



**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 June 30, 2007**

☐ **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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐

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.

Title of Each Class	Outstanding at August 3, 2007
Common Stock, \$.33 1/3 par value	7,627,494 shares

# 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 June 30,		Nine Months Ended June 30,	
	2007	2006	2007	2006
Operating revenues	\$68,637,000	\$41,524,000	\$182,226,000	\$117,059,000
Operating costs:				
Operating expenses	49,825,000	30,378,000	135,157,000	87,625,000
General and administrative	1,532,000	1,117,000	4,585,000	3,558,000
Depreciation	4,685,000	3,393,000	12,853,000	9,557,000
	56,042,000	34,888,000	152,595,000	100,740,000
Income from operations	12,595,000	6,636,000	29,631,000	16,319,000
Other income:				
Interest income	190,000	147,000	616,000	475,000
Other income (expense)	230,000	(81,000)	229,000	55,000
Income before income tax	13,015,000	6,702,000	30,476,000	16,849,000
Income tax expense:				
Current	(4,502,000)	(1,543,000)	(9,567,000)	(3,385,000)
Deferred	(952,000)	(918,000)	(2,545,000)	(2,572,000)
	(5,454,000)	(2,461,000)	(12,112,000)	(5,957,000)
Net income	\$ 7,561,000	\$ 4,241,000	\$ 18,364,000	\$ 10,892,000
Net income per common share	\$ 0.99	\$ 0.56	\$ 2.42	\$ 1.45
Net income per common share-assuming dilution	\$ 0.98	\$ 0.56	\$ 2.40	\$ 1.44
Weighted average equivalent common shares outstanding	7,622,755	7,535,615	7,589,022	7,508,871
Weighted average equivalent common shares outstanding-assuming dilution	7,695,371	7,614,507	7,660,053	7,586,117

See accompanying notes to the financial statements (unaudited).

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

	June 30, 2007 (Unaudited)	September 30, 2006
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 1,587,000	\$ 8,064,000
Short-term investments	—	6,437,000
Accounts receivable, net of allowance for doubtful accounts of \$300,000 in June 2007 and \$148,000 in September 2006	51,818,000	46,074,000
Prepaid expenses and other assets	979,000	690,000
Current deferred tax asset	810,000	1,619,000
Total current assets	55,194,000	62,884,000
<b>Property, plant and equipment:</b>	208,682,000	160,740,000
Less accumulated depreciation	(86,429,000)	(74,206,000)
Net property, plant and equipment	122,253,000	86,534,000
	<u>\$ 177,447,000</u>	<u>\$ 149,418,000</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 18,863,000	\$ 16,280,000
Accrued liabilities:		
Payroll costs and other taxes	1,044,000	1,958,000
Other	7,759,000	4,195,000
Deferred revenue	1,914,000	863,000
Total current liabilities	29,580,000	23,296,000
<b>Deferred tax liability</b>	8,651,000	6,914,000
<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, 7,623,744 and 7,549,244 shares issued and outstanding in each period	2,541,000	2,517,000
Additional paid-in capital	83,957,000	82,370,000
Other comprehensive expense, net of tax	—	(33,000)
Retained earnings	52,718,000	34,354,000
Total stockholders' equity	139,216,000	119,208,000
	<u>\$ 177,447,000</u>	<u>\$ 149,418,000</u>

See accompanying notes to the financial statements (unaudited).

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

	<b>Nine Months Ended June 30,</b>	
	<b>2007</b>	<b>2006</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 18,364,000	\$ 10,892,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	12,853,000	9,557,000
Non-cash compensation	474,000	590,000
Deferred income tax expense	2,545,000	2,572,000
Excess tax benefit from share based payment arrangement	(583,000)	(180,000)
Other	498,000	92,000
Change in current assets and liabilities:		
Increase in accounts receivable	(5,744,000)	(6,818,000)
(Increase) decrease in prepaid expenses	(289,000)	378,000
(Decrease) increase in accounts payable	(1,317,000)	2,728,000
Increase in accrued liabilities	2,650,000	1,000,000
Increase (decrease) in deferred revenue	1,051,000	(122,000)
Net cash provided by operating activities	<u>30,502,000</u>	<u>20,689,000</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures, net of \$3,900,000 noncash capital expenditures in June 2007	(44,837,000)	(32,606,000)
Proceeds from disposal of assets	238,000	342,000
Proceeds from maturity of short-term investments	6,500,000	2,500,000
Proceeds from sale of short-term investments	—	6,510,000
Net cash used in investing activities	<u>(38,099,000)</u>	<u>(23,254,000)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Excess tax benefit from share based payment arrangement	583,000	180,000
Proceeds from exercise of stock options	537,000	369,000
Net cash provided by financing activities	<u>1,120,000</u>	<u>549,000</u>
Net decrease in cash and cash equivalents	(6,477,000)	(2,016,000)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>8,064,000</u>	<u>2,803,000</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>\$ 1,587,000</u>	<u>\$ 787,000</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid during the period for income taxes	<u>\$ 6,923,000</u>	<u>\$ 2,340,000</u>
<b>NON CASH INVESTING ACTIVITIES:</b>		
Unrealized loss on investments	<u>\$ —</u>	<u>\$ (27,000)</u>

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 presentation of the financial condition and results of operations for the periods presented. The results of operations for the three months and the nine months ended June 30, 2007 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. 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, 2006.

**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.

*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, clients 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 past experience of historical write-offs, its current customer base and review of past due accounts. The inherent volatility of the energy industry's business cycle can cause swift and unpredictable changes in the financial stability of the Company's customers.

*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 asset. Management's forecast of future cash flow used to perform impairment analysis includes estimates of future revenues and future gross margins based on the Company's historical results and analysis of future oil and gas prices which is fundamental in assessing demand for the Company's services. If the Company is unable to achieve these cash flows an impairment charge would be recorded.

*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 useful lives is based on circumstances that exist in the seismic industry and information available at the time of the purchase of the asset. The technology of the equipment used to gather data in the seismic industry has historically evolved such that obsolescence does not occur quickly. As circumstances change and new information becomes available, these estimates could change. Depreciation is computed using the straight-line method.

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**Tax Accounting.** The Company accounts for income taxes in accordance with SFAS No. 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 assets 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.** On December 16, 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123(R)"). SFAS 123(R) requires companies to measure all employee stock-based compensation awards using a fair value method and recognize compensation cost in its financial statements. The Company adopted SFAS 123(R) beginning October 1, 2005 for stock-based compensation awards granted after that date and for nonvested awards outstanding at that date using the modified prospective application method. The Company recognizes the fair value of stock-based compensation awards as operating or general and administrative expense as appropriate in the Statements of Operations on a straight-line basis over the vesting period.

The Company adopted the 2000 Incentive Stock Plan during fiscal 1999 (the "2000 Plan"), which provides options to purchase 500,000 shares of authorized but unissued common stock of the Company. The option price is the market value of the Company's common stock at the date of grant. Options are exercisable 25% annually from the date of the grant and the options expire five years from the date of grant. The 2000 Plan provides that 50,000 of the 500,000 shares of authorized but unissued common stock may be awarded to officers, directors and employees of the Company for the purpose of additional compensation.

In fiscal 2004, the Company adopted the 2004 Incentive Stock Plan (the "2004 Plan") which provides 375,000 shares of authorized but unissued common stock of the Company. The 2004 Plan operates like the 2000 Plan except that of the 375,000 shares, up to 125,000 shares may be awarded to officers, directors, and employees of the Company and up to 125,000 shares may be awarded with restrictions for the purpose of additional compensation.

Although shares are available under the 2000 and 2004 Plans, the Company does not intend to issue options or grants from these Plans in the future.

In fiscal 2007, the Company adopted the Dawson Geophysical Company 2006 Stock and Performance Incentive Plan ("the Plan"). The Plan provides 750,000 shares of authorized but unissued common stock of the Company which may be awarded to officers, directors, employees, and consultants of the Company in various forms including options, grants, restricted stock grants and others. The Plan was approved by shareholders at the Company's Annual Shareholders Meeting on January 23, 2007 and no awards have been issued under the Plan as of June 30, 2007.

### Incentive Stock Options:

A summary of the activity of the Company's stock option plans as of June 30, 2007 and changes during the period ended is presented below:

	Weighted Average Price	Number of Optioned Shares	Weighted Average Remaining Contractual Term in Years	Aggregate Intrinsic Value (\$000)
Balance as of September 30, 2006	\$ 9.12	171,250	2.22	\$ 3,535
Forfeited	15.82	(6,500)		
Exercised	7.76	(71,500)		
Balance as of June 30, 2007	\$ 9.69	93,250	1.75	\$ 4,927
Exercisable as of June 30, 2007	\$ 8.01	69,250	1.75	\$ 3,775



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	Number of Nonvested Share Awards	Weighted Average Grant Date Fair Value
Nonvested Shares Outstanding September 30, 2006	72,000	\$ 11.35
Vested	(41,500)	8.81
Forfeited	(6,500)	15.82
Nonvested Shares Outstanding June 30, 2007	24,000	\$ 14.52

Outstanding options at June 30, 2007 expire between November 2007 and November 2009 and have exercise prices ranging from \$5.21 to \$17.91. There were no stock options granted during fiscal 2006 or the first nine months of fiscal 2007.

The Company estimates the fair value of each stock option on the date of grant using the Black-Scholes valuation model. The expected volatility is based on historical volatility over the expected vesting term of 48 months. As the Company has not historically declared dividends, the dividend yield used in the calculation is zero. 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.

The total intrinsic value of options exercised during the nine months ended June 30, 2007 and 2006 was \$2,425,000 and \$1,029,484, respectively.

Stock options outstanding under the Company's 2000 and 2004 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 nine months ended June 30, 2007 and 2006, excess tax benefits from disqualifying dispositions of options of \$583,000 and \$180,000 accordingly were reflected in both cash flows from operating activities and cash flows from financing activities in the Statements of Cash Flows.

The Company recorded compensation expense associated with stock options for the nine months ended June 30, 2007 and 2006 of \$27,000 and \$235,000, respectively, which is included in wages in the Statements of Operations. The total cost of nonvested stock option awards which the Company had not yet recognized was approximately \$125,000 and \$320,000 at June 30, 2007 and 2006, respectively. Such amounts are expected to be recognized over a weighted average period of 1.25 and 1.75 years, respectively.

#### Restricted Stock:

The Company granted 59,000 restricted shares during the first quarter of fiscal 2007 under the 2004 Plan. The fair value of the restricted stock granted equals the market price on the grant date and vests after three years.

	Number of Restricted Share Awards	Weighted Average Grant Date Fair Value
Nonvested Restricted Shares Outstanding September 30, 2006	—	—
Granted	59,000	\$ 27.05
Forfeited	(3,000)	27.05
Nonvested Restricted Shares Outstanding June 30, 2007	56,000	\$ 27.05

The Company granted 3,000 restricted shares with immediate vesting to outside directors in both the first quarter fiscal 2007 and 2006 as compensation. The grant date fair value equaled \$39.77 and \$31.64 in each quarter, respectively. The Company granted 8,200 restricted shares with immediate vesting to employees in the second quarter fiscal 2006 as compensation. The weighted average grant date fair value was \$31.54. No restricted shares with immediate vesting were granted during the second quarter 2007 or third quarter fiscal 2007 and 2006. The Company recognized compensation expense of \$119,000 and \$353,000 as well as the related tax benefit associated with these grants in the nine months ended June 30, 2007 and 2006.

The Company's tax benefit with regards to restricted stock awards is consistent with the tax election of the recipient of the award. No elections under IRC Section 83(b) were made for the restricted stock awards granted during the first quarter 2007. As a result, the compensation expense recorded for restricted stock resulted in a deferred tax asset for the Company equal to the tax effect of the amount of compensation expense recorded.

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Compensation expense associated with restricted stock of \$328,000 for the nine-month period ended June 30, 2007 is included in wages in the Statement of Operations. Total cost of nonvested restricted stock awards which the Company had not yet recognized at June 30, 2007 was approximately \$984,000. This amount is expected to be recognized over 2.25 years.

### Recently Issued Accounting Pronouncements

In July 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes". FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company is evaluating the impact of FIN 48 on its financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). 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 is effective for fiscal years beginning after November 15, 2007. The Company does not expect the adoption of SFAS 157 to have a material impact on its financial statements.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" ("SAB 108"). SAB 108 provides guidance on how prior year misstatements should be taken into consideration when quantifying misstatements in current year financial statements for purposes of determining whether the current year's financial statements are materially misstated. SAB 108 is effective for fiscal years ending after November 15, 2006. The Company does not expect the adoption of SAB 108 to have a material impact on its financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 provides companies with an option to report selected financial assets and liabilities at fair value. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company is evaluating the impact of SFAS 159 on its financial statements.

### 3. NET INCOME PER COMMON SHARE

The Company accounts for earnings per share in accordance with Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS 128"). 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 June 30		Nine Months Ended June 30	
	2007	2006	2007	2006
<b>NUMERATOR:</b>				
Net income and numerator for basic and diluted net income per common share-income available to common shareholders	\$ 7,561,000	\$ 4,241,000	\$ 18,364,000	\$ 10,892,000
<b>DENOMINATOR:</b>				
Denominator for basic net income per common share-weighted average common shares	7,622,755	7,535,615	7,589,022	7,508,871
Effect of dilutive securities-employee stock options and restricted stock grants	72,616	78,892	71,031	77,246
Denominator for diluted net income per common share-adjusted weighted average common shares and assumed conversions	7,695,371	7,614,507	7,660,053	7,586,117
Net income per common share	\$ 0.99	\$ 0.56	\$ 2.42	\$ 1.45
Net income per common share-assuming dilution	\$ 0.98	\$ 0.56	\$ 2.40	\$ 1.44

**4. DEBT**

On January 18, 2007, the Company entered into a revolving line of credit loan agreement with Western National Bank. This agreement permits the Company to borrow, repay and reborrow, from time to time until January 18, 2008, up to \$20.0 million. Obligations under this agreement are secured by a security interest in the Company's accounts receivable and related collateral. Interest on the outstanding amount under the line of credit loan agreement is payable monthly at a rate equal to the Prime Rate until maturity, January 18, 2008, when the entire amount of the principal and accrued, unpaid interest shall be due and payable. The loan agreement contains customary covenants for credit facilities of this type, including limitations on distributions and dividends, disposition of assets and mergers and acquisitions. There are certain financial covenants under the loan agreement, including maintaining a minimum tangible net worth (as defined in the loan agreement) of \$40.0 million and maintaining specified ratios with respect to cash flow coverage, current assets and liabilities, and debt to tangible net worth. The Company is in compliance with all covenants as of August 3, 2007.

The current agreement is a renewal of a revolving line of credit agreement with Western National Bank which matured January 18, 2007. The current agreement reflects an increase in borrowing capacity to \$20.0 million from \$10.0 million under the preceding agreement. No funds were borrowed under the current or preceding credit loan agreement during fiscal 2006 and through June 30, 2007. On July 5, 2007 the Company borrowed \$5.0 million under the agreement for working capital purposes.

**5. CONTINGENCY**

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.

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 our contractual obligations with initial terms exceeding one year as of June 30, 2007:

	Payments Due by Period (\$000)				
	Total	Within 1 Year	1-3 Years	3-5 Years	After 5 Years
Operating lease obligations	\$1,315	\$466	\$521	\$328	\$ —

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 \$301,000 and \$113,000 for the nine months ended June 30, 2007 and 2006, respectively, and \$119,000 for the quarter ended June 30, 2007 as compared to \$38,000 for the quarter ended June 30, 2006.

## 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

All statements other than statements of historical fact included in this Form 10-Q, 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, are 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 dependence upon energy industry spending, the volatility of oil and gas prices, weather interruptions, the ability to manage growth, the ability to obtain land access rights of way, and the availability of capital resources. 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, 2006 and in our other reports filed from time to time with the Securities and Exchange Commission. 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 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 gas companies. Demand for our services depends upon the level of spending by these oil and gas companies for exploration, production, development and field management activities, which partly depends 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.

Accordingly, our profitability is directly related to the level of exploration for domestic oil and natural gas reserves by the petroleum industry. As a result of an increase in domestic exploration spending during the past few years, we have experienced an increased demand for our seismic data acquisition and processing services, particularly from clients seeking natural gas reserves. While the markets for oil and natural gas have historically been volatile and are likely to continue to be so in the future and we can make no assurances as to future levels of domestic exploration or commodity prices, we believe opportunities exist for us to enhance our market position by responding to our clients’ desire for higher resolution subsurface images. We have continued to experience high demand for our services despite fluctuations in oil and natural gas prices over the last year.

We continue to focus on increasing the revenues from and profitability of our existing data acquisition crews by upgrading our recording capacity, expanding the channel count on existing crews and adding to our energy source fleet. 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 successful efforts to negotiate more favorable weather protection provisions in our service contracts to mitigate access permit delays and to improve overall crew productivity may contribute to growth in our revenues. We continue to realize an increase in third party charges related to the use of dynamite energy sources, helicopter support services, and specialized survey technologies. The increase in these charges is related to our continued operations in areas of limited access. We are reimbursed for these expenses by our clients. Although our clients may cancel their service contracts with us on short notice, we believe we currently have a sufficient order book to sustain operations at full capacity through calendar year 2007 and well into calendar year 2008 on several crews.

## Highlights of the Quarter Ended June 30, 2007

Our financial performance from operations for the third quarter of fiscal 2007 significantly improved when compared to our financial performance for the third quarter of fiscal 2006 as a result of continuing high demand for our services. The following are the highlights of our third quarter performance:

- We operated fourteen data acquisition crews during the quarter, an increase of three crews from the same quarter in fiscal 2006.
- We deployed our fourteenth data acquisition crew in April.
- We continued to make significant investments in our equipment and recording capacity:
  - We deployed a 9,500 channel Aram Aries recording system to replace an existing I/O system II MRX recording system on an existing crew;
  - We took delivery of eight I/O vibrator energy source units; and
  - We took delivery of two 5,000 Aram Aries recording systems, one of which will replace an existing I/O System II MRX in August. The second will be deployed in the fall on a new data acquisition crew, our fifteenth.

## Results of Operations

*Operating Revenues.* Our operating revenues for the first nine months of fiscal 2007 increased 56% to \$182,226,000 from \$117,059,000 for the first nine months of fiscal 2006. For the three months ended June 30, 2007, operating revenues totaled \$68,637,000 as compared to \$41,524,000 for the same period of fiscal 2006, a 65% increase. Included in the third quarter of fiscal 2007 revenues are substantial increases in third party charges related to the use of helicopter support services, specialized survey technologies, and dynamite energy sources. The increase in these charges is driven by our continued operations in areas with limited access in the Appalachian Basin, Arkansas, Val Verde Basin in Texas and eastern Oklahoma. Revenue growth was primarily due to the expanded capabilities of existing crews, price improvements in the markets for our services and more favorable contract terms with clients, as well as the fielding of two additional seismic data acquisition crews in June and October of 2006, and one additional crew in April of 2007. Although we have some level of protection for weather-related downtime in our customer contracts, weather conditions negatively affected operating results in the quarter ended June 30, 2007. While inclement weather conditions continued to have an adverse effect on our operations during July, we are currently operating at full capacity with fourteen crews. The effect of the weather conditions on our fourth quarter results cannot be determined at this time.

*Operating Costs.* Operating expenses for the nine months ended June 30, 2007 totaled \$135,157,000 versus \$87,625,000 for the same period of fiscal 2006, an increase of 54%. Operating expenses for the three months ended June 30, 2007 increased 64% to \$49,825,000 as compared to \$30,378,000 for the same period of fiscal 2006. Increases in operating expenses are primarily due to the ongoing expenses of the two crews added in June and October of 2006, the crew added in April of 2007, the expenses of supporting equipment enhancements on existing crews and reimbursable expenses.

General and administrative expenses were 2.5% of revenues in the first nine months of fiscal 2007, as compared to 3% of revenues in the same period of fiscal 2006. For the quarter ended June 30, 2007, general and administrative expenses were approximately 2.2% of revenues as compared to 2.7% for the comparable quarter of fiscal 2006. While the ratio of general and administrative expenses to revenue declined in fiscal 2007, the actual dollar amount increased. The increase of \$1,027,000 from the first nine months of fiscal 2006 to the first nine months of fiscal 2007 reflects ongoing expenses necessary to support expanded field operations.

Depreciation for the nine months ended June 30, 2007 totaled \$12,853,000 as compared to \$9,557,000 for the nine months ended June 30, 2006. We recognized \$4,685,000 of depreciation expense in the third quarter of fiscal 2007 as compared to \$3,393,000 in the comparable quarter of fiscal 2006. The increase in depreciation expenses in both the nine month and three month periods was the result of the significant capital expenditures we made during fiscal 2006 and to date in fiscal 2007. Our depreciation expense is expected to increase during fiscal 2007 reflecting our significant capital expenditures in fiscal 2006 and fiscal 2007.

Our total operating costs for the first nine months of fiscal 2007 were \$152,595,000, an increase of 51% from the first nine months of fiscal 2006. For the quarter ended June 30, 2007, our operating expenses were \$56,042,000 representing a 61% increase from the comparable quarter of fiscal 2006. These increases in the first nine months period and for the third quarter were primarily due to the factors described above.

*Taxes.* The effective tax rate for the income tax provision for the nine months ended June 30, 2007 and 2006 was 39.7% and 35.4%, respectively. The increase in the effective tax rate in fiscal 2007 as compared to fiscal 2006 was due to the Company having utilized most of its net operating loss carryforwards in fiscal 2006 and increased taxes as a result of changes in tax legislation that impacts Company operations.

## **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 has been sufficient to fund our working capital requirements, and to some extent, our capital expenditures.

*Cash Flows.* Net cash provided by operating activities was \$30,502,000 for the first nine months of fiscal 2007 and \$20,689,000 for the first nine months of fiscal 2006. Net cash flow provided by operating activities for the first nine months of fiscal 2007 primarily reflects an increase in total revenues as discussed in "Results of Operations".

Net cash used in investing activities was \$38,099,000 in the nine months ended June 30, 2007 and \$23,254,000 in the nine months ended June 30, 2006. The net cash used in investing activities in fiscal 2007 primarily represents capital expenditures made with cash generated from operations.

Net cash provided by financing activities for the first nine months ended June 30, 2007 and 2006 was \$1,120,000 and \$549,000, respectively, and reflects proceeds from the exercise of stock options and the excess tax benefits from disqualifying dispositions in the period.

*Capital Expenditures.* Capital expenditures during the first nine months of fiscal 2007 were \$48,737,000, which we used to acquire additional recording channels, field the fourteenth crew, acquire ARAM Aries recording systems to replace existing I/O system II MRX recording systems, purchase vibrator energy source units and to satisfy maintenance capital requirements.

Our Board of Directors increased the previously reported fiscal 2007 capital budget by \$16,900,000 to \$55,000,000. During the quarter, we took delivery of two 5,000 channel, and one 9,500 channel Aram Aries recording systems. The 9,500 channel Aram system was deployed in July as a replacement for an existing I/O System II MRX recording system. One of the 5,000 channel Aram systems will replace an existing I/O System II MRX recording system on an existing crew in August. We anticipate deploying the second 5,000 channel Aram system on a new data acquisition crew, our fifteenth, to be fielded in the fall. In the quarter ended June 30, 2007, we took delivery of eight I/O vibrator energy source units to complete our order of eighteen. The balance of the capital budget will be used to make technical improvements in all phases of our operations and to meet maintenance capital requirements. We believe these expenditures will allow us to maintain our competitive position as we respond to client desire for higher resolution subsurface images.

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. At times, we have also funded our capital expenditures and other financing needs through public equity offerings.

Our revolving line of credit loan agreement is with Western National Bank. In January, we renewed the agreement for an additional year and increased the size of the facility from \$10.0 million to \$20.0 million. The agreement permits us to borrow, repay and reborrow, from time to time until January 18, 2008, up to \$20.0 million. Our obligations under this agreement are secured by a security interest in our accounts receivable and related collateral. Interest on the outstanding amount under the line of credit loan agreement is payable monthly at a rate equal to the Prime Rate. The loan agreement contains customary covenants for credit facilities

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of this type, including limitations on distributions and dividends, disposition of assets and mergers and acquisitions. We are also obligated to meet certain financial covenants under the loan agreement, including maintaining a minimum tangible net worth (as defined in the loan agreement) of \$40.0 million and maintaining specified ratios with respect to cash flow coverage, current assets and liabilities, and debt to tangible net worth. We are in compliance with all covenants as of August 3, 2007. On July 5, 2007, we borrowed \$5.0 million under this credit loan agreement for working capital purposes.

On August 5, 2005, we filed a shelf registration statement with the Securities and Exchange Commission covering the periodic offer and sale of up to \$75.0 million in debt securities, preferred and common stock, and warrants. The registration statement allows us to sell securities, after the registration statement has been declared effective by the SEC, in one or 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 June 30, 2007:

	Payments Due by Period (\$000)				
	Total	Within 1 Year	1-3 Years	3-5 Years	After 5 Years
Operating lease obligations	\$1,315	\$466	\$521	\$328	\$ —

We believe that our capital resources and cash flow from operations are adequate to meet current operational needs. We believe we will be able to finance our remaining fiscal 2007 capital requirements through cash flow from operations, borrowings under our revolving line of credit and, if necessary, from capital markets offerings. However, the 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.

### 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.

**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 our clients.

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 past experience of historical write-offs, our current customer base and our review of past due accounts. 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 asset. Our forecast of future cash flows used to perform impairment analysis includes estimates of future revenues and future gross margins based on our historical results and analysis of future oil and gas prices



which is fundamental in assessing demand for our services. If we are unable to achieve these cash flows, an impairment charge would be recorded.

*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 useful lives is based on circumstances that exist in the seismic industry and information available at the time of the purchase of the asset. The technology of the equipment used to gather data in the seismic industry has historically evolved such that obsolescence does not occur quickly. As circumstances change and new information becomes available, these estimates could change. We depreciate capitalized items using the straight-line method.

*Tax Accounting.* We account for our income taxes in accordance with SFAS No. 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 variances between actual results and estimates. The process involves making forecasts of current and future years’ taxable income and unforeseen events may significantly affect these estimates and could have a material impact on our provision or benefit for income taxes.

*Stock Based Compensation.* On December 16, 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 (revised 2004), “Share-Based Payment” (“SFAS 123(R)”). SFAS 123(R) requires companies to measure all employee stock-based compensation awards using a fair value method and recognize compensation cost in its financial statements. We adopted SFAS 123(R) beginning October 1, 2005 for stock-based compensation awards granted after that date and for nonvested awards outstanding at that date using the modified prospective application method. SFAS 123(R) requires us to recognize compensation expense for all share-based payment arrangements based on the fair value of the share-based payment on the date of the grant. 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. We determine the fair value of stock options granted to employees using the Black-Scholes option pricing model based on the following assumptions:

- Expected volatility of our stock price is based on historical volatility over the expected term of the option.
- Expected term of the option is based on historical employee stock option exercise behavior, the vesting term of the respective option and the contractual term.
- Risk-free interest rate for periods with the expected term of the option.
- Dividend yield.

Our stock price volatility and term assumptions are based on management’s best estimates at the time of grant, both of which impact the fair value of the option calculated under the Black-Scholes methodology and, ultimately, the expense that will be recognized over the vesting term of the option.

SFAS 123(R) also requires that we recognize compensation expense for only the portion of the share-based payment arrangements that are expected to vest. Therefore, we apply estimated forfeiture rates that are based on historical employee pre-vesting termination behavior. We periodically adjust the estimated forfeiture rates so that only the compensation expense related to share-based payment arrangements that vest are included in wages. If the actual number of forfeitures differs from those estimated by management, additional adjustments to compensation expense may be required in future periods.

## **Recently Issued Accounting Pronouncements**

In July 2006, the FASB issued FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109” (“FIN 48”). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim



periods, disclosures, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. We are evaluating the impact of FIN 48 on our financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). 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 is effective for fiscal years ending after November 15, 2007. We do not expect the adoption of SFAS 157 to have a material impact on our financial statements.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" ("SAB 108"). SAB 108 provides guidance on how prior year misstatements should be taken into consideration when quantifying misstatements in current year financial statements for purposes of determining whether the current year's financial statements are materially misstated. SAB 108 is effective for fiscal years ending after November 15, 2006. We do not expect the adoption of SAB 108 to have a material impact on our financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liability" ("SFAS 159"). SFAS 159 provides companies with an option to report selected financial assets and liabilities at fair value. SFAS 159 is effective for fiscal years beginning after November 15, 2007. We are evaluating the impact of SFAS 159 on our financial statements.

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

The primary sources of market risk include fluctuations in commodity prices which affect demand for and pricing of our services and interest rate fluctuations. At June 30, 2007, we had no indebtedness; however, on July 5, 2007 we borrowed \$5.0 million under the term of the revolving line of credit loan agreement with Western National Bank for working capital purposes. Interest payable under the revolving line of credit is variable based upon the then current prime rate. At June 30, 2007, we did not have any short-term investments. In the past our short-term investments were fixed-rate and we did not necessarily intend to hold them to maturity, and therefore, the short-term investments exposed us to the risk of earnings or cash flow loss due to changes in market interest rates. 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**

*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 June 30, 2007, 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) during the quarter ended June 30, 2007 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.

### **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, 2006, 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 2006 Annual Report on Form 10-K.

**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: August 7, 2007

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

DATE: August 7, 2007

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 and incorporated herein by reference).
3.2*	Amended and Restated Bylaws of the Company.
4.1	Rights Agreement by and between the Company and Mellon Investor Services, LLC (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 and incorporated herein by reference).
10.1†	Form of Restricted Stock Agreement for the Dawson Geophysical Company 2006 Stock and Performance Incentive Plan (the "2006 Plan") (filed on August 6, 2007 as Exhibit 10.1 to the Company's Current Report on Form 8-K and incorporated herein by reference).
10.2†	Form of Stock Option Agreement for the 2006 Plan (filed on August 6, 2007 as Exhibit 10.2 to the Company's Current Report on Form 8-K 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.

DAWSON GEOPHYSICAL COMPANY

AMENDED AND RESTATED BYLAWS

ARTICLE I

OFFICES

Section 1. The principal office of the Corporation shall be in the City of Midland, County of Midland, State of Texas, and the resident agent in charge thereof is L. Decker Dawson.

Section 2. The Corporation may also have offices at such other places both within and without the State of Texas as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 1. All meetings of the stockholders for the election of directors shall be held at the offices of the Corporation in Midland, Texas, unless otherwise provided by resolution by the Board of Directors. Meetings of stockholders for any other purpose may be held at such time and place, within or without the State of Texas, as shall be stated in the Notice of Meeting or in a duly executed waiver of notice thereof.

Section 2. An Annual Meeting of Stockholders shall be held on the fourth Tuesday of January at 10:00 a.m. in each year if not a legal holiday, and if a legal holiday, then on the next secular day following, at which time they shall elect a Board of Directors and transact such other business as may be properly brought before the meeting.

Section 3. Written notice of the Annual Meeting shall be served upon or mailed to each stockholder entitled to vote thereat at such address as appears on the books of the Corporation, at least ten days prior to the meeting.

Section 4. At least ten days before every election of Directors, a complete list of the stockholders entitled to vote at said election, arranged in alphabetical order with the residence of each and the number of voting shares held by each, shall be prepared by the Secretary. Such list shall be open at the principal office of the Corporation for said ten days to the examination of any stockholder, and shall be produced and kept at the time and place of election during the whole time thereof, and subject to the inspection of any stockholder who may be present.

Section 5. Special meetings of the stockholders, for any purpose or purposes, and unless otherwise prescribed by statute or by the certificate of incorporation, may be called by the President or Secretary at the request in writing of stockholders owning twenty-five percent (25%) or more in amount of the entire capital stock of the Corporation issued and outstanding and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting.

Section 6. Written notice of a special meeting of stockholders, stating the time and place and object thereof, shall be served upon or mailed to each stockholder entitled to vote thereat at such address as appears on the books of the Corporation, at least ten (10) days before such meeting.

Section 7. Business transacted at all special meetings shall be confined to the objects stated in the call.

Section 8. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall be requisite and shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise

provided by statute, by the Certificate of Incorporation or by these Bylaws. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 9. When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which by express provision of the statutes or of the Certificate of Incorporation or of these Bylaws, a different vote is required in which case such express provision shall govern and control the decision of such question.

Section 10. At any meeting of the stockholders, every stockholder having the right to vote shall be entitled to vote in person, or by proxy appointed by an instrument in writing subscribed by such stockholder and bearing a date not more than eleven months prior to said meeting, unless said instrument provides for a longer period. Each stockholder shall have one vote for each share of stock having voting power, registered in the stockholder's name on the books of the Corporation. Each outstanding share having voting power shall be entitled to one vote for each Director to be elected. Except where the transfer books of the Corporation shall have closed or a date shall have been fixed as a record date for the determination of its stockholders entitled to vote, no share of stock shall be voted on at any election for Directors



which shall have been transferred on the books of the Corporation within twenty days next preceding such election of Directors.

Section 11. Meetings of the Stockholders shall be presided over by the Chairman of the Board of Directors, if one shall be elected, or in the absence of a Chairman of the Board of Directors, by the Vice Chairman, if one shall be elected, the Chief Executive Officer, the President or by any Vice President, or, in the absence of any such officers, by a chairman to be chosen by a majority of the Stockholders entitled to vote at the meeting who are present in person or by proxy. The Secretary, or, in the Secretary's absence, any Assistant Secretary or any person appointed by the individual presiding over the meeting, shall act as secretary at meetings of the Stockholders.

Section 12. Whenever the vote of stockholders at a meeting thereof is required or permitted to be taken in connection with any corporate action by any provisions of the statutes or of the Certificate of Incorporation or of these Bylaws, the meeting and vote of stockholders may be dispensed with, if all the stockholders who would have been entitled to vote upon the action if such meeting were held shall consent in writing to such corporate action being taken.

Section 13. Nomination of Directors. Subject to the rights of holders of any class or series of stock having a preference over common stock of the Corporation as to dividends or upon liquidation and to elect Directors under specified circumstances, nominations of persons for election to the Board of Directors may be made only (a) by the Board of Directors or a committee appointed by the Board of Directors or (b) by any shareholder who is a shareholder of record at the time of giving the shareholders' notice provided for in this Section 13, who shall be entitled to vote at such meeting and who complies with the notice procedures set forth in this Section 13. A shareholder wishing to nominate one or more individuals to stand for election in

the election of members of the Board of Directors at any annual or special meeting must provide written notice thereof to the Board of Directors not less than 80 days in advance of such meeting; provided, however, that in the event that the date of the meeting was not publicly announced by the Corporation by a mailing to shareholders, a press release or a filing with the Securities and Exchange Commission pursuant to Section 13(a) or 14(a) of the Securities and Exchange Act of 1934 more than 90 days prior to the meeting, such notice, to be timely, must be delivered to the Board of Directors not later than the close of business on the tenth day following the day on which the date of the meeting was publicly announced. A shareholder's notice shall set forth (i) the name and address, as they appear on the Corporation's books, of the shareholder making the nomination or nominations; (ii) such information regarding the nominee(s) proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had the nominee(s) been nominated or intended to be nominated by the Board of Directors; (iii) a representation of the shareholder as to the class and number of shares of stock of the Corporation that are beneficially owned by such shareholder, and the shareholder's intent to appear in person or by proxy at the meeting to propose such nomination; and (iv) the written consent of the nominee(s) to serve as a member of the Board of Directors if so elected. No shareholder nomination shall be effective unless made in accordance with the procedures set forth in this Section 13. The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a shareholder nomination was not made in accordance with the provisions of these bylaws, and if the Chairman should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

Section 14. Proposals of Shareholders. At any meeting of shareholders, there shall be conducted only such business as shall have been brought before the meeting (a) by or at the

direction of the Board of Directors or (b) by any shareholder of the Corporation who is a shareholder of record at the time of giving of the shareholders' notice provided for in this Section 14, who shall be entitled to vote at such meeting and who complies with the notice procedure set forth in this Section 14. For business to be properly brought before a meeting of shareholders by a shareholder, the shareholder shall have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a shareholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation not less than 80 days in advance of such meeting; provided, however, that in the event that the date of the meeting was not publicly announced by the Corporation by a mailing to shareholders, a press release or a filing with the Securities and Exchange Commission pursuant to Section 13(a) or 14(a) of the Securities and Exchange Act of 1934 more than 90 days prior to the meeting, such notice, to be timely, must be delivered to the Board of Directors not later than the close of business on the tenth day following the day on which the date of the meeting was first so publicly announced. A shareholder's notice shall set forth as to each matter proposed to be brought before the meeting: (1) a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and, in the event that such business includes a proposal regarding the amendment of either the Articles of Incorporation of the Corporation or these Bylaws, the language of the proposed amendment; (2) the name and address, as they appear on the Corporation's books, of the shareholder proposing such business; (3) a representation of the shareholder as to the class and number of shares of capital stock of the Corporation that are beneficially owned by such shareholder, and the shareholder's intent to appear in person or by proxy at the meeting to propose such business; and (4) any material interest of such shareholder in such proposal or business. Notwithstanding anything in these bylaws to the contrary, no

business shall be conducted at a shareholders meeting unless brought before the meeting in accordance with the procedure set forth in this Section 14. The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting and in accordance with the provisions of these Bylaws, and if the Chairman should so determine, the Chairman shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

### ARTICLE III DIRECTORS

Section 1. The number of Directors which shall constitute the whole Board shall not be less than five nor more than fifteen. Within the limits above specified, the number of Directors shall be determined by resolution of the Board of Directors or by the stockholders at the Annual Meeting. The Directors shall be elected at the Annual Meeting of the Stockholders, except as provided in Section 2 of this Article, and each Director elected shall hold office until his successor shall be elected and shall qualify. Directors need not be stockholders.

Section 2. If any vacancies occur in the Board of Directors caused by death, resignation, retirement, disqualification, or removal from office of any Directors or otherwise, or any new directorship is created by an increase in the authorized number of Directors, a majority of the Directors then in office though less than a quorum may choose a successor or successors, or fill the newly created directorship and the Directors so chosen shall hold office until the next annual election of Directors and until their successors shall be duly elected and qualified, unless sooner displaced.

Section 3. The property and business of the Corporation shall be managed by its Board of Directors which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these Bylaws directed or required to be exercised or done by the stockholders.

#### MEETINGS OF THE BOARD

Section 4. The Directors of the Corporation may hold their meetings, both regular and special, either within or without the State of Texas.

Section 5. The first meeting of each newly elected Board shall be held at such time and place as shall be fixed by the vote of the stockholders at the Annual Meeting and no notice of such meeting shall be necessary to the newly elected Directors in order to legally constitute the meeting provided a quorum shall be present, or they may meet at such place and time as shall be fixed by the consent in writing of all the Directors.

Section 6. Regular meetings of the Board may be held without notice at such time and place as shall, from time to time, be determined by the Board.

Section 7. Special meetings of the Board may be called by the President on five days' notice to each Director, either personally or by mail or by telegram; special meetings shall be called by the President or Secretary in like manner and on like notice on the written request of two Directors.

Section 8. At all meetings of the Board the presence of a majority of the Directors shall be necessary and sufficient to constitute a quorum for the transaction of business and the act of a majority of the Directors present at any meetings at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute or by the Certificate of Incorporation or by these Bylaws. If a quorum shall not be present at any meeting

of Directors, the Directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 9. Unless otherwise restricted by law, the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if prior to such action all members of the Board of Directors or of such committee, as the case may be, consent thereto in writing and writing or writings are filed with the minutes of proceedings of the Board of Directors or the committee. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, members of the Board of Directors or of any committee thereof may participate in a meeting of such Board of Directors or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other and participation in a meeting in such manner shall constitute presence in person at such meeting.

#### COMMITTEES OF DIRECTORS

Section 10. The Board of Directors, by resolution passed by a majority of the whole Board, may designate one or more committees, each committee to consist of two or more of the Directors of the Corporation, which, to the extent provided in said resolution, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation, and may have power to authorize the seal of the Corporation to be affixed to all papers which may require it. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors.

Section 11. The committees shall keep regular minutes of their proceedings and report the same to the Board when required.

## COMPENSATION OF DIRECTORS

Section 12. Directors, as such, shall not receive any stated salary for their services, but, by resolution of the Board, a fixed sum and expenses of attendance, if any, may be allowed for attendance at each regular or special meeting of the Board; provided that nothing herein contained shall be construed to preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

## ARTICLE IV NOTICES

Section 1. Whenever under the provisions of the statutes or of the Certificate of Incorporation or of these Bylaws, notice is required to be given to any Director or stockholder, it shall not be construed to mean personal notice, but such notice may be given in writing, by mail, addressed to such Director or stockholder at such address as appears on the books of the Corporation, and such notice shall be deemed to be given at the time when the same shall be thus mailed.

Section 2. Whenever any notice is required to be given under the provisions of the statutes or of the Certificate of Incorporation or of these Bylaws, a waiver thereof in writing signed by the person or persons entitled to said notice, whether before or after the time stated thereon, shall be deemed equivalent thereto.

## ARTICLE V OFFICERS

Section 1. The officers of the Corporation shall be chosen by the Directors and shall be a President, a Vice President, a Secretary and a Treasurer. The Board of Directors may also choose (i) a Chairman of the Board , who must be a member of the Board of Directors; (ii) if a Chairman of the Board is chosen, the Board of Directors may also choose a Vice Chairman, who must be a member of the Board of Directors; (iii) a Chief Executive Officer, who need not be a member of the Board of Directors; and (iv) additional Vice Presidents, and one or more Assistant Secretaries and Assistant Treasurers. Two or more offices may be held by the same person, except that the offices of President and Secretary shall not be held by the same person.

Section 2. So far as is practicable, all elected officers shall be elected by the Board of Directors at the annual meeting of the Board of Directors in each year, and except as otherwise provided in this Article V, shall hold office until the next such meeting of the Board of Directors in the subsequent year and until their respective successors are elected and qualified or until their earlier death, resignation or removal. All appointed officers shall hold office at the pleasure of the Board of Directors. If any vacancy shall occur in any office, the Board of Directors may elect or appoint a successor to fill such vacancy for the remainder of the term.

Section 3. The Board may appoint such other offices and agents as it shall deem necessary, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board.

Section 4. The salaries of all officers and agents of the Corporation shall be fixed by the Board of Directors.

Section 5. The officers of the Corporation shall hold office until their successors are chosen and qualify in their stead. Any officer elected or appointed by the Board of Directors



may be removed at any time by the affirmative vote of a majority of the whole Board of Directors. If the office of any officer becomes vacant for any reason, the vacancy shall be filled by the Board of Directors.

#### THE CHAIRMAN OF THE BOARD

Section 6. The Chairman of the Board, if one shall be elected, shall preside at all meetings of the Stockholders and Board of Directors and shall be ex officio a member of all standing committees of the Corporation. In addition, the Chairman of the Board shall perform whatever duties and shall exercise all powers that are given by the Board of Directors. Unless otherwise designated by the Board of Directors, the Chairman of the Board, if one shall be elected, shall also be the Chief Executive Officer of the Corporation. In the absence of the Chairman, such of the Chairman's duties shall be performed and authority exercised by either the Vice Chairman, if one shall be elected, or the Chief Executive Officer, if one shall be elected, as may be designated by the Chairman with the right reserved to the Board of Directors to designate or supersede any designation so made.

#### THE PRESIDENT

Section 7. The President shall, in the absence of the Chairman of the Board and the Vice Chairman, if one shall be appointed, preside at meetings of the Stockholders and Board of Directors, shall implement the general directives, plans and policies formulated by the Board of Directors; and shall further have the duties, responsibilities and authorities as may be assigned by the Board of Directors. The President may sign, with any other proper officer, certificates for shares of the Corporation and any deeds, bonds, mortgages, contracts and other documents which the Board of Directors has authorized to be executed, except where required by law to be otherwise signed and executed and except where the signing and execution thereof shall be

expressly delegated by the Board of Directors or these Bylaws, to some other officer or agent of the Corporation. In the absence of the President, the duties of the President shall be performed and the President's authority may be exercised by a Vice President of the Corporation as may have been designated by the President with the right reserved to the Board of Directors to designate or supercede any designation so made.

#### VICE PRESIDENTS

Section 8. The Vice Presidents in the order of their seniority shall, in the absence or disability of the President, perform the duties and exercise the powers of the President, and shall perform such other duties as the Board of Directors shall prescribe.

#### THE SECRETARY AND ASSISTANT SECRETARIES

Section 9. The Secretary shall attend all sessions of the Board and all meetings of the stockholders and record all votes and the minutes of all proceedings in a book to be kept for that purpose and shall perform like duties for the standing committees when required. The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or President, under whose supervision the Secretary shall be. The Secretary shall keep in safe custody the seal of the Corporation and, when authorized by the Board, affix the same to any instrument requiring it and, when so fixed, it shall be attested by the Secretary's signature or by the signature of the Treasurer or an Assistant Secretary.

Section 10. The Assistant Secretaries in order of their seniority shall, in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary and shall perform such other duties as the Board of Directors shall prescribe.

#### THE TREASURER AND ASSISTANT TREASURERS

Section 11. The Treasurer shall have the custody of corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors.

Section 12. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board, taking proper vouchers for such disbursements, and shall render to the President and Directors, at the regular meetings of the Board, or whenever they may require it, an account of all the Treasurer's transactions as Treasurer and of the financial condition of the Corporation.

Section 13. If required by the Board of Directors, the Treasurer shall give the Corporation a bond (which shall be renewed every six years) in such sum and with such surety or sureties as shall be satisfactory to the Board for the faithful performance of the duties of the Treasurer's office and for the restoration to the Corporation, in case of the Treasurer's death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in the Treasurer's possession or under the Treasurer's control, belonging to the Corporation.

Section 14. The Assistant Treasurers in order of their seniority shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer and shall perform such other duties as the Board of Directors shall prescribe.

#### ARTICLE VI CERTIFICATES OF STOCK

Section 1. The certificates of stock of the Corporation shall be numbered and shall be entered in the books of the Corporation as they are issued. They shall exhibit the holder's name

and number of shares and shall be signed by the President or Vice President and the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary. The designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations, or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificates which the Corporation shall issue to represent such class or series of stock. If any stock certificate is signed by (1) a transfer agent or an assistant transfer agent, or (2) a transfer clerk acting on behalf of the Corporation and a Registrar, the signature of any such office may be facsimile.

#### LOST CERTIFICATES

Section 2. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate or stock to be lost or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors, in its discretion and as a condition precedent to the issuance thereof, may require the owner of such lost or destroyed certificate or certificates, or the owner's legal representatives, to advertise the same in such manner as it shall require and/or give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost or destroyed.

#### TRANSFER OF STOCK

Section 3. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the Corporation to issue a new

certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

#### CLOSING OF TRANSFER BOOKS

Section 4. The Board of Directors may close the stock transfer books of the Corporation for a period of not less than ten days nor more than sixty days preceding the date of any meeting of stockholders or the date for payment of any dividend or the date for the allotment of rights or the date when any change or conversion or exchange of capital stock shall go into effect or for a period of not less than ten days nor more than sixty days in connection with obtaining the consent of stockholders for any purpose. In lieu of closing the stock transfer books as aforesaid, the Board of Directors may fix in advance a date, not less than ten days nor more than sixty days preceding the date of any meeting of stockholders, or the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect, or a date in connection with obtaining such consent, as a record date for the determination of the stockholders entitled to notice of, and to vote at, any such meeting, and any adjournment thereof, or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any change, conversion or exchange of capital stock, or to give such consent, and in such case such stockholders and only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to such notice of, and to vote at, such meeting and any adjournment thereof, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights, or to give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the Corporation after any such record date fixed as aforesaid.

#### REGISTERED STOCKHOLDERS

Section 5. The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof, and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Texas.

#### UNCERTIFICATED SHARES

Section 6. The Corporation may adopt a system of issuance, recordation and transfer of its shares by electronic or other means not involving any issuance of certificates, including provisions for notice to purchasers in substitution for any required statements on certificates, and as may be required by applicable corporate securities laws or stock exchange regulation. Any system so adopted shall not become effective as to issued and outstanding certificated securities until their certificates have been surrendered to the Corporation.

#### ARTICLE VII GENERAL PROVISIONS DIVIDENDS

Section 1. Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation.

Section 2. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Directors from time to time, in their absolute discretion, think proper as a reserve fund to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purpose as the Directors shall think conducive to the interest of the Corporation, and the Directors may modify or abolish any such reserve in the manner in which it was created.

#### ANNUAL STATEMENT

Section 3. The Board of Directors shall present at each Annual Meeting and when called for by vote of the stockholders at any special meeting of the stockholders, a full and clear statement of the business and conditions of the Corporation.

#### CHECKS

Section 4. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

#### FISCAL YEAR

Section 5. The fiscal year of the Corporation shall begin on the first day of October of each year and end on the last day of September of each year.

#### SEAL

Section 6. The corporate seal shall have inscribed thereon the name of the Corporation and the words "Corporate Seal" so as to make an impression similar to that on the margin hereof. Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

#### ARTICLE VIII AMENDMENTS

Section 1. These Bylaws may be altered or repealed at any regular meeting of the stockholders or at any special meeting of the stockholders at which a quorum is present or represented, provided notice of the proposed alteration or repeal be contained in the notice of such special meeting, by the affirmative vote of a majority of the stock entitled to vote at such meeting and present or represented thereat, or by the affirmative vote of a majority of the Board of Directors at any regular meeting of the Board or at any special meeting of the Board if notice of the board proposed alteration or repeal be contained in the notice of such special meeting; provided, however, that no change of the time or place of the meeting for the election of Directors shall be made within sixty days next before the day on which such meeting is to be held, and that in case of any change of such time or place, notice thereof shall be given to each

stockholder in person or by letter mailed to the stockholder's last known post office address at least twenty days before the meeting is held.

ARTICLE IX  
INDEMNIFICATION OF DIRECTORS, OFFICERS AND EMPLOYEES

To the extent permitted by Texas Business Corporation Act Article 2.02-1, the Corporation shall indemnify any present or former Director, officer, employee or agent of the Corporation against judgments, penalties (including excise and similar taxes), fines, settlements, and reasonable expenses actually incurred by the person in connection with a proceeding in which the person was, is, or is threatened to be made a named defendant or respondent because the person is or was a Director, officer, employee or agent of the Corporation.



## 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 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: August 7, 2007

/s/ Stephen C. Jumper  
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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 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: August 7, 2007

/s/ Christina W. Hagan

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 June 30, 2007, 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: August 7, 2007

/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 June 30, 2007, 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: August 7, 2007

/s/ Christina W. Hagan

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