FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

(Mark One)

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1997

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to ______________

For Quarter Ended March 31, 1997 Commission File number 2-71058

DAWSON GEOPHYSICAL COMPANY
(Exact name of Registrant as specified in its Charter)

TEXAS	75-0970548
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
208 S. Marienfeld, Midland, Texas	79701
(Address of principal executive offices)	(Zip Code)

(Registrant's telephone number, including area code) 915/682-7356

NONE
(Former Name, Former Address & Former Fiscal Year if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X . No .

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

CLASS	Outstanding at March 31, 1997
Common Stock, $.33 1/3 par value	4,199,150 shares

DAWSON GEOPHYSICAL COMPANY

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PART I. FINANCIAL INFORMATION

DAWSON GEOPHYSICAL COMPANY

STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31		Six Months Ended March 31	
	1997	1996	1997	1996
Operating revenues	$ 11,721,000	$ 8,572,000	$ 21,784,000	$ 15,930,000
Operating costs:				
Operating expenses	7,913,000	5,935,000	14,713,000	11,554,000
General and administrative	346,000	355,000	666,000	738,000
Depreciation	1,906,000	1,351,000	3,771,000	2,651,000
	10,165,000	7,641,000	19,150,000	14,943,000
Income from operations	1,556,000	931,000	2,634,000	987,000
Other income (expense):				
Interest income	56,000	55,000	81,000	112,000
Interest expense	(112,000)	--	(230,000)	--
Gain on disposal of assets	175,000	2,000	193,000	9,000
Other income	1,000	--	9,000	--
Income before income tax	1,676,000	988,000	2,687,000	1,108,000
Income tax expense:				
Current	(413,000)	(162,000)	(600,000)	(297,000)
Deferred	(173,000)	(196,000)	(340,000)	(104,000)
	(586,000)	(358,000)	(940,000)	(401,000)
Net income	$ 1,090,000	$ 630,000	$ 1,747,000	$ 707,000
Net income per common share	$ .26	$ .15	$ .42	$ .17
Weighted average equivalent shares outstanding	4,186,920	4,195,111	4,177,204	4,200,333

See accompanying notes to the financial statements.

DAWSON GEOPHYSICAL COMPANY

BALANCE SHEETS

	March 31, 1997 (UNAUDITED)	September 30,1996
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,249,000	$ 1,493,000
Marketable securities	3,632,000	988,000
Accounts receivable	7,240,000	6,161,000
Income taxes receivable	--	193,000
Prepaid expenses	277,000	148,000
Total current assets	12,398,000	8,983,000
Property, plant and equipment	54,396,000	56,368,000
Less accumulated depreciation	(23,697,000)	(23,442,000)
Net property, plant and equipment	30,699,000	32,926,000
	$ 43,097,000	$ 41,909,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 857,000	$ 857,000
Accounts payable	1,197,000	2,079,000
Accrued liabilities:		
Payroll and other taxes	611,000	560,000
Income taxes payable	162,000	--
Other	174,000	144,000
Total current liabilities	3,001,000	3,640,000
Long-term debt, less current maturities	4,429,000	4,857,000
Deferred income taxes	948,000	608,000
Stockholders' equity:		
Preferred stock - par value $1.00 per share; 5,000,000 shares authorized, none outstanding	--	--
Common stock - par value $.33 1/3 per share; 10,000,000 shares authorized, 4,199,150 and 4,161,550 shares issued and outstanding	1,400,000	1,387,000
Additional paid-in capital	17,171,000	17,016,000
Retained earnings	16,148,000	14,401,000
Total stockholders' equity	34,719,000	32,804,000
	$ 43,097,000	$ 41,909,000

Contingencies (See Note 3)

See accompanying notes to the financial statements.

DAWSON GEOPHYSICAL COMPANY

STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Six Months Ended March 31	
	1997	1996
Cash flows from operating activities:		
Net income	$ 1,747,000	$ 707,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,771,000	2,651,000
Gain on disposal of assets	(193,000)	(9,000)
Other	2,000	(57,000)
Deferred income taxe expense	340,000	104,000
Change in current assets and liabilities:		
Increase in accounts receivable	(1,079,000)	(1,107,000)
Decrease (increase) in prepaid expenses	(129,000)	227,000
Decrease (increase) in income taxes receivable	193,000	(109,000)
Decrease in accounts payable	(882,000)	(169,000)
Increase in accrued liabilities	81,000	113,000
Increase in federal and state income taxes payable	162,000	--
Net cash provided by operating activities	4,013,000	2,351,000
Cash flows from investing activities:		
Proceeds from disposal of assets	285,000	31,000
Capital expenditures	(1,636,000)	(3,443,000)
Proceeds from sale of marketable securities	742,000	745,000
Investment in marketable securities	(3,377,000)	--
Net cash used in investing activities	(3,986,000)	(2,667,000)
Cash flows from financing activities:		
Principal payments on debt	(428,000)	--
Proceeds from exercise of stock options	157,000	--
Net cash used in financing activities	(271,000)	--
Net decrease in cash and cash equivalents	(244,000)	(316,000)
Cash and cash equivalents at beginning of period	1,493,000	1,671,000
Cash and cash equivalents at end of period	$ 1,249,000	$ 1,355,000

See accompanying notes to the financial statements.

DAWSON GEOPHYSICAL COMPANY

NOTES TO FINANCIAL STATEMENTS

1. OPINION OF MANAGEMENT

Although the information furnished is unaudited, in the opinion of management of the Registrant, the accompanying financial statements reflect all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the financial condition and results of operations for the period presented. The results of operations for the three months and the six months ended March 31, 1997, are not necessarily indicative of the results to be expected for the fiscal year.

2. NOTES PAYABLE

As of April 1, 1996, two notes payable exist under a loan agreement with a bank. The loan agreement consists of (1) a revolving line of credit of $5,000,000 which matured April 15, 1997 with funding availability determined by a borrowing base calculation; and (2) a term note of $6,000,000 to mature March 15, 2003. Both notes are secured by eligible accounts receivable and equipment purchased from loan proceeds. The loan agreement contains various restrictive covenants and compliance requirements. Among others, the agreement requires that no liens exist upon any of the collateral nor any vehicle owned by the Company. The notes bear interest at the bank's prime rate (8.50% at March 31, 1997). The term note requires monthly principal and interest payments.

The Company is negotiating with a bank to amend the loan agreement of April 1, 1996. The amendment to the loan agreement includes: (1) a renewal and increase of the principal amount of the revolving line of credit to $6,000,000 with a maturity date of April 15, 1999; and (2) an additional six year term facility for the purchase of capital equipment of $5,000,000.

During fiscal 1996, the Company was advanced $6,000,000 on the term note for the purchase of capital equipment. For the fiscal years 1997 through 2002, the annual maturity is $857,000, and for fiscal 2003 the balance will be due. The Company did not utilize the revolving line of credit which expired April 15, 1997.

3. CONTINGENCIES

On July 1, 1995, an accident involving an automobile owned by the Company claimed the lives of four employees. The Company is a defendant in a lawsuit by the families of two of the employees whose deaths resulted from the accident. The families filed suit against the Company under the gross negligence provisions of the Texas Workers' Compensation Act. Accordingly, the Company believes its exposure is limited to claimed exemplary damages of $36 million. The litigation is currently in the discovery stage. The Company has approximately $12 million of insurance coverage available to provide against an unfavorable outcome in this matter. Due to the uncertainties inherent in litigation, no absolute assurance can be given as to the ultimate outcome of this suit. However, the Company believes, based on knowledge of the facts to date and consultation with its legal advisors, that liabilities, if any, from this suit should not have a material adverse effect on the Company's financial position.

The Company is party to other legal actions arising in the ordinary course of its business, none of which management believes will result in a material adverse effect on the Company's financial position or results of operations, as the Company believes it is adequately insured.

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

OVERVIEW

The Company's performance for the quarter ended March 31, 1997 set records for revenues, income from operations and net income. The results of the six month period ended March 31, 1997 as compared to the same period of the prior year, reflect the benefit of five operating crews versus four and improved conditions with regard to weather and permit problems.

Certain statements contained herein constitute "forward-looking statements" within the meaning of the Private Securities Litigation reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: weather, the volatility of oil and gas prices, and the availability of capital resources.

RESULTS OF OPERATIONS

The Company's operating revenues for the first six months 1997 totaled $21,784,000 versus $15,930,000 for the same period of fiscal 1996, an increase of 36.7%. For the three months ended March 31, 1997, operating revenues increased $3,149,000 or 36.7%. During the third quarter of fiscal 1996, the Company's capacity increased from four to five crews. In addition the revenues of the first quarter of fiscal 1996 were negatively impacted by inclement weather and permit problems. The Company believes that the revenues of the quarter ended March 31, 1997 are indicative of a level of operations that may be sustained for the remainder of fiscal 1997 based on continued demand, the current complement of equipment, favorable weather, and other factors. Minimal revenues were generated through the acquisition and processing of 2-D seismic data.

Operating expenses for the six months ended March 31, 1997 totaled $14,713,000, an increase of $3,159,000, or 27.3%, over the same period of fiscal 1996. For the quarter ended March 31, 1997, operating expenses increased $1,978,000, or 33.3%. Operating expenses increased primarily as a result of increased personnel and other expenses associated with the equipment acquisitions and technological upgrades made primarily during the third quarter of fiscal 1996.

General and administrative expenses for the six months ended March 31, 1997 totaled $666,000, a decrease of $72,000 from the same period of fiscal 1996. For the quarter ended March 31, 1997, general and administrative expenses totaled $346,000, a decrease of

$9,000 over the same period of fiscal 1996. The decrease for fiscal year 1997 is primarily due to timing adjustments of certain expenses. General and administrative expenses totaled 3.1% of operating revenues for the six months ended March 31, 1997 versus 4.6% of operating revenues for the same period of the prior year.

Depreciation for the six months ended March 31, 1997 totaled $3,771,000, an increase of $1,120,000 from the same period of fiscal 1996. For the quarter ended March 31, 1997, depreciation increased $555,000, or 41.1%. Depreciation increased as a result of the capital expansion discussed below in "Liquidity and Capital Resources".

Total operating costs for the first six months of fiscal 1997 totaled $19,150,000, an increase of 28.2%, over the first six months of fiscal 1996 due to the factors described above. Income from operations increased to $2,634,000, 12.1% of revenues, from $987,000, 6.2% of revenues, in the comparable six month period of the prior year. For the quarter ended March 31, 1997, income from operations is 13.3% of operating revenues as compared to 10.9% in the comparable quarter of fiscal 1996. This increase is the direct result of the Company's operating expenses being relatively fixed as compared to revenue trends. Because of the high proportion of relatively fixed total operating costs (including personnel costs for active crews and depreciation costs), income from operations in fiscal 1997 reflects the benefit of efficient production with steady demand for five crews.

Interest is paid monthly at prime rate on the principal of the term note described below in "Credit Agreement."

Federal and state income tax expense is calculated at the rates of 35% and 36% in fiscal years 1997 and 1996, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Net cash provided by operating activities increased to $4,013,000 for the six months ended March 31, 1997 from $2,351,000 for the same period of the prior year due to the increase in net income to $1,747,000 from $707,000 and the increase in depreciation combined with fluctuations in working capital components.

Net cash used in investing activities increased to $3,986,000 for the first six months of fiscal 1997 from $2,667,000 in the same period of fiscal 1996. During the second quarter of fiscal 1997, the Company invested cash generated from operations in U. S. Treasury instruments. As discussed below in "Capital Expenditures," the Company is positioning for possible future expansion.

Net cash used in financing activities primarily reflects principal payments on debt. As discussed below in "Credit Agreement," the Company is servicing a term note with monthly principal payments of $71,400.

Capital Expenditures

Capital expenditures of $15,597,000 during fiscal year 1996 in addition to capital expenditures during fiscal 1995 and 1994 have positioned the Company to supply market demand with technologically advanced 3-D data acquisition recording systems and leading edge data processing capabilities. Depreciation has increased as a new crew has been placed into service each year for the past several years.

Capital expenditures of $1,636,000 for the six months ended March 31, 1997 include additions and replacements to the myriad of cables and geophones, enhancements to the surveying operation, and additions in support of quality control and operational safety efforts. The capital expenditures to date in fiscal 1997 illustrate an opportunity to examine and fine tune various areas of operation after several years of aggressive expansion.

The Company is currently assessing the market and anticipating the introduction of pending developments as announced by an instrument supplier. The Company's next major expansion may be influenced by an evaluation of this new seismic instrumentation.

Credit Agreement

As of April 1, 1996, the Company has a loan agreement with a bank. The loan agreement consists of (1) a revolving line of credit of $5,000,000 which matured April 15, 1997 and (2) a term note of $6,000,000 to mature March 15, 2003. Both notes are secured by eligible accounts receivable and equipment purchased from loan proceeds. The term note was fully advanced during fiscal 1996 and no advances were made on the line of credit that matured April 15, 1997.

The Company is finalizing negotiations with a bank to amend the loan agreement of April 1, 1996. The amendment to the loan agreement is expected to include a renewal and increase of the principal amount of the revolving line of credit to $6,000,000 with a maturity date of April 15, 1999, and an additional six year term facility for the purchase of capital equipment of $5,000,000.

Capital Resources

The Company believes that its capital resources, including the availability of bank borrowings, and cash flow from operations are adequate to meet its current operational needs and finance future capital needs as determined by market demand and technological developments.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DAWSON GEOPHYSICAL COMPANY
(REGISTRANT)

By: /s/ L. Decker Dawson

L. Decker Dawson
President

/s/ Christina W. Hagan

Christina W. Hagan
Treasurer, Chief Financial Officer

DATE: May 9, 1997

INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
27	Financial Data Schedule

5

6-MOS
SEP-30-1997
MAR-31-1997
1,249,000
3,632,000
7,240,000
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