



**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

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

**For the Quarterly Period Ended March 31, 2009**

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

**For the Transition Period From \_\_\_\_\_ to \_\_\_\_\_**

**Commission File No. 0-10144**

**DAWSON GEOPHYSICAL COMPANY**

**Texas**  
**(State or other jurisdiction of**  
**incorporation or organization)**

**75-0970548**  
**(I.R.S. Employer**  
**identification No.)**

**508 West Wall, Suite 800, Midland, Texas 79701**  
**(Principal Executive Office)**

**Telephone Number: 432-684-3000**

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐  
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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

<b>Title of Each Class</b>	<b>Outstanding at May 8, 2009</b>
<b>Common Stock, \$.33 1/3 par value</b>	<b>7,799,744 shares</b>

# DAWSON GEOPHYSICAL COMPANY

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# PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

### DAWSON GEOPHYSICAL COMPANY STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2009	2008	2009	2008
Operating revenues	\$64,625,000	\$78,363,000	\$144,841,000	\$155,962,000
Operating costs:				
Operating expenses	45,737,000	57,529,000	104,752,000	115,654,000
General and administrative	2,408,000	1,837,000	4,563,000	3,543,000
Depreciation	6,529,000	5,854,000	13,130,000	11,405,000
	54,674,000	65,220,000	122,445,000	130,602,000
Income from operations	9,951,000	13,143,000	22,396,000	25,360,000
Other income (expense):				
Interest income	62,000	116,000	140,000	334,000
Interest expense	—	(95,000)	—	(200,000)
Other income	272,000	115,000	310,000	99,000
Income before income tax	10,285,000	13,279,000	22,846,000	25,593,000
Income tax expense:				
Current	(2,951,000)	(4,110,000)	(8,126,000)	(8,650,000)
Deferred	(1,164,000)	(877,000)	(816,000)	(947,000)
	(4,115,000)	(4,987,000)	(8,942,000)	(9,597,000)
Net income	<u>\$ 6,170,000</u>	<u>\$ 8,292,000</u>	<u>\$ 13,904,000</u>	<u>\$ 15,996,000</u>
Net income per common share	<u>\$ 0.79</u>	<u>\$ 1.08</u>	<u>\$ 1.78</u>	<u>\$ 2.09</u>
Net income per common share-assuming dilution	<u>\$ 0.79</u>	<u>\$ 1.07</u>	<u>\$ 1.78</u>	<u>\$ 2.07</u>
Weighted average equivalent common shares outstanding	<u>7,799,744</u>	<u>7,667,071</u>	<u>7,797,986</u>	<u>7,663,556</u>
Weighted average equivalent common shares outstanding-assuming dilution	<u>7,850,508</u>	<u>7,728,437</u>	<u>7,824,202</u>	<u>7,724,269</u>

See accompanying notes to the financial statements (unaudited).

**DAWSON GEOPHYSICAL COMPANY**  
**BALANCE SHEETS**

	March 31, 2009 (Unaudited)	September 30, 2008
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 45,548,000	\$ 8,311,000
Accounts receivable, net of allowance for doubtful accounts of \$797,000 in March 2009 and \$55,000 in September 2008	54,259,000	76,221,000
Prepaid expenses and other assets	1,526,000	877,000
Current deferred tax asset	<u>1,112,000</u>	<u>873,000</u>
Total current assets	102,445,000	86,282,000
<b>Property, plant and equipment</b>		
Less accumulated depreciation	253,738,000	250,519,000
	<u>(115,368,000)</u>	<u>(103,180,000)</u>
Net property, plant and equipment	<u>138,370,000</u>	<u>147,339,000</u>
	<u><u>\$ 240,815,000</u></u>	<u><u>\$ 233,621,000</u></u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 11,430,000	\$ 15,308,000
<b>Accrued liabilities:</b>		
Payroll costs and other taxes	2,501,000	3,363,000
Other	9,877,000	14,869,000
Deferred revenue	<u>2,142,000</u>	<u>993,000</u>
Total current liabilities	25,950,000	34,533,000
<b>Deferred tax liability</b>	14,183,000	13,128,000
<b>Stockholders' equity:</b>		
Preferred stock-par value \$1.00 per share; 5,000,000 shares authorized, none outstanding	—	—
Common stock-par value \$.33 1/3 per share; 50,000,000 shares authorized, 7,799,744 and 7,794,744 shares issued and outstanding in each period	2,600,000	2,598,000
Additional paid-in capital	87,867,000	87,051,000
Retained earnings	<u>110,215,000</u>	<u>96,311,000</u>
Total stockholders' equity	<u>200,682,000</u>	<u>185,960,000</u>
	<u><u>\$ 240,815,000</u></u>	<u><u>\$ 233,621,000</u></u>

See accompanying notes to the financial statements (unaudited).

**DAWSON GEOPHYSICAL COMPANY**  
**STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	Six Months Ended March 31,	
	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 13,904,000	\$ 15,996,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	13,130,000	11,405,000
Noncash compensation	818,000	612,000
Deferred income tax expense	816,000	947,000
Excess tax benefit from share-based payment arrangement	—	(92,000)
Provision for bad debts	1,169,000	81,000
Other	(8,000)	(115,000)
Change in current assets and liabilities:		
Decrease (increase) in accounts receivable	17,312,000	(9,685,000)
Increase in prepaid expenses	(649,000)	(579,000)
(Decrease) increase in accounts payable	(3,496,000)	2,108,000
Decrease in accrued liabilities	(5,854,000)	(1,842,000)
Increase (decrease) in deferred revenue	1,149,000	(2,335,000)
Net cash provided by operating activities	<u>38,291,000</u>	<u>16,501,000</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from disposal of assets	89,000	9,000
Partial proceeds on fire insurance claim	2,843,000	—
Capital expenditures, net of noncash capital expenditures summarized below in noncash investing activities	<u>(3,986,000)</u>	<u>(27,370,000)</u>
Net cash used in investing activities	<u>(1,054,000)</u>	<u>(27,361,000)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from exercise of stock options	—	37,000
Proceeds from line of credit	—	5,000,000
Repayment on line of credit	—	—
Excess tax benefit from share-based payment arrangement	<u>—</u>	<u>92,000</u>
Net cash provided by financing activities	<u>—</u>	<u>5,129,000</u>
Net increase (decrease) in cash and cash equivalents	37,237,000	(5,731,000)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>8,311,000</u>	<u>14,875,000</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u><u>\$ 45,548,000</u></u>	<u><u>\$ 9,144,000</u></u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid for interest expense	\$ —	\$ 232,000
Cash paid during the period for income taxes	\$ 9,686,000	\$ 9,274,000
<b>NONCASH INVESTING ACTIVITIES:</b>		
Accrued purchases of property and equipment	\$ (382,000)	\$ —
Equipment purchase through reduction of insurance proceeds	\$ 638,000	\$ —

*See accompanying notes to the financial statements (unaudited).*

**DAWSON GEOPHYSICAL COMPANY**  
**NOTES TO FINANCIAL STATEMENTS (UNAUDITED)**

**1. ORGANIZATION AND NATURE OF OPERATIONS**

Founded in 1952, the Company acquires and processes 2-D, 3-D and multi-component seismic data for its clients, ranging from major oil and gas companies to independent oil and gas operators as well as providers of multi-client data libraries.

**2. OPINION OF MANAGEMENT**

Although the information furnished is unaudited, in the opinion of management of the Company, the accompanying financial statements reflect all adjustments, consisting only of normal recurring accruals, necessary for a fair statement of the results for the periods presented. The results of operations for the three months and the six months ended March 31, 2009 are not necessarily indicative of the results to be expected for the fiscal year.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q report pursuant to certain rules and regulations of the Securities and Exchange Commission (the "SEC"). These financial statements should be read with the financial statements and notes included in the Company's Form 10-K for the fiscal year ended September 30, 2008.

**Critical Accounting Policies**

The preparation of the Company's financial statements in conformity with generally accepted accounting principles requires that certain assumptions and estimates be made that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Because of the use of assumptions and estimates inherent in the reporting process, actual results could differ from those estimates.

*Concentrations of Credit Risk.* Financial instruments which potentially expose the Company to concentrations of credit risk, as defined by SFAS No. 105 ("SFAS 105"), "Disclosure of Information About Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk," at any given time may consist of cash and cash equivalents, money market funds and overnight investment accounts, short-term investments and trade accounts receivable. At March 31, 2009 and September 30, 2008, the Company had deposits in domestic banks in excess of federally insured limits. The Company believes the credit risk associated with these deposits is minimal. Money market funds seek to preserve the value of the investment, but it is possible to lose money investing in these funds. The Company invests funds overnight under a repurchase agreement with its bank which is collateralized by securities of the United States Federal agencies. The Company invests primarily in short-term U.S. Treasury Securities which are believed to be a low risk investment. The Company's sales are to clients whose activities relate to oil and natural gas exploration and production. The Company generally extends unsecured credit to these clients; therefore, collection of receivables may be affected by the economic conditions of the oil and natural gas industry. The Company closely monitors extensions of credit and may negotiate payment terms that mitigate risk.

*Revenue Recognition.* Services are provided under cancelable service contracts. These contracts are either "turnkey" or "term" agreements. Under both types of agreements, the Company recognizes revenues when revenue is realizable and services have been performed. Services are defined as the commencement of data acquisition or processing operations. Revenues are considered realizable when earned according to the terms of the service contracts. Under turnkey agreements, revenue is recognized on a per unit of data acquired rate as services are performed. Under term agreements, revenue is recognized on a per unit of time worked rate as services are performed. In the case of a cancelled service contract, revenue is recognized and the customer is billed for services performed up to the date of cancellation.

The Company receives reimbursements for certain out-of-pocket expenses under the terms of the service contracts. Amounts billed to clients are recorded in revenue at the gross amount including out-of-pocket expenses that are reimbursed by the client.

In some instances, customers are billed in advance of the services performed. In those cases, the Company recognizes the liability as deferred revenue.

*Allowance for Doubtful Accounts.* Management prepares its allowance for doubtful accounts receivable based on its review of past-due accounts, its past experience of historical write-offs and its current client base. While the collectibility of outstanding client invoices is continually assessed, the inherent volatility of the energy industry's business cycle can cause swift and unpredictable changes in the financial stability of the Company's clients.

*Impairment of Long-lived Assets.* Long-lived assets are reviewed for impairment when triggering events occur suggesting deterioration in the assets' recoverability or fair value. Recognition of an impairment charge is required if future expected net cash flows are insufficient to recover the carrying value of the assets and the fair value of the assets is below the carrying value of the assets. Management's forecast of future cash flow used to perform impairment analysis includes estimates of future revenues and expenses based on the Company's anticipated future results while considering anticipated future oil and natural gas prices which is fundamental in assessing demand for the Company's services. If the carrying amount of the assets exceeds the estimated expected undiscounted future cash flows, the Company measures the amount of possible impairment by comparing the carrying amount of the assets to their fair value.

*Depreciable Lives of Property, Plant and Equipment.* Property, plant and equipment are capitalized at historical cost and depreciated over the useful life of the asset. Management's estimation of this useful life is based on circumstances that exist in the seismic industry and information available at the time of the purchase of the asset. As circumstances change and new information becomes available, these estimates could change.

Depreciation is computed using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the balance sheet, and any resulting gain or loss is reflected in the results of operations for the period.

*Tax Accounting.* The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 109 ("SFAS 109"), "Accounting for Income Taxes," which requires the recognition of amounts of taxes payable or refundable for the current year and an asset and liability approach in recognizing the amount of deferred tax liabilities and assets for the future tax consequences of events that have been recognized in the Company's financial statements or tax returns. Management determines deferred taxes by identifying the types and amounts of existing temporary differences, measuring the total deferred tax asset or liability using the applicable tax rate and reducing the deferred tax asset by a valuation allowance if, based on available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized. Management's methodology for recording income taxes requires judgment regarding assumptions and the use of estimates, including determining the annual effective tax rate and the valuation of deferred tax assets, which can create variances between actual results and estimates and could have a material impact on the Company's provision or benefit for income taxes.

*Stock-Based Compensation.* The Company accounts for stock-based compensation in accordance with SFAS No. 123(R) ("SFAS 123(R)"), "Share-Based Payment," which requires companies to measure all employee stock-based compensation awards, including stock options and restricted stock, using the fair value method and recognize compensation cost, net of forfeitures, in its financial statements. The Company records compensation expense as operating or general and administrative expense as appropriate in the Statements of Operations on a straight-line basis over the vesting period.

*Reclassifications.* Certain prior year amounts have been reclassified in the current year in order to be consistent with the current year presentation.

#### **Recently Issued Accounting Pronouncements**

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157 ("SFAS 157"), "Fair Value Measurements." SFAS 157 clarifies that fair value is the amount that would be exchanged to sell an asset or transfer a liability in an orderly transaction between market participants. Further, the standard establishes a framework for measuring fair value in generally accepted accounting principles and expands certain disclosures about fair value measurements. SFAS 157 became effective for all financial assets and financial liabilities as of October 1, 2008, and upon adoption, SFAS 157 did not have a material impact on the Company's financial statements. In February 2008, the FASB issued FASB Staff Position 157-2 ("FSP 157-2"), "Effective Date of FASB Statement No. 157," which delays the effective date of SFAS 157 for all non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The Company does not expect the adoption of SFAS 157-2 to have a material impact on its financial statements.



In February 2007, the FASB issued SFAS No. 159 (“SFAS 159”), “The Fair Value Option for Financial Assets and Financial Liabilities.” SFAS 159 provides companies with an option to report selected financial assets and liabilities at fair value. As of March 31, 2009, the Company has not elected the fair value option for any additional financial assets and liabilities beyond those already prescribed by accounting principles generally accepted in the United States.

In May 2008, the FASB issued SFAS No. 162 (“SFAS 162”), “The Hierarchy of Generally Accepted Accounting Principles.” Under SFAS 162, the GAAP hierarchy will now reside in the accounting literature established by the FASB. SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements in conformity with GAAP. SFAS 162 was effective November 15, 2008 and did not have a material impact on the Company’s financial statements.

### **3. DEBT**

The Company’s revolving line of credit loan agreement is with Western National Bank. The agreement permits the Company to borrow, repay and reborrow, from time to time until June 2, 2009, up to \$40.0 million based on the borrowing base calculation as defined in the agreement. The Company’s obligations under this agreement are secured by a security interest in its accounts receivable, equipment and related collateral. Interest on the facility accrues at an annual rate equal to either the 30-day London Interbank Offered Rate (“LIBOR”), plus two and one-quarter percent or the Prime Rate, minus three-quarters percent as the Company directs monthly, subject to an interest rate floor of 4%. Interest on the outstanding amount under the loan agreement is payable monthly. The loan agreement contains customary covenants for credit facilities of this type, including limitations on disposition of assets, mergers and reorganizations. The Company is also obligated to meet certain financial covenants under the loan agreement, including maintaining specified ratios with respect to cash flow coverage, current assets and liabilities, and debt to tangible net worth. The Company was in compliance with all covenants as of March 31, 2009 and May 8, 2009. The Company has had preliminary discussions with Western National Bank regarding the renewal of the loan agreement. Based on these discussions, the Company believes it will renew the loan agreement on substantially the same terms, though it is likely the facility will be reduced in size based on the Company’s current assessment of its needs. As of March 31, 2009 and May 8, 2009 no amounts were outstanding under the credit agreement.

### **4. STOCK-BASED COMPENSATION**

The Company’s stock-based compensation activity for the quarters ended March 31, 2009 and 2008 is summarized below.

#### *Incentive Stock Options:*

The Company estimates the fair value of each stock option on the date of grant using the Black-Scholes option pricing model. The expected volatility is based on historical volatility over the expected term. As the Company has not historically declared dividends and does not anticipate declaring dividends in the future, the dividend yield used in the calculation is zero. The risk free rate is determined by reference to the U.S. Treasury yield curve in effect at or near the time of grant for the expected term of the award. The expected term is the anticipated average amount of time that an option is outstanding, assuming it will vest, and is determined based on historical experience of similar awards, giving consideration to the contractual term of the awards, vesting schedules and expectations of employee exercise behavior. Actual value realized, if any, is dependent on the future performance of the Company’s common stock and overall stock market conditions. There is no assurance the value realized by an optionee will be at or near the value estimated by the Black-Scholes model. Options granted by the Company vest in equal installments annually over four years from the date of grant. Options granted in the first quarter of fiscal 2009 expire ten years from the date of grant. Options granted prior to fiscal 2009 expire five years from the date of grant. Compensation cost is recognized on a straight-line basis as the options vest.

The Company granted 152,000 stock option awards to officers and employees during the quarter ended December 31, 2008. No options were granted during the three months ended March 31, 2009 or the six months ended March 31, 2008.

Stock options issued under the Company’s stock-based compensation plans are incentive stock options. No tax deduction is recorded when options are awarded. If an exercise and sale of vested options results in a disqualifying disposition, a tax deduction for the Company occurs. For the six months ended March 31, 2009 there were no options exercised. For the six months ended March 31, 2008 there were \$92,000 in excess tax benefits from disqualifying dispositions of options. The total intrinsic value of options exercised during the six months ended March 31, 2008 was \$282,000 for 4,500 shares.

The Company recognized compensation expense associated with stock option awards of \$122,000 and \$40,000 during the six months ended March 31, 2009 and 2008, respectively. This amount is included in operating expenses and general and administrative costs in the Statements of Operations.

*Stock Awards:*

No restricted stock awards have been granted during the six months ended March 31, 2009. The Company granted 5,500 restricted shares during the first six months of fiscal 2008. The grant date fair value of these awards was \$55.22. The fair value of the restricted stock granted equals the market price on the grant date. The restricted shares vest after three years.

The Company's tax benefit with regard to restricted stock awards is consistent with the tax election of the recipient of the award. Historically no elections under IRC Section 83(b) have been made for restricted stock awards granted by the Company. As a result, the compensation expense for restricted stock has generated a deferred tax asset for the Company equal to the tax effect of the amount of compensation expense recorded.

The Company recognized compensation expense related to restricted stock awards of \$605,000 in the first six months of fiscal 2009 and \$253,000 in the first six months of fiscal 2008. This amount is included in operating expenses and general and administrative costs in the Statements of Operations.

The Company granted 5,000 shares with immediate vesting to outside directors in the first quarter of fiscal 2009 and 3,000 shares with immediate vesting as compensation to outside directors in the first quarter of fiscal 2008. The grant date fair value equaled \$18.19 and \$69.64 in each quarter, respectively. The Company granted 2,000 shares with immediate vesting to employees as compensation during the second quarter of fiscal 2008. The grant date fair value of these awards was \$55.22. No shares with immediate vesting were granted during the second quarter of fiscal 2009. These compensation amounts are included in operating expenses and general and administrative costs in the Statements of Operations.

## **5. COMMITMENTS AND CONTINGENCIES**

On March 14, 2008, a wildfire in West Texas burned a remote area in which one of the Company's data acquisition crews was operating. The fire destroyed approximately \$2.9 million net book value of the Company's equipment, all of which was covered by the Company's property insurance, net of the deductible. In addition to the loss of equipment, a number of landowners in the fire area suffered damage to their grazing lands, livestock, fences and other improvements. The Company is currently repairing damage incurred by such landowners as a result of the fire. The Company currently estimates the likely amount of the landowner damages will be less than \$1.5 million. The Company believes any damages paid will be covered by the Company's general liability insurance. In February 2009, the Company received the remaining insurance proceeds for equipment losses sustained by the Company during the fire and for the Company's debris pick-up costs. The Company recorded an immaterial gain on the receipt of such insurance proceeds.

From time to time, the Company is a party to various legal proceedings arising in the ordinary course of business. Although the Company cannot predict the outcomes of any such legal proceedings, management believes that the resolution of pending legal actions will not have a material adverse effect on the Company's financial condition, results of operations or liquidity as the Company believes it is adequately indemnified and insured.

On November 21, 2008, the Company received written notice dated November 14, 2008 from a client disputing approximately \$1.4 million in charges payable for seismic work performed by the Company. On March 31, 2009 the Company received payment of \$950,000 on the outstanding receivables. The Company wrote off the remaining receivables balance from the client against the Company's allowance for doubtful accounts during the Company's second quarter of fiscal 2009.

The Company experiences contractual disputes with its clients from time to time regarding the payment of invoices or other matters. While the Company seeks to minimize these disputes and maintain good relations with its clients, the Company has in the past and may in the future, experience disputes that could affect its revenues and results of operations in any period.

During the quarter ended March 31, 2009, one of the Company's clients filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code. As of March 31, 2009, this client had an accounts receivable balance with the Company of approximately \$1.0 million. The Company increased its allowance for doubtful accounts during the second fiscal quarter to cover exposures related to this bankruptcy and management's review of the Company's current past due accounts and client base.

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The Company has non-cancelable operating leases for office space in Midland, Houston, Denver, Oklahoma City and Lyon Township, Michigan.

The following table summarizes payments due in specific periods related to the Company's contractual obligations with initial terms exceeding one year as of March 31, 2009.

	Payments Due by Period (in 000's)				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Operating lease obligations	\$ 1,499	\$ 584	\$ 875	\$ 40	\$ —

Some of the Company's operating leases contain predetermined fixed increases of the minimum rental rate during the initial lease term. For these leases, the Company recognizes the related expense on a straight-line basis and records the difference between the amount charged to expense and the rent paid as deferred rent. Rental expense under the Company's operating leases with initial terms exceeding one year was \$283,000 and \$262,000 for the six months ended March 31, 2009 and 2008, respectively.

As of March 31, 2009, the Company recognized unused letters of credit totaling \$3,580,000. The Company's letters of credit principally back obligations associated with the Company's self-insured retention on workers' compensation claims.

## 6. NET INCOME PER COMMON SHARE

The Company accounts for earnings per share in accordance with SFAS No. 128 ("SFAS 128"), "Earnings per Share." Basic net income per share is computed by dividing the net income for the period by the weighted average number of common shares outstanding during the period. Diluted net income per share is computed by dividing the net income for the period by the weighted average number of common shares and common share equivalents outstanding during the period.

The following table sets forth the computation of basic and diluted net income per common share:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2009	2008	2009	2008
<b>NUMERATOR:</b>				
Net income and numerator for basic and diluted net income per common share-income available to common shareholders	\$ 6,170,000	\$ 8,292,000	\$ 13,904,000	\$ 15,996,000
<b>DENOMINATOR:</b>				
Denominator for basic net income per common share-weighted average common shares	7,799,744	7,667,071	7,797,986	7,663,556
Effect of dilutive securities-employee stock options and restricted stock grants	50,764	61,366	26,216	60,713
Denominator for diluted net income per common share-adjusted weighted average common shares and assumed conversions	7,850,508	7,728,437	7,824,202	7,724,269
Net income per common share	\$ .79	\$ 1.08	\$ 1.78	\$ 2.09
Net income per common share-assuming dilution	\$ .79	\$ 1.07	\$ 1.78	\$ 2.07

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Company's financial statements and notes thereto included elsewhere in this Form 10-Q.

## Forward Looking Statements

Statements other than statements of historical fact included in this Form 10-Q that relate to forecasts, estimates or other expectations regarding future events, including without limitation, statements under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” regarding technological advancements and our financial position, business strategy and plans and objectives of our management for future operations, may be deemed to be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. When used in this Form 10-Q, words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” and similar expressions, as they relate to us or our management, identify forward-looking statements. Such forward-looking statements are based on the beliefs of our management as well as assumptions made by and information currently available to management. Actual results could differ materially from those contemplated by the forward-looking statements as a result of certain factors, including but not limited to the volatility of oil and natural gas prices, disruptions in the global economy, dependence upon energy industry spending, limited number of customers, credit risk related to our customers, cancellations of service contracts, high fixed cost of operations, weather interruptions, inability to obtain land access rights of way, industry competition, managing growth, the availability of capital resources and operational disruptions. A discussion of these factors, including risks and uncertainties, is set forth under “Risk Factors” in our annual report on Form 10-K for the year ended September 30, 2008 and in our other reports filed from time to time with the SEC. These forward-looking statements reflect our current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, growth strategies and liquidity. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by this paragraph. We assume no obligation to update any such forward-looking statements.

## Overview

We are the leading provider of onshore seismic data acquisition services in the lower 48 states of the United States as measured by the number of active data acquisition crews. Substantially all of our revenues are derived from the seismic data acquisition services we provide to our clients, mainly domestic oil and natural gas companies. Demand for our services depends upon the level of spending by these companies for exploration, production, development and field management activities, which depends, in part, on oil and natural gas prices. Significant fluctuations in domestic oil and natural gas exploration activities and commodity prices have affected the demand for our services and our results of operations in years past and continue to be the single most important factor affecting our business and results of operations. In the past few years, substantially all of our clients have been focused on the exploration for and production of natural gas.

Our return to profitability in fiscal 2004 after several years of losses was directly related to an increase in the level of exploration for domestic oil and natural gas reserves by the petroleum industry since 2003. The increased level of exploration was a function of higher prices for oil and natural gas. As a result of the increase in domestic exploration spending, we experienced an increased demand for our seismic data acquisition and processing services during this period, particularly from entities seeking natural gas reserves. Since August 2008, the price of oil and natural gas has declined significantly due to reduced demand from the global economic slowdown. As a result of declining oil and natural gas prices, many of our customers have reduced their exploration and development activities and with it their capital expenditures. All of these factors have had and continue to have a negative impact on demand for our services and our industry in general, particularly on demand from those clients seeking natural gas. Since the beginning of our 2009 fiscal year, several large projects have been delayed or reduced in size and a number of projects have been cancelled. These demand reductions began to affect data acquisition crew scheduling and utilization in the second fiscal quarter. As a result, we reduced our crew count by four crews during the second fiscal quarter. Due to continued lower demand levels, we anticipate an additional reduction of up to two crews in the third fiscal quarter. After these additional crew reductions, we anticipate that we will operate ten of our sixteen crews through the third quarter.

Due to the previous and currently proposed reductions of data acquisition crews and lower utilization rates, we anticipate a reduction in operating revenues and operating costs in calendar 2009, and possibly beyond, depending on future market prices for oil and natural gas and the level of domestic exploration spending. The markets for oil and natural gas have been very volatile and are likely to continue to be volatile in the future, and we can make no assurances as to future levels of domestic exploration, commodity prices, or demand for our services. A significant sustained drop in oil prices and a continued weakness in natural gas prices or the inability of our clients to secure funding for new exploration projects would have a further negative impact on demand for our services. Because substantially all of our current clients are focused on the exploration for and production of natural gas, continued weakness in the price of natural gas in particular would have a negative effect on the demand for our services.

In light of current market difficulties, we are focusing our efforts on reducing costs, limiting capital expenditures to necessary maintenance requirements, and maintaining our financial strength. Equipment and key personnel from crews taken out of service will be redeployed on remaining crews as needed or otherwise remain available for rapid expansion of crew count as demand and market

conditions dictate in the future. While our revenues are mainly affected by the level of client demand for our services, our revenues are also affected by the pricing for our services that we negotiate with our clients and the productivity of our data acquisition crews, including factors such as crew downtime related to inclement weather, delays in acquiring land access permits, or equipment failure. Consequently, our efforts to negotiate favorable contract terms in our supplemental service agreements, to mitigate access permit delays and to improve overall crew productivity may partially offset the impact of anticipated revenue reductions.

## Results of Operations

*Operating Revenues.* Our operating revenues for the first six months of fiscal 2009 decreased 7.1% to \$144,841,000 from \$155,962,000 for the first six months of fiscal 2008. For the three months ended March 31, 2009, operating revenues totaled \$64,625,000 as compared to \$78,363,000 for the same period of fiscal 2008, a 17.5% decrease. The decrease in revenues during the second quarter of fiscal 2009 reflected the result of a reduction in active crew count of four crews along with lower utilization rates for existing crews. Revenues in the second quarter of fiscal 2009 continued to include relatively high third-party charges related to the use of helicopter support services, specialized survey technologies, and dynamite energy sources. The sustained level of these charges is driven by our continued operations in areas with limited access in the Appalachian Basin, Arkansas, Val Verde Basin of Texas and Eastern Oklahoma. We are reimbursed for these charges by our clients.

*Operating Costs.* Operating expenses for the six months ended March 31, 2009 totaled \$104,752,000 as compared to \$115,654,000 for the same period of fiscal 2008, a decrease of 9.4%. Operating expenses for the three months ended March 31, 2009 decreased 20.5% to \$45,737,000 as compared to \$57,529,000 for the same period of fiscal 2008 primarily due to reductions in field personnel and other expenses of operating the four data acquisition crews taken out of service during the second quarter of fiscal 2009. As discussed above, reimbursed expenses have a similar impact on operating costs.

General and administrative expenses were 3.2% of revenues in the first six months of fiscal 2009, as compared to 2.3% of revenues in the same period of 2008. For the quarter ended March 31, 2009, general and administrative expenses were approximately 3.7% of revenues as compared to 2.3% for the comparable quarter of fiscal 2008. The ratio of general and administrative expenses to revenue increased in the first six months and the quarter ended March 31, 2009 due to management's decision to increase the Company's allowance for doubtful accounts. We increased the allowance for doubtful accounts based on management's review of the Company's current past due accounts and client base. During the second quarter, we were made aware that two former clients and one current client with an accounts receivable balance of approximately \$1.0 million had filed for reorganization under bankruptcy protection. These facts significantly influenced management's decision to increase the Company's allowance for doubtful accounts. The increase in the allowance for doubtful accounts was partially offset by a release of reserves of approximately \$450,000 as a result of a partial payment in connection with the settlement of a previously disputed invoice.

Depreciation for the six months ended March 31, 2009 totaled \$13,130,000 compared to \$11,405,000 for the six months ended March 31, 2008. We recognized \$6,529,000 of depreciation expense in the second quarter of fiscal 2009 as compared to \$5,854,000 in the comparable quarter of fiscal 2008. The increase in depreciation expense in both the six month and three month periods is the result of the significant capital expenditures we made during fiscal 2008. Our depreciation expense is expected to continue to increase during fiscal 2009 reflecting our significant capital expenditures in fiscal 2008.

Our total operating costs for the first six months of fiscal 2009 were \$122,445,000, a decrease of 6.2% from the first six months of fiscal 2008. For the quarter ended March 31, 2009, our operating expenses were \$54,674,000 representing a 16.2% decrease from the comparable quarter of fiscal 2008. These decreases in the first six months and for the second quarter were primarily due to the factors described above.

*Taxes.* We provide for income taxes during interim periods based on our estimate of the effective tax rate for the year. Discrete items and changes in our estimate of the annual effective tax rate are recorded in the period in which they occur. We recognize interest and penalties related to uncertain tax positions as part of income tax expense.

Income tax expense was \$8,942,000 for the six months ended March 31, 2009 and \$9,597,000 for the six months ended March 31, 2008. The effective tax rate for the income tax provision for the six months ended March 31, 2009 and 2008 was 39.1% and 37.5%, respectively.

## Liquidity and Capital Resources

*Introduction.* Our principal sources of cash are amounts earned from the seismic data acquisition services we provide to our clients. Our principal uses of cash are the amounts used to provide these services, including expenses related to our operations and

acquiring new equipment. Accordingly, our cash position depends (as do our revenues) on the level of demand for our services. Historically, cash generated from our operations along with cash reserves and short-term borrowings from commercial banks have been sufficient to fund our working capital requirements, and to some extent, our capital expenditures.

*Cash Flows.* Net cash provided by operating activities was \$38,291,000 for the first six months of fiscal 2009 and \$16,501,000 for the first six months of fiscal 2008. These amounts primarily reflect our revenues and the effects of depreciation resulting from our significant capital expenditures over the last few years, while the working capital components in fiscal 2009 include a decrease in accounts receivable. The decrease in accounts receivable reflects the decrease in our revenues, as the number of days in receivables has not significantly changed over the last twelve months. Amounts in our accounts receivable that are over ninety days typically represent less than 3% of our total accounts receivables and are generally ultimately collected. The average number of days in accounts receivable is approximately fifty-five.

Net cash used in investing activities was \$1,054,000 in the six months ended March 31, 2009 and \$27,361,000 in the six months ended March 31, 2008. The net cash used in investing activities in both years primarily represents capital expenditures made with cash generated from operations. In fiscal 2009, we collected proceeds from an insurance claim on our equipment burned in a March 2008 wildfire. See Note 5 to our Notes to Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional information regarding the wildfire.

Net cash provided by financing activities for the six months ended March 31, 2008 was \$5,129,000 and reflects proceeds from the exercise of stock options, the excess tax benefits from disqualifying dispositions, and \$5,000,000 of proceeds drawn during the quarter on our line of credit. We had no cash flows from financing activities for the six months ended March 31, 2009 as we paid the balance of our revolving line of credit at September 30, 2008 and did not have any additional borrowings during the six months ended March 31, 2009.

*Capital Expenditures.* Capital expenditures during the first six months of fiscal 2009 were \$4,242,000. During the first quarter of fiscal 2009, we purchased an ARAM ARIES II recording system equipped with channels from existing crews and replacement vehicles. The ARAM ARIES II system replaced an I/O MRX II recording system on an existing crew. We have maintained the operation of the I/O MRX II system on a small 2-D crew during the second quarter of fiscal 2009.

Our Board of Directors previously approved a fiscal 2009 capital budget of \$20,000,000. However, due to current market conditions, we have limited, and plan to continue to limit, our capital expenditures to necessary maintenance capital requirements rather than investing in additional equipment as in the past few years.

We continually strive to supply our clients with technologically advanced 3-D seismic data acquisition recording systems and data processing capabilities. We maintain equipment in and out of service in anticipation of increased future demand for our services.

*Capital Resources.* Historically, we have primarily relied on cash generated from operations, cash reserves and short-term borrowings from commercial banks to fund our working capital requirements and, to some extent, our capital expenditures. We have also funded our capital expenditures and other financing needs from time to time through public equity offerings.

Our revolving line of credit loan agreement is with Western National Bank. The agreement permits us to borrow, repay and reborrow, from time to time until June 2, 2009, up to \$40.0 million based on the borrowing base calculation as defined in the agreement. Our obligations under this agreement are secured by a security interest in our accounts receivable, equipment and related collateral. Interest on the facility accrues at an annual rate equal to either the 30-day London Interbank Offered Rate ("LIBOR"), plus two and one-quarter percent or the Prime Rate, minus three-quarters percent as we direct monthly, subject to an interest rate floor of 4%. Interest on the outstanding amount under the loan agreement is payable monthly. The loan agreement contains customary covenants for credit facilities of this type, including limitations on disposition of assets, mergers and reorganizations. We are also obligated to meet certain financial covenants under the loan agreement, including maintaining specified ratios with respect to cash flow coverage, current assets and liabilities and debt to tangible net worth. We were in compliance with all covenants as of March 31, 2009 and May 8, 2009. We have had preliminary discussions with Western National Bank regarding the renewal of our loan agreement. Based on these discussions, we believe we will renew our loan agreement on substantially the same terms, although it is likely the facility will be reduced in size based on our current assessment of our needs. As of March 31, 2009 and May 8, 2009 no amounts were outstanding under the credit agreement.

On March 31, 2009, we filed a shelf registration statement with the SEC covering the periodic offer and sale of up to \$100.0 million in debt securities, preferred and common stock and warrants. The registration statement allows us to sell securities in one or

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more separate offerings with the size, price and terms to be determined at the time of sale. The terms of any securities offered would be described in a related prospectus to be filed separately with the SEC at the time of the offering. The filing of the shelf registration statement will enable us to act quickly as opportunities arise.

The following table summarizes payments due in specific periods related to our contractual obligations with initial terms exceeding one year as of March 31, 2009.

	Payments Due by Period (in 000's)				
	Total	Within 1 Year	1-3 Years	3-5 Years	After 5 Years
Operating lease obligations	\$ 1,499	\$ 584	\$ 875	\$ 40	\$ —

We believe that our capital resources and cash flow from operations are adequate to meet our current operational needs. We believe we will be able to finance our fiscal 2009 capital requirements through cash flow from operations and, if necessary, through borrowings under our revolving line of credit. However, our ability to satisfy our working capital requirements and to fund future capital requirements will depend principally upon our future operating performance, which is subject to the risks inherent in our business including the demand for our seismic services from clients.

### Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

### Critical Accounting Policies

The preparation of our financial statements in conformity with generally accepted accounting principles requires us to make certain assumptions and estimates that affect the reported amounts of assets and liabilities at the date of our financial statements and the reported amounts of revenues and expenses during the reporting period. Because of the use of assumptions and estimates inherent in the reporting process, actual results could differ from those estimates.

**Concentrations of Credit Risk.** Financial instruments which potentially expose us to concentrations of credit risk, as defined by SFAS No. 105 ("SFAS 105"), "Disclosure of Information About Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk," at any given time may consist of cash and cash equivalents, money market funds and overnight investment accounts, short-term investments and trade accounts receivable. At March 31, 2009 and 2008, we had deposits in domestic banks in excess of federally insured limits. We believe the credit risk associated with these deposits is minimal. Money market funds seek to preserve the value of the investment, but it is possible to lose money investing in these funds. We invest funds overnight under a repurchase agreement with our bank which is collateralized by securities of the United States Federal agencies. We invest primarily in short-term U.S. Treasury Securities which we believe are a low risk investment. Our sales are to clients whose activities relate to oil and natural gas exploration and production. We generally extend unsecured credit to these clients; therefore, collection of receivables may be affected by the economic conditions of the oil and natural gas industry. We closely monitor extensions of credit and may negotiate payment terms that mitigate risk.

**Revenue Recognition.** Our services are provided under cancelable service contracts. These contracts are either "turnkey" or "term" agreements. Under both types of agreements, we recognize revenues when revenue is realizable and services are performed. Services are defined as the commencement of data acquisition or processing operations. Revenues are considered realizable when earned according to the terms of the service contracts. Under turnkey agreements, revenue is recognized on a per unit of data acquired rate, as services are performed. Under term agreements, revenue is recognized on a per unit of time worked rate, as services are performed. In the case of a cancelled service contract, we recognize revenue and bill our client for services performed up to the date of cancellation.

We also receive reimbursements for certain out-of-pocket expenses under the terms of our service contracts. We record amounts billed to clients in revenue at the gross amount, including out-of-pocket expenses that are reimbursed by the client.

In some instances, we bill clients in advance of the services performed. In those cases, we recognize the liability as deferred revenue.

**Allowance for Doubtful Accounts.** We prepare our allowance for doubtful accounts receivable based on our review of past-due accounts, our past experience of historical write-offs and our current customer base. While the collectibility of outstanding client



invoices is continually assessed, the inherent volatility of the energy industry's business cycle can cause swift and unpredictable changes in the financial stability of our customers.

*Impairment of Long-Lived Assets.* We review long-lived assets for impairment when triggering events occur suggesting deterioration in the assets recoverability or fair value. Recognition of an impairment charge is required if future expected net cash flows are insufficient to recover the carrying value of the assets and fair value of the assets is below the carrying value of the assets. Our forecast of future cash flows used to perform impairment analysis includes estimates of future revenues and expenses based on our anticipated future results while considering anticipated future oil and natural gas prices which is fundamental in assessing demand for our services. If the carrying amount of the assets exceeds the estimated expected undiscounted future cash flows, we measure the amount of possible impairment by comparing the carrying amount of the assets to their fair value.

*Depreciable Lives of Property, Plant and Equipment.* Our property, plant and equipment are capitalized at historical cost and depreciated over the useful life of the asset. Our estimation of this useful life is based on circumstances that exist in the seismic industry and information available at the time of the purchase of the asset. As circumstances change and new information becomes available, these estimates could change. We amortize these capitalized items using the straight-line method.

*Tax Accounting.* We account for our income taxes in accordance with SFAS No. 109 ("SFAS 109"), "Accounting for Income Taxes," which requires the recognition of amounts of taxes payable or refundable for the current year and an asset and liability approach in recognizing the amount of deferred tax liabilities and assets for the future tax consequences of events that have been recognized in our financial statements or tax returns. We determine deferred taxes by identifying the types and amounts of existing temporary differences, measuring the total deferred tax asset or liability using the applicable tax rate and reducing the deferred tax asset by a valuation allowance if, based on available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Our methodology for recording income taxes requires judgment regarding assumptions and the use of estimates, including determining our annual effective tax rate and the valuation of deferred tax assets, which can create a variance between actual results and estimates and could have a material impact on our provision or benefit for income taxes.

*Stock-Based Compensation.* We account for stock based compensation awards in accordance with SFAS No. 123 (R) ("SFAS 123(R)", "Share-Based Payment." We measure all employee stock-based compensation awards using the fair value method and recognize compensation cost in our financial statements. We record compensation expense as operating or general and administrative expense as appropriate in the Statements of Operations on a straight-line basis over the vesting period.

#### **Recently Issued Accounting Pronouncements**

In September 2006, the FASB issued SFAS No. 157 ("SFAS 157"), "Fair Value Measurements." SFAS 157 clarifies that fair value is the amount that would be exchanged to sell an asset or transfer a liability in an orderly transaction between market participants. Further, the standard establishes a framework for measuring fair value in generally accepted accounting principles and expands certain disclosures about fair value measurements. SFAS 157 became effective for all financial assets and financial liabilities as of October 1, 2008, and upon adoption, SFAS 157 did not have a material impact on our financial statements. In February 2008, the FASB issued FASB Staff Position 157-2 ("FSP 157-2"), "Effective Date of FASB Statement No. 157," which delays the effective date of SFAS 157 for all non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). We do not expect the adoption of SFAS 157-2 to have a material impact on our financial statements.

In February 2007, the FASB issued SFAS No. 159 ("SFAS 159"), "The Fair Value Option for Financial Assets and Financial Liabilities." SFAS 159 provides companies with an option to report selected financial assets and liabilities at fair value. As of March 31, 2009, we have not elected the fair value option for any additional financial assets and liabilities beyond those already prescribed by accounting principles generally accepted in the United States.

In May 2008, the FASB issued SFAS No. 162 ("SFAS 162"), "The Hierarchy of Generally Accepted Accounting Principles." Under SFAS 162, the GAAP hierarchy will now reside in the accounting literature established by the FASB. SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements in conformity with GAAP. SFAS 162 was effective November 15, 2008 and did not have a material impact on our financial statements.



### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Our primary sources of market risk include fluctuations in commodity prices which affect demand for and pricing of our services as well as interest rate fluctuations. At March 31, 2009, we had no long-term indebtedness or short-term investments. We have not entered into any hedge arrangements, commodity swap agreements, commodity futures, options or other derivative financial instruments. We do not currently conduct business internationally, so we are not generally subject to foreign currency exchange rate risk.

### **ITEM 4. CONTROLS AND PROCEDURES**

*Management's Evaluation of Disclosure Controls and Procedures.* We carried out an evaluation, under the supervision and with the participation of our management, including our principal executive and principal financial officers, of the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934 as of the end of the period covered by this quarterly report. Based upon that evaluation, our President and Chief Executive Officer and our Executive Vice President, Secretary and Chief Financial Officer concluded that, as of March 31, 2009, our disclosure controls and procedures were effective, in all material respects, with regard to the recording, processing, summarizing and reporting, within the time periods specified in the SEC's rules and forms, for information required to be disclosed by us in the reports that we file or submit under the Exchange Act. Our disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our President and Chief Executive Officer and our Executive Vice President, Secretary and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

*Changes in Internal Control Over Financial Reporting.* There have not been any changes in our internal controls over financial reporting (as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934) during the quarter ended March 31, 2009 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

From time to time, we are a party to various legal proceedings arising in the ordinary course of business. Although we cannot predict the outcomes of any such legal proceedings, our management believes that the resolution of pending legal actions will not have a material adverse effect on our financial condition, results of operations or liquidity.

During the quarter ended March 31, 2009, one of our clients filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code. As of March 31, 2009, this client had an accounts receivable balance with the Company of approximately \$1.0 million.

### **ITEM 1A. RISK FACTORS**

In addition to the other information set forth in this Form 10-Q, you should carefully consider the risk factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended September 30, 2008, which could materially affect our financial condition or results of operations. There have been no material changes in our risk factors from those disclosed in our 2008 Annual Report on Form 10-K.

### **ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

The Annual Meeting of Stockholders was held on January 27, 2009.

The following proposals were adopted by the margins indicated:

1. To elect a Board of Directors to hold office until the next annual meeting of shareholders and until their successors are elected and qualified.

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	Number of Shares	
	For	Withheld
Paul H. Brown	6,619,010	342,016
L. Decker Dawson	6,589,829	371,197
Gary M. Hoover	6,752,972	208,054
Stephen C. Jumper	6,671,914	289,112
Jack D. Ladd	6,793,267	167,759
Ted R. North	6,793,696	167,330
Tim C. Thompson	6,619,799	341,227

2. To ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending September 30, 2009.

For	6,173,086
Against	215,399
Abstain	572,540
Broker Non-Votes	0

## ITEM 6. EXHIBITS

The information required by this Item 6 is set forth in the Index to Exhibits accompanying this Form 10-Q and is hereby incorporated by reference.

**SIGNATURES**

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

DAWSON GEOPHYSICAL COMPANY

DATE: May 8, 2009

By: /s/ Stephen C. Jumper  
Stephen C. Jumper  
President and Chief Executive Officer

DATE: May 8, 2009

By: /s/ Christina W. Hagan  
Christina W. Hagan  
Executive Vice President, Secretary and  
Chief Financial Officer

## INDEX TO EXHIBITS

Number	Exhibit
3.1	Second Restated Articles of Incorporation of the Company, as amended (filed on February 9, 2007 as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2006 (File No. 000-10144) and incorporated herein by reference and filed on November 28, 2007 as Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 000-10144) and incorporated herein by reference).
3.2	Amended and Restated Bylaws of the Company (filed on August 7, 2007 as Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 000-10144) and incorporated herein by reference).
4.1	Rights Agreement by and between the Company and BNY Mellon Shareowner Services (f/k/a Chasemellon Shareholder Services, L.L.C.), as Rights Agent, dated July 13, 1999 (filed on December 11, 2003 as Exhibit 4 to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2003 (File No. 000-10144) and incorporated herein by reference).
10.1†	Summary of Non-Employee Director Compensation (filed on February 9, 2009 as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2008 (File No. 000-10144) and incorporated herein by reference).
31.1*	Certification of Chief Executive Officer of Dawson Geophysical Company pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
31.2*	Certification of Chief Financial Officer of Dawson Geophysical Company pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
32.1*	Certification of Chief Executive Officer of Dawson Geophysical Company pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code.
32.2*	Certification of Chief Financial Officer of Dawson Geophysical Company pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code.

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\* Filed herewith.

† Management contract or compensatory plan or arrangement.

CERTIFICATION

I, Stephen C. Jumper, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dawson Geophysical Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 8, 2009

/s/ Stephen C. Jumper

Stephen C. Jumper  
President and Chief Executive Officer  
(principal executive officer)

**CERTIFICATION**

I, Christina W. Hagan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dawson Geophysical Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 8, 2009

/s/ Christina W. Hagan  
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Christina W. Hagan  
Executive Vice President, Secretary and Chief Financial Officer  
(principal financial and accounting officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Dawson Geophysical Company (the "Company") on Form 10-Q for the period ended March 31, 2009, as filed with the Securities and Exchange Commission (the "Report"), I, Stephen C. Jumper, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 8, 2009

/s/ Stephen C. Jumper

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Stephen C. Jumper  
President and Chief Executive Officer  
(principal executive officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Dawson Geophysical Company (the "Company") on Form 10-Q for the period ended March 31, 2009, as filed with the Securities and Exchange Commission (the "Report"), I, Christina W. Hagan, Executive Vice President, Secretary and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 8, 2009

/s/ Christina W. Hagan

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Christina W. Hagan

Executive Vice President, Secretary and Chief Financial Officer  
(principal financial and accounting officer)