

COMSTOCK OIL & GAS HOLDINGS INC

Form 424B5

February 28, 2011

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The information in this preliminary prospectus supplement is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(5)
File No. 333-162328

Subject to Completion

Preliminary Prospectus Supplement dated February 28, 2011

PROSPECTUS SUPPLEMENT

(To prospectus dated October 5, 2009)

\$250,000,000

% Senior Notes due 2019

We are offering \$250,000,000 million aggregate principal amount of % Senior Notes due 2019. We will pay interest on the notes on and of each year, beginning , 2011. The notes will mature on , 2019.

We may redeem some or all of the notes at any time on or after , 2015 at the redemption prices described in this prospectus supplement and prior to such date at a make-whole redemption price. We may also redeem up to 35% of the notes prior to , 2014 with cash proceeds we receive from certain equity offerings. If we sell certain assets and do not reinvest the proceeds or repay senior indebtedness or if we experience specific kinds of changes of control, we must offer to repurchase the notes.

The notes will initially be guaranteed by each of our subsidiaries that guarantees indebtedness under our credit facility and by certain of our future restricted subsidiaries. The notes and the guarantees will be our general unsecured senior obligations and will rank equal in right of payment with all of our other existing and future senior unsecured indebtedness that is not by its terms subordinated to the notes, including our 67/8% Senior Notes due 2012 and our 83/8% Senior Notes due 2017. The notes will be effectively subordinated to all our existing and future secured indebtedness to the extent of the collateral securing such indebtedness, including our bank credit facility.

Investing in the notes involves risks that are described in the Risk Factors section beginning on page S-10 of this prospectus supplement and page 4 of the accompanying prospectus.

	Per Note	Total
Public Offering Price (1)	%	\$
Underwriting Discount	%	\$
Proceeds, before expenses to us (1)	%	\$

(1) Plus accrued interest, if any, from , 2011, if settlement occurs after that date.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete.

Any representation to the contrary is a criminal offense.

The notes will be ready for delivery in book-entry form only through the facilities of The Depository Trust Company for the accounts of its participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System, and Clearstream Banking, *société anonyme*, on or about , 2011.

BofA Merrill Lynch	<i>Joint Book-Running Managers</i> BMO Capital Markets	J.P. Morgan
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Co-Managers

BBVA Securities	BNP PARIBAS	Capital One Southcoast
Comerica Securities	Lloyds Securities Inc.	Mitsubishi UFJ Securities
Morgan Keegan	Natixis Securities N.A.	Scotia Capital
SunTrust Robinson Humphrey		US Bancorp

The date of this prospectus supplement is , 2011

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You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different information. We are not, and the underwriters are not, making an offer of these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information we have included in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date of this

prospectus supplement or the accompanying prospectus or that any information we have incorporated by reference is accurate as of any date other than the date of the document incorporated by reference. If the information varies between this prospectus supplement and the accompanying prospectus, the information in this prospectus supplement supersedes the information in the accompanying prospectus.

We expect that delivery of the notes will be made to investors on or about , 2011, which will be the business day following the date of this prospectus supplement (such settlement being referred to as T+). Under Rule 15(c)6-1 under the Securities Exchange Act of 1934, trades in the secondary market are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes prior to the delivery of the notes hereunder will be required, by virtue of the fact that the notes initially settle in T+ , to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the notes prior to their date of delivery hereunder should consult their advisors.

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ABOUT THIS PROSPECTUS SUPPLEMENT

The first part of this document is this prospectus supplement, which describes our business and the specific terms of this offering. The second part is the accompanying base prospectus, which we call the accompanying prospectus, and which gives more general information than this prospectus supplement, some of which may not apply to this offering. Generally, when we refer to prospectus, we are referring to both parts combined.

IF THE INFORMATION IN THIS PROSPECTUS SUPPLEMENT IS INCONSISTENT WITH THE INFORMATION IN THE ACCOMPANYING PROSPECTUS, YOU SHOULD RELY ON THE INFORMATION IN THIS PROSPECTUS SUPPLEMENT.

You should read this prospectus supplement and the accompanying prospectus carefully before you invest. Both documents contain information you should consider when deciding to purchase the notes. In addition, we incorporate important business and financial information in this prospectus supplement and the accompanying prospectus by reference to other documents. You should read and consider the information in the documents to which we have referred you in the section captioned Where You Can Find More Information in the accompanying base prospectus.

For some of the natural gas and oil industry terms used in this prospectus supplement we have provided definitions in the section captioned Definitions in this prospectus supplement.

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WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Exchange Act, and therefore we file annual, quarterly and current reports, proxy statements, and other documents with the SEC. You may read and copy any of the reports, proxy statements, and any other information that we file at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains a website at <http://www.sec.gov> that contains reports, proxies, information statements, and other information regarding registrants, including us, that file electronically with the SEC. We also maintain a website at <http://www.comstockresources.com>; however, the information contained at this website does not constitute part of this prospectus or any prospectus supplement. Reports, proxies, information statements, and other information about us may also be inspected at the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

We have filed with the SEC a registration statement on Form S-3 under the Securities Act, with respect to the securities offered in this prospectus. This prospectus is part of that registration statement and, as permitted by the SEC's rules, does not contain all of the information set forth in the registration statement. For further information about us and the securities that may be offered, we refer you to the registration statement and the exhibits that are filed with it. You can review and copy the registration statement and its exhibits and schedules at the addresses listed above.

The SEC allows us to incorporate by reference into this prospectus certain information we file with the SEC in other documents. This means that we can disclose important information to you by referring you to other documents that we file with the SEC. The information may include documents filed after the date of this prospectus which update and supersede the information you read in this prospectus. We incorporate by reference the documents listed below, except to the extent information in those documents is different from the information contained in this prospectus, and all future documents filed by us with the SEC under Sections 13(a), 13(c), 14, or 15(d) of the Exchange Act (other than current reports furnished under Item 2.02 or Item 7.01 of Form 8-K) until the offering of the securities described herein is terminated:

Our Annual Report on Form 10-K for the year ended December 31, 2010, filed with the SEC on February 22, 2011;

Our Current Report on Form 8-K, filed with the SEC on February 23, 2011; and

The description of our common stock, par value \$0.50 per share, contained in the Company's registration statement on Form 8-A (Registration Statement No. 001-03262) filed with the SEC on December 6, 1996, pursuant to Section 12 of the Exchange Act, including any amendment or report filed for the purpose of updating such description.

Any statement contained in a document incorporated, or deemed to be incorporated, by reference in this prospectus shall be deemed modified, superseded, or replaced for purposes of this prospectus to the extent that a statement contained in this prospectus or in any subsequently filed document that also is, or is deemed to be incorporated, by reference in this prospectus modifies, supersedes, or replaces such statement. Any statement so modified, superseded, or replaced shall not be deemed, except as so modified, superseded, or replaced, to constitute a part of this prospectus.

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We will provide without charge to each person, including any beneficial owner, to whom a copy of this prospectus is delivered, upon that person's written or oral request, a copy of any or all of the information incorporated by reference in this prospectus (other than exhibits to those documents, unless the exhibits are specifically incorporated by reference into those documents). Requests should be directed to:

Comstock Resources, Inc.
Attention: Roland O. Burns, Senior Vice President
5300 Town and Country Blvd., Suite 500
Frisco, Texas 75034
Telephone number: (972) 668-8800

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The information contained in this prospectus supplement and the accompanying prospectus, including the documents incorporated by reference herein and our public releases, include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These forward-looking statements are identified by use of terms such as expect, estimate, anticipate, project, plan, intend, believe, may, will, would, and similar statements, other than statements of historical or current 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 effectively integrate future acquisitions;
- the usual hazards associated with the oil and natural gas industry, including fires, well blowouts, pipe failure, spills, explosions and other unforeseen hazards;
- our ability to effectively market our oil and natural gas;
- the availability of rigs, equipment, supplies, and personnel;
- our ability to discover or acquire additional reserves;
- our ability to satisfy future capital requirements;
- changes in regulatory requirements;
- general economic conditions, the status of the financial markets, and competitive conditions;
- 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.

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This summary is not complete and may not contain all of the information that may be important to you. You should read the entire prospectus supplement, accompanying prospectus and all documents incorporated by reference, including the risk factors and the financial statements and related notes, before deciding to purchase the notes. Unless otherwise indicated, or unless the context otherwise requires, all references to Comstock, we, us, and our in this prospectus supplement mean Comstock Resources, Inc. and our consolidated subsidiaries.

Our Business

We are a Nevada corporation 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 ticker symbol CRK. Our oil and gas operations are concentrated in East Texas/North Louisiana and South Texas. Our oil and natural gas properties are estimated to have proved reserves of 1,051.0 Bcfe with an estimated PV 10 Value of \$797.6 million as of December 31, 2010 and a standardized measure of discounted future net cash flows of \$606.1 million. Our consolidated proved oil and natural gas reserve base is 98% natural gas and 50% proved developed on a Bcfe basis as of December 31, 2010.

Our proved reserves at December 31, 2010 and our 2010 average daily production are summarized below:

	Reserves at December 31, 2010				2010 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	1.2	862.9	870.4	82.8%	0.4	142.6	145.0	72.2%
South Texas	2.9	141.1	158.3	15.1%	0.4	39.5	42.1	21.0%
Other Regions	0.1	21.7	22.3	2.1%	1.1	6.9	13.6	6.8%
Total	4.2	1,025.7	1,051.0	100.0%	1.9	189.0	200.7	100.0%

Strengths

High Quality Properties. Our operations are focused in two primary operating areas, the East Texas/North Louisiana and South Texas regions. Our properties have an average reserve life of approximately 14.3 years and have extensive development and exploration potential. We have a substantial acreage position in our East Texas/North Louisiana region in the Haynesville or Bossier shale resource play where we have identified 91,011 gross (79,457 net to us) acres prospective for Haynesville or Bossier shale development. During 2010 we also acquired 20,859 acres (18,320 net to us) in South Texas which are prospective for development of the Eagle Ford shale formation.

Successful Exploration and Development Program. In 2010 we spent \$536.7 million on exploration and development activities. We drilled 78 wells in 2010, 49.3 net to us, at a cost of \$390.6 million. We spent \$134.7 million to acquire additional leases, \$3.2 million on other leasehold costs and \$2.6 million to acquire seismic data. We also spent \$5.6 million for recompletions, workovers, abandonment and production facilities. Our drilling activities in 2010

added 431 Bcfe to our proved reserves and increased our production by 12% in 2010. Due to unavailability of completion services in 2010 we only completed 37 (21.6 net to us) of the 72 (45.0 net to us) Haynesville or Bossier shale wells that we drilled. We expect to complete all of the remaining wells drilled in 2010 during 2011.

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Efficient Operator. We operate 92% of our proved oil and natural gas reserve base as of December 31, 2010. As 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, however, we have not made any acquisitions; in 2010 we focused exclusively on drill bit growth. Since 1991, we have added 984 Bcfe of proved oil and natural gas reserves from 36 acquisitions at an average cost of \$1.14 per Mcfe. Our application of strict economic and reserve risk criteria have enabled us to successfully evaluate and integrate acquisitions.

Business Strategy

Pursue Exploration Opportunities. We conduct exploration activities to grow our reserve base and to replace our production each year. In late 2007 we identified the potential in our largest operating region, East Texas/North Louisiana, to explore for natural gas in the Haynesville shale formation, which was below the Cotton Valley, Hosston and Travis Peak sand formations that we have been developing. We drilled eight pilot wells to evaluate the prospectivity of the Haynesville shale in 2007 and 2008. We undertook an active leasing program in 2008 through 2010 to acquire additional acreage where we believed the Haynesville shale formation would be prospective and spent \$116.9 million in 2008, \$26.9 million in 2009 and \$55.8 million in 2010 to increase our leasehold with Haynesville or Bossier shale potential to 91,011 gross acres (79,457 net to us). We started the commercial development of the Haynesville or Bossier shale in late 2008 and have drilled 118 (77.7 net to us) successful horizontal wells through the end of 2010. In 2010, our drilling program was primarily focused on exploring and developing our Haynesville and Bossier shale acreage and we spent approximately \$295.6 million drilling 72 (45.0 net to us) Haynesville and Bossier shale horizontal wells which added 402 Bcfe to our proved reserves in 2010. We plan to continue to develop our Haynesville and Bossier shale acreage in 2011 and have budgeted to spend \$348.0 million to drill 45 (27.5 net to us) Haynesville and Bossier shale horizontal wells and to complete our wells that were in progress at the end of 2010.

During 2010 we spent approximately \$81.4 million to acquire 20,859 acres (18,320 net to us) in South Texas which we believe to be prospective for the production of liquid hydrocarbons in the Eagle Ford shale formation. We spent approximately \$25.6 million to drill three wells (3.0 net to us) in 2010 on our Eagle Ford shale properties. Our Eagle Ford shale drilling program added 10 Bcfe to our proved reserves in 2010. We plan to continue to evaluate our Eagle Ford shale properties during 2011 and have budgeted \$169.3 million to drill 22 wells (22.0 net to us) during 2011.

We may also make additional property acquisitions in 2011 that would require additional sources of funding. Such sources may include borrowings under our bank credit facility or sales of our equity or debt securities.

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Recent Developments

Tender Offer for Our 67/8% Senior Notes

Concurrently with the launch of this offering, we commenced a cash tender offer to purchase any and all of our outstanding 67/8% Senior Notes due 2012 (the "2012 Notes"). The aggregate principal amount outstanding of the 2012 Notes is \$172.0 million. We are also soliciting consents to certain proposed amendments to the indenture governing the 2012 Notes. We are offering to purchase the 2012 Notes for cash equal to 99.25% of their principal amount, together with accrued and unpaid interest to the purchase date, and pay for consents to the indenture amendments in an amount equal to an additional 1.0% of the principal amount of 2012 Notes tendered before 5:00 p.m., New York City time, on March 11, 2011, unless extended by us. No consent fees will be paid to holders who tender their notes after 5:00 p.m., New York City time, on March 11, 2011 and prior to the expiration of the tender offer at 8:00 a.m., New York City time, on March 28, 2011, unless extended by us. Our offer to purchase the 2012 Notes is being made on the terms and subject to the conditions set forth in an Offer to Purchase and Consent Solicitation Statement dated February 28, 2011.

The total amount of funds required to purchase all of the outstanding 2012 Notes pursuant to the tender offer, to make the related consent payments and to pay all expenses in connection therewith is expected to be approximately \$172.4 million assuming all outstanding 2012 Notes are validly tendered (excluding payment of accrued and unpaid interest). The completion of the tender offer is not a condition to the closing of this offering. The closing of the tender offer is subject to the satisfaction (or waiver by us) in each case in our sole discretion of certain conditions, including securing financing for the tender offer and certain other conditions. There is no assurance that the tender offer for the 2012 Notes will be subscribed for in any amount.

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THE OFFERING

The summary below describes the principal terms of the notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The Description of the Notes section of this prospectus supplement contains a more detailed description of the terms and conditions of the notes.

Issuer	Comstock Resources, Inc.
Notes Offered	\$250,000,000 in aggregate principal amount of senior notes due 2019.
Maturity Date	, 2019
Interest Rate and Payment Dates	% per annum payable on and of each year, commencing on , 2011.
Ranking	<p>The notes and the guarantees will be our and the guarantors senior unsecured obligations and will:</p> <p>rank equally in right of payment with all of our and the guarantors existing and future senior indebtedness;</p> <p>rank senior in right of payment to all of our and the guarantors existing and future subordinated indebtedness;</p> <p>be structurally subordinated in right of payment to all of our and the guarantors existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness (including all of our borrowings and the guarantors guarantees under our bank credit facility); and</p> <p>be structurally subordinated in right of payment to all existing and future indebtedness and other liabilities of any of our subsidiaries that is not also a guarantor of the notes.</p> <p>As of December 31, 2010, after giving effect to the issuance and sale of the notes and the application of the estimated net proceeds therefrom as set forth under Use of Proceeds to fund our pending tender offer and consent solicitation for our 2012 Notes, we would have had total consolidated indebtedness of \$546.4 million, consisting of \$250.0 million of the notes offered hereby and our 83/8% senior notes due 2017, and approximately \$481.0 million of secured indebtedness would have been available for borrowing under our bank credit facility. The subsidiary guarantors would have had total indebtedness of \$546.4 million, consisting of their guarantees of our notes. For further discussion, see Description of Other Indebtedness.</p>
Optional Redemption	We may redeem the notes, in whole or in part, at any time on or after , 2015 at the redemption prices described under Description of the Notes Redemption, plus accrued interest, if any, to the date of

redemption.

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In addition, on or before _____, 2014 we may redeem up to 35% of the notes at the redemption price listed in Description of the Notes Redemption with the net proceeds of certain equity offerings. However, we may only make such redemptions if at least 65% of the aggregate principal amount of notes initially issued under the indenture remain outstanding immediately after such redemption.

Change of Control

If we experience a Change of Control (as defined under Description of the Notes Certain Definitions), we must offer to purchase the notes at 101% of the aggregate principal amount of the notes, plus accrued interest, if any, to the date of purchase.

Guarantees

The payment of principal and interest on the notes will be unconditionally guaranteed on a senior basis jointly and severally initially by each of our existing subsidiaries that guarantees indebtedness under our credit facility and by certain of our future restricted subsidiaries. Such guarantees will rank equally with all other unsecured senior indebtedness of these subsidiary guarantors.

Certain Covenants

The indenture governing the notes will contain certain covenants that, among other things, restrict our ability and the ability of certain of our subsidiaries to:

incur or guarantee additional indebtedness or issue disqualified capital stock;

pay dividends or make distributions in respect of capital stock;

repurchase or redeem capital stock;

make certain investments and other restricted payments;

create liens;

enter into transactions with affiliates;

engage in sale/leaseback transactions;

sell assets;

issue or sell preferred stock of certain subsidiaries; and

engage in mergers or consolidations.

These covenants are subject to important exceptions and qualifications described under Description of the Notes Certain Covenants.

Covenant Suspension

At any time when the notes are rated investment grade by both Moody's Investor Services and Standard & Poor's Rating Services and no default or event of default has occurred and is continuing under the indenture, we and our subsidiaries will not be subject to

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many of the foregoing covenants. See Description of the Notes Covenant Suspension.

No Public Market

The notes are a series of securities for which there is currently no established trading market. The underwriters have advised us that they presently intend to make a market in the notes. However, you should be aware that they are not obligated to make a market in the notes and may discontinue their market-making activities at any time without notice. As a result, a liquid market for the notes may not be available if you try to sell your notes. We do not intend to apply for a listing of the notes on any securities exchange or any automated dealer quotation system.

Use of Proceeds

The net proceeds from this offering, after deducting underwriting discounts and estimated expenses of the offering, will be approximately \$244.5 million. We intend to use the net proceeds from this offering to fund the pending tender offer and consent solicitation of the 2012 Notes as well as redeeming any such notes outstanding following the tender offer. Any remaining proceeds will be used to repay amounts borrowed under our bank credit facility. Funds repaid on our bank credit facility may be reborrowed for general corporate purposes.

Risk Factors

Investing in the notes involves a high degree of risk that you should carefully evaluate before deciding to purchase the notes. Please read sections captioned Risk Factors beginning on page S-10 of this prospectus supplement and page 4 of the accompanying prospectus, including all sections discussing risks and uncertainties in the documents incorporated by reference herein and therein.

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The following tables present a summary of our 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 our consolidated financial statements and the notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended December 31, 2010, which is incorporated by reference herein. During 2008, we divested our interests in offshore operations, which were conducted through our subsidiary Bois d'Arc Energy. Accordingly, we have adjusted the presentation of selected financial data to reflect the offshore operations on a discontinued basis.

Statement of Operations Data:

	Year Ended December 31,		
	2008	2009	2010
	<i>(In thousands, except per share data)</i>		
Revenues:			
Oil and gas sales	\$ 563,749	\$ 292,583	\$ 349,141
Gain on sale of properties	26,560	213	
Total revenues	590,309	292,796	349,141
Operating expenses:			
Production taxes	20,648	8,643	9,894
Gathering and transportation	3,910	8,696	17,256
Lease operating (1)	62,172	53,560	53,525
Exploration	5,032	907	2,605
Depreciation, depletion and amortization	182,179	213,238	213,809
Impairment of oil and gas properties	922	115	224
Loss on sale of properties			26,632
General and administrative, net	32,266	39,172	37,200
Total operating expenses	307,129	324,331	361,145
Income (loss) from operations	283,180	(31,535)	(12,004)
Other income (expenses):			
Interest income	1,537	245	263
Other income	119	133	236
Interest expense	(25,336)	(16,086)	(29,456)
Marketable securities impairment	(162,672)		
Gain on sale of marketable securities			16,529
Total other income (expenses)	(186,352)	(15,708)	(12,428)
Income (loss) from continuing operations before income taxes	96,828	(47,243)	(24,432)
Benefit from (provision for) income taxes	(38,611)	10,772	4,846
Income (loss) from continuing operations	58,217	(36,471)	(19,586)

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Income (loss) from discontinued operations	193,745(2)		
Net income (loss)	\$ 251,962	\$ (36,471)	\$ (19,586)
Basic net income (loss) per share:			
Continuing operations	\$ 1.27	\$ (0.81)	\$ (0.43)
Discontinued operations	4.23		
	\$ 5.50	\$ (0.81)	\$ (0.43)
Diluted net income (loss) per share:			
Continuing operations	\$ 1.26	\$ (0.81)	\$ (0.43)
Discontinued operations	4.20		
	\$ 5.46	\$ (0.81)	\$ (0.43)
Weighted average shares outstanding:			
Basic	44,524	45,004	45,561
Diluted	44,813	45,004(3)	45,561(3)

(1) Includes ad valorem taxes.

(2) Includes gain of \$158.1 million, net of income taxes of \$85.3 million, from the sale of our offshore operations.

(3) Basic and diluted weighted average shares are the same due to the net loss.

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	2008	As of December 31, 2009 (In thousands)	2010
Cash and cash equivalents	\$ 6,281	\$ 90,472	\$ 1,732
Property and equipment, net	1,444,715	1,576,287	1,816,248
Total assets	1,577,890	1,858,961	1,964,214
Total debt	210,000	470,836	513,372
Stockholders' equity	1,062,085	1,066,111	1,068,531

Cash Flow Data:

	2008	Year Ended December 31, 2009 (In thousands)	2010
Cash flows provided by operating activities from continuing operations	\$ 450,533	\$ 176,257	\$ 311,662
Cash flows used for investing activities from continuing operations	(289,194)	(348,777)	(440,473)
Cash flows provided by (used for) financing activities from continuing operations	(452,883)	256,711	40,071
Cash flows provided by discontinued operations	292,260		

Summary Operating Data

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

	2008	Year Ended December 31, 2009	2010
Net Production Data			
Natural gas (MMcf)	53,867	60,820	68,973
Oil (MBbls)	1,009	775	715
Natural gas equivalent (MMcfe)	59,923	65,468	73,262
Average Sales Price:			
Oil (\$/Bbl)	\$ 87.15	\$ 50.94	\$ 68.35
Natural gas (\$/Mcf)	\$ 8.92	\$ 3.73	\$ 4.35
Natural gas including hedging (\$/Mcf)	\$ 8.83	\$ 4.16	\$ 4.35
Average equivalent price (\$/Mcf)	\$ 9.49	\$ 4.07	\$ 4.77
Average equivalent price including hedging (\$/Mcf)	\$ 9.41	\$ 4.47	\$ 4.77
Expenses (\$ per Mcfe):			
Production taxes	\$ 0.34	\$ 0.13	\$ 0.14
Gathering and transportation	\$ 0.07	\$ 0.13	\$ 0.24
Lease operating (1)	\$ 1.04	\$ 0.82	\$ 0.72

Depreciation, depletion and amortization (2)	\$	3.03	\$	3.25	\$	2.91
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(1) Includes ad valorem taxes.

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

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The following table summarizes the estimates of our net proved oil and natural gas reserves 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. 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. Oil and Natural Gas Reserves, contained in our Annual Report on Form 10-K for the year ended December 31, 2010 and incorporated by reference herein.

	As of December 31,		
	2008	2009	2010
PROVED RESERVES			
Natural Gas (MMcf)	523,643	682,389	1,025,633
Oil (Mbbls)	9,668	7,214	4,219
Total (MMcfe)	581,653	725,675	1,050,950
PV 10 Value of Proved Reserves (000 \$) (1)	\$ 820,110	\$ 489,114	\$ 797,626
PROVED DEVELOPED RESERVES			
Natural Gas (MMcf)	354,934	367,102	506,809
Oil (Mbbls)	5,446	4,894	2,961
Total (MMcfe)	387,612	396,469	524,573

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

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RISK FACTORS

In deciding whether to purchase the notes, you should carefully consider the risks described below and in the Risk Factors section on page 4 of the accompanying prospectus, any of which could cause our operating results and financial condition to be materially adversely affected, as well as other information and data included in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein.

Risks Related to This Offering

Our substantial indebtedness could limit our flexibility, adversely affect our financial health and prevent us from making payments on the notes.

We have, and after this offering will continue to have, a substantial amount of indebtedness. As of December 31, 2010, after giving effect to this offering and the use of proceeds therefrom, we and the subsidiary guarantors would have had no secured indebtedness outstanding to which the notes and the subsidiary guarantees would have been effectively subordinated, and approximately \$481.0 million of secured indebtedness would have been available for borrowing under our bank credit facility.

Our substantial indebtedness could have important consequences to you. For example, it could:

make it difficult for us to satisfy our obligations with respect to the notes;

make us more vulnerable to general adverse economic and industry conditions;

require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow for operations and other purposes;

limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and

place us at a competitive disadvantage compared to competitors that may have proportionately less indebtedness.

In addition, our ability to make scheduled payments or to refinance our obligations depends on our successful financial and operating performance. We cannot assure you that our operating performance will generate sufficient cash flow or that our capital resources will be sufficient for payment of our indebtedness obligations in the future. Our financial and operating performance, cash flow and capital resources depend upon prevailing economic conditions and certain financial, business and other factors, many of which are beyond our control.

If our cash flow and capital resources are insufficient to fund our debt service obligations, we may be forced to sell material assets or operations, obtain additional capital or restructure our debt. In the event that we are required to dispose of material assets or operations or restructure our debt to meet our debt service and other obligations, we cannot assure you as to the terms of any such transaction or how quickly any such transaction could be completed, if at all.

We may incur substantial additional indebtedness in the future. Our incurrence of additional indebtedness would intensify the risks described above.

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The instruments governing our indebtedness will contain various covenants limiting the discretion of our management in operating our business.

The indenture governing the notes and our bank credit facility contain various restrictive covenants that limit our management's discretion in operating our business. In particular, these agreements will limit our ability to, among other things:

- incur additional indebtedness, guarantee obligations or issue disqualified capital stock;
- pay dividends or distributions on our capital stock or redeem, repurchase or retire our capital stock;
- make investments or other restricted payments;
- grant liens on assets;
- enter into transactions with stockholders or affiliates;
- engage in sale/leaseback transactions;
- sell assets;
- issue or sell preferred stock of certain subsidiaries; and
- merge or consolidate.

In addition, our bank credit facility also requires us to maintain a minimum current ratio and a minimum tangible net worth.

If we fail to comply with the restrictions in the indenture governing the notes, our bank credit facility or any other subsequent financing agreements, a default may allow the creditors, if the agreements so provide, to accelerate the related indebtedness as well as any other indebtedness to which a cross-acceleration or cross-default provision applies. If that occurs, we may not be able to make all of the required payments or borrow sufficient funds to refinance such debt. Even if new financing were available at that time, it may not be on terms acceptable to us. In addition, lenders may be able to terminate any commitments they had made to make available further funds.

Any failure to meet our debt obligations could harm our business, financial condition and results of operations.

If our cash flow and capital resources are insufficient to fund our debt obligations, we may be forced to sell assets, seek additional equity or debt capital or restructure our debt. In addition, any failure to make scheduled payments of interest and principal on our outstanding indebtedness would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness on acceptable terms to us, if at all. Our cash flow and capital resources may be insufficient for payment of interest on and principal of our debt in the future, including payments on the notes, and any such alternative measures may be unsuccessful or may not permit us to meet scheduled debt service obligations, which could cause us to default on our obligations and impair our liquidity.

We may be unable to purchase your notes upon a change of control.

Upon the occurrence of a change of control, as defined in the indenture governing the notes, we will be required to offer to purchase your notes. We may not have sufficient financial resources to purchase all of

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the notes that holders tender to us upon a change of control offer, or might be prohibited from doing so under our bank credit facility or our other indebtedness. The occurrence of a change of control also could constitute an event of default under our bank credit facility or our other indebtedness. See Description of the Notes Certain Covenants Change of Control.

The change of control put right might not be enforceable.

In a recent court decision, the Chancery Court of Delaware raised the possibility that a change of control put right occurring as a result of a failure to have continuing directors comprising a majority of a board of directors might be unenforceable on public policy grounds. Therefore, you may not be entitled to receive this protection under the indenture.

The notes and the guarantees are effectively subordinated to all of our and our subsidiary guarantors secured indebtedness and all indebtedness of our non-guarantor subsidiaries.

The notes will not be secured. The borrowings under our bank credit facility are secured by liens on all of our and our subsidiary guarantors assets. If we or any of these subsidiary guarantors declare bankruptcy, liquidate or dissolve, or if payment under the bank credit facility or any of our other secured indebtedness is accelerated, our secured lenders would be entitled to exercise the remedies available to a secured lender under applicable law and will have a claim on those assets before the holders of the notes. As a result, the notes are effectively subordinated to our and our subsidiaries secured indebtedness to the extent of the value of the assets securing that indebtedness, and the holders of the notes would in all likelihood recover ratably less than the lenders of our and our subsidiaries secured indebtedness in the event of our bankruptcy, liquidation or dissolution. As of December 31, 2010, after giving effect to this offering and the use of proceeds therefrom, we and the subsidiary guarantors would have had no secured indebtedness outstanding to which the notes and the subsidiary guarantees would have been effectively subordinated, and approximately \$481.0 million of secured indebtedness would have been available for borrowing under our bank credit facility.

In addition, the notes will be structurally subordinated to all of the liabilities of our subsidiaries that do not guarantee the notes. In the event of a bankruptcy, liquidation or dissolution of any of the non-guarantor subsidiaries, holders of their indebtedness, their trade creditors and holders of their preferred equity will generally be entitled to payment on their claims from assets of those subsidiaries before any assets are made available for distribution to us.

Federal and state statutes allow courts, under specific circumstances, to void the guarantees and require noteholders to return payments received from the guarantors.

Creditors of any business are protected by fraudulent conveyance laws which differ among various jurisdictions, and these laws may apply to the issuance of the guarantees by our subsidiary guarantors. The guarantee may be voided by a court, or subordinated to the claims of other creditors, if, among other things:

the indebtedness evidenced by the guarantees was incurred by a subsidiary guarantor with actual intent to hinder, delay or defraud any present or future creditor of such subsidiary guarantor; or

our subsidiary guarantors did not receive fair consideration or reasonably equivalent value for issuing the guarantees, and the applicable subsidiary guarantors:

- (1) were insolvent, or were rendered insolvent by reason of issuing the applicable guarantee,
- (2)

were engaged or about to engage in a business or transaction for which the remaining assets of the applicable subsidiary guarantor constituted unreasonably small capital, or

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- (3) intended to incur, or believed that we or they would incur, indebtedness beyond our or their ability to pay as they matured.

In addition, any payment by such subsidiary guarantor pursuant to any guarantee could be voided and required to be returned to such subsidiary guarantor, or to a fund for the benefit of creditors of such subsidiary guarantor.

The measures of insolvency for purposes of these fraudulent transfer laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, a subsidiary guarantor would be considered insolvent if:

the sum of such subsidiary guarantor's debts, including contingent liabilities, were greater than the fair saleable value of all of such subsidiary guarantor's assets;

the present fair saleable value of such subsidiary guarantor's assets were less than the amount that would be required to pay such subsidiary guarantor's probable liability on existing debts, including contingent liabilities, as they become absolute and mature; or

any subsidiary guarantor could not pay debts as they become due.

Based upon financial and other information, we believe that the guarantees are being incurred for proper purposes and in good faith and that each subsidiary guarantor is solvent and will continue to be solvent after this offering is completed, will have sufficient capital for carrying on its business after such issuance and will be able to pay its indebtedness as they mature. We cannot assure you, however, that a court reviewing these matters would agree with us. A legal challenge to a guarantee on fraudulent conveyance grounds may focus on the benefits, if any, realized by us or the subsidiary guarantors as a result of our issuance of the guarantees.

Receipt of payment on the notes, as well as the enforcement of remedies under the subsidiary guarantees, may be limited in bankruptcy or in equity.

An investment in the notes, as in any type of security, involves insolvency and bankruptcy considerations that investors should carefully consider. If we or any of our subsidiary guarantors become a debtor subject to insolvency proceedings under the bankruptcy code, it is likely to result in delays in the payment of the notes and in the exercise of enforcement remedies under the notes or the subsidiary guarantees. Provisions under the bankruptcy code or general principles of equity that could result in the impairment of your rights include the automatic stay, avoidance of preferential transfers by a trustee or a debtor-in-possession, substantive consolidation, limitations of collectability of unmatured interest or attorneys' fees and forced restructuring of the notes.

If a bankruptcy court substantively consolidated us and our subsidiaries, the assets of each entity would be subject to the claims of creditors of all entities. This would expose you not only to the usual impairments arising from bankruptcy, but also to potential dilution of the amount ultimately recoverable because of the larger creditor base. Furthermore, forced restructuring of the notes could occur through the cram-down provision of the bankruptcy code. Under this provision, the notes could be restructured over your obligations as to their general terms, primarily interest rate and maturity.

Your ability to resell the notes may be limited by a number of factors and the prices for the notes may be volatile.

The notes will be a new class of securities for which there currently is no established market, and we cannot assure you that any active or liquid trading market for these notes will develop. We do not intend to apply for listing of the

notes on any securities exchange or on any automated dealer quotation system.

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Although we have been informed by the underwriters that they currently intend to make a market in the notes, they are not obligated to do so and any market-making may be discontinued at any time without notice. See Underwriting. If a market for the notes were to develop, the notes could trade at prices that may be higher or lower than reflected by their initial offering price, depending on many factors, including among other things:

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

In addition, the market for non-investment grade indebtedness has been historically subject to disruptions that have caused substantial volatility in the prices of securities similar to the notes offered hereby. The market for the notes, if any, may be subject to similar disruptions. Any such disruption could adversely affect the value of your notes.

A ratings agency downgrade could lead to increased borrowing costs and credit stress.

If one or more rating agencies that rate the notes either assigns the notes a rating lower than the rating expected by the investors, or reduces its rating in the future, the market price of the notes, if any, would be adversely affected. In addition, if any of our other outstanding debt that is rated is downgraded, raising capital will become more difficult for us, borrowing costs under our bank credit facility and other future borrowings may increase and the market price of the notes, if any, may decrease.

If the notes receive an investment grade rating, many of the covenants in the indenture governing the notes will be suspended, thereby reducing some of your protections in the indenture.

If at any time the notes receive investment grade ratings from both Standard & Poor's Rating Services and Moody's Investor Services, subject to certain additional conditions, many of the covenants in the indenture governing the notes, applicable to us and our restricted subsidiaries, including the limitations on indebtedness and disqualified capital stock and restricted payments, will be suspended. While these covenants will be reinstated if we fail to maintain investment grade ratings on the notes or in the event of a continuing default or event of default thereunder, during the suspension period noteholders will not have the protection of these covenants and we will have greater flexibility to incur indebtedness and make restricted payments.

Risks Related to the Business

A substantial or extended decline in oil and natural gas prices may adversely affect our business, financial condition, cash flow, liquidity or results of operations and our ability to meet our capital expenditure obligations and financial commitments and to implement our business strategy.

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. The prices we receive for our oil and natural gas production and the level of such production will be subject to wide fluctuations and depend on numerous factors beyond our control, including the following:

- the domestic and foreign supply of oil and natural gas;
- weather conditions;
- the price and quantity of imports of crude oil and natural gas;

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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.

If the decline in the price of natural gas that first started in 2008 continues through 2011, the lower 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.

In the future we may enter into hedging arrangements in order to reduce our exposure to price risks. Such arrangements would limit our ability to benefit from increases in oil and natural gas prices.

The recent recession could have a material adverse impact on our financial position, results of operations and cash flows.

The oil and gas industry is cyclical and tends to reflect general economic conditions. The United States and other countries have been in a recession which could continue through 2011 and beyond, and the capital markets have experienced significant volatility. The recession has had an adverse impact on demand and pricing for crude oil and natural gas. A continuation of the recession could have a further negative impact on oil and natural gas prices. Our operating cash flows and profitability will be significantly affected by declining oil and natural gas prices. Further declines in oil and natural gas prices may also impact the value of our oil and gas reserves, which could result in future impairment charges to reduce the carrying value of our oil and gas properties and our marketable securities. Our future access to capital could be limited due to tightening credit markets and volatile capital markets. If our access to capital is limited, development of our assets may be delayed or limited, and we may not be able to execute our growth strategy.

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, however, 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

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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.

Federal hydraulic fracturing legislation could increase our costs and restrict our access to our oil and gas reserves.

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. Hydraulic fracturing involves the injection of water, sand and chemicals under pressure into rock formations to stimulate natural gas production. The use of hydraulic fracturing is necessary to produce commercial quantities of crude oil and natural gas from many reservoirs including the Haynesville shale, Bossier shale, Eagle Ford shale, Cotton Valley and other tight natural gas reservoirs. At the direction of Congress, EPA is currently conducting an extensive, multi-year study into the potential effects of hydraulic fracturing on underground sources of drinking water, and the results of that study have the potential to impact the likelihood or scope of future legislation or regulation.

Although it is not possible at this time to predict the final outcome of any legislation regarding hydraulic fracturing, several states, including some in which we operate such as Arkansas, have adopted or proposed rules that would limit or regulate hydraulic fracturing, and/or require disclosure of chemicals used in hydraulic fracturing. These new state rules and any new federal restrictions on hydraulic fracturing that may be imposed in areas in which we conduct business, could significantly increase our operating, capital and compliance costs as well as delay or inhibit our ability to develop our oil and natural gas reserves.

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

The United States Congress continues to consider imposing new taxes and repeal of many tax incentives and deductions that are currently used by independent oil and gas producers. Examples of changes being considered that would impact us are: elimination of the ability to fully deduct intangible drilling costs in the year incurred, repeal of the manufacturing tax deduction for oil and gas companies, increasing the geological and geophysical cost amortization period, and implementation of a fee on non-producing leases located on federal lands. If these proposals are enacted, our current income tax liability will increase, potentially significantly, which would have a negative impact on our cash flow from operating activities. A reduction in operating cash flow could require us to reduce our drilling activities. Since none of these proposals have yet to be included in new legislation, we do not know the ultimate impact they may have on our business.

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

We had \$513.4 million in debt as of December 31, 2010, and our ratio of total debt to total capitalization was approximately 32%.

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Our outstanding debt will have important consequences, including, without limitation:

- a portion of our cash flow from operations will be required to make debt service payments;
- our ability to borrow additional amounts for working capital, capital expenditures (including acquisitions) or other purposes will be limited; and
- our debt could limit 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 bank credit facility contains a number of significant covenants. These covenants will 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 bank credit facility and the respective indentures governing our outstanding senior 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.

The unavailability or high cost of drilling rigs, equipment, supplies or qualified personnel and oilfield services could adversely affect our ability to execute our exploration and development plans on a timely basis and within our budget.

Our industry has experienced a shortage of drilling rigs, equipment, supplies and qualified personnel in recent years as the result of higher demand for these services. Costs and delivery times of rigs, equipment and supplies have been substantially greater than they were several years ago. In addition, demand for, and wage rates of, qualified drilling rig crews have escalated due to the higher activity levels. Shortages of drilling rigs, equipment or supplies or qualified personnel in the areas in which we operate could delay or restrict our exploration and development operations, which in turn could adversely affect our financial condition and results of operations because of our concentration in those areas.

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

Our future success will depend 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 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. 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;

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future oil and natural gas prices;
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 the East Texas/North Louisiana and South Texas regions, we may pursue acquisitions or properties located in other geographic areas.

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.

Our competitors may use superior technology that we may be unable to afford or which would require costly investment by us in order to compete.

If our competitors use or develop new technologies, we may be placed at a competitive disadvantage, and competitive pressures may force us to implement new technologies at a substantial cost. In addition, our competitors may have greater financial, technical and personnel resources that allow them to enjoy technological advances and may in the future allow them to implement new technologies before we can. We cannot be certain that we will be able to implement technologies on a timely basis or at a cost that is acceptable to us. One or more of the technologies that we currently use or that we may implement in the future may become obsolete. All of these factors may inhibit our ability to acquire additional prospects and compete successfully in the future.

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, dividends and general

corporate requirements, which could place us at a competitive disadvantage relative to other competitors. Additionally, if our revenues decrease as a result of

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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.

If oil and natural gas prices remain low or continue to decline, we may be required to 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. We may incur 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. Such a reduction in carrying value could impact our borrowing ability and may result in accelerating the repayment date of any outstanding debt.

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, 2010, 50% of our total proved reserves were undeveloped and 15% 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.

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;

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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 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 President and Chief Executive Officer, and a limited number of other senior management personnel. Loss of the services of Mr. Allison 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.

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;

drilling bonds and other financial responsibility requirements, such as plug and abandonment bonds;

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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 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 a permit before drilling commences;
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 or remedial obligations; and
the imposition of injunctive relief.

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, has not passed. Both bills contain 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 since the 2010 midterm elections; however, some form of GHG legislation remains possible, and the EPA is moving ahead with its efforts to regulate GHG emissions from certain sources by rule. The EPA has 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 CO₂e or more per year to begin collecting GHG emissions data under a new reporting system beginning on January 1, 2011 with the first annual report due March 31, 2012. We are required to report under these new regulations, and are implementing the required procedures to collect

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the required information. 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. Since all of our crude 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 crude oil and natural gas we produce.

In June 2010 the Bureau of Land Management issued a proposed oil and gas leasing reform. The proposal would require, 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 proposed 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.

Changes in environmental laws and regulations occur frequently, and any changes that result in more stringent or costly 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.

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USE OF PROCEEDS

The net proceeds from this offering, after deducting underwriting discounts and estimated expenses of the offering, will be approximately \$244.5 million. We intend to use the net proceeds from this offering to fund the pending tender offer and consent solicitation of the 2012 Notes as well as redeeming any such notes outstanding following the tender offer. Any remaining proceeds will be used to repay amounts borrowed under our bank credit facility. Funds repaid on our bank credit facility may be reborrowed for general corporate purposes.

As of February 28, 2011, the borrowing base under our bank credit facility was \$500.0 million. As of February 28, 2011, the total outstanding principal balance under our bank credit facility was \$100.0 million at a weighted average interest rate of 2.01%. Our bank credit facility matures on November 30, 2015.

The underwriters may, from time to time, engage in transactions with and perform services for us and our affiliates in the ordinary course of their business. In addition, the underwriters or affiliates of the underwriters are lenders under our bank credit facility and, accordingly, will receive a substantial portion of the proceeds from this offering. See Underwriting Other Relationships.

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Table of Contents**CAPITALIZATION**

The following table sets forth our consolidated cash and cash equivalents and our consolidated capitalization as of December 31, 2010 (1) on a historical basis and (2) on an as-adjusted basis to reflect this notes offering and the application of the estimated net proceeds therefrom as described under "Use of Proceeds", including the completion of the tender offer and consent solicitation by us of the 2012 Notes (assuming 100% acceptance of the tender offer and consent solicitation). This information should be read in conjunction with the consolidated financial statements and our Management's Discussion and Analysis of Financial Condition and Results of Operations incorporated by reference herein.

	As of December 31, 2010	
	Historical	As Adjusted
	<i>(In thousands)</i>	
Cash and cash equivalents	\$ 1,732	\$ 28,802
Total long-term debt:		
Revolving Credit Facility (1)	\$ 45,000	\$
67/8% Senior Notes due 2012	172,000	
83/8% Senior Notes due 2017 (2)	296,372	296,372
% Senior Notes due 2019, offered hereby (3)		250,000
Total long-term debt	513,372	546,372
Stockholders' Equity:		
Common stock	23,853	23,853
Additional paid-in capital	454,499	454,499
Retained Earnings	557,849	557,849
Accumulated other comprehensive loss	32,330	32,330
Total stockholders' equity	1,068,531	1,068,531
Total capitalization	\$ 1,581,903	\$ 1,614,903

(1) As of February 28, 2011, the total outstanding principal balance under our bank credit facility was \$100.0 million. As of December 31, 2010, the total amount available for borrowing under our bank credit facility was \$455.0 million.

(2) The 83/8% Senior Notes due 2017 are net of original issue discount. The principal amount is \$300.0 million.

(3) Reflects the issuance of \$250.0 million principal amount of the notes offered hereby.

Table of Contents**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.

	Years Ended December 31,				
	2006	2007	2008	2009	2010
Ratio of earnings to fixed charges	5.2x	3.3x	4.4x		0.1x

The ratios were computed by dividing earnings by fixed charges. Earnings consist of income from continuing operations before income taxes, interest expense, and that portion of non-capitalized rental expense deemed to be the equivalent of interest, while fixed charges consists of interest expense, capitalized interest expense, preferred stock dividends, and that portion of non-capitalized rental expense deemed to be the equivalent of interest. For the year ended December 31, 2009, earnings were inadequate to cover fixed charges. The coverage deficiency was \$53.9 million.

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DESCRIPTION OF OTHER INDEBTEDNESS

As of February 28, 2011, the borrowing base under our bank credit facility was \$500.0 million. As of February 28, 2011, the total outstanding principal balance under our bank credit facility was \$100.0 million at a weighted average interest rate of 2.01%. Our bank credit facility matures on November 30, 2015.

Indebtedness under our bank credit facility is secured by substantially all of our and our subsidiaries' oil and gas properties. It is subject to borrowing base availability, which is redetermined semiannually based on estimates of the future net cash flows of our oil and natural gas properties. The borrowing base is affected by the performance of our properties and changes in oil and natural gas prices. The determination of the borrowing base is at the sole discretion of the administrative agent and the bank group. Borrowings under the credit facility bear interest, based on the utilization of the borrowing base, at our option at either (1) LIBOR plus 1.75% to 2.75% 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 0.75% to 1.75%. We pay a commitment fee of 0.5% on the unused borrowing base. The credit facility contains covenants that, among other things, restrict the payment of cash dividends in excess of \$50.0 million, limit the amount of consolidated debt that Comstock may incur and limit the Company's ability to make certain loans and investments. Financial covenants include the maintenance of a current ratio and maintenance of tangible net worth.

In addition, we have \$172.0 million of 2012 Notes outstanding and \$300.0 million of our 83/8% senior notes outstanding which mature on October 15, 2017. All such notes are our unsecured obligations and are guaranteed by all of our material subsidiaries. The subsidiary guarantors are 100% owned and all of the guarantees are full and conditional and joint and several. As of December 31, 2010, we had no material assets or operations which are independent of our subsidiaries. There are no restrictions on our ability to obtain funds from our subsidiaries through dividends or loans.

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DESCRIPTION OF THE NOTES

The notes will be issued pursuant to an indenture dated as of October 9, 2009, as supplemented by a supplemental indenture to be dated as of the closing date of this offering (the "Indenture") by and among Comstock, as issuer, the Subsidiary Guarantors and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The terms of the notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939. The Indenture is unlimited in aggregate principal amount, although the issuance of notes in this offering will be limited to \$250.0 million.

This Description of the Notes, together with the Description of Debt Securities included in the accompanying base prospectus, is intended to be a useful overview of the material provisions of the notes and the Indenture. Since this Description of the Notes and such Description of Debt Securities are only summaries, you should refer to the Indenture for a complete description of the obligations of the Company and your rights. This Description of the Notes supersedes the Description of Debt Securities in the accompanying base prospectus to the extent it is inconsistent with such Description of Debt Securities.

The registered holder of a note will be treated as the owner of it for all purposes. Only registered holders will have rights under the indenture. In this section, the words "Comstock," "we," "us," or "our" refer only to Comstock Resources, Inc. and not to any of its subsidiaries.

General

\$250.0 million in aggregate principal amount of the notes will be issued on the closing date of this offering. Subject to compliance with the covenant described in "Certain Covenants" Limitation on Indebtedness and Disqualified Capital Stock, we may issue an unlimited amount of additional debt securities under the Indenture from time to time after this offering. We may create and issue additional debt securities with the same terms as the notes so that such additional debt securities would form a single series with the notes, and would be treated as such for all purposes of the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. The notes will mature on [REDACTED], 2019. The notes will bear interest at [REDACTED] % from [REDACTED], 2011, or from the most recent interest payment date to which interest has been paid, payable semi-annually in cash on [REDACTED] and [REDACTED] of each year, commencing [REDACTED], 2011, to the Persons in whose name the notes are registered in the note register at the close of business on [REDACTED] or [REDACTED] next preceding such interest payment date. Interest is computed on the basis of a 360-day year comprised of twelve 30-day months.

Principal of, premium, if any, and interest on the notes will be payable at the office or agency of Comstock in New York City maintained for such purpose, and the notes may be surrendered for transfer or exchange at the corporate trust office of the Trustee. In addition, in the event the notes do not remain in book-entry form, interest may be paid, at the option of Comstock, by check mailed to the Holders of the notes at their respective addresses as shown on the note register, subject to the right of any Holder of notes in the principal amount of \$500,000 or more to request payment by wire transfer. No service charge will be made for any transfer, exchange or redemption of the notes, but Comstock may require payment of a sum sufficient to cover any tax or other governmental charge that may be payable in connection therewith. The notes will be issued only in registered form, without coupons, in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

The obligations of Comstock under the notes will be jointly and severally guaranteed by the Subsidiary Guarantors. See "Subsidiary Guarantees of Notes."

Table of Contents**Redemption***Optional Redemption*

The notes will be redeemable at our option, in whole or in part, at any time on or after _____, 2015, upon not less than 30 or more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, to the date of redemption (subject to the right of Holders of record on the relevant record date to receive interest due on an interest payment date that is on or prior to the date of redemption), if redeemed during the 12-month period beginning on _____ of the years indicated below:

Year	Redemption Price
2015	%
2016	%
2017 and thereafter	100.00%

In the event that less than all of the notes are to be redeemed, the particular notes to be redeemed shall be selected not less than 30 nor more than 60 days prior to the date of redemption by the Trustee, from the outstanding notes not previously called for redemption, pro rata, by lot or by any other method the Trustee shall deem fair and appropriate (or in the case of notes in global form, the Trustee will select the notes for redemption based on DTC's method that most nearly approximates a pro rata selection), although no note of \$2,000 or less will be redeemed in part.

Notwithstanding the foregoing, prior to _____, 2014 we may, at any time or from time to time, redeem up to 35% of the aggregate principal amount of notes originally issued at a redemption price of _____% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of redemption (subject to the right of Holders of record on the relevant record date to receive interest due on an interest payment date that is on or prior to the date of redemption), with the Net Cash Proceeds of one or more Public Equity Offerings, provided that at least 65% of the aggregate principal amount of notes originally issued remains outstanding immediately after such redemption (excluding notes held by us and our Subsidiaries) and that such redemption occurs within 120 days following the closing of any such Public Equity Offering.

Offers to Purchase

As described below, (i) upon the occurrence of a Change of Control, we will be obligated to make an offer to purchase all of the notes at a purchase price equal to 101% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date of purchase and (ii) upon certain sales or other dispositions of assets, Comstock may be obligated to make offers to purchase the notes with a portion of the Net Available Cash of such sales or other dispositions at a purchase price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date of purchase. See _____ Certain Covenants Change of Control and _____ Limitation on Asset Sales.

Sinking Fund

There will be no sinking fund payments for the notes.

Ranking

The Indebtedness evidenced by the notes and the Subsidiary Guarantees will be unsecured and will rank pari passu in right of payment with all Senior Indebtedness of Comstock and the Subsidiary Guarantors, as the case may be, and senior in right of payment to all subordinated Indebtedness of Comstock and the Subsidiary Guarantors, as the case may be. The notes, however, will be effectively subordinated to secured

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Indebtedness of Comstock and its Subsidiaries to the extent of the value of the assets securing such Indebtedness, including Indebtedness under the Bank Credit Agreement, which is secured by a lien on substantially all of the assets of Comstock (including assets of the Subsidiary Guarantors).

As of December 31, 2010, on an as adjusted basis as described under Capitalization, Comstock and its Restricted Subsidiaries would have had \$546.4 million in principal amount of Senior Indebtedness outstanding, comprised of the notes and the 83/8% Senior Notes due 2017, and no Indebtedness contractually subordinated to the notes. Subject to certain limitations, Comstock and its Subsidiaries may incur additional Indebtedness in the future.

A substantial portion of Comstock's operations is conducted through its Subsidiaries. Claims of creditors of such Subsidiaries that are not Subsidiary Guarantors, including trade creditors and creditors holding Indebtedness or guarantees issued by such Subsidiaries, and claims of preferred stockholders of such Subsidiaries will have priority with respect to the assets and earnings of such Subsidiaries over the claims of Comstock's creditors, including Holders of the notes. Accordingly, the notes will be effectively subordinated to creditors (including trade creditors) and preferred stockholders, if any, of Comstock's Subsidiaries that are not Subsidiary Guarantors.

Although the Indenture limits the incurrence of Indebtedness and Disqualified Capital Stock of the Restricted Subsidiaries and the issuance or sale of Preferred Stock of the Restricted Subsidiaries, such limitations are subject to a number of significant qualifications. In addition, the Indenture does not impose any limitations on the incurrence by the Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Capital Stock or Preferred Stock under the Indenture. Please read Certain Covenants Limitation on Indebtedness and Disqualified Capital Stock and Limitation on Liens. Moreover, the Indenture does not impose any limitation on the incurrence by any Unrestricted Subsidiary of Indebtedness or Disqualified Capital Stock, or the issuance or sale of Preferred Stock of any Unrestricted Subsidiary.

Subsidiary Guarantees of Notes

Each Subsidiary Guarantor will unconditionally guarantee, jointly and severally, to each Holder and the Trustee, the full and prompt performance of Comstock's obligations under the Indenture and the notes, including the payment of principal of, premium, if any, and interest on the notes pursuant to its Subsidiary Guarantee. The initial Subsidiary Guarantors are currently all of Comstock's operating subsidiaries. In addition to the initial Subsidiary Guarantors, Comstock is obligated under the Indenture to cause each Restricted Subsidiary that guarantees the payment of, assumes or in any other manner becomes liable (whether directly or indirectly) with respect to any Indebtedness of Comstock or any other Subsidiary Guarantor, including, without limitation, Indebtedness under the Bank Credit Agreement, to execute and deliver a supplement to the Indenture pursuant to which such Restricted Subsidiary will guarantee the payment of the notes on the same terms and conditions as the Subsidiary Guarantees by the initial Subsidiary Guarantors. Please read Certain Covenants Future Subsidiary Guarantees.

The obligations of each Subsidiary Guarantor will be limited to the maximum amount as will result in the obligations of such Subsidiary Guarantor under its Subsidiary Guarantee not constituting a fraudulent conveyance or fraudulent transfer under applicable law. Each Subsidiary Guarantor that makes a payment or distribution under a Subsidiary Guarantee shall be entitled to a contribution from each other Subsidiary Guarantor in a pro rata amount based on the Adjusted Net Assets of each Subsidiary Guarantor.

Each Subsidiary Guarantor may consolidate with or merge into or sell or otherwise dispose of all or substantially all of its properties and assets to Comstock or another Subsidiary Guarantor without limitation, except to the extent any such transaction is subject to the Merger, Consolidation and Sale of Assets covenant of the Indenture. Each Subsidiary Guarantor may consolidate with or merge into or sell all or substantially all of its properties and assets to a Person other than Comstock or another Subsidiary Guarantor (whether or not affiliated with the Subsidiary Guarantor),

provided that (i) if the surviving Person is not the Subsidiary

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Guarantor, the surviving Person agrees to assume such Subsidiary Guarantor's Subsidiary Guarantee and all its obligations pursuant to the Indenture (except to the extent the following paragraph would result in the release of such Subsidiary Guarantee) and (ii) such transaction does not (a) violate any of the covenants described below under Certain Covenants or (b) result in a Default or Event of Default immediately thereafter that is continuing.

Upon the sale or other disposition (by merger or otherwise) of a Subsidiary Guarantor (or all or substantially all of its properties and assets) to a Person other than Comstock or another Subsidiary Guarantor and pursuant to a transaction that is otherwise in compliance with the Indenture (including as described in the foregoing paragraph), such Subsidiary Guarantor shall be deemed released from its Subsidiary Guarantee and the related obligations set forth in the Indenture; provided, however, that any such release shall occur only to the extent that all obligations of such Subsidiary Guarantor under all of its guarantees of, and under all of its pledges of assets or other security interests which secure, other Indebtedness of Comstock or any Restricted Subsidiary shall also be released upon such sale or other disposition.

In addition, in the event that any Subsidiary Guarantor ceases to guarantee payment of, or in any other manner to remain liable (whether directly or indirectly) with respect to any and all other Indebtedness of Comstock or any other Restricted Subsidiary of Comstock, including, without limitation, Indebtedness under the Bank Credit Agreement, such Subsidiary Guarantor shall also be released from its Subsidiary Guarantee and the related obligations set forth in the Indenture for so long as it remains not liable with respect to all such other Indebtedness.

Each Subsidiary Guarantor that is designated as an Unrestricted Subsidiary in accordance with the Indenture shall be released from its Subsidiary Guarantee and related obligations set forth in the Indenture for so long as it remains an Unrestricted Subsidiary.

Covenant Suspension

During any period that the notes have a rating equal to or higher than BBB- (or the equivalent) by S&P and Baa3 (or the equivalent) by Moody's (Investment Grade Ratings) and no Default or Event of Default has occurred and is continuing, Comstock and the Restricted Subsidiaries will not be subject to the following covenants (collectively, the Suspended Covenants):

Limitation on Indebtedness and Disqualified Capital Stock;

Limitation on Restricted Payments;

Limitation on Issuances and Sales of Preferred Stock of Restricted Subsidiaries;

Limitation on Transactions with Affiliates;

Limitation on Asset Sales;

Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries; and

clause (3) of Merger, Consolidation and Sale of Assets

In the event that Comstock and the Restricted Subsidiaries are not subject to the Suspended Covenants for any period of time as a result of the preceding paragraph and either S&P or Moody's subsequently withdraws its rating or downgrades its rating of the notes below the applicable Investment Grade Rating, or a Default or Event of Default occurs and is continuing, then Comstock and its Restricted Subsidiaries will thereafter again be subject to the

Suspended Covenants, and compliance with the Suspended

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Covenants with respect to Restricted Payments made after the time of such withdrawal, downgrade, Default or Event of Default will be calculated in accordance with the covenant described under **Certain Covenants** **Limitation on Restricted Payments** as though such covenant had been in effect during the entire period of time from the Issue Date.

During any period when the Suspended Covenants are suspended, the Board of Directors of Comstock may not designate any of Comstock's Subsidiaries as Unrestricted Subsidiaries pursuant to the Indenture.

Certain Covenants

Limitation on Indebtedness and Disqualified Capital Stock

Comstock will not, and will not permit any of its Restricted Subsidiaries to, create, incur, issue, assume, guarantee or in any manner become directly or indirectly liable for the payment of (collectively, **incur**) any Indebtedness (including any Acquired Indebtedness), and Comstock will not, and will not permit any of its Restricted Subsidiaries to, issue any Disqualified Capital Stock (except for the issuance by Comstock of Disqualified Capital Stock (A) which is redeemable at Comstock's option in cash or Qualified Capital Stock and (B) the dividends on which are payable at Comstock's option in cash or Qualified Capital Stock); provided however, that Comstock and its Restricted Subsidiaries that are Subsidiary Guarantors may incur Indebtedness or issue shares of Disqualified Capital Stock if (i) at the time of such event and after giving effect thereto on a pro forma basis the Consolidated Fixed Charge Coverage Ratio for the four full quarters immediately preceding such event, taken as one period, would have been equal to or greater than 2.25 to 1.0 and (ii) no Default or Event of Default shall have occurred and be continuing at the time such additional Indebtedness is incurred or such Disqualified Capital Stock is issued or would occur as a consequence of the incurrence of the additional Indebtedness or the issuance of the Disqualified Capital Stock.

The first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness (collectively, **Permitted Indebtedness**):

- (1) Priority Credit Facility Debt, in an aggregate amount at any one time outstanding not to exceed the greater of (a) the borrowing base under the Bank Credit Agreement at such time less the sum of all repayments of principal of Priority Credit Facility Debt made pursuant to **Limitation on Asset Sales** and (b) 25% of Adjusted Consolidated Net Tangible Assets; provided, however, that Indebtedness and Disqualified Capital Stock of Restricted Subsidiaries that are not Subsidiary Guarantors shall not at any time constitute more than 50% of all Priority Credit Facility Debt otherwise permitted under this clause (1);
- (2) Indebtedness under the notes;
- (3) Indebtedness outstanding or in effect on the Issue Date (and not repaid or defeased with the proceeds of the offering of the notes);
- (4) obligations pursuant to Interest Rate Protection Obligations, but only to the extent such obligations do not exceed 105% of the aggregate principal amount of the Indebtedness covered by such Interest Rate Protection Obligations; obligations under currency exchange contracts entered into in the ordinary course of business; hedging arrangements entered into in the ordinary course of business for the purpose of protecting production, purchases and resales against fluctuations in oil or natural gas prices, and any guarantee of any of the foregoing;
- (5) the Subsidiary Guarantees of the notes (and any assumption of the obligations guaranteed thereby);

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- (6) the incurrence by Comstock or any of its Restricted Subsidiaries of intercompany Indebtedness between or among Comstock and any of its Restricted Subsidiaries; provided, however, that:
 - (a) if the Company is the obligor on such Indebtedness and a Subsidiary Guarantor is not the obligee, such Indebtedness must be expressly subordinated to the prior payment in full in cash of all Obligations with respect to the notes, or if a Subsidiary Guarantor is the obligor on such Indebtedness and neither Comstock nor another Subsidiary Guarantor is the obligee, such Indebtedness must be expressly subordinated to the prior payment in full in cash of all Obligations with respect to the Subsidiary Guarantee of such Subsidiary Guarantor; and
 - (b) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than Comstock or a Restricted Subsidiary of Comstock and (ii) any sale or other transfer of any such Indebtedness to a Person that is neither Comstock nor a Restricted Subsidiary of Comstock will be deemed, in each case, to constitute an incurrence of such Indebtedness by Comstock or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);
- (7) Permitted Refinancing Indebtedness and any guarantee thereof;
- (8) Non-Recourse Indebtedness;
- (9) in-kind obligations relating to net oil or gas balancing positions arising in the ordinary course of business;
- (10) Indebtedness in respect of bid, performance or surety bonds issued for the account of Comstock or any Restricted Subsidiary in the ordinary course of business, including guaranties and letters of credit supporting such bid, performance or surety obligations (in each case other than for an obligation for money borrowed); and
- (11) any additional Indebtedness in an aggregate principal amount not in excess of \$75.0 million at any one time outstanding and any guarantee thereof.

For purposes of determining compliance with this covenant, in the event that an item of Indebtedness meets the criteria of one or more of the categories of Permitted Indebtedness described in clauses (1) through (11) described above or is entitled to be incurred pursuant to the first paragraph of this covenant, Comstock may, in its sole discretion, classify such item of Indebtedness in any manner that complies with this covenant and such item of Indebtedness will be treated as having been incurred pursuant to only one of such clauses of the definition of Permitted Indebtedness or the proviso of the foregoing sentence and an item of Indebtedness may be divided and classified in more than one of the types of Indebtedness permitted hereunder; provided that all Indebtedness outstanding on the Issue Date under the Credit Agreement shall be deemed incurred under clause (1) of the second paragraph of this covenant and not under the first paragraph or clause (3) of the second paragraph.

The accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, and the payment of dividends on Disqualified Stock in the form of additional shares of the same class of Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of Disqualified Stock for purposes of this covenant. The amount of any Indebtedness outstanding as of any date shall be (i) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (ii) the principal amount or liquidation preference thereof, together with any interest

thereon that is more than 30 days past due, in the case of any other Indebtedness.

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For purposes of determining compliance with any U.S. dollar-denominated restriction on the incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; provided that if such Indebtedness is incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced (plus all accrued interest on the Indebtedness being refinanced and the amount of all expenses and premiums incurred in connection therewith).

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that Comstock or any Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness incurred to refinance other Indebtedness, if incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Permitted Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Restricted Payments

Comstock will not, and will not permit any Restricted Subsidiary to, directly or indirectly:

- (1) declare or pay any dividend on, or make any other distribution to holders of, any shares of Capital Stock of Comstock or any Restricted Subsidiary (other than dividends or distributions payable solely in shares of Qualified Capital Stock of Comstock or in options, warrants or other rights to purchase Qualified Capital Stock of Comstock);
- (2) purchase, redeem or otherwise acquire or retire for value any Capital Stock of Comstock or any Affiliate thereof (other than any Wholly Owned Restricted Subsidiary of Comstock) or any options, warrants or other rights to acquire such Capital Stock (other than the purchase, redemption, acquisition or retirement of any Disqualified Capital Stock of Comstock solely in shares of Qualified Capital Stock of Comstock);
- (3) make any principal payment on or repurchase, redeem, defease or otherwise acquire or retire for value, prior to any scheduled principal payment, scheduled sinking fund payment or maturity, any Subordinated Indebtedness (excluding any intercompany Indebtedness between or among Comstock and any of its Restricted Subsidiaries), except in any case out of the net cash proceeds of Permitted Refinancing Indebtedness; or
- (4) make any Restricted Investment;

(such payments or other actions described in clauses (1) through (4) above being collectively referred to as Restricted Payments), unless at the time of and after giving effect to the proposed Restricted Payment:

- (1) no Default or Event of Default shall have occurred and be continuing;
- (2) Comstock could incur \$1.00 of additional Indebtedness in accordance with the Fixed Charge Coverage Ratio test set forth in the first paragraph of the Limitation on Indebtedness and Disqualified Capital Stock covenant; and

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- (3) the aggregate amount of all Restricted Payments declared or made after January 1, 2004 shall not exceed the sum (without duplication) of the following (the Restricted Payments Basket):
- (a) 50% of the Consolidated Net Income of Comstock accrued on a cumulative basis during the period beginning on January 1, 2004 and ending on the last day of Comstock's last fiscal quarter ending prior to the date of such proposed Restricted Payment (or, if such Consolidated Net Income is a loss, minus 100% of such loss); plus
 - (b) the aggregate Net Cash Proceeds, or the Fair Market Value of assets and property other than cash, received after January 1, 2004 by Comstock from the issuance or sale (other than to any of its Restricted Subsidiaries) of shares of Qualified Capital Stock of Comstock or any options, warrants or rights to purchase such shares of Qualified Capital Stock of Comstock; plus
 - (c) the aggregate Net Cash Proceeds, or the Fair Market Value of assets and property other than cash, received after January 1, 2004 by Comstock (other than from any of its Restricted Subsidiaries) upon the exercise of any options, warrants or rights to purchase shares of Qualified Capital Stock of Comstock; plus
 - (d) the aggregate Net Cash Proceeds received after January 1, 2004 by Comstock from the issuance or sale (other than to any of its Restricted Subsidiaries) of Indebtedness or shares of Disqualified Capital Stock that have been converted into or exchanged for Qualified Capital Stock of Comstock, together with the aggregate cash received by Comstock at the time of such conversion or exchange; plus
 - (e) to the extent not otherwise included in Consolidated Net Income, the net reduction in Investments in Unrestricted Subsidiaries resulting from dividends, repayments of loans or advances, or other transfers of assets, in each case to Comstock or a Restricted Subsidiary after January 1, 2004 from any Unrestricted Subsidiary or from the redesignation of an Unrestricted Subsidiary as a Restricted Subsidiary (valued in each case as provided in the definition of Investment), not to exceed in the case of any Unrestricted Subsidiary the total amount of Investments (other than Permitted Investments) in such Unrestricted Subsidiary made by Comstock and its Restricted Subsidiaries in such Unrestricted Subsidiary after January 1, 2004.

The amount of the Restricted Payments Basket as of December 31, 2010 was approximately \$270.2 million. Notwithstanding the preceding provisions, Comstock and its Restricted Subsidiaries may take the following actions so long as (in the case of clauses (3), (4), (5) and (7) below) no Default or Event of Default shall have occurred and be continuing: