UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2000   COMMISSION FILE NO. 0-10144

DAWSON GEOPHYSICAL COMPANY

INCORPORATED IN THE STATE OF TEXAS   75-0970548
(I.R.S. EMPLOYER IDENTIFICATION NO.)

508 WEST WALL, SUITE 800, MIDLAND, TEXAS 79701
(PRINCIPAL EXECUTIVE OFFICE)
TELEPHONE NUMBER: 915-684-3000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
COMMON STOCK, $.33 1/3 PAR VALUE	NONE

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 12 preceding months, and (2) has been subject to such filing requirements for the past 90 days. Yes X   No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Party III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the Common Stock of the Registrant based upon the mean between the closing high and low price of the Common Stock as of November 27, 2000 (as reported by NASDAQ), held by non-affiliates was approximately $41,682,270 (See Item 12). On that date, there were 5,428,794 shares of Dawson Geophysical Company Common stock, $.33 1/3 par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Items 1, 5, 6, 7 and 8 of Parts I and II hereof is incorporated by reference to the Registrant's 2000 Annual Report filed or to be filed with the Commission no later than 120 days after the end of the fiscal year covered by this Form 10-K.

The information required by Items 4, 10, 11 and 12 of Parts I and III hereof is incorporated by reference to the Registrant's definitive proxy statement filed or to be filed with the Commission no later than 120 days after the end of the fiscal year covered by this Form 10-K.

PART I

ITEM 1. BUSINESS

There are no patents, trademarks, franchises or concessions held by the Registrant except a mark has been registered in the United States Patent and Trademark Office depicting the Registrant's logo. Software licenses held by the Registrant are considered ordinary and replaceable. Although the Registrant may have, from time to time, individual customers that comprise more than 10% of its total annual revenues, the Registrant does not consider the loss of any individual customer to have a material adverse effect on the Registrant due to the demand for the Registrant's services and for the services of the industry in which the Registrant competes. Competitors of the Registrant consist primarily of subsidiary companies of large corporations. Services provided by competitor companies other than provided by the Registrant may include marine geophysics, speculative acquisition of seismic data, a library of seismic data, or a combination of these services. The Registrant considers price and quality of service to be its principal methods of competition. Indicative of its level of commitment to the proprietary data of its customers, the Registrant does not maintain a library of seismic data or participate in speculative seismic data acquisition. Although the business of the Registrant is not considered seasonal, it does depend on favorable weather.

At September 30, 2000, the Registrant had 340 full-time employees. None of the Registrant's employees are subject to a collective bargaining agreement. The Registrant considers its relations with its employees to be good.

Additional information required by this Item 1 is hereby incorporated by reference to the Registrant's 2000 Annual Report (inside front cover, page 2 and page 16) filed or to be filed by the Registrant with the Securities and Exchange Commission pursuant to Regulation 14A of the Securities and Exchange Act of 1934 within 120 days after the end of the fiscal year covered by this Form 10-K. (Exhibit 13 hereto.)

ITEM 2. PROPERTIES

The principal facilities of the Registrant are summarized in the table below.

Location	Fee or Leased	Purpose	Building Area Square Feet
Midland, TX	Leased	Executive offices and data processing	18,400
Midland, TX	Fee	Field office Equipment fabrication Maintenance and repairs	53,000

The Registrant operates only in one industry segment and only in the United States.

ITEM 3. LEGAL PROCEEDINGS

The Registrant is a defendant in two lawsuits pending in the 112th and 83rd District Courts of Pecos County, Texas (respectively, Cause No. 8812, Ernestine Bernal, et al. vs. Javier Antonio Orona, et al.; and Cause No. P5565-83-CV, Carla Jaquez, et al. vs. Javier Antonio Orona, et al.) relating to a July 1995 accident involving a van owned by the Registrant which was used to transport employees to various job sites and a non-Registrant owned vehicle. The accident resulted in the deaths of four Registrant employees who were passengers in such van. The Registrant is one of several named defendants in such suits. Other named defendants include the estate of the deceased driver of such van, who was an employee of the Registrant, the driver of such non-Registrant owned vehicle, who was then an employee of the Registrant, the owner of such vehicle, and Ford Motor Company, the manufacturer of the Registrant van involved in such accident. In general, the claims against the Registrant include allegations of negligence, gross negligence and/or intentional tort as a result of, among other things, the Registrant's alleged failure to provide safe transportation for its employees and to properly select, train and supervise the deceased driver of such van. The plaintiffs in such suits are seeking actual damages from the defendants of $15.5 million, additional unspecified actual damages, pre-judgment and post-judgment interest and costs of suit as well as exemplary and punitive damages in an amount not to exceed four times the amount of actual damages. The Registrant believes that it has meritorious defenses to the claims asserted against it in such suits and it intends to continue to vigorously defend itself against such claims. In addition, the Registrant believes that it has approximately $11 million of liability insurance coverage to provide against an unfavorable outcome. Such suits are currently pending trial and the Company's motion for summary judgment in Cause No. 8812 has been denied. A trial date has been set both in Cause No. 8812 and consolidated Cause No. P5565-83-CV for March 26, 2001. Due to the uncertainties inherent in litigation, no assurance can be given as to the ultimate outcome of such suits or the adequacy or availability of the Registrant's liability insurance to cover the damages, if any, which may be assessed against the Registrant in such suits. A judgment awarding plaintiffs an amount significantly exceeding the Registrant's available insurance coverage could have a material adverse effect on the Registrant's financial condition, results of operations and liquidity. In addition to the foregoing, from time to time the Registrant is a party to various legal proceedings arising in the ordinary course of business. Although the Registrant cannot predict the outcomes of any such legal proceedings, the Registrant's management believes that the resolution of pending legal actions will not have a material adverse effect on the Registrant's financial condition, results of operations or liquidity.

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

No matter has been submitted during the fourth quarter of the 2000 fiscal year to a vote of security holders, through the solicitation of proxies or otherwise. However, please refer to the Registrant's Proxy Statement dated November 27, 2000, filed or to be filed with the Commission no later than 120 days after the end of the fiscal year covered by this Form 10-K, notifying as to the election of Directors and selection of KPMG LLP as independent certified public accountants of the Company (requiring an affirmative vote of a majority of shares present or represented by proxy), at the Annual Meeting to be held on January 23, 2001.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The information required by this Item 5 is hereby incorporated by reference to the Registrant's 2000 Annual Report (page 24 "Common Stock Information") referred to in Item 1 above.

ITEM 6. SELECTED FINANCIAL DATA

The information required by this Item 6 is hereby incorporated by reference to the Registrant's 2000 Annual Report (page 1 "Financial Highlights") referred to above in Item 1.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required by this Item 7 is hereby incorporated by reference to the Registrant's 2000 Annual Report (pages 8 to 10) referred to in Item 1.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The primary sources of market risk include fluctuations in commodity prices which effect demand for and pricing of the Company's services and interest rate fluctuations. At September 30, 2000, the Company had no indebtedness. The Company's short-term investments are fixed rate and the Company does not necessarily intend to hold them to maturity, and therefore, the short-term investments expose the Company to the risk of earnings or cash flow loss due to changes in market interest rates. As of September 30, 2000, the carrying value of the investments approximate fair value. The Company has not entered into any hedge arrangements, commodity swap agreements, commodity futures, options or other derivative financial instruments. The Company does not currently conduct business internationally so it is generally not subject to foreign currency exchange rate risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The report of independent public accountants appearing on page 11 and the financial statements appearing on pages 12 through 23 of Registrant's 2000 Annual Report for the year ended September 30, 2000, referred to above in Item 1, are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item 10 with respect to Directors and Executive Officers is hereby incorporated by reference to the Registrant's Proxy Statement dated November 27, 2000 (page 2), filed or to be filed by the Registrant with the Securities and Exchange Commission pursuant to Regulation 14A of the Securities and Exchange Act of 1934 within 120 days after the end of the fiscal year covered by this Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 is hereby incorporated by reference to the Registrant's Proxy Statement (page 3) referred to above in Item 10.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item 12 with respect to security ownership of certain beneficial owners is hereby incorporated by reference to the Registrant's Proxy Statement (page 6, "SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT") referred to above in Item 10.

On July 13, 1999, the Board of Directors of the Company authorized and declared a dividend to the holders of record on July 23, 1999 of one Right (a "Right") for each outstanding share of the Company's common stock. When exercisable, each Right will entitle the holder to purchase one one-hundredth of a share of Series A Junior Participating Preferred Stock, par value $1.00 per share, of the Company (the "Preferred Shares") at an exercise price of $50.00 per Right. The rights are not currently exercisable and will become exercisable only if a person or group acquires beneficial ownership of 20% or more of the Company's outstanding common stock or announces a tender offer or exchange offer, the consummating of which would result in attaining the triggering percentage. The Rights are subject to redemption by the Company for $.01 per Right at any time prior to the tenth day after the first public announcement of a triggering acquisition.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) 1. Financial Statements

The following financial statements of the Registrant, included in pages 12 through 23 of the Registrant's 2000 Annual Report to Shareholders for the year ended September 30, 2000, and the Independent Auditors' Report on page 11 of such report, are incorporated herein by reference:

DESCRIPTION

Balance Sheets, September 30, 2000 and 1999

Statements of Operations
For the Years Ended
September 30, 2000, 1999 and 1998

Statements of Cash Flows
For the Years Ended
September 30, 2000, 1999 and 1998

Statements of Stockholders' Equity
For the Years Ended
September 30, 2000, 1999 and 1998

Notes to Financial Statements

Independent Auditors' Report

(a) 2. All schedules are omitted because they are not applicable, not required or because the required information is included in the financial statements or notes thereof.

(a) 3. Exhibits

The exhibits and financial statement schedules filed as a part of this report are listed below according to the number assigned to it in the exhibit table of Item 601 of Regulation S-K:

(3) Restated Articles of Incorporation and Bylaws.

(4) Instruments defining the rights of security holders, including indentures.

(9) Voting Trust Agreement -- None; consequently, omitted.

(10) Material Contracts.

(11) Statement re: computation of per share earnings -- Not Applicable.

(12) Statement re: Computation of ratios -- Not Applicable.

(13) 2000 Annual Report.

(18) Letter re: change in accounting principles -- Not Applicable.

(19) Previously unfiled documents -- No documents have been executed or in effect during the reporting period which should have been filed; consequently, this exhibit has been omitted.

(22) Subsidiaries of the Registrant -- There are no subsidiaries of the Registrant; consequently, this exhibit has been omitted.

(23) Published report regarding matters submitted to vote of security holders -- None; consequently, omitted.

(24) Consent of experts and counsel -- Not applicable.

(25) Power of Attorney -- There are no signatures contained within this report pursuant to a power of attorney; consequently, this exhibit has been omitted.

(b) Reports on Form 8-K - None.

(28) Additional Exhibits -- None.

(29) Information from reports furnished to state insurance regulatory authorities -- None.

EXHIBIT INDEX

NUMBER	EXHIBIT	PAGE
(1)	*	
(2)	*	
(3)	Articles of Incorporation** and Bylaws	E-2
(4)	Instruments defining the rights of security	**
	holders, including indentures--Shareholder Rights Plan	***
(5)	*	
(6)	*	
(7)	*	
(8)	*	
(9)	Voting Trust Agreement	Omit
(10)	Material Contracts	**
(11)	Statement re: computation of per share earnings	Omit
(12)	Statement re: computation of ratios	Omit
(13)	2000 Annual Report to Stockholders	E-1
(14)	*	
(15)	*	
(16)	*	
(17)	*	
(18)	Letter re: change in accounting principles	Omit
(19)	Previously unfiled documents	Omit
(20)	*	
(21)	*	
(22)	Subsidiaries of the Registrant	Omit
(23)	Published report regarding matters submitted to vote of security holders	Omit
(24)	Consent of experts	
(25)	Power of Attorney	Omit
(26)	*	
(27)	*	
(28)	Additional Exhibits	Omit
(29)	Information from reports furnished to state insurance regulatory authorities	Omit

*This exhibit is not required to be filed in accordance with Item 601 of Regulation S-K

**Incorporated by reference to Registrant's Form 10-Q, dated June 30, 1997 (Commission File No. 0-10144) and Registrant's Form S-1, dated October 21, 1997 (Registrant No. 333-38393).

***Incorporation by reference to Registrant's Form 8-K, dated July 13, 1999 (Commission File No. 2-71058).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Midland, and the State of Texas, on the 27th day of November, 2000.

DAWSON GEOPHYSICAL COMPANY

By: /s/ L. Decker Dawson
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L. Decker Dawson, President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons in the capacities and on the date indicated.

SIGNATURE	TITLE	DATE
/s/ L. Decker Dawson L. Decker Dawson	President, Principal Executive and Director	11-27-00
/s/ Howell W. Pardue Howell W. Pardue	Executive Vice President and Director	11-27-00
/s/ Paul H. Brown Paul H. Brown	Director	11-27-00
/s/ Calvin J. Clements Calvin J. Clements	Director	11-27-00
/s/ Matthew P. Murphy Matthew P. Murphy	Director	11-27-00
/s/ Tim C. Thompson Tim C. Thompson	Director	11-27-00
/s/ Paula G. Waldrop Paula G. Waldrop	Secretary	11-27-00
/s/ Christina W. Hagan Christina W. Hagan	Vice President and Chief Financial Officer	11-27-00

INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
13	2000 Annual Report to Stockholders
27	Financial Data Schedule

EXHIBIT 13

Investor Information

CORPORATE OFFICES

508 West Wall, Suite 800
Midland, Texas 79701-5010
915/684-3000 Phone
915/684-3030 Fax
info@dawson3d.com e-mail
http://www.dawson3d.com

ANNUAL MEETING

The Annual Meeting of Shareholders will be held January 23, 2001, at 10:00 a.m. at The Petroleum Club of Midland, 501 West Wall, Midland, Texas 79701

10-K AVAILABLE

A copy of Form 10-K, as filed with the Securities and Exchange Commission, may be obtained by contacting the Corporate Secretary at the corporate offices listed above.

REGISTRAR AND TRANSFER AGENT

ChaseMellon Shareholder Services
Dallas, Texas

STOCK EXCHANGE LISTING

Nasdaq National Market System
Symbol: DWSN

INDEPENDENT PUBLIC ACCOUNTANTS

KPMG LLP
Midland, Texas

DIRECTORS

Paul H. Brown
Sugar Land, Texas
Management Consultant

Calvis J. Clements
Lubbock, Texas
Retired Vice President of the Company

L. Decker Dawson
Midland, Texas
President of the Company

Matthew P. Murphy
Midland, Texas
Retired Banking Executive

Howell W. Pardue
Midland, Texas
Executive Vice President of the Company

Tim C. Thompson
Midland, Texas
Management Consultant

OFFICERS

L. Decker Dawson
President

Howell W. Pardue
Executive Vice President

Christina W. Hagan
Vice President/Chief Financial Officer

Edward L. Huff
Vice President

Stephen C. Jumper
Vice President

C. Ray Tobias
Vice President

Paula G. Waldrop
Secretary

COMMON STOCK INFORMATION

The Company's common stock trades on the Nasdaq Stock Market(R) under the symbol DWSN. The table below represents the high and low sales prices for the period shown.

QUARTER ENDED	HIGH	LOW
DECEMBER 31, 1998	$11.875	$6.625
MARCH 31, 1999	$ 9.250	$6.063
JUNE 30, 1999	$10.875	$7.500
SEPTEMBER 30, 1999	$12.438	$9.125
DECEMBER 31, 1999	$10.313	$7.656
MARCH 31, 2000	$10.813	$8.250
JUNE 30, 2000	$11.750	$9.000
SEPTEMBER 30, 2000	$11.625	$9.000

As of November 27, 2000, the Company had approximately 249 common stockholders of record as reported by the Company's transfer agent.

CONTENTS

FINANCIAL HIGHLIGHTS

Years Ended September 30 (in thousands, except per share amounts)	2000	1999	1998	1997	1996
Operating revenues	$ 18,469	$ 24,198	$ 61,400	$ 48,227	$ 33,518
Net income (loss)	$(11,135)	$ (6,430)	$ 6,628	$ 4,570	$ 1,888
Net income (loss) per common share	$ (2.05)	$ (1.19)	$ 1.27	$ 1.09	$ .45
Weighted average equivalent common shares outstanding	5,425	5,398	5,206	4,183	4,153
Total assets	$ 49,781	$ 61,418	$ 71,459	$ 53,561	$ 41,909
Long term debt (less current maturities)	$ --	$ --	$ --	$ 7,893	$ 4,857
Stockholders' equity	$ 48,468	$ 59,468	$ 65,642	$ 37,545	$ 32,804

[PHOTO]

"REVENUES IN THE SEPTEMBER QUARTER EXCEED THOSE OF THE JUNE QUARTER BY 143 PERCENT."

[PHOTO]

left-right;
Paula G. Waldrop
Corporate Secretary

L. Decker Dawson
President

Christina W. Hagan
Vice President/CFO

DEAR SHAREHOLDER:

We are pleased to report the turn-around in the activity of your Company that occurred in the fourth quarter of fiscal year 2000 ending September 30th. Revenues in the September quarter exceed those of the June quarter by 143 percent and exceeded the 1999 September quarter by 19 percent. These dramatic changes reflect a general improvement in petroleum industry demand for seismic exploration services in response to improved prices received for crude oil and natural gas.

Profitability remained elusive, however, due to lingering over-capacity in the seismic services industry. If current trends continue, this condition should correct during the coming year. History teaches that when the small percentage of excess capacity is put to use, market prices for our services increase quickly. Economics 101?

As reported previously, recent losses result from high depreciation charges and our long-standing decision to retain key technical and professional personnel, a decision that is now paying off as we have been able to quickly regain operational efficiency in the fourth quarter. Losses in the year were also exaggerated by income tax rules that disallow full recovery. We are fully taxed on

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[PHOTO]

"FIVE OF OUR SIX 3-D SEISMIC DATA ACQUISITION CREWS ARE AGAIN OPERATING."

[PHOTO]

left-right;
Frank D. Brown
Senior Geophysicist
C. Ray Tobias
Vice President
William J. Swinney
Data Acquisition Supervisor

the way up, but not fully credited on the way down. And I think they called it the Tax Fairness Act.

Five of our six 3-D seismic data acquisition crews are again operating, and the order book contains surveys that will extend this level of operations well into calendar 2001. Our people's skills and effort have placed your Company as the number two provider in the U.S. land market.

As evidence of our confidence in a brighter future, we have resumed capital expenditures after an 18-month hiatus. In fiscal 2000, we invested $3,861,000 in additional assets, primarily data channels and automotive replacements. Our total channel count stands now at 20,000 which places us as a clear industry leader in over-all channel count per crew. Advantages in high channel count are clear: better data quality at lower cost.

For several quarters we have reported client-supported research concerning the use of shear wave recording and processing for exploration and field development purposes. We are pleased to say this effort is ongoing. The results obtained to date are encouraging as we move forward with this next generation seismic method. However, in all honesty, the more we learn, the more we need to know. I believe that our industry as a whole is experiencing this quandary. Theoretically, multi-component data, the simultaneous

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 DAWSON GEOPHYSICAL COMPANY FROM THE PRESIDENT

[PHOTO]

"WE REMAIN PROUD OF THE CONTINUED COMMITMENT TO CLIENT SATISFACTION EXHIBITED BY OUR HIGHLY COMPETENT AND EXPERIENCED WORKFORCE."

[PHOTO]

left-right;
Stephen C. Jumper
Vice President

Howell W. Pardue
Executive Vice President

collection of shear wave data along with traditional compressional wave data, will yield a more compressive image of not only the subsurface structure, but potentially fluid movement, porosity variation and fracture detection within a formation. More must be learned about shear wave responses before a clear breakthrough can be acknowledged.

The 3-D method employing primary waves has proved its ability to image geologic structure and those structural and stratigraphic conditions that are conducive to oil and gas accumulations. Accordingly, client companies can evaluate the risks involved in primary wave 3-D exploration. As we move forward with the incorporation of the two shear wave modes, additional undeterminable risks are called for with the three component or 3-C approach: courage and faith in the efficacy of this new technology. We continue to believe there is more information obtainable from the seismogram that has yet to be derived. With the 3-D recording method in place as a building block, your Company is poised to move enthusiastically into the next generation. As always, we are indeed indebted to those petroleum industry clients that take additional risks in the development of new technology.

We remain proud of the continued commitment to client satisfaction exhibited by our highly competent and experienced

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 DAWSON GEOPHYSICAL COMPANY FROM THE PRESIDENT

[PHOTO]

"WE ARE CONFIDENT IN OUR ABILITIES TO EXECUTE. OUR PASSION IS TO DO SO."

[PHOTO]

"left-right;
A. Mark Nelson
HSE Manager

Edward L. Huff
Vice President

K. Steve Forsdick
Data Acquisition Supervisor

workforce. This is a clear competitive advantage in our kind of business wherein we must act as trusted partner and advisor in providing the seismic solutions to exploration problems in strictest confidentiality.

The growth path we followed so long was drastically interrupted by events beyond our control. These events have reversed, thankfully, and we are once again committed to that path. We are confident in our abilities to execute. Our passion is to do so.

Sincerely,

/s/ L. DECKER DAWSON
L. Decker Dawson
President
October 26, 2000

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 DAWSON GEOPHYSICAL COMPANY FROM THE PRESIDENT

[PHOTO]

We are saddened beyond adequate expression in the recent death of our long time friend and associate F. B. "Pete" Graham. Upon graduation from the University of New Mexico in 1950, Pete began his career as a geophysicist with Exxon in the Permian Basin. After a subsequent venture as a geophysical consultant, and former client of our company, the Lea County, New Mexico native became a member of the Dawson family in 1974 where he served as Executive Vice President and Director. Following his retirement in July of 1999, Pete continued to serve as Director.

Pete gave our company not only great depth of knowledge and experience in geophysics, but perhaps more significantly, he gave us a corporate personality. In the petroleum communities of New Mexico and West Texas, he was regarded as a pillar, with a rare combination of folksy humor, great experience, intelligence and integrity. He was a joy to be around, always seeing the brighter side, always with a laugh and a million-dollar smile.

Our loss pales in comparison to the loss suffered by the Graham family. Pete dearly loved, and was loved by, his family. They are, and will continue to be, in our hearts and prayers. We are forever grateful for the contributions Pete made to our company.

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TRIBUTE TO FLOYD B. "PETE" GRAHAM

[GRAPHICS]

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MANAGEMENT'S DISCUSSION AND FINANCIAL STATEMENTS

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. In addition, in reviewing the Company's financial statements it should be noted that the Company's revenues directly relate to oil and gas exploration and production activity, and fluctuations in the Company's results of operations may occur due to weather, land use permitting and other factors.

FORWARD LOOKING STATEMENTS

All statements other than statements of historical fact included in this report, including without limitation, statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations" regarding the Company's financial position, business strategy and plans and objectives of management of the Company 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 report, words such as "anticipate", "believe", "estimate", "expect", "intend", and similar expressions, as they relate to the Company or its management, identify forward-looking statements. Such forward-looking statements are based on the beliefs of the Company's management as well as assumptions made by and information currently available to the Company's 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, weather problems, inability to obtain land use permits, the volatility of oil and gas prices, and the availability of capital resources. Such statements reflect the current views of the Company with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the operations, results of operations, growth strategy and liquidity of the Company. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by this paragraph. The Company assumes no obligation to update any such forward-looking statements.

OVERVIEW

During the second half of fiscal 2000, demand for the Company's services gradually improved in response to improved prices for crude oil and natural gas. The lag appears to have been due to the petroleum industry's priority of maximizing production to recover losses during the drop of oil and gas commodity prices in 1999. The Company continues to face fierce pricing competition as demand for services from the geophysical industry has not yet met the industry's capacity. This situation has negatively impacted the Company's revenues and earnings during the year.

FISCAL YEAR ENDED SEPTEMBER 30, 2000 VERSUS FISCAL YEAR ENDED SEPTEMBER 30, 1999

The Company's operating revenues decreased 23.7% from $24,198,000 to $18,469,000 in fiscal year 2000. The Company began fiscal 2000 with four crews operating. In March 2000, the crew count for the Company was reduced to two. Beginning in June, the number of crews gradually increased until five were operating at September 30, 2000. Demand for the Company's services appears to be improving as requests for bids remain strong and revenues for the quarter ended September 30, 2000 increased significantly as compared to the same quarter of the prior year as well as the quarter ended June 30, 2000. Although production was approximately the same in fiscal 2000 as in the prior year, the decrease in revenues reflects continued severe price competition.

Operating expenses in fiscal 2000 were basically unchanged as compared to fiscal 1999. Cost reduction measures, such as employee layoffs and salary reductions, were implemented in January 1999; however, the Company retained key field personnel in anticipation of increased demand. Accordingly, crews were placed back into service in the last quarter of fiscal 2000 as demand required.

General and administrative expenses for fiscal 2000 totaled $2,126,000, a decrease of $264,000 from fiscal 1999. The decrease primarily consists of an adjustment made in the fourth quarter of fiscal year 2000 of $253,000 to reduce the provision for doubtful accounts.

Depreciation for fiscal 2000 totaled $9,417,000, a decrease of $1,168,000 from fiscal 1999. Depreciation decreased as a result of a suspension of capital expansion during fiscal 1999 due to industry conditions.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONT.)

Total operating costs for fiscal 2000 totaled $33,251,000, a decrease of 4.8% from fiscal 1999 due to the factors described above. The 23.7% decrease of revenues as compared to the 4.8% decrease of total operating costs for fiscal 2000 reflects the high proportion of relatively fixed total operating costs (including personnel costs of active crews and depreciation costs) inherent in the Company's business and fierce price competition in the bidding process for geophysical services.

Income tax benefit for fiscal 2000 totaled $2,637,000, a decrease of $762,000 from fiscal 1999. The decrease in income tax benefit is due to the establishment of a valuation allowance in fiscal 2000 offset by an increase in pretax loss. The Company's effective tax benefit rate is different from the statutory rate of 34% primarily due to a valuation allowance of $1,848,000.

FISCAL YEAR ENDED SEPTEMBER 30, 1999 VERSUS FISCAL YEAR ENDED SEPTEMBER 30, 1998

The Company's operating revenues decreased 60.6% from $61,400,000 to $24,198,000 in fiscal year 1999. Demand for the Company's services was negatively impacted by low crude oil and natural gas prices. During the quarter ended December 31, 1998, the Company reduced the number of operating crews from six to three. The Company concluded fiscal 1999 operating four crews although for a brief period of time during the quarter ended June 30, 1999 the Company operated only one crew. In addition to the decrease in the number of operating crews, the decrease in revenues reflects severe price competition.

Operating expenses decreased 45.5% in fiscal 1999 as compared to fiscal 1998 as a result of decreased demand for the Company's services. Additional cost reduction measures, such as employee layoffs and salary reductions, were implemented in January 1999. The Company reduced the number of employees from 377 at September 30, 1998 to 260 at September 30, 1999. The Company retained key field personnel in anticipation of increased demand.

General and administrative expenses for fiscal 1999 totaled $2,390,000, an increase of $459,000 from fiscal 1998. The increase primarily consists of a provision for doubtful accounts of $300,000 recognized during September 30, 1999.

Depreciation for fiscal 1999 totaled $10,585,000, an increase of $1,113,000 from fiscal 1998. Depreciation increased as a result of capital expansion during fiscal 1998.

Total operating costs for fiscal 1999 totaled $34,937,000, a decrease of 32.5% from fiscal 1998 due to the factors described above. The 60.6% decrease of revenues as compared to the 32.5% decrease of total operating costs for fiscal 1999 reflects the high proportion of relatively fixed total operating costs (including personnel costs of active crews and depreciation costs) inherent in the Company's business and fierce price competition in the bidding process for geophysical services.

Income tax benefit for fiscal 1999 totaled $3,399,000, an increase of $7,196,000 from the total income tax expense of $3,797,000 for fiscal 1998. The income tax benefit is due to loss before income taxes of $9,829,000 in fiscal 1999 as compared to income before income taxes of $10,425,000 in fiscal 1998. The Company's effective tax rate for fiscal 1999 and 1998 was 35% and 36%, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Net cash used in operating activities of $3,269,000 in fiscal 2000 as compared to net cash provided by operations of $6,429,000 in fiscal 1999 primarily reflects the increase in the net loss of fiscal 2000 and the increase in accounts receivable which occurred in the last quarter of fiscal 2000. The decrease in deferred income taxes is a result of the reversal of temporary differences due to depreciation and recognition of net operating loss carryback.

Net cash used in investing activities decreased to $1,247,000 from $7,181,000 resulting from approximately $6,000,000 of collected accounts receivable that were invested in U.S. Treasury securities during fiscal 1999. In contrast, during fiscal 2000 approximately $2,500,000 of matured short-term investments were used in operations.

The cash flows provided by financing activities for fiscal 2000 represent the proceeds from the exercise of a stock option.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONT.)

Capital Expenditures

The Company continually strives to supply market demand with technologically advanced 3-D data acquisition recording systems and leading edge data processing capabilities. Capital expenditures for fiscal 2000 consisted primarily of data acquisition channels that became available late in the year as a result of the idle capacity that exists in our industry. The Company maintains equipment in and out of service in anticipation of increased demand of the Company's services. In addition the Company continues to monitor the development of the three component seismic approach. The Company believes that it is in position to respond to demand for this technological advancement of the seismic industry.

Capital Resources

The Company believes that its capital resources, including its short-term investments, cash flow from operations, and relationships with financial entities, are adequate to meet its current operational needs and finance capital needs as determined by market demand and technological developments.

LITIGATION

The Company is a defendant in two lawsuits relating to a July 1995 accident involving a van owned by the Company in which four Company employees died. The Company believes that it has meritorious defenses to the claims asserted against it in such suits. Further, while the plaintiffs seek damages in excess of the Company's liability insurance policies, the Company believes that its liability insurance should provide adequate coverage of the damages, if any, which may be assessed against the Company in such litigation. Due to the uncertainties inherent in litigation, no assurance can be given as to the ultimate outcome of such suits or the adequacy or availability of the Company's liability insurance to cover any such damages. A judgment awarding plaintiffs an amount significantly exceeding the Company's available insurance coverage could have a material adverse effect on the Company's financial condition, results of operations and liquidity.

RECENTLY ANNOUNCED ACCOUNTING PRONOUNCEMENTS

In June 1998, the FASB issued SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" which establishes standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. SFAS No. 133 requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. It establishes conditions under which a derivative may be designated as a hedge and establishes standards for reporting changes in the fair value of a derivative. The company will adopt SFAS No. 133 as required by SFAS No. 137 "Deferral of the Effective Date of the FASB Statement No. 133", effective October 1, 2000. Based on the Company's preliminary assessment of the implications of this new statement, the Company believes they have no freestanding or embedded derivative instruments that would need to be accounted for under SFAS No. 133.

INDEPENDENT AUDITORS' REPORT

[KPMG LOGO]

The Board of Directors and Stockholders
Dawson Geophysical Company:

We have audited the accompanying balance sheets of Dawson Geophysical Company as of September 30, 2000 and 1999, and the related statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended September 30, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dawson Geophysical Company as of September 30, 2000 and 1999, and the results of its operations and its cash flows for each of the years in the three-year period ended September 30, 2000, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

November 1, 2000

BALANCE SHEETS

September 30, 2000 and 1999

	2000	1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 509,000	$ 4,993,000
Short-term investments	11,025,000	13,547,000
Accounts receivable, net of allowance for doubtful accounts of $300,000 in 2000 and $133,000 in 1999	6,567,000	5,567,000
Income taxes receivable	2,165,000	1,668,000
Prepaid expenses	200,000	466,000
Total current assets	20,466,000	26,241,000
Property, plant and equipment	73,132,000	71,706,000
Less accumulated depreciation	(43,817,000)	(36,529,000)
Net property, plant and equipment	29,315,000	35,177,000
	$ 49,781,000	$ 61,418,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,038,000	$ 778,000
Accrued liabilities:		
Payroll costs and other taxes	253,000	506,000
Other	22,000	21,000
Total current liabilities	1,313,000	1,305,000
Deferred income taxes	--	645,000
Stockholders' equity:		
Preferred stock--par value $1.00 per share; 5,000,000 shares authorized, none outstanding	--	--
Common stock - par value $.33 1/3 per share; 10,000,000 shares authorized, 5,428,794 and 5,406,794 shares issued and outstanding in 2000 and 1999, respectively	1,810,000	1,802,000
Additional paid-in capital	38,624,000	38,497,000
Retained earnings	8,034,000	19,169,000
Total stockholders' equity	48,468,000	59,468,000
Contingencies (see note 10)		
	$ 49,781,000	$ 61,418,000

See accompanying notes to the financial statements.

STATEMENTS OF OPERATIONS

Years Ended September 30, 2000, 1999 and 1998

	2000	1999	1998
Operating revenues	$ 18,469,000	$ 24,198,000	$ 61,400,000
Operating costs:			
Operating expenses	21,708,000	21,962,000	40,326,000
General and administrative	2,126,000	2,390,000	1,931,000
Depreciation	9,417,000	10,585,000	9,472,000
	33,251,000	34,937,000	51,729,000
Income (loss) from operations	(14,782,000)	(10,739,000)	9,671,000
Other income (expense):			
Interest income	972,000	872,000	720,000
Interest expense	--	--	(125,000)
Gain (loss) on disposal of assets	(7,000)	(5,000)	134,000
Other	45,000	43,000	25,000
Income (loss) before income tax	(13,772,000)	(9,829,000)	10,425,000
Income tax benefit (expense):			
Current	2,163,000	1,441,000	(2,607,000)
Deferred	474,000	1,958,000	(1,190,000)
	2,637,000	3,399,000	(3,797,000)
Net income (loss)	$(11,135,000)	$ (6,430,000)	$ 6,628,000
Net income (loss) per common share	$ (2.05)	$ (1.19)	$ 1.27
Net income (loss) per common share-assuming dilution	$ (2.05)	$ (1.19)	$ 1.27
Weighted average equivalent common shares outstanding	5,425,210	5,397,624	5,205,926
Weighted average equivalent common shares outstanding-assuming dilution	5,425,210	5,397,624	5,232,007

See accompanying notes to the financial statements.

STATEMENTS OF CASH FLOWS

Years Ended September 30, 2000, 1999 and 1998

	2000	1999	1998
Cash flows from operating activities:			
Net income (loss)	$(11,135,000)	$ (6,430,000)	$ 6,628,000
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	9,417,000	10,585,000	9,472,000
Loss (gain) on disposal of assets	7,000	5,000	(134,000)
Non-cash interest income	--	(32,000)	(31,000)
Non-cash compensation	103,000	256,000	--
Deferred income tax (benefit) expense	(474,000)	(1,958,000)	1,190,000
Other	36,000	323,000	262,000
Change in current assets and liabilities:			
Decrease (increase) in accounts receivable	(1,000,000)	6,254,000	(3,097,000)
Decrease (increase) in prepaid expenses	266,000	(50,000)	(128,000)
Increase in income taxes receivable	(497,000)	(618,000)	(1,050,000)
Increase (decrease) in accounts payable	260,000	(988,000)	(2,190,000)
Increase (decrease) in accrued liabilities	(252,000)	(918,000)	385,000
Net cash provided (used) by operating activities	(3,269,000)	6,429,000	11,307,000
Cash flows from investing activities:			
Proceeds from disposal of assets	112,000	29,000	287,000
Capital expenditures	(3,861,000)	(164,000)	(19,959,000)
Proceeds from sale of short-term investments	1,501,000	--	5,993,000
Proceeds from maturity of short-term investments	3,500,000	7,500,000	9,000,000
Investment in short-term investments	(2,499,000)	(14,546,000)	(17,531,000)
Net cash used in investing activities	(1,247,000)	(7,181,000)	(22,210,000)
Cash flows from financing activities:			
Principal payments on debt	--	--	(9,583,000)
Issuance of common stock	--	--	21,371,000
Proceeds from exercise of stock options	32,000	--	86,000
Net cash provided by financing activities	32,000	--	11,874,000
Net increase (decrease) in cash and cash equivalents	(4,484,000)	(752,000)	971,000
Cash and cash equivalents at beginning of year	4,993,000	5,745,000	4,774,000
Cash and cash equivalents at end of year	$ 509,000	$ 4,993,000	$ 5,745,000

See accompanying notes to the financial statements.

STATEMENTS OF STOCKHOLDERS' EQUITY

	COMMON STOCK				
	NUMBER OF SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL
Balance, September 30, 1997	4,199,250	$ 1,400,000	$ 17,174,000	$ 18,971,000	$ 37,545,000
Issuance of common stock	1,151,100	384,000	20,999,000	--	21,383,000
Exercise of stock options	10,650	3,000	83,000	--	86,000
Net income	--	--	--	6,628,000	6,628,000
Balance, September 30, 1998	5,361,000	1,787,000	38,256,000	25,599,000	65,642,000
Issuance of common stock as compensation	45,794	15,000	241,000	--	256,000
Net loss	--	--	--	(6,430,000)	(6,430,000)
Balance, September 30, 1999	5,406,794	1,802,000	38,497,000	19,169,000	59,468,000
Issuance of common stock as compensation	17,000	6,000	97,000	--	103,000
Exercise of stock option	5,000	2,000	30,000	--	32,000
Net loss	--	--	--	(11,135,000)	(11,135,000)
Balance, September 30, 2000	5,428,794	$ 1,810,000	$ 38,624,000	$ 8,034,000	$ 48,468,000

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

Dawson Geophysical Company (the "Company"), which was incorporated in Texas in 1952, has been listed and traded on the NASDAQ National Market System ("NMS") under the symbol "DWSN" since 1981.

The Company acquires and processes 3-D seismic data for major and intermediate-sized oil and gas companies and independent oil operators who retain exclusive rights to the information obtained. The Company's land-based acquisition crews operate primarily in the southwestern United States, and data processing is performed by geophysicists at the Company's computer center in Midland, Texas.

Cash Equivalents

For purposes of the statements of cash flows, the Company considers demand deposits, certificates of deposit and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Short-Term Investments

The Company accounts for its short-term investments in accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (Statement 115). In accordance with Statement 115, the Company has classified its investment portfolio consisting of U.S. Treasury Securities as "available-for-sale" and records the net unrealized holding gains and losses as accumulated comprehensive income in stockholders' equity. The cost of short-term investments sold is based on the specific identification method.

Fair Value of Financial Instruments

The carrying amounts for cash and cash equivalents, short-term investments, accounts receivable, other current assets, accounts payable and other current liabilities approximate fair value due to the short maturity of these instruments.

Concentrations of Credit Risk

Financial instruments which potentially expose the Company to concentrations of credit risk, as defined by Statement of Financial Accounting Standards No. 105, consist primarily of trade accounts receivable and short-term investments. The Company's sales are to customers whose activities relate to oil and gas exploration and production. However, accounts receivable are well diversified among many customers, and a significant portion of the receivables are from major oil companies, which management believes minimizes potential credit risk. The Company generally extends unsecured credit to these customers; therefore, collection of receivables may be affected by the economy surrounding the oil and gas industry. The Company closely monitors extensions of credit and initiated an allowance for doubtful accounts in fiscal 1999 as a result of the downturn in oil prices which occurred during the year and negatively impacted the Company's clients. The Company invests primarily in U.S. Treasury Securities which are a low risk investment.

Property, Plant and Equipment

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

Impairment of Long-Lived Assets

The Company accounts for its long-lived assets in accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" (Statement 121), which requires companies to assess their long-lived assets for impairment. Statement 121 requires companies to review for impairment whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable. No provision was recorded in the Statement of Operations for the years ended September 30, 2000, 1999 and 1998.

NOTES TO FINANCIAL STATEMENTS (CONT.)

Revenue Recognition

Revenue from services is recorded as earned over the lives of the respective contracts.

Income Taxes

The Company accounts for state and federal income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (Statement 109). Under the asset and liability method of Statement 109, deferred income taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under Statement 109, the effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

Use of Estimates in the Preparation of Financial Statements

Preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with Statement of Financial Accounting Standards No. 123, "Accounting For Stock-Based Compensation" (Statement 123). Statement 123 allows a company to adopt a fair value based method of accounting for a stock-based employee compensation plan or to continue to use the intrinsic value based method of accounting prescribed by Accounting Principles Board Opinion No. 25, "Accounting For Stock Issued To Employees" (APB No. 25). The Company has chosen to continue to account for stock-based compensation under APB No. 25 using the intrinsic value method.

2. SHORT-TERM INVESTMENTS

Investment in securities, consisting entirely of U. S. Treasury Securities, had a cost and market value of approximately $11,025,000 at September 30, 2000 and $13,547,000 at September 30, 1999.

Short-term investments held at September 30, 2000 consisting of U.S. Treasury Securities, have contractual maturities from December, 2000 through March, 2002. Securities that mature after September 30, 2001 are expected to be sold within one year and are properly classified as current assets.

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, together with annual depreciation rates, consist of the following:

	SEPTEMBER 30		
	2000	1999	RATES
LAND, BUILDING AND IMPROVEMENTS	$ 1,303,000	$ 2,545,000	3 TO 12.5 PERCENT
MACHINERY AND EQUIPMENT	71,804,000	69,119,000	10 TO 20 PERCENT
EQUIPMENT IN PROCESS (a)	25,000	42,000	--
	$73,132,000	$71,706,000	

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(a) Equipment in process has not been placed into service and accordingly has not been subject to depreciation.

NOTES TO FINANCIAL STATEMENTS (CONT.)

4. STOCK OPTIONS

The Company's 1991 Incentive Stock Option Plan, which extended the 1981 Plan, provided options to purchase 150,000 shares of authorized but unissued common stock of the Company. The option price is the market value of the Company's common stock at date of grant. Options are exercisable 25% annually from the date of the grant and the options expire five years from date of grant.

The Company adopted the 2000 Incentive Stock Plan during fiscal 1999, which extends the 1991 Plan and provides options to purchase 500,000 shares of authorized but unissued common stock of the Company. In addition to the conditions described above regarding the 1991 Plan, 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.

The transactions under the Plans are summarized as follows:

	WEIGHTED AVERAGE PRICE	NUMBER OF OPTIONED SHARES
BALANCE AS OF SEPTEMBER 30, 1998	$ 17.91	52,000
GRANTED	$ 6.50	166,000
CANCELLED OR EXPIRED	$ 7.25	(10,000)
BALANCE AS OF SEPTEMBER 30, 1999	$ 9.32	208,000
EXERCISED	$ 6.50	(5,000)
CANCELLED OR EXPIRED	$ 13.10	(22,000)
BALANCE AS OF SEPTEMBER 30, 2000	$ 8.93	181,000

Options for 57,750, 27,000 and 24,000 shares were exercisable with weighted average exercise prices of $12.22, $18.40 and $12.27 as of September 30, 2000, 1999 and 1998, respectively.

Outstanding options at September 30, 2000 expire between September, 2002 and February, 2004 and have exercise prices ranging from $6.50 to $24.125.

Options for 166,000 shares were granted in fiscal year 1999. The expected life of the options granted is five years. The weighted average fair value of options granted during 1999 is $5.47. The fair value of each option grant is estimated on the date of grant, using the Black-Scholes options pricing model.

The model assumed expected volatility of 120% and risk-free interest rate of 4.8% for grants in 1999. As the Company has not declared dividends since it became a public entity, no dividend yield was used. 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

NOTES TO FINANCIAL STATEMENTS (CONT.)

Black-Scholes model.

No compensation expense has been recorded for the Company's stock options under the intrinsic value method. Had compensation cost for the 1991 Plan and the 2000 Plan been determined based on the fair value at the grant dates for awards made after September 30, 1995 under the 1991 Plan, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

		YEAR ENDED SEPTEMBER 30, 2000	YEAR ENDED SEPTEMBER 30, 1999
NET INCOME	AS REPORTED	$ (11,135,000)	$ (6,430,000)
	PRO FORMA	$ (11,255,000)	$ (6,510,000)
EARNINGS PER SHARE	AS REPORTED	$ (2.05)	$ (1.19)
	PRO FORMA	$ (2.07)	$ (1.21)

Under the provisions of Statement No. 123, the pro forma disclosures above indicate only the effects of stock options granted by the Company subsequent to September 30, 1995. During this initial phase-in period, the pro forma disclosures as required by Statement No. 123 are not representative of the effects on reported net income for future years as options vest over several years.

5. EMPLOYEE STOCK PURCHASE PLAN

The Company has an employee stock purchase plan to invest in the Company's common stock for the benefit of eligible employees. Participants are entitled to contribute a percentage, not to exceed 5%, of their bi-weekly salary to the plan. On a bi-weekly basis, the Company matches the participants' contributions and directs the purchase of shares of the Company's common stock. There are no vesting requirements for the participants. The Company contributed $240,328, $214,347 and $254,582 to the plan during 2000, 1999 and 1998, respectively.

6. INCOME TAXES

Income tax expense (benefit) attributable to income before extraordinary item consists of:

	YEAR ENDED SEPTEMBER 30,		
	2000	1999	1998
CURRENT:			
U.S. FEDERAL	$(2,163,000)	$(1,441,000)	$ 2,349,000
STATE	--	--	258,000
	(2,163,000)	(1,441,000)	2,607,000
DEFERRED: U. S. FEDERAL	(474,000)	(1,958,000)	1,190,000
TOTAL	$(2,637,000)	$(3,399,000)	$ 3,797,000

NOTES TO FINANCIAL STATEMENTS (CONT.)

Income tax expense (benefit) varies from the amount computed by multiplying income before taxes by the statutory income tax rate. The reasons for these differences and the related tax effects are as follows:

	YEAR ENDED SEPTEMBER 30,		
	2000	1999	1998
EXPENSE (BENEFIT) COMPUTED AT STATUTORY RATES	$(4,682,000)	$(3,342,000)	$3,545,000
EFFECT OF:			
CHANGE IN VALUATION ALLOWANCE	1,848,000	--	--
STATE INCOME TAXES, NET OF FEDERAL INCOME TAX BENEFIT	--	--	170,000
OTHER	197,000	(57,000)	82,000
INCOME TAX EXPENSE (BENEFIT)	$(2,637,000)	$(3,399,000)	$3,797,000

	SEPTEMBER 30,	
	2000	1999
DEFERRED TAX ASSETS:		
NET OPERATING LOSS CARRYFORWARDS	$ 3,627,000	$ --
ALTERNATIVE MINIMUM TAX CREDIT CARRYFORWARDS	813,000	2,333,000
RECEIVABLES	102,000	45,000
OTHER	18,000	177,000
TOTAL DEFERRED TAX ASSETS	4,560,000	2,555,000
LESS VALUATION ALLOWANCE	(1,848,000)	--
TOTAL GROSS DEFERRED TAX ASSETS	2,712,000	2,555,000
DEFERRED TAX LIABILITIES:		
OTHER PROPERTY AND EQUIPMENT	(2,707,000)	(3,200,000)
OTHER	(5,000)	--
TOTAL GROSS DEFERRED TAX LIABILITIES	(2,712,000)	(3,200,000)
NET DEFERRED TAX ASSET (LIABILITY)	$ --	$ (645,000)

A valuation allowance is provided when it is more likely than not that some portion of the deferred tax assets will not be realized. Based on expectations for the future, management has determined that taxable income of the Company will not likely be sufficient to fully utilize available carryforwards prior to their ultimate expiration. As such, the Company has recorded a valuation allowance of $1,848,000 to reflect the realizability of its net deferred tax assets. The amount of the valuation allowance could be reduced if estimates of future taxable income during the carryforward period are increased.

As of September 30, 2000, the Company had a net operating loss carryforward for U.S. federal income tax purposes of approximately $10,666,000, which is available to offset future regular taxable income, if any. The net operating loss carryforward expires in 2019. The Company has alternative minimum tax credit carryforwards totaling $813,000 to offset regular income tax, which have no scheduled expiration date.

NOTES TO FINANCIAL STATEMENTS (CONT.)

7. NET INCOME (LOSS) PER COMMON SHARE

The Company accounts for earnings per share in accordance with Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("Statement 128"). Statement 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options, warrants and convertible securities. Diluted earnings per share is very similar to the previously reported fully diluted earnings per share. All earnings per share amounts for all periods have been presented, and when appropriate, restated to conform to the Statement 128 requirements.

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

	2000	1999	1998
NUMERATOR:			
NET INCOME (LOSS) AND NUMERATOR FOR BASIC AND DILUTED NET INCOME (LOSS) PER COMMON SHARE-INCOME AVAILABLE TO COMMON STOCKHOLDERS	$(11,135,000)	$(6,430,000)	$6,628,000
DENOMINATOR:			
DENOMINATOR FOR BASIC NET INCOME (LOSS) PER COMMON SHARE-WEIGHTED AVERAGE COMMON SHARES	5,425,210	5,397,624	5,205,926
EFFECT OF DILUTIVE SECURITIES-EMPLOYEE STOCK OPTIONS	--	--	26,081
DENOMINATOR FOR DILUTED NET INCOME (LOSS) PER COMMON SHARE-ADJUSTED WEIGHTED AVERAGE COMMON SHARES AND ASSUMED CONVERSIONS	5,425,210	5,397,624	5,232,007
NET INCOME (LOSS) PER COMMON SHARE	$ (2.05)	$ (1.19)	$ 1.27
NET INCOME (LOSS) PER COMMON SHARE-ASSUMING DILUTION	$ (2.05)	$ (1.19)	$ 1.27

Employee stock options to purchase shares of common stock were outstanding during fiscal year 2000 but were not included in the computation of diluted net loss per share because either (i) the employee stock options exercise price was greater than the average market price of the common stock of the Company, or (ii) the Company had a net loss from continuing operations and, therefore, the effect would be antidilutive.

8. STATEMENT OF CASH FLOWS

The Company paid current and estimated tax payments of $3,533,000 in 1998. Payments of interest were $125,000 in 1998.

9. MAJOR CUSTOMERS

The Company operates in only one business segment, contract seismic data acquisition and processing services. During each of 1999 and 1998, sales to only one customer, which was not the same customer each year, exceeded 10% of operating revenue. The percentage of sales to these customers in 1999 and 1998 were 30.9% and 16.7%, respectively. During 2000, sales to no customer exceeded 10% of operating revenue.

NOTES TO FINANCIAL STATEMENTS (CONT.)

10. CONTINGENCIES

The Company is a defendant in two lawsuits pending in the 112th and 83rd District Courts of Pecos County, Texas (respectively, Cause No. 8812, Ernestine Bernal, et al. vs. Javier Antonio Orona, et al.; and Cause No. P5565-83-CV, Carla Jaquez, et al. vs. Javier Antonio Orona, et al.) relating to a July 1995 accident involving a van owned by the Company which was used to transport employees to various job sites and a non-Company owned vehicle. The accident resulted in the deaths of four Company employees who were passengers in such van. The Company is one of several named defendants in such suits. Other named defendants include the estate of the deceased driver of such van who was an employee of the Company, the driver of such non-Company owned vehicle who was then an employee of the Company, the owner of such vehicle, and Ford Motor Company, the manufacturer of the Company van involved in such accident. In general, the claims against the Company include allegations of negligence, gross negligence and/or intentional tort as a result of, among other things, the Company's alleged failure to provide safe transportation for its employees and to properly select, train and supervise the deceased driver of such van. The plaintiffs in such suits are seeking actual damages from the defendants of $15.5 million, additional unspecified actual damages, pre-judgment and post-judgment interest and costs of suit as well as exemplary and punitive damages in an amount not to exceed four times the amount of actual damages. The Company believes that it has meritorious defenses to the claims asserted against it in such suits, and it intends to continue to vigorously defend itself against such claims. In addition, the Company believes that it has approximately $11 million of liability insurance coverage to provide against an unfavorable outcome. Such suits are currently pending trial, and the Company's motion for summary judgment in Cause No. 8812 has been denied. A trial date has been set both in Cause No. 8812 and consolidated Cause No. P5565-83-CV for March 26, 2001. Due to the uncertainties inherent in litigation, no assurance can be given as to the ultimate outcome of such suits or the adequacy or availability of the Company's liability insurance to cover the damages, if any, which may be assessed against the Company in such suits. A judgment awarding plaintiffs an amount significantly exceeding the Company's available insurance coverage could have a material adverse affect on the Company's financial condition, results of operations and liquidity.

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

On February 18, 1998 the Company entered into a five year, non-cancellable operating lease for office space. Future minimum lease commitments under the lease at September 30 of each year are $142,716 through 2002, declining to $107,037 in 2003.

11. RIGHTS AGREEMENT

On July 13, 1999, the Board of Directors of the Company authorized and declared a dividend to the holders of record on July 23, 1999 of one Right (a "Right") for each outstanding share of the Company's common stock. When exercisable, each Right will entitle the holder to purchase one one-hundredth of a share of a Series A Junior Participating Preferred Stock, par value $1.00 per share, of the Company (the "Preferred Shares") at an exercise price of $50.00 per Right. The rights are not currently exercisable and will become exercisable only if a person or group acquires beneficial ownership of 20% or more of the Company's outstanding common stock or announces a tender offer or exchange offer, the consummating of which would result in attaining the triggering percentage. The Rights are subject to redemption by the Company for $.01 per Right at any time prior to the tenth day after the first public announcement of a triggering acquisition.

If the Company is acquired in a merger or other business combination transaction after a person has acquired beneficial ownership of 20% or more of the Company's common stock, each Right will entitle its holder to purchase, at the Right's then current exercise price, a number of the acquired Company's shares of common stock having a market value of two times such price. In addition, if a person or group acquires beneficial ownership of 20% or more of the Company's common stock, each Right will entitle its holder (other than the acquiring person or group) to purchase, at the Right's then current exercise price, a number of the Company's shares of common stock having a market value of two times the exercise price.

NOTES TO FINANCIAL STATEMENTS (CONT.)

Subsequent to the acquisition by a person or group of beneficial ownership of 20% or more of the Company's common stock and prior to the acquisition of beneficial ownership of 50% or more of the Company's common stock, the Board of Directors of the Company may exchange the Rights (other than Rights owned by such acquiring person or group, which will have become null and void and nontransferable), in whole or in part, at an exchange ratio of one share of the Company's common stock (or one one-hundredth of a Preferred Share) per Right.

The Rights dividend distribution was made on July 23, 1999, payable to shareholders of record at the close of business on that date. The Rights will expire on July 23, 2009.

12. RECENTLY ANNOUNCED ACCOUNTING PRONOUNCEMENTS

In June, 1998, the FASB issued SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" which establishes standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. SFAS No. 133 requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. It establishes conditions under which a derivative may be designated as a hedge and establishes standards for reporting changes in the fair value of a derivative. The Company will adopt SFAS No. 133, as required by SFAS 137 "Deferral of the Effective Date of the FASB Statement No. 133", effective October 1, 2000. Based on the Company's preliminary assessment of the implications of this new statement, the Company believes they have no freestanding or embedded derivative instruments that would need to be accounted for under SFAS 133.

13. QUARTERLY FINANCIAL DATA (UNAUDITED)

	QUARTER ENDED			
	DECEMBER 31	MARCH 31	JUNE 30	SEPTEMBER 30
FISCAL 2000:				
OPERATING REVENUES	$ 4,893,000	$ 4,275,000	$ 2,712,000	$ 6,589,000
LOSS FROM OPERATIONS	$(3,863,000)	$(3,970,000)	$(4,177,000)	$(2,772,000)
NET LOSS	$(2,399,000)	$(3,020,000)	$(3,168,000)	$(2,548,000)
NET LOSS PER COMMON SHARE	$ (.44)	$ (.55)	$ (.58)	$ (.47)
NET LOSS PER COMMON SHARE ASSUMING DILUTION	$ (.44)	$ (.55)	$ (.58)	$ (.47)
FISCAL 1999:				
OPERATING REVENUES	$ 8,018,000	$ 6,053,000	$ 4,575,000	$ 5,552,000
LOSS FROM OPERATIONS	$(1,672,000)	$(2,447,000)	$(3,091,000)	$(3,529,000)
NET LOSS	$ (974,000)	$(1,461,000)	$(1,890,000)	$(2,105,000)
NET LOSS PER COMMON SHARE	$ (.18)	$ (.27)	$ (.35)	$ (.39)
NET LOSS PER COMMON SHARE ASSUMING DILUTION	$ (.18)	$ (.27)	$ (.35)	$ (.39)

YEAR
SEP-30-2000
SEP-30-2000
509,000
11,025,000
6,867,000
300,000
0
20,466,000
73,132,000
(43,817,000)
49,781,000
1,313,000
0
0
0
1,810,000
46,658,000
49,781,000
18,469,000
18,469,000
33,251,000
33,251,000
0
0
0
(13,772,000)
2,637,000
(11,135,000)
0
0
0
(11,135,000)
(2.05)
(2.05)