

Comstock Resources, Inc. Reports Third Quarter 2019 Financial And Operating Results

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Frisco, Nov. 07, 2019 - [Comstock Resources Inc.](#) ("Comstock" or the "Company") (NYSE: CRK) today reported financial and operating results for the third quarter of 2019. On July 16, 2019, Comstock completed the acquisition of Covey Park Energy, LLC ("Covey Park"). The Company's financial results include the results of operations of Covey Park in the third quarter of 2019 beginning on July 16, 2019.

On August 14, 2018, the Company completed transactions in which entities controlled by Dallas businessman Jerry Jones contributed Bakken Shale properties to the Company in exchange for a controlling interest in the Company (the "Jones Contribution"). Results for the three months and nine months ended September 30, 2019 and the period from August 14, 2018 through September 30, 2018 reflect the Jones Contribution, while results for the period from July 1, 2018 through August 13, 2018 and the period from January 1, 2018 through August 13, 2018 (the "Predecessor") reflect the historical results of Comstock for that period. The Company's consolidated financial results are being presented with a blackline division which delineates the lack of comparability between amounts presented for these periods.

Financial Results for the Three Months Ended September 30, 2019

For the third quarter of 2019, Comstock reported a net loss available to common stockholders of \$1.3 million or \$0.01 per diluted share. Net income available to common stockholders for the third quarter of 2019 was \$34.3 million or \$0.17 per diluted share as adjusted to exclude certain items not related to normal operating activities partly due to the closing of the Covey Park acquisition. These items, net of income taxes, include \$28.7 million of transaction costs related to the Covey Park acquisition including professional fees, severance costs and other change of control payments; \$2.9 million in interest amortization resulting from adjusting debt assumed in the acquisition to fair value; \$3.2 million of hedging settlements related to July production that were received prior to closing; and \$0.8 million in unrealized hedging gains.

Comstock produced 97.2 billion cubic feet ("Bcf") of natural gas and 603,773 barrels of oil or 100.9 billion cubic feet of natural gas equivalent ("Bcfe") in the third quarter of 2019. The Company's natural gas production averaged 1,057 million cubic feet ("MMcf") per day, an increase of 135% over the second quarter of 2019. The growth in natural gas production was primarily attributable to the Covey Park acquisition which closed on July 16, 2019. Oil production in the third quarter of 2019 averaged 6,563 barrels of oil per day. Pro forma third quarter 2019 production including the operations of Covey Park from July 1, 2019 to July 15, 2019 was 111.5 Bcfe or 1,212 MMcfe per day.

Comstock's average realized natural gas price, including hedging, was \$2.26 per Mcf in the third quarter of 2019 (\$2.30 including the July hedge receipts of Covey Park). The Company's average realized oil price, including hedging, was \$51.27 per barrel in the third quarter of 2019. Oil and gas sales were \$250.5 million (including realized hedging gains and losses) in the third quarter of 2019. Adjusted EBITDAX, or earnings before interest, taxes, depreciation, depletion, amortization, exploration expense, transaction costs and other noncash expenses, was \$188.6 million in the third quarter of 2019. The Company's adjusted operating cash flow generated in the third quarter of 2019 (before working capital changes) was \$143.3 million.

Financial Results for the Nine Months Ended September 30, 2019

For the first nine months of 2019, Comstock reported net income available to common stock of \$33.6 million or \$0.26 per diluted share. Net income available to common stockholders for the nine months ended September 30, 2019 is \$71.2 million or \$0.51 per diluted share as adjusted to exclude certain items not related to normal operations. These items, net of income taxes, include \$30.1 million in transaction costs related to the Covey Park acquisition; \$3.0 million in interest amortization related to the Covey Park debt, \$3.4 million for the Covey Park July hedging settlements and \$1.1 million in unrealized hedging losses.

Comstock produced 171.3 Bcf of natural gas and 2.1 million barrels of oil or 184.0 Bcfe in the first nine months of 2019. The Company's natural gas production averaged 628 MMcf per day. Oil production in the first nine months of 2019 averaged 7,723 barrels of oil per day. Pro forma production for the first nine months of 2019 including the operations of Covey Park was 325.7 Bcfe or 1,193 MMcfe per day.

Comstock's average realized natural gas price, including hedging, was \$2.39 per Mcf in the first nine months of 2019 (\$2.41 including the July hedge receipts of Covey Park). The Company's average realized oil price, including hedging, was \$49.44 per barrel in the first nine months of 2019. Oil and gas sales were \$512.8 million (including realized hedging gains and losses) in the first nine months of 2019. Adjusted EBITDAX was \$378.8 million in the first nine months of 2019. The Company's operating cash flow generated in the first nine months of 2019 (before working capital changes) was \$280.4 million.

Drilling Results

Comstock reported the results to date of its 2019 Haynesville/Bossier shale drilling program. During the first nine months of 2019, Comstock spent \$355.6 million on its development activities including \$323.3 million to drill and complete Haynesville shale wells. Comstock drilled 46 (29.4 net) horizontal Haynesville/Bossier shale wells during the first nine months of 2019, which had an average lateral length of approximately 8,300 feet. Comstock also completed 19 (5.2 net) wells that were drilled in 2018. 22 (17.4 net) of the Haynesville shale wells drilled in the first nine months of 2019 were also completed. Comstock also spent \$16.2 million drilling and completing four (2.2 net) Eagle Ford shale oil wells and an additional \$16.1 million primarily on leasehold and other development activity. Comstock estimates that it will spend approximately \$145.0 million in the fourth quarter of 2019 on development activities. In response to low natural gas prices, the Company plans to reduce the operating rigs that it employs in its Haynesville shale drilling program from nine operating rigs to six beginning in early 2020. Comstock presently expects its 2020 preliminary capital budget will be \$475.0 million. The 2020 drilling program prioritizes free cash flow generation over production growth. The Company is anticipating its 2020 drilling program will focus exclusively on the Haynesville shale and currently expects to drill 62 (44.4 net) wells and complete 18 (10.7 net) wells drilled in 2019. The six rig drilling program will support production growth of 6% to 8% over pro forma 2019 production and will generate substantial free cash flow.

Since the last operational update, Comstock reported on 23 new Haynesville shale wells. The average initial production rate of these wells was 25 MMcf per day. The wells had completed lateral lengths ranging from 5,450 feet to 11,361 feet, with an average completed lateral length of 9,343 feet. Each well was tested at initial production rates of 19 to 32 MMcf per day.

Bolt-on Acquisition

Comstock also announced that it acquired a privately-held company with Haynesville shale properties located primarily in DeSoto Parish, Louisiana on November 1, 2019. Comstock issued 4,500,000 shares of common stock in connection with the all-stock financed acquisition. The properties acquired include approximately 3,000 net acres and 12.7 net future drilling locations. The properties acquired have 75 (20.1 net) producing wells which are producing 12 MMcfe per day. Comstock estimates that the proved oil and gas reserves attributable to the properties acquired are 89 Bcfe.

Other

Comstock has planned a conference call for 10:00 a.m. Central Time on November 7, 2019, to discuss the third quarter of 2019 operational and financial results. Investors wishing to participate should visit the Company's website at www.comstockresources.com for a live web cast or dial 844-776-7840 (international

dial-in use 661-378-9538) and provide access code 7814438 when prompted. If you are unable to participate in the original conference call, a web replay will be available approximately 24 hours following the completion of the call on Comstock's website at www.comstockresources.com. The web replay will be available for approximately one week. A replay of the conference call will be available beginning at 1:00 p.m. CT November 7, 2019 and will continue until 1:00 p.m. November 14, 2019. To hear the replay, call 855-859-2056 (404-537-3406 if calling from outside the US). The conference call access code is 7814438.

This press release may contain "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995. Such statements are based on management's current expectations and are subject to a number of factors and uncertainties which could cause actual results to differ materially from those described herein. Although the Company believes the expectations in such statements to be reasonable, there can be no assurance that such expectations will prove to be correct.

[Comstock Resources Inc.](#) is an independent energy company based in Frisco, Texas engaged in oil and gas acquisitions, exploration and development, and its assets are primarily located in Texas, Louisiana and North Dakota. The Company's stock is traded on the New York Stock Exchange under the symbol CRK.

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OPERATING RESULTS

(In thousands, except per share amounts)

	Three Months Ended September		
	2019	August 14 Through September 30, 2018	2018
Revenues:			
Natural gas sales.....	\$ 193,506	\$ 36,393	\$
Oil sales.....	30,938	33,730	
Total oil and gas sales.....	224,444	70,123	
Operating expenses:			
Production taxes.....	6,966	4,051	
Gathering and transportation.....	23,414	3,450	
Lease operating.....	29,111	7,016	
Exploration.....	241	—	
Depreciation, depletion and amortization.....	80,247	17,820	
General and administrative.....	8,105	3,303	
Loss (gain) on sale of oil and gas properties.....	—	(98))
Total operating expenses.....	148,084	35,542	
Operating income.....	76,360	34,581	
Other income (expenses):			
Gain (loss) from derivative financial instruments.....	24,858	(2,015))
Other income.....	92	42	
Interest expense.....	(51,015)	(14,845))
Transaction costs.....	(39,657)	—	
Total other income (expenses).....	(65,722)	(16,818))
Income (loss) before income taxes.....	10,638	17,763	
Provision for income taxes.....	(3,847)	(3,940))
Net income (loss).....	6,791	13,823	
Preferred stock dividends.....	(8,128)	—	
Net income (loss) available to common stockholders.....	\$ (1,337)	\$ 13,823	\$

Net income (loss) per share – basic and diluted.....	\$ (0.01)	\$ 0.13	\$
Weighted average shares outstanding:			
Basic.....	171,487	105,448	
Diluted.....	171,487	105,463	

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OPERATING RESULTS

(In thousands)

	Three Months Ended September		
	2019	August 14 Through September 30, 2018	
OPERATING CASH FLOW:			
Net income (loss).....	\$ 6,791	\$ 13,823	
Reconciling items:			
Deferred income taxes.....	3,775	3,883	
Depreciation, depletion and amortization.....	80,247	17,820	
Unrealized loss from derivative financial instruments.....	1,189	2,206	
Amortization of debt discount.....	6,009	822	
Interest paid in-kind.....	—	—	
Stock-based compensation.....	1,088	329	
Transaction costs.....	39,657	—	
Covey Park July 2019 hedging settlements.....	4,574	—	
Loss (gain) on sale of oil and gas properties.....	—	(98)	
Operating cash flow.....	143,330	38,785	
Transaction costs.....	(39,657)	—	
Covey Park July 2019 hedging settlements.....	(4,574)	—	
Decrease (increase) in accounts receivable.....	27,670	(44,884)	
Decrease (increase) in other current assets.....	5,545	(1,326)	
Increase (decrease) in accounts payable and accrued expenses.....	(22,534)	11,034	
Net cash provided by (used for) operating activities.....	\$ 109,780	\$ 3,609	
ADJUSTED EBITDAX:			
Net income (loss).....	\$ 6,791	\$ 13,823	
Interest expense.....	51,015	14,845	
Income taxes.....	3,847	3,940	
Depreciation, depletion and amortization.....	80,247	17,820	
Unrealized loss from derivative financial instruments.....	1,189	2,206	
Stock-based compensation.....	1,088	329	
Exploration expense.....	241	—	
Transaction costs.....	39,657	—	
Covey Park July 2019 hedging settlements.....	4,574	—	
Loss (gain) on sale of oil and gas properties.....	—	(98)	
Total Adjusted EBITDAX.....	\$ 188,649	\$ 52,865	

	As of September 30, 2019	As of Decem 2018
BALANCE SHEET DATA:		
Cash and cash equivalents.....	\$ 53,243	\$ 23,
Other current assets.....	152,878	120
Derivative financial instruments.....	84,260	15,
Property and equipment, net.....	3,917,010	1,6
Other.....	344,918	360
Total assets.....	\$ 4,552,309	\$ 2,1
Current liabilities.....	\$ 389,460	\$ 200
Long-term debt.....	2,508,074	1,2
Deferred income taxes.....	188,218	16
Other non-current liabilities.....	10,264	&#
Asset retirement obligation.....	11,095	5,1
Preferred stock.....	375,000	&#
Stockholders' equity.....	1,070,198	569
Total liabilities and stockholders' equity.....	\$ 4,552,309	\$ 2,1

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REGIONAL OPERATING RESULTS

(In thousands, except per unit amounts)

	For the Three Months Haynesville/ Bossier
Gas production (MMcf).....	
Oil production (Mbbbls).....	
Total production (MMcfe).....	
Natural gas sales.....	\$
Natural gas hedging settlements ⁽¹⁾	
Total natural gas including hedging.....	
Oil sales.....	
Oil hedging settlements ⁽¹⁾	
Total oil including hedging.....	
Total oil and gas sales including hedging.....	\$
Average gas price (per Mcf).....	\$
Average gas price including hedging (per Mcf).....	
Average oil price (per barrel).....	\$
Average oil price including hedging (per barrel).....	
Average price (per Mcfe).....	\$
Average price including hedging (per Mcfe).....	
Production taxes.....	\$
Gathering and transportation.....	\$
Lease operating.....	\$
Production taxes (per Mcfe).....	\$
Gathering and transportation (per Mcfe).....	\$
Lease operating (per Mcfe).....	\$
Oil and Gas Capital Expenditures:	

Acquisitions.....	\$
Development leasehold.....	
Development drilling and completion.....	
Other development.....	
Total.....	\$

(1) Included in gain (loss) from derivative financial instruments in operating results

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REGIONAL OPERATING RESULTS

(In thousands, except per unit amounts)

	For the Period Au
	Haynesville/ Bossier
Gas production (MMcf).....	12,237
Oil production (Mbbbls).....	#8212;
Total production (MMcfe).....	12,237
Natural gas sales.....	\$ 32,995
Natural gas hedging settlements ⁽¹⁾	#8212;
Total natural gas including hedging.....	32,995
Oil sales.....	#8212;
Total oil and gas sales including hedging.....	\$ 32,995
Average gas price (per Mcf).....	\$ 2.70
Average gas price including hedging (per Mcf).....	
Average oil price (per barrel).....	\$ #8212;
Average price (per Mcfe).....	\$ 2.70
Average price including hedging (per Mcfe).....	
Production taxes.....	\$ 776
Gathering and transportation.....	\$ 3,231
Lease operating.....	\$ 1,988
Production taxes (per Mcfe).....	\$ 0.06
Gathering and transportation (per Mcfe).....	\$ 0.26
Lease operating (per Mcfe).....	\$ 0.17
Oil and Gas Capital Expenditures:	
Acquisitions.....	\$ 17,905
Development leasehold.....	475
Development drilling and completion.....	33,404
Other development.....	7,810
Total.....	\$ 59,594

(1) Included in gain (loss) from derivative financial instruments in operating results

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REGIONAL OPERATING RESULTS

(In thousands, except per unit amounts)

	For the Period
	Haynesville/ Bossier
Gas production (MMcf).....	11,342
Oil production (Mbbls).....	#8212;
Total production (MMcfe).....	11,342
Natural gas sales.....	\$ 30,533
Natural gas hedging settlements ⁽¹⁾	#8212;
Total natural gas including hedging.....	30,533
Oil sales.....	#8212;
Total oil and gas sales including hedging.....	\$ 30,533
Average gas price (per Mcf).....	\$ 2.69
Average gas price including hedging (per Mcf).....	
Average oil price (per barrel).....	\$ #8212;
Average price (per Mcfe).....	\$ 2.69
Average price including hedging (per Mcfe).....	
Production taxes.....	\$ 655
Gathering and transportation.....	\$ 2,985
Lease operating.....	\$ 1,699
Production taxes (per Mcfe).....	\$ 0.06
Gathering and transportation (per Mcfe).....	\$ 0.26
Lease operating (per Mcfe).....	\$ 0.15
Oil and Gas Capital Expenditures:	
Acquisitions.....	\$ 39,323
Development leasehold.....	504
Development drilling and completion.....	14,211
Other development.....	2,958
Total.....	\$ 56,996

(1) Included in gain (loss) from derivative financial instruments in operating results

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REGIONAL OPERATING RESULTS

(In thousands, except per unit amounts)

	For the Nine Months
	Haynesville/ Bossier
Gas production (MMcf).....	
Oil production (Mbbls).....	
Total production (MMcfe).....	
Natural gas sales.....	\$
Natural gas hedging settlements ⁽¹⁾	
Total natural gas including hedging.....	
Oil sales.....	
Oil hedging settlements ⁽¹⁾	
Total oil including hedging.....	
Total oil and gas sales including hedging.....	\$

Average gas price (per Mcf).....	\$
Average gas price including hedging (per Mcf).....	
Average oil price (per barrel).....	\$
Average oil price including hedging (per barrel).....	
Average price (per Mcfe).....	\$
Average price including hedging (per Mcfe).....	
Production taxes.....	\$
Gathering and transportation.....	\$
Lease operating.....	\$
Production taxes (per Mcfe).....	\$
Gathering and transportation (per Mcfe).....	\$
Lease operating (per Mcfe).....	\$
Oil and Gas Capital Expenditures:	
Acquisitions.....	\$
Development leasehold.....	
Development drilling and completion.....	
Other development.....	
Total.....	\$

(1) Included in gain (loss) from derivative financial instruments in operating results

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REGIONAL OPERATING RESULTS

(In thousands, except per unit amounts)

	For the Period Jan
	Haynesville/ Bossi
Gas production (MMcf).....	52,021
Oil production (Mbbbls).....	#8212;
Total production (MMcfe).....	52,021
Natural gas sales.....	\$ 138,391
Natural gas hedging settlements ⁽¹⁾	#8212;
Total natural gas including hedging.....	138,391
Oil sales.....	#8212;
Total oil and gas sales including hedging.....	\$ 138,391
Average gas price (per Mcf).....	\$ 2.66
Average gas price including hedging (per Mcf).....	
Average oil price (per barrel).....	\$ #8212;
Average price (per Mcfe).....	\$ 2.66
Average price including hedging (per Mcfe).....	
Production taxes.....	\$ 2,556
Gathering and transportation.....	\$ 10,728
Lease operating.....	\$ 7,675
Production taxes (per Mcfe).....	\$ 0.05
Gathering and transportation (per Mcfe).....	\$ 0.21
Lease operating (per Mcfe).....	\$ 0.14
Oil and Gas Capital Expenditures:	

Acquisitions.....	\$ 39,323
Development leasehold.....	2,848
Development drilling and completion.....	90,840
Other development.....	13,205
Total.....	\$ 146,216

(1) Included in gain (loss) from derivative financial instruments in operating results

PRO FORMA COMBINED OPERATING RESULTS

(In thousands, except per unit amounts)

	For the Three Months En	
	Comstock	Covey Park
Gas production (MMcf).....		97,236
Oil production (Mbbls).....		603
Total production (MMcfe).....		100,859
Natural gas sales.....	\$	193,506
Natural gas hedging settlements ⁽¹⁾		26,030
Total natural gas including hedging.....		219,536
Oil sales.....		30,938
Oil hedging settlements ⁽¹⁾		17
Total oil including hedging.....		30,955
Total oil and gas sales including hedging.....	\$	250,991
Average gas price (per Mcf).....	\$	1.99\$
Average gas price including hedging (per Mcf).....	\$	2.26\$
Average oil price (per barrel).....	\$	51.2\$
Average oil price including hedging (per barrel).....	\$	51.2\$
Average price (per Mcfe).....	\$	2.23\$
Average price including hedging (per Mcfe).....	\$	2.48\$
Production taxes.....	\$	6,96\$
Gathering and transportation.....	\$	23,4\$4
Lease operating.....	\$	29,1\$1
Production taxes (per Mcfe).....	\$	0.07\$
Gathering and transportation (per Mcfe).....	\$	0.23\$
Lease operating (per Mcfe).....	\$	0.29\$

(1) Included in gain (loss) from derivative financial instruments in operating results

(2) Pro forma for an acquisition which completed on March 5, 2019

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