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 December 31, 1996

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 December 31, 1996 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 December 31, 1996
Common Stock, $.33 1/3 par value	4,167,900 shares

DAWSON GEOPHYSICAL COMPANY

INDEX

PART I. FINANCIAL INFORMATION

DAWSON GEOPHYSICAL COMPANY

STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended December 31	
	1996	1995
Operating revenues	$10,063,000	$7,358,000
Operating costs:		
Operating expenses	6,800,000	5,619,000
General and administrative	320,000	383,000
Depreciation	1,865,000	1,300,000
	8,985,000	7,302,000
Income from operations	1,078,000	56,000
Other income (expense):		
Interest income	25,000	57,000
Other	8,000	-
Interest expense	(118,000)	-
Gain on disposal of assets	18,000	7,000
Income before income tax	1,011,000	120,000
Income tax benefit (expense):		
Current	(187,000)	(135,000)
Deferred	(167,000)	92,000
	(354,000)	(43,000)
Net income	$ 657,000	$ 77,000
Net income per common share	$.16	$.02
Weighted average equivalent shares outstanding	4,185,201	4,204,797

See accompanying note to the financial statements.

DAWSON GEOPHYSICAL COMPANY

BALANCE SHEETS

	December 31, 1996 (UNAUDITED)	September 30,1996
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,127,000	$ 1,493,000
Marketable securities	991,000	988,000
Accounts receivable	8,724,000	6,161,000
Income taxes receivable	6,000	193,000
Prepaid expenses	138,000	148,000
Total current assets	10,986,000	8,983,000
Property, plant and equipment	55,918,000	56,368,000
Less accumulated depreciation	(24,005,000)	(23,442,000)
Net property, plant and equipment	31,913,000	32,926,000
	$42,899,000	$41,909,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 857,000	$ 857,000
Accounts payable	2,807,000	2,079,000
Accrued liabilities:		
Payroll costs and other taxes	232,000	560,000
Other	90,000	144,000
Total current liabilities	3,986,000	3,640,000
Long-term debt, less current maturities	4,643,000	4,857,000
Deferred income taxes	775,000	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, 4,167,900 and 4,149,050 shares issued and outstanding	1,389,000	1,387,000
Additional paid-in capital	17,048,000	17,016,000
Retained earnings	15,058,000	14,401,000
Total stockholders' equity	33,495,000	32,804,000
	$42,899,000	$41,909,000

Contingencies (See Note 3)

See accompanying notes to the financial statements.

DAWSON GEOPHYSICAL COMPANY

STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Three Months Ended December 31	
	1996	1995
Cash flows from operating activities:		
Net income	$ 657,000	$ 77,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,865,000	1,300,000
Gain on disposal of assets	(18,000)	(7,000)
Non-cash interest income	-	(30,000)
Non-cash compensation	8,000	-
Deferred income tax (benefit) expense	167,000	(92,000)
Change in current assets and liabilities:		
Increase in accounts receivable	(2,563,000)	(505,000)
Decrease in income taxes receivable	187,000	126,000
Decrease in prepaid expenses	10,000	104,000
Increase (decrease) in accounts payable	728,000	(256,000)
Decrease in accrued liabilities	(382,000)	(109,000)
Increase in federal and state income taxes payable	-	9,000
Net cash provided by operating activities	659,000	617,000
Cash flows from investing activities:		
Proceeds from disposal of assets	34,000	7,000
Capital expenditures	(868,000)	(1,719,000)
Proceeds from sale of marketable securities	-	745,000
Net cash used in investing activities	(834,000)	(967,000)
Cash flows from financing activities:		
Principal payments on debt	(214,000)	-
Proceeds from exercise of stock options	23,000	-
Net cash provided by financing activities	(191,000)	-
Net decrease in cash and cash equivalents	(366,000)	(350,000)
Cash and cash equivalents at beginning of period	1,493,000	1,671,000
Cash and cash equivalents at end of period	$1,127,000	$1,321,000

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 ended December 31, 1996, are not necessarily indicative of the results to be expected for the fiscal year.

2. NOTES PAYABLE

As of April 1, 1996, the Company has two notes payable that exist under a loan agreement with a bank. The loan agreement consists of (1) a revolving line of credit of $5,000,000 to mature 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 (8.25% at December 31, 1996). The term note requires monthly principal and interest payments.

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 annual maturity will be the balance. As of February 7, 1997, the Company has not utilized the revolving line of credit.

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 December 31, 1996, as compared to the same quarter of the prior year, reflects the benefit of five operating crews versus four and improved conditions with regard to weather and permit problems. The contrast of the periods illustrates that in reviewing the Company's financial statements, it should be noted that fluctuations in the Company's results of operations may occur due to weather and other factors.

RESULTS OF OPERATIONS

The Company's operating revenues for the first quarter of 1997 totaled $10,063,000 versus $7,358,000 for the same period of fiscal 1996, an increase of 36.8%. Combined with continued demand for acquisition of 3-D seismic data, the Company's additional capacity from capital expansion during fiscal 1996 of new equipment and technological upgrades to existing equipment increased utilization to five acquisition crews during the first quarter of fiscal 1997 as compared to four crews that were negatively impacted by inclement weather and permit problems during the first quarter of fiscal 1996. Minimal revenues were generated through the acquisition and processing of 2-D seismic data.

Operating expenses for the quarter ended December 31, 1996 totaled $6,800,000, an increase of $1,181,000, or 21%, over the same period of fiscal 1996. Operating expenses increased primarily as a result of increased personnel and other expenses associated with the equipment acquisitions and technological upgrades made during fiscal 1996.

General and administrative expenses for the quarter ended December 31, 1996 totaled $320,000, a decrease of $63,000 over the same period of fiscal 1996. General and administrative expenses totaled 3.2% of operating revenues for the quarter ended December 31, 1996 versus 5.2% of operating revenues for the same period of the prior year.

Depreciation for the quarter ended December 31, 1996 totaled $1,865,000, an increase of $565,000 from the same quarter of fiscal 1996. Depreciation increased as a result of the capital expansion discussed below in "Liquidity and Capital Resources."

Total operating costs for the first quarter of fiscal 1997 totaled $8,985,000, an increase of 23%, over the first quarter of fiscal 1996 due to the factors described above. Income from operations increased to $1,078,000, 10.7% of revenues, from $56,000 in the comparable period of the prior year. 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 reflects the significant negative effects on revenues of the largely uncontrollable factors of weather and permit problems in the prior year.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Net cash provided by operating activities increased to $659,000 for the quarter ended December 31, 1996 from $617,000 as compared to the same period of the prior year due to the increase in net income to $657,000 from $77,000 and the increase in depreciation combined with fluctuations in working capital components. An increase in activity resulted in an increase to accounts receivable for the quarter ended December 31, 1996 as compared to the same period of the prior year. The incurrence of current maturities of long-term debt resulted in an increase in accounts payable for the first quarter of fiscal 1997 as compared to the same quarter of the prior year.

Net cash used in investing activities decreased to $834,000 for the first quarter of fiscal 1997 from $967,000 in the same period of fiscal 1996.

Net cash provided by financing activities decreased from the prior year due to principal payments on debt. As of April 1, 1996, the Company has two notes payable that exist under a loan agreement with a bank. The loan agreement consists of (1)a revolving line of credit of $5,000,00 to mature April 15, 1997 and (2)a term note of $6,000,000 to mature March 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 as of February 7, 1997, no advances had been made on the revolving line of credit.

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.

Capital expenditures of $868,000 for the quarter ended December 31, 1996 represent additional capacity of the existing crews and fleet replacements. Future capital expenditures will depend on the Company's evaluation of technological advancements.

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: February 7, 1997

INDEX TO EXHIBITS

EXHIBIT NUMBER	EXHIBIT
27	Financial Data Schedule

3-MOS
SEP-30-1997
DEC-31-1996
1,127,000
991,000
8,724,000
0
0
10,986,000
55,918,000
(24,005,000)
42,899,000
3,986,000
0
0
0
1,389,000
0
42,899,000
10,063,000
10,063,000
8,985,000
8,985,000
0
0
(118,000)
1,011,000
(354,000)
657,000
0
0
0
657,000
.16
0