 2005, when he sold his interest in that company. Prior to that, Mr. Turner served as Owner/Chairman of the Board and Chief Executive Officer of the Turner Beverage Group, the largest privately owned independent bottler in the United States. Mr. Turner currently serves as non-executive chairman of the board of directors for Dean Foods Company and as the chairman of the board of trustees of Baylor Scott & White Health, the largest not-for-profit healthcare system in the state of Texas. He is also a director of Crown Holdings, Inc., INSURICA, and Davaco, Inc. Mr. Turner brings his extensive business experience as chairman and chief executive officer of a large corporation to the Board. Mr. Turner has valuable experience in business development, finance and mergers and acquisitions. Mr. Turner s service as a director of two NYSE-listed companies, including his service as the chairman of the board and chairman of the compensation committee, provides substantial experience and insight to our Board.

Determinations of Director Independence

Under rules adopted by the NYSE, we must have a majority of independent directors on our Board. No Board member qualifies as independent unless the Board affirmatively determines that the director has no material relationship with us (either directly, or as a partner, stockholder or officer of an organization that has a relationship with us). In evaluating each director s independence, the Board considers all relevant facts and circumstances, relationships and transactions between each director, his or her family members or any business, charity or other entity in which the director has an interest, on the one hand, and us, our affiliates, or our executives, on the other. As a result of this review, the Board affirmatively determined that among the director nominees, Dr. Davis and Messrs. Lockett, Martin and Sewell are independent from us and our management. Of the directors continuing in office, the Board has determined that Messrs. Sledge and Turner are independent according to the NYSE s rules. The Board evaluates independence on an on-going basis.

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Board Committees

In addition to the executive committee, the Board has three committees which are composed entirely of independent directors. Membership of these committees is as follows:

Audit	Compensation	Corporate Governance/Nominating
Cecil E. Martin, Chair	David K. Lockett, Chair	Frederic D. Sewell, Chair
Elizabeth B. Davis	Cecil E. Martin	David W. Sledge
Frederic D. Sewell	Jim L. Turner	Elizabeth B. Davis

Each of these committees operates pursuant to a written charter which can be found in the Corporate Governance section of our website at *www.comstockresources.com*. As stated earlier, documents and information on our website are not incorporated herein by reference. These documents are also available in print from the Corporate Secretary, 5300 Town and Country Blvd., Suite 500, Frisco, Texas 75034.

The audit committee reviews and approves the Company s financial statements and earnings releases, oversees the internal audit function and reviews the Company s internal accounting controls. The audit committee oversees the implementation of the Company s compliance policies and programs relating to the Company s financial statements and monitors ongoing compliance matters and concerns. The audit committee also reviews related party transactions. The audit committee has the sole authority to appoint, review and discharge our independent registered public accountants.

The compensation committee is responsible for overseeing and approving the Company s compensation programs including our non-employee director compensation program. It is also responsible for reviewing and approving the compensation plans and decisions for all executive officers. It also oversees and regularly reviews the compensation program for all our employees and supervises the compensation and benefits policies and plans of the Company. The compensation committee frequently meets in executive sessions to discuss and approve compensation plans and decisions. The compensation committee is assisted in these matters by an independent compensation consultant, hired by and serving at the pleasure of the committee.

The corporate governance/nominating committee is responsible for developing, overseeing, reviewing and monitoring compliance with the Company s policies, programs and practices relating to corporate governance, including the Company s corporate governance guidelines, and for evaluating and monitoring compliance with the Company s policies, and making recommendations to the Board on various governance issues. The committee is also responsible for reviewing and recommending to the Board director nominees, recommending committee assignments and conducting an annual review of Board and committee effectiveness.

Compensation Committee Interlocks and Insider Participation

Our compensation committee is comprised entirely of independent directors. None of the members of the committee during 2015 or as of the date of this prospectus is or has been an officer or employee of the Company and no executive officer of the Company has served on the compensation committee or board of directors of any company that employed any member of the Company s compensation committee or Board.

Related Party Transactions

The Board has in place a written policy regarding the approval of related party transactions. At regularly scheduled audit committee meetings, management will recommend any related party transactions that are contemplated, and such transactions will require the audit committee s approval. Generally, a related party is each of our executive officers, directors, nominees for director, any stockholder owning greater than five percent of our outstanding shares, including any immediate family member of each of the foregoing, and any entity owned or controlled by any of the foregoing. Transactions that are available to all of our employees generally or totaling less than $5,000 when aggregated with all similar transactions are excluded from the policy.

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With respect to the standards applied by the audit committee when deciding whether to approve a related party transaction, the audit committee shall approve or ratify the transaction if it is on terms believed to be comparable to those that could be obtained in arm s length dealings with an unrelated third party.

COMPENSATION DISCUSSION AND ANALYSIS

Comstock s executive compensation programs are intended to align pay outcomes with performance achievements, grow stockholder value, attract and retain executive talent and support the Company s business strategy. We believe that our executive compensation programs as currently designed align executive pay with Company performance, stockholder expectations and prevailing market practices.

90% of the shares voted at this year s annual meeting approved our 2015 executive compensation by supporting our Say on Pay proposal.

2015 was a very challenging year for the Company as oil and natural gas prices fell by 49% and 45%, respectively. Given the difficult industry conditions, the compensation committee determined that no employee bonuses would be paid, including awards earned by our executive officers under the Annual Incentive Plan.

Key Compensation Program Features

- Aligns pay and performance, using an annual incentive bonus plan that is based entirely on achieving financial performance goals and by providing 50% of LTI equity awards in PSUs based on relative TSR versus our peer group

- Market competitive, by benchmarking compensation against a revised peer group of appropriately sized oil and gas exploration and production companies and by implementing pay changes that directly reflect the practices of this peer group

- Incorporates stockholder interests, by aligning pay with stockholder value creation, holding discussions with large stockholders to obtain their feedback on our compensation programs and implementing many of their suggestions

- Employs best practices in corporate governance, including adopting stock ownership guidelines, clawback and anti-hedging policies and eliminating excise and other tax gross ups in our compensation plans

- Governed by independent directors that are advised by independent consultants

Company Performance

2015 was a challenging year for us and for the industry generally. Oil and natural gas prices fell by 49% and 45%, respectively. The low prices significantly reduced our revenues and cash flow. The successful results from our return to development of our Haynesville/Bossier shale assets in North Louisiana was the highlight of 2015. We drilled ten enhanced completion horizontal natural gas wells which all had the highest initial production rates of any wells drilled in the Company s history. The successful drilling program added 161 billion cubic feet to our proved reserves base which offset much of the effect of low oil and gas prices. We were also able to grow our natural gas production by 20% with a limited capital expenditure budget.

Compensation Program Objectives

Our compensation committee has responsibility for establishing and administering the compensation objectives, policies and plans for our executive officers. The compensation program and the executive officers compensation are determined by the compensation committee. The committee bases its decisions concerning specific compensation elements and total compensation paid or awarded to our executive officers on several different objectives, which include:

- Providing compensation that is competitive with the compensation of companies that have operations similar to us and are in similar markets for executive talent;

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- Encouraging focus on both short-term and long-term performance, promoting stockholder value through strategic business decisions and the achievement of performance objectives;

- Providing performance-based incentive compensation intended to vary with company and individual performance, while appropriately moderating the impact of the cyclical nature of our business; and

- Facilitating ownership of our common stock by our executive officers through equity-based incentives so that management s interests are closely aligned with those of stockholders in terms of both risk and reward.

Our executive team, led by M. Jay Allison, our CEO, and Roland O. Burns, our President and Chief Financial Officer, is highly regarded in the industry. The long tenure of Messrs. Allison and Burns leading our company is a key factor in driving stockholder value. The committee believes it is critical to continually invest in retaining this leadership team and reward them for performance. Their experience is particularly critical at this time as we continue to strategically position the Company to be more balanced between oil and natural gas production and reserves. The executive team s compensation will reflect our performance when measured against these objectives.

Our compensation committee held five meetings during 2015 and it has met once during 2016. In December 2015, the committee approved base salaries for 2016. In February 2016, the achievement of performance-based annual incentives for 2015 was reviewed and approved and LTI awards were approved.

Compensation Components

The purpose and key features of each component of our executive compensation program are summarized below:

Component	**Objective**	**Key Features**
Base salary	Reflects each executive s level of responsibility, leadership, tenure, and contribution to the achievement of the Company s business objectives and is designed to be competitive with our peer group	Fixed compensation that is reviewed annually and adjusted as appropriate.
Annual incentive award	Measures and rewards achievement of short-term performance goals that apply to the annual business plan	Performance-based cash incentives made up 100% of our named executive officers 2015 annual incentive awards and were based on the achievement of pre-established performance goals. The performance goals are established and target awards are approved during March for each year. A target award is established, as well as threshold performance and maximum performance award levels.
Performance-	Aligns the long-term interests of our executive officers with our stockholders by determining the number of shares earned for	Performance-based LTI awards represent 50% of our named executive officers LTI awards. The ultimate number of units earned is based

based restricted stock unit awards (PSUs)	each performance period by our TSR in comparison to the peer group	on the achievement of our TSR relative to the peer group.

Restricted stock awards	Motivates our executive officers to achieve our business objectives by tying incentives to the performance of our common stock over the long term; motivates our executive officers to remain with the Company by mitigating swings in incentive values during periods of high commodity price volatility	Restricted stock awards which vest over three years under which the ultimate value realized varies with our common stock price. Restricted stock awards represent 50% of our named executive officers LTI awards.
Executive Life Insurance Program	Provides life insurance protection and retirement savings for our executive officers	The Company s contributions each year equal 5% of each executive s salary and prior year s bonus, used to purchase life insurance coverage.
Employment Agreements	Provide industry appropriate post-termination compensation in certain circumstances to our CEO, President and Chief Operating Officer	Employment agreements were amended in 2014 to align with market practice and reflect current governance standards. Severance benefits related to a change in control now require that the executive s employment has been involuntarily or constructively terminated (double trigger). There are no golden parachute excise tax or other tax gross-ups .
Other Benefits	401(k) Plan participation and employee welfare plan programs designed to be competitive in recruiting and retaining employees	Our executive officers participate in the retirement and welfare plan programs on the same terms as all other employees.

The compensation committee has not established formal policies or guidelines with respect to the mix of base salary, annual cash bonus and stock-based awards to be paid or awarded to the executive officers. In general, the compensation committee believes that a greater percentage of the compensation for our executives should be stock-based awards and should be based on individual and overall corporate performance to align the interests of our executives with our stockholders.

Roles and Responsibilities

In 2015, the compensation committee and the Board made all compensation decisions for the Company s executive officers including the CEO. The committee retained Meridian Compensation Partners, LLC (Meridian) to review our compensation program including peer benchmarking analysis to assess the competitiveness of our compensation levels, design, practices and processes. Meridian is an independent compensation consulting firm and does not provide any other services outside of matters pertaining to executive and director compensation and related corporate governance matters. Meridian reports directly to the compensation committee, which is the sole party responsible for determining the scope of services performed, the directions given regarding the performance of those services, and the approval of the payment of invoices for those services.

The compensation committee has the sole authority to retain or terminate its compensation consultant. The compensation consultant s role with the Company is limited to executive compensation matters and no such services are performed unless at the direction of and with the approval of the committee. In connection with its engagement of Meridian, the committee considered various factors bearing on their independence, including the

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amount of fees paid by the Company in 2015 and the percentage of total revenues they represented; their policies and procedures for preventing conflicts of interest and compliance therewith; any personal and business relationship of any of their personnel with any of our compensation committee members or executive officers; and their policies prohibiting stock ownership by their personnel engaged in any Company matter and the compliance therewith. After reviewing these factors, the compensation committee determined that Meridian is independent and that their engagement did not present any conflict of interest.

Determining Market Compensation

Peer Group

Meridian assisted our compensation committee by making recommendations regarding market compensation. This included recommending an appropriate peer group against which to benchmark our executives compensation. Selection of the companies within the peer group was based not only upon the total revenue and market capitalization of companies within the exploration and production industry, but also the core areas in which the companies compete and the complexity of their operations.

For 2015, the peer group companies utilized by the compensation committee were:

Approach Resources Inc.	Laredo Petroleum, Inc.	SM Energy Company
Bill Barrett Corporation	Oasis Petroleum Inc.	Stone Energy Corporation
Carrizo Oil & Gas, Inc.	PDC Energy, Inc.	Swift Energy Company
Cimarex Energy Co.	Rosetta Resources Inc.*	Ultra Petroleum Corp.

**Removed from Peer Group for 2015.*

During 2015, the stock of Rosetta Resources, Inc. ceased trading on public markets, and accordingly, this company was removed from our peer group for 2015.

For 2016, the compensation committee adopted a new peer group comprised of fifteen companies that have median revenues of approximately $293 million, median assets of $1.4 billion, median market capitalization of $405 million and median enterprise value of $1.2 billion. For 2016, the peer group companies are:

Approach Resources Inc.	Eclipse Resources Corporation	PDC Energy, Inc.
Bill Barrett Corporation	Jones Energy, Inc.	Parsley Energy Corporation
Bonanza Creek Energy, Inc.	Laredo Petroleum, Inc.	Rex Energy Corporation
Callon Petroleum Holdings, Inc.	Matador Resources, Inc.	Stone Energy Corporation
Carrizo Oil & Gas, Inc.	Oasis Petroleum, Inc.	Ultra Petroleum Corp.

The composition of our peer group is reviewed each year and may change based on business combinations, asset acquisitions and/or sales, and other types of transactions that cause peer companies to no longer exist or no longer be comparable.

Benchmarking Compensation

On an annual basis, the compensation of our executives and all our employees are benchmarked against our peer group and reviewed for market competitiveness. Meridian compiled compensation data for the peer group from a variety of sources, including proxy statements and other publicly filed documents. Peer benchmarking is only one of many considerations used to determine market compensation. Meridian also provided the compensation committee with compensation data from the 2015 North America Oil and Gas Exploration & Production Compensation Survey, administered by Meridian (data effective as of June 1, 2015).

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Determination of Base Salaries

Base salaries for executive officers are based on each individual s responsibilities, experience and performance, taking into account among other things, the individual s initiative, contributions to our overall performance, managerial ability and handling of special projects. These same factors are applied to establish base salaries for other key management employees. Base salaries for executive officers generally are reviewed annually for possible adjustment. The compensation committee determines the base salary of our executive officers including the CEO.

In December 2015, our compensation committee reviewed base salaries for all NEOs for 2016 and determined that it would hold their base salaries flat in 2016 based on benchmarking data and current industry conditions.

Determination of Annual Incentives

Annual cash bonuses are provided to promote achievement of our business objectives of increasing stockholder value by growing production and reserves on a profitable basis. All of our full-time employees participate in an annual bonus plan. In 2012, the compensation committee adopted the performance bonus plan, the 2012 Incentive Compensation Plan (the Annual Incentive Plan), for the CEO and President. Beginning in 2014, all of our executive officers are included in the Annual Incentive Plan. Annual bonus awards are paid from a performance-based bonus pool that will allow for full tax deductibility of the bonuses paid under Section 162(m) of the Internal Revenue Code.

The compensation committee set the funding for the 2015 performance-based bonus pool at 5% of the Company s EBITDAX (earnings before interest, tax, depreciation, amortization and exploration expense), a measure of profitability that is commonly used within the oil and gas exploration and production industry. Individual bonus awards were determined through the Annual Incentive Plan based on the achievement of financial, strategic and operational objectives. In March 2015, the compensation committee approved target bonus opportunities for the executive officers, expressed as a percentage of their annual base salary. The bonus targets were determined based on the results of Meridian s competitive benchmarking analysis, and are reviewed annually.

The 2015 threshold, target, and maximum bonus opportunities for our NEOs that were established by the compensation committee were as follows:

Position	**Threshold**	**Target**	**Maximum**
	(Percentage of Annual Base Salary)		
CEO	50%	100%	200%
President	45%	90%	180%
Chief Operating Officer	40%	80%	160%
General Counsel	30%	60%	120%
Vice President of Accounting	30%	60%	120%

The executives had the opportunity to earn bonus awards within a range of 0% to a maximum of 200% of their target bonus opportunity, based on the Company s performance relative to pre-determined bonus components and goal levels. For 2015, the bonus components and goal levels were as follows:

	Weighting	Threshold	Target	Maximum
Production Growth	20%	5% over 2014	10% over 2014	15% over 2014
Capital Efficiency % (Improvement in Finding Costs)	20%	15% over 2014	20% over 2014	30% over 2014
Reserve Replacement %	20%	75%	100%	125%
Other Key Objectives	40%			
* Total Shareholder Return (TSR)				
* Enhancing Liquidity				
* Total Producing costs per Mcfe				
* Leadership Development				
* Execution of Strategic Plan				

Each bonus component was weighted and up to 50% of the weighted portion of target bonus could have been earned for achievement of the threshold goal level; up to 100% could have been earned for achievement of the target goal level; and up to 200% could have been earned for achievement of the maximum goal level. For performance between the threshold, target and maximum goal levels, weighted bonus contributions were determined using straight-line interpolation. If performance for a bonus component was below the threshold goal level, no bonus was earned for that bonus component.

The Company s achievement of the defined performance goals in 2015 was as follows:

	Achievement	% of Target
Production Growth	1%	Below Threshold
Capital Efficiency %	75%	Maximum
Reserve Replacement %	148%	Maximum
Other Key Objectives	Exceeded Target	110%

Based on the achievement of goals in 2015, our NEOs would have earned payouts of 124% of their target awards. Given the difficult industry conditions, the compensation committee decided not to pay employee bonuses for 2015 and accordingly no awards were made under the Annual Incentive Plan.

Long-term Incentive Awards

Our executives are eligible to receive long-term incentive awards under our stockholder approved 2009 Plan, which allows the compensation committee to select from among a variety of award vehicles to make individual awards. The committee believes long-term incentive awards align the interests of the executives with the interests of our stockholders, provide competitive total compensation opportunities and support the attraction and retention of key talent.

Restricted stock awards typically vest over three years. One-third of the PSUs granted could be earned based on the Company s TSR performance relative to a peer group in each of one-, two- and three-year performance periods. The use of three performance periods allows us to properly manage the shares available for such awards under the 2009

Plan.

During February 2015, the compensation committee approved LTI awards to the executives which consisted of an equal mix of PSUs and restricted stock. In connection with his return to the Company, the compensation committee awarded 50,000 shares of restricted stock to Mr. Good, our Chief Operating Officer, which vest one third in each of the three subsequent years. In making decisions concerning these awards, the committee considered competitive benchmarking data, the performance of the Company, individual performance, and other factors the committee deemed relevant. The following table reflects the LTI awards made in February 2015 to our NEOs:

	PSU Awards (Units)	Restricted Stock Awards (Shares)
CEO	44,600	44,600
President	26,000	26,000
Chief Operating Officer		50,000
General Counsel	4,097	4,097
Vice President of Accounting	4,097	4,097

To determine the PSUs earned, the committee certifies our TSR relative percentile. The number of shares that may be earned ranges from 0% to 200% of the target PSUs granted. If our relative TSR performance is less than the 20th percentile, none of the PSUs are earned. If our relative TSR performance is the 50th percentile, 100% of the target PSUs are earned. If our relative TSR performance is at least the 90th percentile, 200% of the target PSUs are earned. Earned PSUs are interpolated between threshold, target and maximum performance. The executive s earned PSUs, as certified annually, are delivered to him in the form of shares of restricted stock, which vest only if the executive remains employed following the end of the three-year performance period. The restricted stock vests over three years, one-third per year from the date of grant.

The Company s TSR performance in 2015 resulted in one-third of the PSU grants awarded in 2012 and 2014 being forfeited by the Company s executive officers. The remaining 2014 PSUs could be earned based on the Company s relative TSR performance against its 2014 peer group for the remaining performance periods of January 1, 2014 through December 31, 2016. The Company s executive officers earned 24% of one-third of the PSU grants awarded in 2015 based on the one year TSR performance at the 27th percentile for the period January 1, 2015 through December 31, 2015. The remaining 2015 PSUs could be earned based on the Company s relative TSR performance for the remaining performance periods of January 1, 2015 through December 31, 2016 and January 1, 2015 through December 31, 2017.

Executive Life Insurance Plan

We have an executive life insurance plan for our executive officers. The purpose of this plan is to provide additional life insurance protection to our executive officers and savings for their retirement. Under this plan, we contribute five percent of each participant s annual cash compensation to purchase a variable universal life insurance policy. Each participant directs the investment of the policy s cash values among a selection of mutual funds offered by the carrier. During employment, the participants may designate a beneficiary to receive payment of the death benefit (reduced by the amount of the premiums paid by us, which are repaid to us), but have no other rights of ownership in the policy. Upon a participant s termination of employment, the policy will be transferred to the participant. Contributions to this plan totaled $218,500 in 2015.

Other Benefits

Our executive officers receive medical, group life insurance and other benefits including matching contributions under our 401(k) plan that are available generally to all of our salaried employees over 21 years of age. We have no defined benefit retirement plans for any of our employees.

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Other Matters Affecting Our Executive Compensation

Limitation on Income Tax Deduction for Executive Compensation

Section 162(m) of the Internal Revenue Code generally limits the corporate income tax deduction for compensation paid to each executive officer, other than the Chief Financial Officer, shown in the summary compensation table to $1 million, unless the compensation is performance-based compensation and qualifies under certain other exceptions. Our policy is primarily to design and administer compensation plans which support the achievement of long-term strategic objectives and enhance stockholder value. The committee also attempts to structure compensation programs that are tax-advantageous to us to the extent the programs are consistent with our compensation philosophy. Awards of time-vested restricted stock and certain forms of cash compensation do not qualify under Section 162(m). Awards under our Annual Incentive Plan and awards of PSUs are intended to qualify as performance-based compensation.

Risk and Our Employee Compensation Program

The compensation committee reviewed the possible relationship between risk and our incentive compensation program for all employees. The compensation committee believes that there are no compensation incentives which encourage excessive risk and are reasonably likely to have a material adverse effect on the Company. The design of our incentive compensation program, which seeks to eliminate any excessive risks, includes (1) basing cash bonuses on the achievement of our business objectives of increasing stockholder value by growing production and reserves on a profitable basis, (2) the vesting of restricted stock awards annually over three years, (3) the use of equity as a significant portion of incentive compensation, and (4) stock ownership and retention requirements for our officers.

Clawback Provisions

Our CEO and President and Chief Financial Officer are currently subject to the forfeiture of bonuses and profits stipulated by Section 304 of the Sarbanes Oxley Act of 2002. In addition, the compensation committee adopted a recoupment policy during 2012 which would allow us to recoup excess incentive compensation from current or former executives at the vice president level or above who received incentive-based compensation during the three year period preceding the date on which we are required to prepare a financial restatement. This policy applies to incentive compensation granted on or after December 1, 2012. Our compensation committee will adopt provisions consistent with the requirements of the Dodd-Frank Act when final regulatory guidance is issued by the SEC.

Summary Compensation Table

The following table reflects the elements of compensation earned by our named executive officers under our executive compensation programs.

Salary: Values shown represent the base salary earnings of the named executive officers.

Bonus: Values reflect the discretionary cash bonus earned by the named executive officers.

Grant Date Fair Value of Stock Awards: This column represents the grant date fair value of grants of restricted stock and PSUs.

Non-Equity Incentive Plan Compensation: This column represents the cash bonus earned under the Company s Annual Incentive Plan.

Non-Qualified Deferred Compensation Earnings: This column reflects above market earnings on non-qualified deferred compensation plans. This is the difference between (i) actual earnings on the cash surrender values of universal life insurance policies owned by us insuring each executive under our Executive Life Insurance Plan, and (ii) market interest rates, as determined pursuant to the SEC s rules.

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All Other Compensation: This column represents the value of the additional benefits provided by us that include the employer match under our 401(k) plan, life insurance premiums paid by us for the benefit of certain executive officers, incremental costs incurred for personal use of our corporate aircraft, and the value of insurance provided by the Company.

Name and Principal Position	Year	Salary	Bonus	Grant Date Fair Value of Stock Awards[1]	Non-Equity Incentive Plan Compensation	Non-Qualified Deferred Compensation Earnings	All Other Compensation [2][3]	Total
M. Jay Allison	2015	$ 802,000		$ 2,174,994			$ 161,692	$ 3,138,686
Chief Executive Officer	2014	$ 802,000		$ 2,444,401	$ 505,260	$ 78,490	$ 138,817	$ 3,968,968
	2013	$ 802,000			$ 1,100,000	$ 303,579	$ 136,371	$ 2,341,950
Roland O. Burns	2015	$ 543,500		$ 1,267,934			$ 105,097	$ 1,916,531
President and Chief Financial Officer	2014	$ 543,500		$ 1,425,908	$ 308,165	$ 19,571	$ 49,193	$ 2,346,337
	2013	$ 543,500			$ 617,778	$ 218,993	$ 48,513	$ 1,428,784
Mack D. Good	2015	$ 281,250		$ 1,445,000			$ 15,900	$ 1,742,150
Chief Operating Officer[4]	2014							
	2013							