

COMSTOCK RESOURCES INC  
Form DEF 14A  
July 13, 2018  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A**  
**(Rule 14a - 101)**  
**INFORMATION REQUIRED IN PROXY STATEMENT**  
**SCHEDULE 14A INFORMATION**  
**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934 (Amendment No. )**

Filed by the registrant

Filed by a party other than the registrant

Check the appropriate box:

Preliminary Proxy Statement  
Confidential, for use of the Commission only (as permitted by Rule 14a-6(e)(2))  
Definitive proxy statement  
Definitive additional materials  
Soliciting material pursuant to Rule 14a-11(c) or Rule 14a-12.

**COMSTOCK RESOURCES, INC.**

(Name of Registrant as Specified in its Charter)

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(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (check the appropriate box):

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- 1) Title of each class of securities to which transaction applies:
  
- 2) Aggregate number of securities to which transaction applies:
  
- 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth amount on which filing fee is calculated and state how it was determined):
  
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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offering fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of the filing.

- 1) Amount previously paid:
  
- 2) Form, Schedule or Registration Statement No.:
  
- 3) Filing party:
  
- 4) Date filed:

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**COMSTOCK RESOURCES, INC.**  
**Notice of 2018 Annual Meeting of Stockholders**  
**and Proxy Statement**

**Please Complete, Sign, Date**  
**And Return Your Proxy Promptly**

**August 10, 2018**

**10:00 A.M.**

**Comstock Resources, Inc.**

**Corporate Headquarters**

**5300 Town and Country Blvd.**

**Suite 300**

**Frisco, Texas 75034**

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To the Stockholders of Comstock Resources, Inc.:

**We are pleased to invite you to attend the Annual Meeting of Stockholders of Comstock Resources, Inc. The meeting will be held at 10:00 a.m., local time, on August 10, 2018, at the Company's headquarters at 5300 Town and Country Blvd., 3rd Floor, in Frisco, Texas. Our Board of Directors and management look forward to greeting those of you who are able to attend in person.**

At this year's Annual Meeting, you will be asked to vote on items more fully addressed in our Notice of Annual Meeting of Stockholders, including:

Proposal 1: To approve the issuance of up to 88,571,429 shares of our common stock to Arkoma Drilling, L.P. and Williston Drilling, L.P. in accordance with the Contribution Agreement;

Proposal 2: To adopt the Second Amended and Restated Articles of Incorporation;

Proposal 3: To elect nine director nominees to our Board of Directors; and

Proposal 4: To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accountants for 2018.

While approval of Proposals 3 and 4 will not be conditioned on the approval of any other proposals, the approval of each of Proposals 1 and 2 will be conditioned on the approval of the other.

We know that most of our stockholders will not be attending the Annual Meeting in person. As a result, our Board of Directors is soliciting proxies so that each stockholder has an opportunity to have their shares represented at the Annual Meeting. **If you do not plan to attend, please vote your shares by internet, by telephone, or, if you received our proxy materials by mail, by returning the accompanying proxy card, as soon as possible so that your shares will be voted at the meeting.** Instructions on how to vote can be found in our proxy statement.

On behalf of the Board of Directors and management, thank you for your cooperation and continued support.

Sincerely,

**M. Jay Allison**  
*Chairman of the Board and  
Chief Executive Officer*

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**COMSTOCK RESOURCES, INC.**

**Notice of Annual Meeting  
of Stockholders**

**August 10, 2018**

**10:00 a.m. Central Time**

**Location:** *Company Headquarters*

*5300 Town and Country Blvd., 3<sup>rd</sup> Floor*

*Frisco, Texas 75034*

**ITEMS OF BUSINESS**

1. To approve the issuance of up to 88,571,429 shares of our common stock in exchange for acquiring certain assets.
2. To adopt the Second Amended and Restated Articles of Incorporation.
3. To elect nine director nominees to our Board of Directors.
4. To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accountants for 2018.
5. To transact any other business as may properly come before the meeting or any adjournment thereof.

While approval of Proposals 3 and 4 will not be conditioned on the approval of any other proposals, the approval of each of Proposals 1 and 2 will be conditioned on the approval of the other.

**RECORD DATE**

July 9, 2018

**ANNUAL REPORT**

Our Annual Report to Stockholders for the year ended December 31, 2017, which is not a part of the proxy solicitation materials, is available on our website at [www.comstockresources.com](http://www.comstockresources.com). If you received a printed copy of the proxy materials, a printed Annual Report was enclosed.

**PROXY VOTING**

Stockholders of record may vote in person at the meeting, but may also appoint proxies to vote their shares in one of three ways, by:

Telephone

Mail

Internet

If your shares are held by a bank, broker or other holder of record, you may appoint proxies to vote your shares on your behalf as instructed by that bank, broker or other holder of record. If your shares are held by any such person or entity, you may obtain a proxy from that entity and bring it with you to hand in with your ballot in order to be able to vote your shares at the meeting.

Any proxy may be revoked at any time before it is exercised at the meeting.

By Order of the Board of Directors,

**Roland O. Burns**  
*Secretary*

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**SUMMARY TERM SHEET OF THE**

**TRANSACTIONS CONTEMPLATED BY PROPOSAL 1 AND PROPOSAL 2**

At the Annual Meeting, you will be asked to vote on a proposal to approve, as required by Sections 312.03(c) and 312.03(d) of the New York Stock Exchange ( NYSE ) Listed Company Manual, the issuance of up to 88,571,429 newly issued shares of our common stock, to Arkoma Drilling, L.P. ( Arkoma ) and Williston Drilling, L.P. ( Williston ) pursuant to a Contribution Agreement (the Contribution Agreement ) (see Proposal 1 in this proxy statement) and a related amendment and restatement of our Restated Articles of Incorporation (see Proposal 2 in this proxy statement). As discussed in more detail in this proxy statement beginning on page 12, on May 9, 2018, we entered into the Contribution Agreement with Arkoma and Williston pursuant to which they agreed to contribute to us working interests in oil and natural gas assets in North Dakota and Montana producing from the Bakken shale in the Williston Basin (the Bakken Shale Properties ) in exchange for the issuance of up to 88,571,429 newly issued shares of our common stock (the Jones Issuance ). The following is a summary term sheet of the transactions contemplated under the Contribution Agreement (the Jones Transactions ).

**Transaction Consideration:**

**See Page 12**

At the closing of the Jones Transactions, we will issue to Arkoma and Williston an aggregate of up to 88,571,429 newly issued shares of our common stock, \$0.50 par value per share, as may be adjusted downward pursuant to the Contribution Agreement.

**Adjustment of Number of Shares to be Issued:**

**See Page 14**

The total number of shares to be issued is subject to downward adjustment for decreases in the value of the Bakken Shale Properties due to title defects, environmental defects, casualty losses, exercises of preferential rights to purchase, or failure to obtain material consents, net of increases in the Bakken Shale Properties due to title benefits.

**Closing Conditions:**

**See Page 14**

In addition to customary closing conditions, the respective obligations of each party to consummate the Jones Transactions are subject to the following conditions:

Approval by our stockholders, as required by the rules of the NYSE, of the Jones Issuance (Proposal 1 in this proxy statement).

Approval by our stockholders of the adoption our Second Amended and Restated Articles of Incorporation, which contains certain amendments required to be adopted under the Contribution Agreement (Proposal 2 in this proxy statement).

Expiration or early termination of applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

The number of shares to be issued pursuant to the Jones Issuance shall exceed 81% of our outstanding common stock on the closing date.

Arkoma and Williston shall have received a tax opinion that the Jones Transactions will qualify as a tax-free exchange within the meaning of Section 351(a) of the Internal Revenue Code of 1986, as amended.

We shall have obtained a new revolving credit facility and a new senior unsecured notes issuance, in each case (i) having such terms as are acceptable to Arkoma and Williston in their sole discretion and (ii) in an amount as will be sufficient to refinance substantially all of our existing long-term indebtedness.

Each of the conditions described above is waivable by the parties if permitted by applicable law. We will not be permitted to waive the closing condition for stockholder approval of the Jones Issuance under applicable rules of the NYSE or the adoption of the Second Amended and Restated Articles of

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Incorporation. We expect these conditions to be satisfied prior to the closing of the Jones Transactions, but we may waive any unsatisfied condition to the extent permitted.

We will not resolicit stockholders' approval of Proposal 1 or Proposal 2 in the event a condition to closing is waived.

**Termination Rights:**

**See Page 14**

The Contribution Agreement may be terminated under the following circumstances:

if the required vote of our stockholders is not obtained;

by mutual written consent;

if the closing has not been consummated on or before October 31, 2018;

if the consummation of the Jones Transactions is prohibited by law; or

a breach of our or Arkoma's and Williston's representations, warranties or obligations.

Additionally, the Contribution Agreement may be terminated (a) by us under certain conditions in order to enter into an unsolicited alternate transaction meeting certain specified criteria and subject to certain exceptions or (b) by Arkoma and Williston, if our Board of Directors has changed its recommendation for our stockholders to approve the items subject to stockholder approval or if we or our affiliates have failed to fulfill certain obligations under the Contribution Agreement.

**Termination Fee:**

**See Page 14**

If the Contribution Agreement is terminated by Arkoma and Williston due to a change in our Board of Directors' recommendation in favor of the Jones Issuance or if we or our affiliates have failed to fulfill certain obligations under the Contribution Agreement or by us to enter into an alternative transaction meeting certain criteria, then we will be required to pay to Arkoma and Williston a termination fee of \$12.4 million less any expenses of Arkoma and Williston previously paid by us. Alternatively, if the Contribution Agreement is terminated by either us or Arkoma and Williston as a result of the failure to obtain the necessary

stockholder approvals, we will be obligated to reimburse Arkoma and Williston for its costs and expenses related to the Jones Transactions up to a maximum amount of \$2.0 million.

**Registration Rights Agreement:**

**See Page 13**

We have granted Arkoma and Williston customary registration rights for the shares of our common stock that Arkoma and Williston will receive upon closing of the Jones Transactions.

**Board of Directors Composition:**

**See Page 13**

The Contribution Agreement provides that the Board of Directors will have nine members and that Arkoma and Williston have the right after the closing date to designate up to five of the nine members to the Board of Directors (the Jones Designees ), dependent on their aggregate ownership percentage of the Company.

**Consequences of Not Obtaining Stockholder Approval of Proposals 1 and 2:**

**See Pages 6 and 31**

If stockholder approval is not obtained for Proposal 1 and Proposal 2, we will not be able to consummate the Jones Transactions. In addition, if we do not consummate the Jones Transactions, we will likely not be able to refinance our existing debt as contemplated. If the Jones Transactions are not closed on or prior to October 31, 2018, Arkoma and Williston will have the right to terminate the Contribution Agreement.

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This summary is included to provide an introduction and overview of the information contained in the proxy statement and may not contain all the information important to you. This is a summary only and does not contain all of the information we have included in the proxy statement. You should refer to the entire proxy statement that follows for more information about Comstock Resources, Inc. ( Comstock or the Company , our , we , or us ) and the proposals that are being asked to consider.

**Background for the Proposals**

We have entered into a Contribution Agreement (the Contribution Agreement ) with Arkoma Drilling, L.P. ( Arkoma ) and Williston Drilling, L.P. ( Williston ), under which Arkoma and Williston will contribute certain assets to us in exchange for common stock representing a controlling stake in the Company. Arkoma and Williston (collectively, the Jones Partnerships ) are wholly owned by Dallas businessman Jerry Jones and his children. The Jones Partnerships collectively will receive an aggregate of up to 88,571,429 newly issued shares of our common stock (the Jones Issuance ), based on an agreed upon share price of \$7.00 per share. Upon completion of the transactions contemplated under the Contribution Agreement (the Jones Transactions ), the Jones Partnerships will collectively own approximately 84.5% of the Company s pro forma outstanding common stock, assuming the maximum number of shares are issued.

The assets being contributed consist of working interests in oil and natural gas assets in North Dakota and Montana producing from the Bakken shale in the Williston Basin (the Bakken Shale Properties ). Comstock has valued the Bakken Shale Properties at \$620.0 million based on an effective date of April 1, 2018. Under the terms of the Contribution Agreement, the Company will be entitled to all net revenues and will be responsible for all expenses and costs related to the Bakken Shale Properties beginning on and subsequent to April 1, 2018. The properties include 348 (55.1 net) producing oil wells, 85 (11.8 net) drilled uncompleted wells and seven (2.6 net) undrilled locations and produced 13,695 barrels of oil equivalent ( BOE ) per day during the year ended December 31, 2017 and 13,170 BOE per day during the three months ended March 31, 2018. As of April 1, 2018, the Bakken Shale Properties have proved reserves as estimated by our independent reserve engineers of 22.8 million barrels of oil and 49.3 billion cubic feet of natural gas. The Bakken Shale Properties had \$155.1 million of revenues in excess of direct operating expenses in 2017.

The following table depicts the pro forma impact of the Jones Transactions on the ownership of our common stock as of July 9, 2018:

	Shares <sup>(1)</sup>	Percentage	Pro Forma for the Jones Transactions	
			Shares <sup>(1)</sup>	Percentage
Existing Common Stockholders <sup>(2)</sup>	14,508,064	89.2%	14,508,064	13.8%
Jones Partnerships		%	88,571,429	84.5%
Officers and Directors of the Company	1,752,953	10.8%	1,752,953	1.7%

(1) Excludes 40,509,810 shares issuable upon conversion of our Convertible Notes (including accrued interest through July 9, 2018), which we intend to retire or redeem as part of refinancing transactions to be completed in conjunction with the Jones Transactions, 51,449 shares issuable upon exercise of stock purchase warrants and 1,028,672 shares issuable for performance share units expected to be earned and vested upon completion of the Jones Transactions.

*(2) Excluding Officers and Directors of the Company.*

The Jones Transactions are subject to a number of closing conditions, including the approval by the Company's stockholders of the Jones Issuance pursuant to New York Stock Exchange ( NYSE ) rules, which requires the approval of our stockholders in order to issue additional shares of our common stock representing greater than or equal to 20% of our outstanding shares or that would result in a change of control. Additionally, the terms of the Contribution Agreement require us to make certain amendments to our Restated Articles of Incorporation, which require stockholder approval to consummate the Jones Transactions.

**COMSTOCK RESOURCES, INC. - 2018 Proxy Statement 1**

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**PROXY SUMMARY**

Accordingly, at the Annual Meeting we are proposing the following items for stockholder approval:

**Proposal 1** to approve the Jones Issuance; and

**Proposal 2** to approve an amendment and restatement of our Restated Articles of Incorporation to make certain amendments thereto.

In the event that each of Proposals 1 and 2 are approved, the Company anticipates that it will consummate the Jones Transactions shortly after the Annual Meeting subject to satisfaction of waiver of the conditions precedent.

In addition to these proposals, the Company is also asking the stockholders to consider Proposal 3 for the election of the members of our Board of Directors. Under Proposal 3, the Board has nominated a slate of directors consisting of the current directors of the Company. If the Jones Transactions are consummated, Arkoma and Williston will have the right to designate five members of the Board (see [The Jones Transaction Board of Directors Composition](#) ). Following consummation of the Jones Transactions, the Company may be required to remove certain elected directors in order to appoint directors designated by Arkoma and Williston.

Finally, under Proposal 4, stockholders will consider whether to ratify the appointment of our independent registered