Risk Factors Comparison 2024-02-16 to 2023-02-17 Form: 10-K

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You should carefully consider the following material risk factors as well as the other information contained or incorporated by reference in this report, as these important factors, among others, could cause our actual results to differ from our expected or historical results. It is not possible to predict or identify all such factors. Consequently, you should not consider any such list to be a complete statement of all of our potential risks or uncertainties. Based on the information currently known to us, we believe the following information identifies the most material risk factors affecting us, but the below risks and uncertainties are not the only ones related to our businesses and are not necessarily listed in the order of their significance. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business. An extended period of depressed natural gas prices would adversely affect our business, financial condition, cash flow, liquidity, results of operations and our ability to meet our capital expenditure obligations and financial commitments. Our business is heavily dependent upon the price of, and demand for, natural gas. Historically, natural gas prices have been volatile and are likely to remain volatile in the future. The prices we receive for our natural gas production depend on numerous factors beyond our control, including the following: • the domestic and foreign supply of natural gas; • weather conditions; • the price and quantity of exports of natural gas; • political conditions and events in other natural gas- producing countries, including embargoes and other sustained military campaigns, and acts of terrorism or sabotage; • domestic government regulation, legislation and policies; • the level of global natural gas inventories; • technological advances affecting energy consumption; • the price and availability of alternative fuels; and • overall **U. S. and global** economic **and political** conditions **, including inflationary pressures, further increases in interest rates, a general economic slowdown or recession, political tensions and war (including future developments in the ongoing Russia- Ukraine and Israel- Hamas conflicts)** . Lower natural gas prices will adversely affect: • our revenues, profitability and cash flow from operations; • the value of our proved natural gas reserves; • the economic viability of certain of our drilling prospects; • our borrowing capacity; and • our ability to obtain additional capital. 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 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 drilling activities or acquire properties containing proved reserves, or both. To increase reserves and production, we must continue our acquisition and drilling activities. We cannot assure you that we will have adequate capital resources to conduct acquisition and drilling activities or that our acquisition and drilling activities will result in significant additional reserves or that we will have continuing success drilling productive wells at low finding and development costs. Furthermore, while our revenues may increase if prevailing ~~oil and~~ natural gas **and oil** prices increase significantly, our finding costs for additional reserves could also increase. **COMSTOCK RESOURCES, INC.** 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 **and oil** reserves. We expect to expend substantial capital in the acquisition of, exploration for and development of 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 likely 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. Our cash flow from operations and access to capital is subject to a number of variables, including: ~~COMSTOCK RESOURCES, INC.~~ • our estimated proved reserves; • the level of natural gas we are able to produce from existing wells; • our ability to extract natural gas liquids from the natural gas we produce; • the prices at which natural gas liquids and natural gas are sold; and • our ability to acquire, locate and produce new reserves. If our revenues decrease as a result of lower 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 **and oil** reserves. Prospects that we decide to drill may not yield natural gas in commercially viable quantities or quantities sufficient to meet our targeted rate of return and firm transportation commitments. A prospect is a property in which we own an interest, or have operating rights to, and that has what our geoscientists believe, based on available seismic and geological information, to be an indication of potential oil or natural gas. Our prospects are in various stages of evaluation, ranging from a prospect that is ready to be drilled to a prospect that will require substantial additional evaluation and interpretation. There is no way to predict in advance of drilling and testing whether any particular prospect will yield oil or natural gas in sufficient quantities to recover drilling or completion costs or to be economically viable. The use of seismic data and other technologies and the study of producing fields in the same area will not enable us to know conclusively prior to drilling whether oil or natural gas will be present or, if present, whether oil or natural gas will be present in commercial quantities. The analysis that we perform using data from other wells, more fully explored prospects and / or producing fields may not be useful in predicting the characteristics and potential reserves associated with our drilling prospects. If we drill additional unsuccessful wells, our drilling success rate may decline and we may not achieve our targeted rate of return. Further, unsuccessful drilling may impact our ability to fulfill our firm transportation commitments. Our operations may incur substantial liabilities due to compliance with environmental laws and regulations. We are subject to stringent federal, state and local laws. These laws, among other things, govern the issuance of permits to conduct exploration, drilling and production operations, the amounts and types of materials that may be released into the environment, the discharge and disposition of waste materials, the remediation of contaminated sites and the reclamation and abandonment of wells, sites and facilities. Numerous governmental departments issue rules and regulations to implement and enforce such laws, which are often difficult and costly to comply with and which carry substantial civil and even criminal penalties for failure to comply. The regulatory burden on the ~~oil and~~ natural gas **and oil** industry from these environmental laws and regulations increases our cost of doing business and consequently affects our profitability. Environmental laws and regulations have been subject to frequent changes over the years, and the imposition of more stringent requirements or new regulatory schemes such as carbon" cap and trade" or pricing programs could have a material adverse effect upon our capital expenditures, earnings or competitive position, including the suspension or cessation of operations in affected areas. We may be subject to physical and financial risks associated with climate change. Changing climate may create physical and financial risks to our business. Energy needs vary with weather conditions. To the extent weather conditions may be affected by climate change, energy use could increase or decrease depending on the duration and magnitude of any changes. Increased energy use due to weather changes may require us to invest in more infrastructure to serve increased demand. A decrease in energy use due to weather changes may affect our financial condition through decreased revenues. Extreme weather conditions in general require more equipment redundancy, adding to costs, and can contribute to increased risk of delivery disruptions. Additionally, many climate models indicate that global warming is likely to result in rising sea levels and increased frequency and severity of weather events, which may lead to higher insurance costs, or a decrease in available coverage, for our assets in areas subject to severe weather. These climate-related changes could damage our physical assets, especially operations located in low- lying areas near coasts and river banks, and facilities situated in hurricane- prone and rain- susceptible regions. To the extent the frequency of extreme weather events increases, this could increase our cost of producing products. We may not be able to pass on the higher costs to our customers or recover all costs related to mitigating these physical risks. Regulations relating to climate change and / or greenhouse gases could also reduce demand for our products or increase our operating and drilling costs. Our business could also be affected by the potential for lawsuits against companies that emit greenhouse gases, based on links drawn between greenhouse gas emissions and climate change. To the extent financial markets view climate change and GHG emissions as a financial risk, this could negatively impact our cost of and access to capital. Increasing scrutiny and changing expectations from stakeholders with respect to our environmental, social and governance practices may impose additional costs on us or expose us to new or additional risks. Companies across all industries are facing increasing scrutiny from stakeholders related to their environmental, social and governance (" ESG") practices. Investor advocacy groups, certain institutional investors, investment funds and other influential investors are also increasingly focused on ESG practices and in recent years have placed increasing importance on the implications and social cost of their investments. Regardless of the industry, investors' increased focus and activism related to ESG and similar matters may hinder access to capital, as investors may decide to reallocate capital or to not commit capital as a result of their assessment of a company' s ESG practices. Companies that do not adapt to or comply with investor or other stakeholder expectations and standards, which are evolving, or that are perceived to have not responded appropriately to the growing concern for ESG issues, regardless of whether there is a legal requirement to do so, may suffer from reputational damage and the business, financial condition, and / or stock price of such a company could be materially and adversely affected. We face pressures from our stockholders, who are increasingly focused on climate change, to prioritize sustainable energy practices, reduce our carbon footprint and promote sustainability. Our stockholders may require us to implement new ESG procedures or standards in order to continue engaging with us, to remain invested in us or before they may make further investments in us. Additionally, we may face reputational challenges in the event our ESG procedures or standards do not meet the standards set by certain constituencies. We have adopted certain practices and metrics as highlighted on our website, including with respect to air emissions, land use, environmental, health and safety management and corporate governance. It is possible, however, that our stockholders might not be satisfied with our sustainability efforts or the speed of their adoption. If we do not meet our stockholders' expectations, our business, ability to access capital, and / or our stock price could be harmed. Additionally, adverse effects upon the oil and gas industry related to the worldwide social and political environment, including uncertainty or instability resulting from climate change, changes in political leadership and environmental policies, changes in geopolitical- social views toward fossil fuels and renewable energy, concern about the environmental impact of climate change, and investors' expectations regarding ESG matters, may also adversely affect demand for our products. Any long- term material adverse effect on the ~~oil and~~ natural gas **and oil** industry could have a significant financial and operational adverse impact on our business. The occurrence of any of the foregoing could have a material adverse effect on the price of our stock and our business and financial condition. We pursue acquisitions as part of our growth strategy and there are risks associated with such acquisitions. Our growth has been attributable in part to acquisitions of producing properties and companies. Recently we have been focused on acquiring acreage for our drilling program. We expect to continue to evaluate and, where appropriate, pursue acquisition opportunities on terms we consider favorable. However, we cannot assure you that suitable acquisition candidates will be identified in the future, or that we will be able to finance such acquisitions on favorable terms. In addition, we compete against other companies for acquisitions, and we cannot assure you that we will successfully acquire any material property interests. Further, we cannot assure you that future acquisitions by us will be integrated successfully into our operations or will increase our profits. The successful acquisition of producing properties requires an assessment of numerous factors beyond our control, including, without limitation: • recoverable reserves; • exploration potential; • future natural gas prices; • operating costs; and • potential environmental and other liabilities. In connection with such assessments, we perform a review of the subject properties that we believe to be generally consistent with industry practices. The resulting assessments are inexact and their accuracy uncertain, and such a review may not reveal all existing or potential problems, nor will it necessarily permit us to become sufficiently familiar with the properties to fully assess their merits and deficiencies. Inspections may not always be performed on every well, and structural and environmental problems are not necessarily observable even when an inspection is made. Additionally, significant acquisitions can change the nature of our operations and business depending upon the character of the acquired properties, which may be substantially different in operating and geologic characteristics or geographic location than our existing properties. While our current operations are focused in Texas and Louisiana, we may pursue acquisitions or properties located in other geographic areas. Market conditions or operational impediments may hinder our access to natural gas markets or delay our production. Market conditions or the unavailability of satisfactory natural gas transportation arrangements may hinder our access to natural gas markets or delay our production. The availability of a ready market for our natural gas production depends on a number of factors, including the demand for and supply of 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, which, in some cases, may be 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 due to a lack of market demand 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. Our debt service requirements could adversely affect our operations and limit our growth. We had $ 2. ~~2~~ **7** billion principal amount of debt as of December 31, ~~2022~~ **2023** . Our outstanding debt has important consequences, including, without limitation: • a portion of our cash flow from operations is required to make debt service payments; • our ability to borrow additional amounts for capital expenditures (including acquisitions) or other purposes is limited; and • our debt limits (i) our ability to capitalize on significant business opportunities, (ii) our flexibility in planning for or reacting to changes in market conditions, and (iii) our ability to withstand competitive pressures and economic downturns. Future acquisitions 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 service our indebtedness and to meet other commitments, we will be required to adopt one or more alternatives, such as refinancing or restructuring our indebtedness, selling material assets or seeking to raise additional debt or equity capital. We cannot assure you that any of these actions could be effected on a timely basis or on satisfactory terms or that these actions would enable us to continue to satisfy our capital requirements. Our debt agreements contain a number of significant covenants. These covenants limit our ability to, among other things: • borrow additional money; • merge, consolidate or dispose of assets; • make certain types of investments; • enter into transactions with our affiliates; and • pay dividends. Our failure to comply with any of these covenants could cause a default under our bank credit facility and the indentures governing our outstanding 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. **Furthermore, our bank credit facility is subject to various interest rates that are tied to adjusted SOFR or an alternate base rate, at our option. Any increase in these interest rates would have an adverse impact on our results of operations and cash flow.** Complying with these covenants may cause us to take actions that we otherwise would not take or not take actions that we otherwise would take. Our business involves many uncertainties and operating risks that can prevent us from realizing profits and can cause substantial losses. Our success depends on the success of our exploration and development activities. Exploration activities involve numerous risks, including the risk that no commercially productive natural gas 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 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 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 the above operating risks, our well bores, gathering systems and processing facilities could be affected, which could adversely affect our ability to conduct operations. We could also incur substantial losses as a result of: • injury or loss of life; • severe damage to and destruction of property, natural resources and equipment; • pollution and other environmental damage; • clean- up responsibilities; • regulatory investigation and penalties; • suspension of our operations; and • repairs to resume operations. We maintain insurance against" sudden and accidental" occurrences, which may cover some, but not all, of the risks described above. Most significantly, the insurance we maintain will not cover the risks described above which occur over a sustained period of time. Further, there can be no assurance that such insurance will continue to be available to cover all such cost or that such insurance will be available at a cost that would justify its purchase. The occurrence of a significant event not fully insured or indemnified against could have a material adverse effect on our financial condition and results of operations. Loss of our information and computer systems could adversely affect our business. We are heavily dependent on our information systems and computer- based programs, including our well operations information, seismic data, electronic data processing and accounting data. If any of these programs or systems were to fail or create erroneous information in our hardware or software network infrastructure, possible consequences include loss of our communication links, our inability to find, produce, process and sell ~~oil and~~ natural gas **and oil** and the inability to automatically process commercial transactions or engage in similar automated or computerized business activities. Any of these consequences could have a material effect on our business. Our business could be negatively impacted by security threats, including ~~cyber-security~~ **cybersecurity** threats and other disruptions. As **a** ~~an oil and~~ natural gas **and oil** producer, we face various security threats, including ~~cyber- security~~ **cybersecurity** threats to gain unauthorized access to sensitive information or to render data or systems unusable, threats to the safety of our employees, threats to the security or operation of our facilities and infrastructure or third party facilities and infrastructure, such as processing plants and pipelines, and threats from terrorist acts. ~~Cyber- security~~ **Cybersecurity** attacks in particular are evolving and include, but are not limited to, malicious software, attempts to gain unauthorized access to data, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information and corruption of data. Although we utilize various procedures and controls to monitor and protect against these threats and to mitigate our exposure to such threats, there can be no assurance that these procedures and controls will be sufficient in preventing security threats from materializing. If any of these events were to materialize, either to the Company or a third party upon which we rely, they could lead to ~~losses~~ **: • Loss** of ~~sensitive~~ **or damage to our data, intellectual property, or other proprietary or confidential** information **; • Interruption** ~~, critical infrastructure, personnel~~ or **degradation of** ~~capabilities, essential to~~ our operations ~~and~~ **, services, or systems availability; • Compromise or corruption of our data or systems integrity; • Reputational harm or loss of customer trust or confidence; • Legal liability, regulatory fines, penalties, or sanctions; • Remediation or mitigation costs, such as increased security expenditures, investigation expenses, or litigation fees; • Increased insurance premiums or difficulty in obtaining adequate insurance coverage; or • Other negative consequences. Any of the foregoing** could have a material adverse effect on our reputation, financial position, results of operations, or cash flows. 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 oil** , as well as the safe operations thereof. Future laws or regulations, 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 present and future governmental laws and regulations, such as: • lease permit restrictions; • drilling bonds and other financial responsibility requirements, such as plug and abandonment bonds; • spacing of wells; • unitization and pooling of properties; • safety precautions; • regulatory requirements; and • taxation. Under these laws and regulations, we could be liable for: • personal injuries; • property and natural resource damages; • well reclamation costs; and • governmental sanctions, such as fines and penalties. Our operations could be significantly delayed or curtailed and our cost of operations could significantly increase as a result of regulatory requirements or restrictions. In addition, the Biden administration has made, and is expected to make additional changes to applicable regulations, and in each case we expect changes to be more stringent than those of the prior administration. There are also costs associated with responding to changing regulations and policies, whether such regulations are more or less stringent. As such, there can be no assurance that material cost and liabilities will not be incurred in the future. Our hedging transactions could result in financial losses or could reduce our income. To the extent we have hedged a significant portion of our expected production and our actual production is lower than we expected or the costs of goods and services increase, our profitability would be adversely affected. To achieve more predictable cash flows and to reduce our exposure to adverse fluctuations in the prices of natural gas, we have entered into and may continue to enter into hedging transactions for certain of our expected natural gas production. These transactions could result in both realized and unrealized hedging losses. Further, these hedges may be inadequate to protect us from continuing and prolonged declines in the price of natural gas. To the extent that the natural gas prices remain at current levels or declines further, we will not be able to hedge future production at the same level as our current hedges, and our results of operations and financial condition would be negatively impacted. The extent of our commodity price exposure is related largely to the effectiveness and scope of our derivative activities. For example, the derivative instruments we utilize are primarily based on NYMEX futures prices, which may differ significantly from the actual natural gas prices we realize in our operations. Furthermore, we have adopted a policy that requires ~~, and our revolving credit facility also requires,~~ that we enter into derivative transactions related to only a portion of our expected production volumes and, as a result, we will continue to have direct commodity price exposure on the portion of our production volumes not covered by these derivative financial instruments. Our actual future production may be significantly higher or lower than we estimate at the time we enter into derivative transactions. If our actual future production is higher than we estimated, we will have greater commodity price exposure than we intended. If our actual future production is lower than the nominal amount that is subject to our derivative financial instruments, we might be forced to satisfy all or a portion of our derivative transactions without the benefit of the cash flow from our sale or purchase of the underlying physical commodity, resulting in a substantial diminution in our profitability and liquidity. As a result of these factors, our derivative activities may not be as effective as we intend in reducing the volatility of our cash flows, and in certain circumstances may actually increase the volatility of our cash flows. In addition, our hedging transactions are subject to the following risks: • we may be limited in receiving the full benefit of increases in natural gas prices as a result of these transactions; • a counterparty may not perform its obligation under the applicable derivative financial instrument or may seek bankruptcy protection; • there may be a change in the expected differential between the underlying commodity price in the derivative instrument and the actual price received; and • the steps we take to monitor our derivative financial instruments may not detect and prevent violations of our risk management policies and procedures, particularly if deception or other intentional misconduct is involved.