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 September 30, 2023

☐ **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. 001-32472

DAWSON GEOPHYSICAL COMPANY

(Exact name of registrant as specified in its charter)

Texas	**74-2095844**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

508 West Wall, Suite 800, Midland, Texas 79701

(Address of Principal Executive Office**)** (Zip Code)

Registrant's Telephone Number**,** Including Area Code: **432-684-3000**

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered	Trading Symbol
Common Stock, $0.01 par value	**The NASDAQ Stock Market**	**DWSN**

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Accelerated filer ☐	Large accelerated filer ☐	Smaller reporting company ☒
Non-accelerated filer ☒	Emerging growth company ☐	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 November 7, 2023
Common Stock, $0.01 par value	30,812,329 shares

DAWSON GEOPHYSICAL COMPANY

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

DAWSON GEOPHYSICAL COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(amounts in thousands, except share data)

	September 30, 2023	December 31, 2022 (as adjusted)
	(unaudited)	(unaudited)
Assets		
Current assets:		
Cash and cash equivalents	$ 13,891	$ 18,603
Restricted cash	5,000	5,000
Short-term investments	265	265
Accounts receivable, net	5,953	7,972
Employee retention credit receivable	—	3,035
Prepaid expenses and other current assets	7,507	8,951
Total current assets	32,616	43,826
Property and equipment, net	16,451	20,468
Right-of-use assets	3,466	4,010
Intangibles, net	368	369
Total assets	$ 52,901	$ 68,673
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 5,458	$ 4,140
Accrued liabilities:		
Payroll costs and other taxes	718	2,001
Other	1,064	1,280
Deferred revenue	6,748	7,380
Current maturities of notes payable and finance leases	511	275
Current maturities of operating lease liabilities	1,190	1,118
Total current liabilities	15,689	16,194
Long-term liabilities:		
Notes payable and finance leases, net of current maturities	1,139	207
Operating lease liabilities, net of current maturities	2,654	3,331
Deferred tax liabilities, net	15	137
Total long-term liabilities	3,808	3,675
Commitments and contingencies	—	—
Stockholders' equity:		
Preferred stock-par value $1.00 per share; 4,000,000 shares authorized, none outstanding	—	—
Common stock-par value $0.01 per share; 35,000,000 shares authorized, 30,812,329 and 23,812,329 shares issued, and 30,812,329 and 23,812,329 shares outstanding at September 30, 2023 and December 31, 2022, respectively	308	238
Additional paid-in capital	156,678	155,413
Accumulated earnings (deficit)	(121,534)	(112,469)
Equity of Breckenridge prior to acquisition	—	7,695
Accumulated other comprehensive income (loss), net	(2,048)	(2,073)
Total stockholders' equity	33,404	48,804
Total liabilities and stockholders' equity	$ 52,901	$ 68,673

See accompanying notes to the condensed consolidated financial statements (unaudited).

DAWSON GEOPHYSICAL COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(unaudited and amounts in thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	**2022** (as adjusted)	**2023**	**2022** (as adjusted)
Operating revenues	$ 22,961	$ 7,429	$ 72,588	$ 34,128
Operating costs:				
Operating expenses	24,144	8,650	67,832	29,838
General and administrative	2,495	2,975	8,971	11,671
Depreciation and amortization	2,014	2,861	6,827	8,972
	28,653	14,486	83,630	50,481
Income (loss) from operations	(5,692)	(7,057)	(11,042)	(16,353)
Other income (expense):				
Interest income	192	91	436	147
Interest expense	(22)	(4)	(53)	(24)
Other income (expense), net	327	42	522	354
Income (loss) before income tax	(5,195)	(6,928)	(10,137)	(15,876)
Income tax benefit (expense):	(3)	16	96	—
Net income (loss)	(5,198)	(6,912)	(10,041)	(15,876)
Other comprehensive income (loss):				
Net unrealized income (loss) on foreign exchange rate translation	(218)	(566)	25	(1,238)
Comprehensive income (loss)	$ (5,416)	$ (7,478)	$ (10,016)	$ (17,114)
Basic income (loss) per share of common stock	$ (0.20)	$ (0.28)	$ (0.40)	$ (0.64)
Diluted income (loss) per share of common stock	$ (0.20)	$ (0.28)	$ (0.40)	$ (0.64)
Weighted average equivalent common shares outstanding	26,137,648	25,000,564	25,383,757	24,904,495
Weighted average equivalent common shares outstanding - assuming dilution	26,137,648	25,000,564	25,383,757	24,904,495

See accompanying notes to the condensed consolidated financial statements (unaudited).

DAWSON GEOPHYSICAL COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited and amounts in thousands)

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022 (as adjusted)
Cash flows from operating activities:		
Net income (loss)	$ (10,041)	$ (15,876)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	6,827	8,972
Operating lease cost	827	748
Non-cash compensation	—	413
Deferred income tax (benefit) expense	(121)	—
Bad debt expense	68	—
(Gain) loss on disposal of assets	(72)	581
Remeasurement and other	(2)	(19)
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivable	960	3,439
(Increase) decrease in employee retention credit receivable	3,035	—
(Increase) decrease in prepaid expenses and other assets	1,882	(2,642)
Increase (decrease) in accounts payable	2,052	1,557
Increase (decrease) in accrued liabilities	(1,431)	(492)
Increase (decrease) in operating lease liabilities	(888)	(760)
Increase (decrease) in deferred revenue	(634)	2,481
Net cash provided by (used in) operating activities	2,462	(1,598)
Cash flows from investing activities:		
Capital expenditures, net of non-cash capital expenditures summarized below (if applicable)	(2,623)	(637)
Acquisition of short-term investments	(1,000)	—
Proceeds from disposal of assets	173	304
Net cash provided by (used in) investing activities	(3,450)	(333)
Cash flows from financing activities:		
Principal payments on notes payable	(521)	(1,103)
Principal payments on finance leases	(150)	(34)
Tax withholdings related to stock-based compensation awards	—	(79)
Cash settlement of RSUs	—	(301)
Sale of treasury stock	—	113
Breckenridge cash contributions (distributions) prior to acquisition	(3,055)	(928)
Net cash provided by (used in) financing activities	(3,726)	(2,332)
Effect of exchange rate changes on cash and cash equivalents and restricted cash	2	(523)
Net increase (decrease) in cash and cash equivalents and restricted cash	(4,712)	(4,786)
Cash and cash equivalents and restricted cash at beginning of period	23,603	30,376
Cash and cash equivalents and restricted cash at end of period	$ 18,891	$ 25,590
Supplemental cash flow information:		
Cash paid for interest	$ 55	$ 25
Cash received for income taxes	$ —	$ 7
Non-cash operating, investing and financing activities:		
Increase (decrease) in accrued purchases of property and equipment	$ (605)	$ —
Finance leases incurred	$ 1,409	$ —
Increase in right-of-use assets and operating lease liabilities	$ 283	$ 598
Financed insurance premiums	$ 440	$ 944
Deemed distribution of Breckenridge net assets not acquired	$ 2,329	$ —
Deemed contribution of Breckenridge net assets	$ —	$ (6,472)
Acquisition of net assets of Breckenridge	$ (1,335)	$ —

See accompanying notes to the condensed consolidated financial statements (unaudited).

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DAWSON GEOPHYSICAL COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(unaudited and amounts in thousands, except share data)

	Equity Attributable to Breckenridge Prior to Acquisition	Common Stock Number Of Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
Balance January 1, 2023 (as adjusted)	$ 7,695	23,812,329	$ 238	$ 155,413	$ (112,469)	$ (2,073)	$ 48,804
Net income (loss)	(976)				563		(413)
Unrealized income (loss) on foreign exchange rate translation						(6)	(6)
Issuance of stock for Breckenridge acquisition	(1,335)	1,188,235	12	2,008			685
Excess of purchase price over net assets acquired				(10,565)			(10,565)
Breckenridge cash distributions prior to acquisition	(3,055)						(3,055)
Deemed distribution of Breckenridge net assets not acquired	(2,329)						(2,329)
Balance March 31, 2023	—	25,000,564	250	146,856	(111,906)	(2,079)	33,121
Net income (loss)					(4,430)		(4,430)
Unrealized income (loss) on foreign exchange rate translation						249	249
Balance June 30, 2023	—	25,000,564	250	146,856	(116,336)	(1,830)	28,940
Net income (loss)					(5,198)		(5,198)
Unrealized income (loss) on foreign exchange rate translation						(218)	(218)
Issuance of stock for convertible note		5,811,765	58	9,822			9,880
Balance September 30, 2023	$ —	30,812,329	$ 308	$ 156,678	$ (121,534)	$ (2,048)	$ 33,404

	Equity Attributable to Breckenridge Prior to Acquisition	Common Stock Number Of Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
Balance January 1, 2022	$ —	23,692,379	$ 237	$ 155,268	$ (92,018)	$ (1,010)	$ 62,477
Net income (loss)	1,006				(2,391)		(1,385)
Unrealized income (loss) on foreign exchange rate translation						(233)	(233)
Issuance of common stock under stock compensation plans		155,000	1	(1)			—
Stock-based compensation expense				279			279
Shares exchanged for taxes on stock-based compensation		(35,050)	—	(79)			(79)
Treasury stock sale				113			113
Deemed contribution of Breckenridge net assets	6,472						6,472
Breckenridge cash contributions prior to acquisition	1,950						1,950
Balance March 31, 2022 (as adjusted)	9,428	23,812,329	238	155,580	(94,409)	(1,243)	69,594
Net income (loss)	99				(7,678)		(7,579)
Unrealized income (loss) on foreign exchange rate translation						(439)	(439)
Stock-based compensation expense				89			89
Breckenridge cash contributions prior to acquisition	1,921						1,921
Balance June 30, 2022 (as adjusted)	11,448	23,812,329	238	155,669	(102,087)	(1,682)	63,586
Net income (loss)	691				(7,603)		(6,912)
Unrealized income (loss) on foreign exchange rate translation						(566)	(566)
Stock-based compensation expense			—	45			45
Cash settlement of RSUs				(301)			(301)
Cash distributions	(4,799)						(4,799)
Balance September 30, 2022 (as adjusted)	$ 7,340	23,812,329	$ 238	$ 155,413	$ (109,690)	$ (2,248)	$ 51,053

See accompanying notes to the condensed consolidated financial statements (unaudited).

DAWSON GEOPHYSICAL COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. ORGANIZATION AND NATURE OF OPERATIONS

Dawson Geophysical Company (the “Company”) is a leading provider of North American onshore seismic data acquisition services with operations throughout the continental United States (“U.S.”) and Canada. The Company acquires and processes 2-D, 3-D and multicomponent seismic data solely 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of the Company. Intercompany accounts and transactions have been eliminated. In the opinion of the Company’s management, the condensed consolidated financial statements reflect all adjustments, which are normal and recurring in nature, necessary for fair financial statement presentation. The preparation of these condensed consolidated financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the amounts reported in these condensed consolidated financial statements and accompanying notes. Actual results could differ materially from those estimates. Certain prior period amounts in the condensed consolidated financial statements may have been reclassified to conform to the current period’s presentation.

These condensed consolidated financial statements have been prepared using accounting principles generally accepted in the U.S. for interim financial information and the instructions to Form 10-Q and applicable rules of Regulation S-X of the Securities and Exchange Commission (the “SEC”). Certain information and footnote disclosures normally included in annual financial statements presented in accordance with accounting principles generally accepted in the U.S. have been omitted.

These condensed consolidated financial statements and accompanying notes should be read in conjunction with the Company’s annual consolidated financial statements and the notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022.

Asset Purchase Agreement. On March 24, 2023, the Company entered into an Asset Purchase Agreement (the “Purchase Agreement”) with Wilks Brothers, LLC (“Wilks”) and Breckenridge Geophysical, LLC (“Breckenridge”), a wholly owned subsidiary of Wilks. Pursuant to the Purchase Agreement, the Company completed the purchase of substantially all of the Breckenridge assets related to seismic data acquisition services other than its multi-client data library, in exchange for a combination of equity consideration and a convertible note (the “Transaction”). While the Transaction was structured as an asset purchase, the Company’s financial presentation reflects combined results of the two companies as if the combination occurred on January 14, 2022, the date Wilks became the majority shareholder of the Company. This is due to the fact that both the Company and Breckenridge were under Wilks’ control from January 14, 2022 forward. The presentation is required as a combination of entities under common control. As part of the Purchase Agreement, in addition to the 1,188,235 shares of our common stock issued to Wilks at closing, we entered into a convertible note to deliver approximately 5.8 million shares of common stock to Wilks after the Company receives shareholder approval of the proposal to issue the shares upon conversion of the convertible note in accordance with NASDAQ Listing Rule 5635 (the “Convertible Note”). The shareholders approved conversion of the Convertible Note during a special meeting held on September 13, 2023. Pursuant to the Purchase Agreement, the Convertible Note in the amount of $9,880,000.50 was automatically converted into 5,811,765 newly-issued shares of the Company’s common stock following the requisite shareholder approval, and the Convertible Note was thereby extinguished.

The Purchase Agreement has been accounted for as a transfer of net assets between entities under common control in a manner similar to a pooling of interests. The Company’s historical consolidated financial statements have been retrospectively revised to reflect the effects on financial position, cash flows, and results of operations attributable to the activities of Breckenridge for all periods presented and are thus marked “(as adjusted)”. The effects of transactions in Breckenridge’s equity prior to the Transaction have been presented as a separate component of stockholders’ equity on the Condensed Consolidated Balance Sheets and on the Condensed Consolidated Statements of Stockholders’ Equity to demonstrate the effects of those transactions on the Company’s historical consolidated financial statements.

Significant Accounting Policies

Principles of Consolidation. The condensed consolidated financial statements for the three and nine months ended September 30, 2023 include the accounts of the Company and its wholly-owned subsidiaries, Dawson Operating LLC, Dawson Seismic Services Holdings, Inc., Eagle Canada, Inc., Eagle Canada Seismic Services ULC, and Exploration Surveys, Inc. All significant intercompany balances and transactions have been eliminated in consolidation. Additionally, all transactions between the Company and Breckenridge for the year ended December 31, 2022 are retrospectively being eliminated on a combined, as pooled basis. For the year ended December 31, 2022, the Company recorded approximately $2,200,000 of related party revenue from Breckenridge. For the three and nine months ended September 30, 2022, the Company recorded related party revenue from Breckenridge of approximately $384,000 and $1,916,000, respectively.

Allowance for Doubtful Accounts. The Company's allowance for doubtful accounts reflects its current estimate of credit losses expected to be incurred over the life of the financial instrument and is determined based on a number of factors. Management determines the need for any allowance for doubtful accounts receivable based on its review of past-due accounts, its past experience of historical write-offs, its current client base, when customer accounts exceed 90 days past due and specific customer account reviews. While the collectability of outstanding client invoices is continually assessed, the inherent volatility of the energy industry's business cycle can cause swift and unpredictable changes in the financial stability of the Company's clients. The Company's allowance for doubtful accounts was $250,000 at September 30, 2023 and December 31, 2022.

Leases. The Company leases certain vehicles, seismic recording equipment, real property and office equipment under lease agreements. The Company evaluates each lease to determine its appropriate classification as a finance lease or an operating lease for financial reporting purposes. The assets and liabilities under finance leases are recorded at the lower of the present value of the minimum lease payments or the fair market value of the related assets. Assets under finance leases are amortized using the straight-line method over the initial lease term. Amortization of assets under finance leases is included in depreciation expense. For operating leases, where readily determinable, the Company uses the implicit interest rate in determining the present value of future minimum lease payments. In the absence of an implicit rate, the Company uses its incremental borrowing rate. The right-of-use assets are amortized to operating lease cost over the lease terms on a straight-line basis and is included in operating expense. Several of the Company's leases include options to renew and the exercise of lease renewal options is primarily at the Company's discretion.

Property and Equipment. Property and equipment is capitalized at historical cost, the fair value of assets acquired in a business combination, or historical carrying value of assets acquired from Breckenridge and is depreciated over the useful life of the asset. Management's estimation of this useful life is based on circumstances that exist in the seismic industry and information available at the time of the purchase of the asset. As circumstances change and new information becomes available, these estimates could change. Depreciation is computed using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the balance sheet, and any resulting gain or loss is reflected in the results of operations for the period.

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 undiscounted net cash flows are insufficient to recover the carrying value of the assets and the fair value of the assets is below the carrying value of the assets. Management's forecast of future cash flows used to perform impairment analysis includes estimates of future revenues and expenses based on the Company's anticipated future results while considering anticipated future oil and natural gas prices, which is fundamental in assessing demand for the Company's services. If the carrying amounts of the assets exceed the estimated expected undiscounted future cash flows, the Company measures the amount of possible impairment by comparing the carrying amount of the assets to the fair value.

Stock-Based Compensation. The Company measures all stock-based compensation awards, which include stock options, restricted stock, restricted stock units and common stock awards, using the fair value method and recognizes compensation expense, net of actual forfeitures, as operating or general and administrative expense, as appropriate, in the Condensed Consolidated Statements of Operations and Comprehensive Loss on a straight-line basis over the vesting period of the related awards.

Use of Estimates in the Preparation of Financial Statements. Preparation of the accompanying financial statements in conformity with GAAP 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. 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 which usually have an original expected duration of one year or less. These contracts are either "turnkey" or "term" agreements. Under both types of agreements, the Company recognizes revenues as the services are performed. Revenue is generally recognized based on square miles of data recorded compared to total square miles anticipated to be recorded on the survey using the total estimated revenue for the service contract. In the case of a cancelled service contract, the client is billed and revenue is recognized for any third party charges and square miles of data recorded up to the date of cancellation.

The Company receives reimbursements for certain out-of-pocket expenses under the terms of the service contracts. The amounts billed to clients are included at their gross amount in the total estimated revenue for the service contract.

Clients are billed as permitted by the service contract. Contract assets and contract liabilities are the result of timing differences between revenue recognition, billings and cash collections. If billing occurs prior to the revenue recognition or billing exceeds the revenue recognized, the amount is considered deferred revenue and a contract liability. Conversely, if the revenue recognition exceeds the billing, the excess is considered an unbilled receivable and a contract asset. As services are performed, those deferred revenue amounts are recognized as revenue.

In some instances, third-party permitting, surveying, drilling, helicopter, equipment rental and mobilization costs that directly relate to the contract are utilized to fulfill the contract obligations. These fulfillment costs are capitalized in other current assets and generally amortized based on the total square miles of data recorded compared to total square miles anticipated to be recorded on the survey using the total estimated fulfillment costs for the service contract.

Estimates for total revenue and total fulfillment cost on any service contract are based on significant qualitative and quantitative judgments. Management considers a variety of factors such as whether various components of the performance obligation will be performed internally or externally, cost of third party services, and facts and circumstances unique to the performance obligation in making these estimates.

Recently Issued Accounting Pronouncements

None.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

At September 30, 2023 and December 31, 2022, the Company’s financial instruments included cash and cash equivalents, restricted cash, short-term investments in certificates of deposit, accounts receivable, other current assets, accounts payable, other current liabilities, notes payable, finance leases and operating lease liabilities. Due to the short-term maturities of cash and cash equivalents, restricted cash, accounts receivable, other current assets, accounts payable and other current liabilities, the carrying amounts approximate fair value at the respective balance sheet dates. The carrying value of the notes payable, finance leases and operating lease liabilities approximate their fair value based on a comparison with the prevailing market interest rate. Due to the short-term maturities of the Company’s investments in certificates of deposit, the carrying amounts approximate fair value at the respective balance sheet dates. The fair values of the Company’s notes payable and investments in certificates of deposit are level 2 measurements in the fair value hierarchy.

4. SUPPLEMENTAL CONSOLIDATED FINANCIAL STATEMENT INFORMATION

Disaggregated Revenues

The Company has one line of business, acquiring and processing seismic data in North America. Our chief operating decision maker (President and Chief Executive Officer) makes operating decisions and assesses performance based on the Company as a whole. Accordingly, the Company is considered to be in a single reportable segment. The following table presents the Company’s operating revenues (unaudited and in thousands) disaggregated by geographic region:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022 (as adjusted)	2023	2022 (as adjusted)
Operating Revenues				
United States	$ 22,947	$ 7,353	$ 61,859	$ 22,377
Canada	14	76	10,729	11,751
Total	$ 22,961	$ 7,429	$ 72,588	$ 34,128

Deferred Costs (in thousands)

Deferred costs were $5,433 and $972 at January 1, 2023 and 2022, respectively. The Company’s prepaid expenses and other current assets at September 30, 2023 and 2022 included deferred costs incurred to fulfill contracts with customers of $4,226 and $3,636, respectively.

Deferred costs at September 30, 2023 compared to January 1, 2023 decreased primarily as a result of the completion of several projects during that nine month period that had deferred fulfillment costs at January 1, 2023. Deferred costs at September 30, 2022 compared to January 1, 2022 increased primarily as a result of new projects for clients with significant deferred fulfillment costs.

The amount of total deferred costs amortized for the nine months ended September 30, 2023 and 2022 was $31,429 and $2,661, respectively. There were no material impairment losses incurred during these periods.

Deferred Revenue (in thousands)

Deferred revenue was $7,380 and $1,344 at January 1, 2023 and 2022, respectively. The Company's deferred revenue at September 30, 2023 and 2022 was $6,748 and $4,378, respectively.

Deferred revenue at September 30, 2023 compared to January 1, 2023 remained fairly consistent. Deferred revenue at September 30, 2022 compared to January 1, 2022 increased primarily as a result of new projects for clients with large third party reimbursables where data had not yet been recorded.

Revenue recognized for the three and nine months ended September 30, 2023 that was included in the contract liability balance at the beginning of 2023 was $198 and $7,121, respectively. Revenue recognized for the three and nine months ended September 30, 2022 that was included in the contract liability balance at the beginning of 2022 was $0 and $936, respectively.

5. DEBT

Dominion Loan Agreement

On September 30, 2019, the Company entered into a Loan and Security Agreement with Dominion Bank, a Texas state bank ("Dominion Bank"). On September 30, 2023, the Company entered into a Fifth Loan Modification Agreement (the "Fifth Modification Agreement") to the Loan and Security Agreement (as amended by (i) that certain Loan Modification Agreement dated as of September 30, 2020, (ii) that certain Second Loan Modification Agreement dated as of September 30, 2021, (iii) that certain Third Loan Modification Agreement dated as of September 30, 2022, (iv) that certain Fourth Modification Agreement dated as of March 21, 2023, and (v) the Fifth Modification Agreement, the "Loan Agreement"). The Loan Agreement now provides for a secured revolving credit facility (the "Revolving Credit Facility") in an amount up to the lesser of (I) an amount equal to the Borrowing Base or (II) $5,000,000. The Company's obligations under the Loan Agreement are secured by a Certificate of Deposit with Dominion Bank for $5,000,000 (the "Deposit") in the Company's collateral account. As of September 30, 2023, the Company has not borrowed any amounts under the Revolving Credit Facility and has approximately $5,000,000 available for withdrawal.

Under the Revolving Credit Facility, interest will accrue at an annual rate equal to the lesser of (i) 7.75% and (ii) the greater of (a) the prime rate as published from time to time in The Wall Street Journal or (b) 4.75%. From and after September 30, 2023 and so long as the Deposit held by Dominion Bank remains greater than or equal to the indebtedness (the "Financial Covenant Suspension Threshold"), the testing of the financial covenants set forth in the Loan Agreement has been suspended. The financial covenant testing shall resume if and when the Financial Covenant Suspension Threshold is no longer satisfied. The maturity date of the Loan Agreement is September 30, 2024.

Dominion Letters of Credit

As of September 30, 2023, Dominion Bank has issued one letter of credit in the amount of $265,000 to support the Company's workers compensation insurance. The letter of credit is secured by a certificate of deposit with Dominion Bank.

Convertible Note

The Company previously had a short-term convertible note payable of approximately $9,880,000 payable on or after June 30, 2024 to Wilks upon written demand in accordance with the terms and conditions set forth in the Convertible Note. The Company's shareholders approved conversion of the Convertible Note during a special meeting held on September 13, 2023. Pursuant to the Purchase Agreement, the Convertible Note was automatically converted into 5,811,765 newly-issued shares of the Company's common stock following the requisite shareholder approval, and the Convertible Note was thereby extinguished. There were no interest charges associated with the Convertible Note.

Other Indebtedness

As of September 30, 2023, the Company has one short-term note payable to a finance company for various insurance premiums totaling $123,000.

In addition, the Company leases certain seismic recording equipment and vehicles under leases classified as finance leases. The Company's Condensed Consolidated Balance Sheet as of September 30, 2023 includes finance leases of $1,527,000.

Maturities and Interest Rates of Debt

The following tables set forth the aggregate principal amount (in thousands) under the Company's outstanding notes payable and the interest rates as of September 30, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022
Notes payable to finance company for insurance		
Aggregate principal amount outstanding	$ 123	$ 205
Interest rate of 7.99%		

The aggregate maturities of finance leases as of September 30, 2023 are as follows (in thousands):

October 2023 - September 2024	$ 389
October 2024 - September 2025	414
October 2025 - September 2026	536
October 2026 - September 2027	188
Obligations under finance leases	$ 1,527

Interest rates on these leases are 4.85% to 8.74%.

6. LEASES

The Company leases certain vehicles, seismic recording equipment, real property and office equipment under lease agreements. The Company evaluates each lease to determine its appropriate classification as an operating lease or finance lease for financial reporting purposes. The majority of our operating leases are non-cancelable operating leases for office and shop space in Midland, Plano, Houston and Calgary, Alberta. There have been no material changes to our leases since the Company's most recent Annual Report on Form 10-K that was filed with the SEC on March 13, 2023.

Maturities of lease liabilities as of September 30, 2023 are as follows (in thousands):

	Operating Leases	Finance Leases
October 2023 - September 2024	$ 1,362	$ 475
October 2024 - September 2025	1,129	476
October 2025 - September 2026	1,084	566
October 2026 - September 2027	591	193
October 2027 - September 2028	40	—
Thereafter	—	—
Total payments under lease agreements	4,206	1,710
Less imputed interest	(362)	(183)
Total lease liabilities	$ 3,844	$ 1,527

7. COMMITMENTS AND CONTINGENCIES

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.

We are also party to the following legal proceeding: On April 1, 2019, Weatherford International, LLC and Weatherford U.S., L.P. (collectively, "Weatherford") filed a petition in state district court for Midland County, Texas, in which the Company and eighteen other parties were named as defendants, alleging the Company and/or the other named defendants contributed to or caused contamination of groundwater at and around property owned by Weatherford. Weatherford is seeking declaratory judgment, recovery and contribution for past and future costs incurred in responding to or correcting the contamination at and around the property from each defendant. The Company disputes Weatherford's allegations with respect to the Company and intends to vigorously defend itself in this case. Subsequent to the filing of the petition, Weatherford filed for bankruptcy protection on July 1, 2019. While the outcome and impact of this legal proceeding on the

Company cannot be predicted with certainty, based on currently available information, management believes that the resolution of this proceeding will not have a material adverse effect on our financial condition, results of operations or liquidity.

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

8. NET INCOME (LOSS) PER SHARE

Basic income (loss) per share is computed by dividing the net income (loss) by the weighted average shares outstanding. Diluted income (loss) per share is computed by dividing the net income (loss) by the weighted average diluted shares outstanding.

The computation of basic and diluted income (loss) per share (in thousands, except share and per share data) was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022 (as adjusted)	2023	2022 (as adjusted)
Net income (loss)	$ (5,198)	$ (6,912)	$ (10,041)	$ (15,876)
Weighted average common shares outstanding				
Basic	26,137,648	25,000,564	25,383,757	24,904,495
Dilutive common stock options, restricted stock unit awards and restricted stock awards	—	—	—	—
Diluted	26,137,648	25,000,564	25,383,757	24,904,495
Basic income (loss) per share of common stock	$ (0.20)	$ (0.28)	$ (0.40)	$ (0.64)
Diluted income (loss) per share of common stock	$ (0.20)	$ (0.28)	$ (0.40)	$ (0.64)

The Company had a net loss for the three and nine months ended September 30, 2023 and 2022. As a result, all stock options, restricted stock unit awards and restricted stock awards were anti-dilutive and excluded from weighted average shares used in determining the diluted income (loss) per share of common stock for those periods. Basic and diluted weighted average shares outstanding for all periods reflect the issuance of 1,188,235 shares of our common stock to Wilks in relation to the Transaction as if such shares were issued on January 14, 2022.

The following weighted average numbers of stock options, restricted stock unit awards and restricted stock awards have been excluded from the calculation of diluted loss per share of common stock, as their effect would be anti-dilutive for the three and nine months ended September 30, 2023 and 2022:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022 (as adjusted)	2023	2022 (as adjusted)
Convertible Note	4,674,680	—	3,682,913	—
Restricted stock units	—	90,000	—	196,794
Restricted stock awards	—	—	—	—
Stock options	—	—	—	—
Total	4,674,680	90,000	3,682,913	196,794

9. INCOME TAXES

For the three and nine months ended September 30, 2023, the Company's effective tax rates were -0.1% and 0.9%, respectively. The Company's effective tax rates were 0.2% and 0.0% for the third quarter and first nine months of 2022, respectively. The Company's nominal or negative effective tax rate for the periods above was due to the presence of net operating loss carryovers and adjustments to the valuation allowance on deferred tax assets.

The Company assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit the use of the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative loss incurred over an extended amount of time. Such objective evidence limits the ability to consider other subjective evidence, such as projections for taxable earnings.

The income tax expense for the three and benefit for the nine months ended September 30, 2023 does not include income tax benefits for all of the losses incurred because the Company has recorded valuation allowances against significantly all of its federal, state and foreign deferred tax assets. The Company has recorded valuation allowances against the associated deferred tax assets for the amounts it deems are not more likely than not realizable. Based on management's belief that not all the net operating losses are realizable, a federal valuation allowance and additional state valuation allowances were maintained during the three and nine months ended September 30, 2023 and 2022. In addition, due to the Company's recent operating losses and valuation allowances, the Company may recognize reduced or no tax benefits on future losses on the condensed consolidated financial statements. The amount of the valuation allowances considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased, or if objective negative evidence in the form of cumulative losses is no longer present and additional weight is given to subjective evidence such as projections for future growth.

10. SUPPLEMENTAL PURCHASE AGREEMENT TRANSACTION INFORMATION

Historical financial information for Breckenridge was derived from Breckenridge's unaudited financial statements. In the opinion of the Company's management, the financial information of Breckenridge reflects all adjustments, which are normal and recurring in nature, necessary for fair financial statement presentation. The non-cash items associated with the Purchase Agreement (unaudited and in thousands) shown on the Condensed Consolidated Statements of Cash Flows consist of "Deemed distribution (contribution)" and "Acquisition of Breckenridge net assets" and are derived as follows:

Deemed Distribution (Contribution)	**Nine Months Ended September 30,**	
	2023	**2022**
Deemed distribution (contribution) of short-term investments	$ 1,000	$ —
Deemed distribution (contribution) of accounts receivable	1,015	(2,605)
Deemed distribution (contribution) of prepaids and other	1	(133)
Deemed distribution (contribution) of land and buildings	514	(4,726)
Deemed (distribution) contribution of accounts payable	(132)	196
Deemed (distribution) contribution of accrued liabilities	(69)	228
Deemed (distribution) contribution of deferred revenue	—	568
Deemed distribution of Breckenridge net assets not acquired	$ 2,329	
Deemed contribution of Breckenridge net assets		$ (6,472)

Historical Carrying Value of Assets Acquired	**March 24, 2023**
Accounts receivable, net	$ 67
Prepaid expenses and other current assets	56
Property and equipment, net	1,322
Other accrued liabilities	(16)
Deferred revenue	(94)
Acquisition of Breckenridge net assets	$ 1,335

Total consideration for the asset purchase (in thousands) is as follows:

Consideration Paid	**March 24, 2023**
Common stock issued	$ 2,020
Note payable issued	9,880
Purchase price	$ 11,900

Because the Transaction constitutes a transaction among entities under common control, the excess purchase price over the historical carrying value of the net assets acquired was recorded as a charge to additional paid in capital. The excess purchase price over the historical carrying value of the assets at the acquisition date (unaudited and in thousands) is as follows:

Excess Purchase Price	**March 24, 2023**
Purchase price	$ 11,900
Historical carrying value of assets acquired	(1,335)
Excess purchase price	$ 10,565

The following table reconciles the previously reported Balance Sheet at December 31, 2022 to the current Balance Sheet for the same period:

	December 31, 2022		
	Dawson Previously Reported	Breckenridge	Dawson As Adjusted
		(unaudited)	(unaudited)
Assets			
Current assets:			
Cash and cash equivalents	$ 13,914	$ 4,689	$ 18,603
Restricted cash	5,000	—	5,000
Short-term investments	265	—	265
Accounts receivable, net	6,945	1,027	7,972
Employee retention credit receivable	3,035	—	3,035
Prepaid expenses and other current assets	8,876	75	8,951
Total current assets	38,035	5,791	43,826
Property and equipment, net	18,127	2,341	20,468
Right-of-use assets	4,010	—	4,010
Intangibles, net	369	—	369
Total assets	$ 60,541	$ 8,132	$ 68,673
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable	$ 4,015	$ 125	$ 4,140
Accrued liabilities:			
Payroll costs and other taxes	1,973	28	2,001
Other	1,178	102	1,280
Deferred revenue	7,199	181	7,380
Current maturities of notes payable and finance leases	275	—	275
Current maturities of operating lease liabilities	1,118	—	1,118
Total current liabilities	15,758	436	16,194
Long-term liabilities:			
Notes payable and finance leases, net of current maturities	207	—	207
Operating lease liabilities, net of current maturities	3,331	—	3,331
Deferred tax liabilities, net	136	1	137
Total long-term liabilities	3,674	1	3,675
Stockholders' equity:			
Common stock	238	—	238
Additional paid-in capital	155,413	—	155,413
Accumulated earnings (deficit)	(112,469)	—	(112,469)
Equity of Breckenridge prior to acquisition	—	7,695	7,695
Accumulated other comprehensive income (loss), net	(2,073)	—	(2,073)
Total stockholders' equity	41,109	7,695	48,804
Total liabilities and stockholders' equity	$ 60,541	$ 8,132	$ 68,673

The following tables reconcile the previously reported Statement of Operations for the three and nine months ended September 30, 2022 to the current Statement of Operations for the same periods:

	Three Months Ended September 30, 2022			
	Dawson Previously Reported	Breckenridge	Eliminations and Other Adjustments	Dawson As Adjusted
Operating revenues	$ 3,538	$ 4,275	$ (384)	$ 7,429
Operating costs:				
Operating expenses	6,357	2,677	(384)	8,650
General and administrative	2,556	419	—	2,975
Depreciation and amortization	2,373	488	—	2,861
	11,286	3,584	(384)	14,486
Income (loss) from operations	(7,748)	691	—	(7,057)
Other income (expense):				
Interest income	90	1	—	91
Interest expense	(4)	—	—	(4)
Other income (expense), net	43	(1)	—	42
Income (loss) before income tax	(7,619)	691	—	(6,928)
Income tax benefit (expense)	16	—	—	16
Net income (loss)	(7,603)	691	—	(6,912)
Other comprehensive income (loss):				
Net unrealized income (loss) on foreign exchange rate translation	(566)	—	—	(566)
Comprehensive (loss) income	$ (8,169)	$ 691	$ —	$ (7,478)
Basic income (loss) per share of common stock	$ (0.32)	$ —	$ 0.04	$ (0.28)
Diluted income (loss) per share of common stock	$ (0.32)	$ —	$ 0.04	$ (0.28)
Weighted average equivalent common shares outstanding	23,812,329	—	1,188,235	25,000,564
Weighted average equivalent common shares outstanding - assuming dilution	23,812,329	—	1,188,235	25,000,564

	Nine Months Ended September 30, 2022			
	Dawson Previously Reported	Breckenridge	Eliminations and Other Adjustments	Dawson As Adjusted
Operating revenues	$ 22,818	$ 13,226	$ (1,916)	$ 34,128
Operating costs:				
Operating expenses	23,008	8,746	(1,916)	29,838
General and administrative	10,502	1,169	—	11,671
Depreciation and amortization	7,458	1,514	—	8,972
	40,968	11,429	(1,916)	50,481
Income (loss) from operations	(18,150)	1,797	—	(16,353)
Other income (expense):				
Interest income	144	3	—	147
Interest expense	(24)	—	—	(24)
Other income (expense), net	358	(4)	—	354
Income (loss) before income tax	(17,672)	1,796	—	(15,876)
Income tax benefit (expense)	—	—	—	—
Net income (loss)	(17,672)	1,796	—	(15,876)
Other comprehensive income (loss):				
Net unrealized income (loss) on foreign exchange rate translation	(1,238)	—	—	(1,238)
Comprehensive (loss) income	$ (18,910)	$ 1,796	$ —	$ (17,114)
Basic income (loss) per share of common stock	$ (0.74)	$ —	$ 0.10	$ (0.64)
Diluted income (loss) per share of common stock	$ (0.74)	$ —	$ 0.10	$ (0.64)
Weighted average equivalent common shares outstanding	23,772,843	—	1,131,652	24,904,495
Weighted average equivalent common shares outstanding - assuming dilution	23,772,843	—	1,131,652	24,904,495

The following table reconciles the previously reported Statement of Cash Flows for the nine months ended September 30, 2022 to the current Statement of Cash Flows for the same period:

	Nine Months Ended September 30, 2022		
	Dawson Previously Reported	Breckenridge	Dawson As Adjusted
Cash flows from operating activities:			
Net income (loss)	$ (17,672)	$ 1,796	$ (15,876)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	7,458	1,514	8,972
Operating lease cost	748	—	748
Non-cash compensation	413	—	413
(Gain) loss on disposal of assets	(189)	770	581
Remeasurement and other	(19)	—	(19)
Change in operating assets and liabilities:			
(Increase) decrease in accounts receivable	4,428	(989)	3,439
(Increase) decrease in prepaid expenses and other assets	(2,643)	1	(2,642)
Increase (decrease) in accounts payable	1,366	191	1,557
Increase (decrease) in accrued liabilities	(733)	241	(492)
Increase (decrease) in operating lease liabilities	(760)	—	(760)
Increase (decrease) in deferred revenue	3,034	(553)	2,481
Net cash provided by (used in) operating activities	(4,569)	2,971	(1,598)
Cash flows from investing activities:			
Capital expenditures	(470)	(167)	(637)
Proceeds from disposal of assets	189	115	304
Net cash provided by (used in) investing activities	(281)	(52)	(333)
Cash flows from financing activities:			
Principal payments on notes payable	(1,103)	—	(1,103)
Principal payments on finance leases	(34)	—	(34)
Tax withholdings related to stock-based compensation awards	(79)	—	(79)
Cash settlement of RSUs	(301)		(301)
Sale of treasury stock	113	—	113
Breckenridge cash contributions prior to acquisition	—	(928)	(928)
Net cash provided by (used in) financing activities	(1,404)	(928)	(2,332)
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(523)	—	(523)
Net increase (decrease) in cash and cash equivalents and restricted cash	(6,777)	1,991	(4,786)
Cash and cash equivalents and restricted cash at beginning of period	30,376	—	30,376
Cash and cash equivalents and restricted cash at end of period	$ 23,599	$ 1,991	$ 25,590
Supplemental cash flow information:			
Cash paid for interest	$ 25	$ —	$ 25
Cash received for income taxes	$ 7	$ —	$ 7
Non-cash operating, investing and financing activities:			
Increase (decrease) in right-of-use assets and operating lease liabilities	$ 598	$ —	$ 598
Financed insurance premiums	$ 944	$ —	$ 944
Deemed contribution of Breckenridge net assets	$ —	$ (6,472)	$ (6,472)

The following table details the standalone Breckenridge Statement of Operations for the three and nine months ended September 30, 2023:

	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2023
Operating revenues	$ —	$ 782
Operating costs:		
Operating expenses	—	806
General and administrative	—	438
Depreciation and amortization	—	505
	—	1,749
Income (loss) from operations	—	(967)
Other income (expense):		
Interest income	—	2
Interest expense	—	—
Other income (expense), net	—	(11)
Income (loss) before income tax	—	(976)
Income tax benefit (expense)	—	—
Net income (loss)	$ —	$ (976)

11. SUBSEQUENT EVENTS

None.

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

Forward Looking Statements

Statements other than statements of historical fact included in this Form 10-Q that relate to forecasts, estimates or other expectations regarding future events, including without limitation, statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations" regarding technological advancements, our financial position, business strategy and plans, objectives of our management for future operations, including statements related to the expected or potential impact of the novel coronavirus ("COVID-19") pandemic on our business, financial condition and results of operations, may be deemed to be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). 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 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. These risks include, but are not limited to, the Company's status as a controlled public company, which exempts the Company from certain corporate governance requirements; the limited market for the Company's shares, which could result in the delisting of the Company's shares from Nasdaq and the Company no longer being required to make filings with the SEC; the impact of general economic, industry, market or political conditions; dependence upon energy industry spending; changes in exploration and production spending by our customers and changes in the level of oil and natural gas exploration and development; the results of operations and financial condition of our customers, particularly during extended periods of low prices for crude oil and natural gas; the volatility of oil and natural gas prices; changes in economic conditions; the severity and duration of the COVID-19 pandemic, related economic repercussions and the resulting impact on demand for oil and gas; surplus in the supply of oil and the ability of the Organization of the Petroleum Exporting Countries and its allies, collectively known as OPEC+, to agree on and comply with supply limitations; the duration and magnitude of the unprecedented disruption in the oil and gas industry currently resulting from the impact of the foregoing factors, which is negatively impacting our business; the potential for contract delays; reductions or cancellations of service contracts; limited number of customers; credit risk related to our customers; reduced utilization; high fixed costs of operations and high capital requirements; operational challenges relating to the COVID-19 pandemic and efforts to mitigate the spread of the virus, including logistical challenges, protecting the health and well-being of our employees and remote work arrangements; industry competition; external factors affecting the Company's crews such as weather interruptions and inability to obtain land access rights of way; whether the Company enters into turnkey or day rate contracts; crew productivity; the availability of capital resources; disruptions in the global economy, including export controls and financial and economic sanctions imposed on certain industry sectors and parties as a result of the developments in Ukraine and related activities; and whether or not a future transaction or other action occurs that causes the Company to be delisted from Nasdaq and no longer be required to make filings with the SEC. A discussion of these and other factors, including risks and uncertainties, is set forth in the Company's Annual Report on Form 10-K that was filed with the SEC on March 13, 2023 and any subsequent Quarterly Reports on Form 10-

Q filed with the SEC. The Company disclaims any intention or obligation to revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Overview

We are a leading provider of North American onshore seismic data acquisition services with operations throughout the continental U.S. and Canada. Substantially all of our revenues are derived from the seismic data acquisition services we provide to our clients. Our clients consist of major oil and gas companies, independent oil and gas operators, and providers of multi-client data libraries. In recent years, our primary customer base has consisted of providers of multi-client data libraries. Demand for our services depends upon the level of spending by these companies for exploration, production, development and field management activities, which depends, in a large part, on oil and natural gas prices. Significant fluctuations in domestic oil and natural gas exploration and development activities related to commodity prices, as we have recently experienced, have affected, and will continue to affect, demand for our services and our results of operations, and such fluctuations continue to be the single most important factor affecting our business and results of operations.

We began the third quarter through the month of July with one mid-sized channel count crew operating in the lower 48. Deployment of a second, smaller channel count crew occurred in early August expanding to a larger channel count crew in mid-August and operated through the third quarter and into the fourth quarter. Based on currently available information, we anticipate operating two crews with improved channel count utilization through the fourth quarter and well into 2024 in the lower 48. Canadian activity began in October with the operation of one small 2-D crew. We expect to have up to three crews operating in Canada during the first quarter of 2024 with several projects larger in size than last season. Included in the third quarter results are ramp up costs related to additional personnel and maintenance requirements in anticipation of higher activity in the fourth quarter and into the first quarter of 2024.

As similarly stated in our second quarter 10-Q, although the active rig count in the lower 48 is currently at 634 according to TD Cowen, capital spending levels by Exploration and Production companies continues to improve but remains well below pre-pandemic levels as E&P companies continue to exercise financial discipline. Despite the decline in drilling activity, operating conditions in the seismic sector have improved from one year ago levels, with primary interest coming from multi-client data library companies backed by publicly traded independent E&P companies, as well as major E&P companies and, to a lesser extent, carbon capture related entities. Our recent and near term activities are primarily in the Permian basin region of West Texas and Eastern New Mexico. Bid inquires in the lower 48 have improved from last year as E&P operators are finding greater value in seismic data to aid in the overall development and expansion of their drillable acreage positions.

In part, low utilization rates associated with the second quarter led to a difficult start in July, negatively impacting third quarter results. Such results, while improved from year-ago levels, did not meet expectations. Despite these challenges, monthly operations improved meaningfully through the end of the third quarter and into the beginning of the fourth quarter. Management anticipates high channel count utilization spread over two crews into the second quarter of 2024 in the lower 48 as well as high utilization during the Canadian winter season which began in October and will ramp up going into the fourth quarter. As noted above, the Canadian winter season is off to a good start as we anticipate up to three crews to be operating by the first quarter of 2024.

To date, we are much better positioned early in the fourth quarter than we have been at any time during the second or third quarters of 2023. Utilization is expected to be at high levels for the remainder of the current year and into the first half of 2024. At the same time, we anticipate a notable increase in carbon capture projects related to seismic activity in 2024. We continue to add to our order book with activity primarily in the Permian and Delaware Basins and believe that our experienced workforce, robust equipment inventory and commitment to a strong balance sheet, positions us well as we move into 2024.

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 and utilization level of our data acquisition crews. Factors impacting productivity and utilization levels include: client demand, commodity prices, whether we enter into turnkey or dayrate contracts with our clients, the number and size of crews, the number of recording channels per crew, crew downtime related to inclement weather, delays in acquiring land access permits, agricultural or hunting activity, holiday schedules, short winter days, crew repositioning and equipment failure. To the extent we experience these factors, our operating results may be affected from quarter to quarter. Consequently, our efforts to negotiate more favorable contract terms in our supplemental service agreements, mitigate permit access delays and improve overall crew productivity may contribute to growth in our revenues.

Results of Operations

Operating Revenues. Operating revenues for the third quarter of 2023 increased 209.1% to $22,961,000 compared to $7,429,000 in the same period of 2022. Operating revenues increased 112.7% to $72,588,000 during the first nine months of 2023 compared to $34,128,000 in the same period of 2022. The increased revenue during the third quarter and first nine months of 2023 compared to the same periods of 2022 was primarily due to increased crew utilization during those periods of 2023.

Operating Expenses. Operating expenses for the third quarter of 2023 increased 179.1% to $24,144,000 compared to $8,650,000 in the same period of 2022. Operating expenses increased 127.3% to $67,832,000 during the first nine months of 2023 compared to $29,838,000 in the same period of 2022. The increase in operating expenses during the third quarter and first nine months of 2023 compared to the same periods of 2022 was primarily due to the increased crew utilization during those periods of 2023.

General and Administrative Expenses. General and administrative expenses were 10.9% and 12.4% of revenues in the third quarter and first nine months of 2023, respectively, compared to 40.0% and 34.2% of revenues in the same periods of 2022. General and administrative expenses decreased $480,000 or 16.1% to $2,495,000 during the third quarter of 2023 from $2,975,000 during the same period of 2022, and decreased $2,700,000 or 23.1% to $8,971,000 during the first nine months of 2023 from $11,671,000 during the same period of 2022. The primary factor for the decrease in general and administrative expenses during the third quarter and first nine months of 2023 compared to the same periods of 2022 was due to transaction costs incurred related to the previously disclosed proposed merger with a subsidiary of Wilks Brothers, LLC during 2022.

Depreciation and Amortization Expense. Depreciation and amortization expense for the third quarter and first nine months of 2023 totaled $2,014,000 and $6,827,000, respectively, compared to $2,861,000 and $8,972,000 for the same periods of 2022. Depreciation expense decreased in 2023 compared to 2022 as a result of multiple years of reduced capital expenditures. Our depreciation expense is expected to remain below that of 2022 for the remainder of 2023 due to the anticipated continuation of maintenance levels of capital expenditures to maintain our existing asset base.

Total operating costs for the third quarter of 2023 were $28,653,000, representing a 97.8% increase from the same period of 2022. The operating costs for the first nine months of 2023 were $83,630,000, representing a 65.7% increase from the same period of 2022. The increase in operating costs for the third quarter and first nine months of 2023 compared to 2022 was primarily due to the factors described above.

Income Taxes. Income tax expense for the third quarter of 2023 was $3,000 compared to income tax benefit of $16,000 for the same period of 2022. Income tax benefit for the first nine months of 2023 was $96,000 compared to $0 for the same period of 2022. These amounts represent effective tax rates of -0.1% and 0.9% for the third quarter and first nine months of 2023, respectively, compared to 0.2% and 0.0% for the third quarter and first nine months of 2022. The Company's nominal or negative effective tax rate for the periods above was due to the presence of net operating loss carryovers and adjustments to the valuation allowance on deferred tax assets.

Our effective tax rates differ from the statutory federal rate of 21.0% for certain items such as state and local taxes, valuation allowances, and non-deductible expenses. For further information, see Note 9 of the Notes to the Condensed Consolidated Financial Statements.

Use of EBITDA (a Non-GAAP measure)

We define EBITDA as net income (loss) plus interest expense, interest income, income taxes, and depreciation and amortization expense. Our management uses EBITDA as a supplemental financial measure to assess:

- the financial performance of our assets without regard to financing methods, capital structures, taxes or historical cost basis;
- our liquidity and operating performance over time in relation to other companies that own similar assets and that we believe calculate EBITDA in a similar manner; and
- the ability of our assets to generate cash sufficient for us to pay potential interest costs.

We also understand that such data are used by investors to assess our performance. However, the term EBITDA is not defined under GAAP, and EBITDA is not a measure of operating income, operating performance or liquidity presented in accordance with GAAP. When assessing our operating performance or liquidity, investors and others should not consider this data in isolation or as a substitute for net income (loss), cash flow from operating activities or other cash flow data calculated in accordance with GAAP. In addition, our EBITDA may not be comparable to EBITDA or similarly titled measures utilized by other companies since such other companies may not calculate EBITDA in the same manner as us. Further, the results presented by EBITDA cannot be achieved without incurring the costs that the measure excludes: interest, taxes, and depreciation and amortization.

The reconciliation of our EBITDA to net income (loss) and to net cash provided by (used in) operating activities, which are the most directly comparable GAAP financial measures, are provided in the following tables (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022 (as adjusted)	2023	2022 (as adjusted)
Net income (loss)	$ (5,198)	$ (6,912)	$ (10,041)	$ (15,876)
Depreciation and amortization	2,014	2,861	6,827	8,972
Interest (income) expense, net	(170)	(87)	(383)	(123)
Income tax (benefit) expense	3	(16)	(96)	—
EBITDA	$ (3,351)	$ (4,154)	$ (3,693)	$ (7,027)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022 (as adjusted)	2023	2022 (as adjusted)
Net cash provided by (used in) operating activities	$ (3,289)	$ (3,332)	$ 2,462	$ (1,598)
Changes in working capital and other items	312	(528)	(5,260)	(4,268)
Non-cash adjustments to net income (loss)	(374)	(294)	(895)	(1,161)
EBITDA	$ (3,351)	$ (4,154)	$ (3,693)	$ (7,027)

Liquidity and Capital Resources

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 borrowings from commercial banks have been sufficient to fund our working capital requirements and, to some extent, our capital expenditures. Management believes cash on hand and working capital are sufficient to fund operating and investing cash flow requirements.

Cash Flows. Net cash provided by operating activities was $2,462,000 for the nine months ended September 30, 2023 compared to net cash used in operating activities of $1,598,000 for the same period of 2022. This increase was primarily due to cash received for an employee retention credit of $3,035,000 in 2023 along with various changes in the balances of our operating assets and liabilities.

Net cash used in investing activities was $3,450,000 and $333,000 for the nine months ended September 30, 2023 and 2022, respectively. The increase in cash used in investing activities between periods of $3,117,000 was primarily due to an increase in cash capital expenditures to $2,623,000 for the first nine months of 2023 compared to capital expenditures of $637,000 for the same period of 2022 offset by $304,000 proceeds from disposal of assets. Additionally, in connection with the Transaction, Breckenridge acquired $1,000,000 of short-term investments that was a deemed distribution in the non-cash section of our Consolidated Statements of Cash Flows.

Net cash used in financing activities was $3,726,000 for the nine months ended September 30, 2023 and was primarily comprised of principal payments of $521,000 and $150,000 under our notes payable and finance leases, respectively. Additionally, in connection with the Transaction, Breckenridge had cash distributions of $3,055,000. Net cash used in financing activities for the nine months ended September 30, 2022 was $2,332,000 and was primarily comprised of principal payments of $1,103,000 and $34,000 under our notes payable and finance leases, respectively and tax withholdings related to stock-based compensation awards. These amounts were offset by sales of our treasury stock of $113,000 and Breckenridge cash contributions of $928,000 in connection with the Transaction.

Capital Expenditures. The Board of Directors approved an initial 2023 capital budget in the amount of $5,000,000 for capital expenditures, which was limited to necessary maintenance capital requirements and incremental recording channel replacement or increase. For the nine months ended September 30, 2023, we have spent $3,427,000 on capital expenditures, primarily for rolling stock and maintenance capital requirements. In recent years, we have funded most of our capital expenditures through cash flow from operations, cash reserves, equipment term loans and finance leases.

We continually strive to supply our clients with technologically advanced 3-D seismic data acquisition recording services 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 borrowings from commercial banks to fund our working capital requirements and, to some extent, our capital expenditures. We have funded some of our capital expenditures through commercial bank borrowings, finance leases and equipment term loans.

Loan Agreement

Dominion Credit Facility. On September 30, 2019, we entered into a Loan and Security Agreement with Dominion Bank. On September 30, 2023, we entered into the Fifth Loan Modification Agreement (as amended by (i) that certain Loan Modification Agreement dated as of September 30, 2020, (ii) that certain Second Loan Modification Agreement dated as of September 30, 2021, (iii) that certain Third Loan Modification Agreement dated as of September 30, 2022, (iv) that certain Fourth Modification Agreement dated as of March 21, 2023, and (v) the Fifth Modification Agreement, the "Loan Agreement") The Loan Agreement now provides for a Revolving Credit Facility in an amount up to the lesser of (I) an amount equal to the Borrowing Base or (II) $5,000,000. Our obligations under the Loan Agreement are secured by a Certificate of Deposit with Dominion Bank for $5,000,000 (the "Deposit") in our collateral account. As of September 30, 2023, we have not borrowed any amounts under the Revolving Credit Facility and have approximately $5,000,000 available for withdrawal.

Under the Revolving Credit Facility, interest will accrue at an annual rate equal to the lesser of (i) 7.75% and (ii) the greater of (a) the prime rate as published from time to time in The Wall Street Journal or (b) 4.75%. From and after September 30, 2023 and so long as the Deposit held by Dominion Bank remains greater than or equal to the indebtedness (the "Financial Covenant Suspension Threshold"), the testing of the financial covenants set forth in the Loan Agreement has been suspended. The financial covenant testing shall resume if and when the Financial Covenant Suspension Threshold is no longer satisfied. The maturity date of the Loan Agreement is September 30, 2024.

Dominion Letters of Credit. As of September 30, 2023, Dominion Bank has issued one letter of credit in the amount of $265,000 to support our workers compensation insurance. The letter of credit is secured by a certificate of deposit with Dominion Bank.

Other Indebtedness

As of September 30, 2023, we have one short-term note payable to a finance company for various insurance premiums totaling $123,000.

We previously had a short-term convertible note payable of approximately $9,880,000 payable on or after June 30, 2024 to Wilks upon written demand in accordance with the terms and conditions set forth in the Convertible Note. Our shareholders approved conversion of the Convertible Note during a special meeting held on September 13, 2023. Pursuant to the Purchase Agreement, the Convertible Note was automatically converted into 5,811,765 newly-issued shares of our common stock following the requisite shareholder approval, and the Convertible Note was thereby extinguished. There were no interest charges associated with the Convertible Note.

In addition, we lease certain seismic recording equipment and vehicles under leases classified as finance leases. Our Condensed Consolidated Balance Sheet as of September 30, 2023 includes finance leases of $1,527,000.

Maturities and Interest Rates of Debt

The following tables set forth the aggregate principal amount (in thousands) under our outstanding notes payable and the interest rates as of September 30, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022
Notes payable to finance company for insurance		
Aggregate principal amount outstanding	$ 123	$ 205
Interest rate of 7.99%		

The aggregate maturities of finance leases as of September 30, 2023 are as follows (in thousands):

October 2023 - September 2024	$ 389
October 2024 - September 2025	414
October 2025 - September 2026	536
October 2026 - September 2027	188
Obligations under finance leases	$ 1,527

Interest rates range from 4.85% to 8.74%.

Contractual Obligations

We believe that our capital resources, including our cash on hand, short-term investments, cash flow from operations, and funds available under our Revolving Credit Facility will be adequate to meet our current operational needs. We believe that we will be able to finance our 2023 capital expenditures through cash flow from operations, borrowings from commercial lenders, and the funds available under our Revolving Credit Facility. However, our ability to satisfy working capital requirements, meet debt repayment obligations, and fund future capital requirements will depend principally upon our future operating performance, which is subject to the risks inherent in our business, and will also depend on the extent to which the current economic climate adversely affects the ability of our customers, and/or potential customers, to promptly pay amounts owing to us under their service contracts with us.

Critical Accounting Policies

Information regarding our critical accounting policies and estimates is included in Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2022.

Recently Issued Accounting Pronouncements

None.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to certain market risks arising from the use of financial instruments in the ordinary course of business. These risks arise primarily as a result of potential changes to operating concentration of credit risk and changes in interest rates. We have not entered into any hedge arrangements, commodity swap agreements, commodity futures, options or other derivative financial instruments. We also conduct business in Canada, which subjects our results of operations and cash flows to foreign currency exchange rate risk.

Concentration of Credit Risk

Our principal market risks include fluctuations in commodity prices, which affect demand for and pricing of our services, and the risk related to the concentration of our clients in the oil and natural gas industry. Since all of our clients are involved in the oil and natural gas industry, there may be a positive or negative effect on our exposure to credit risk because our clients may be similarly affected by changes in economic and industry conditions. As an example, changes to existing regulations or the adoption of new regulations may unfavorably impact us, our suppliers or our clients. In the normal course of business, we provide credit terms to our clients. Accordingly, we perform ongoing credit evaluations of our clients and maintain allowances for possible losses. Our historical experience supports our allowance for doubtful accounts of $250,000 at September 30, 2023. This does not necessarily indicate that it would be adequate to cover a payment default by one large or several smaller clients.

We generally provide services to certain key clients that account for a significant percentage of our accounts receivable at any given time. Our key clients vary over time. We extend credit to various companies in the oil and natural gas industry, including our key clients, for the acquisition of seismic data, which results in a concentration of credit risk. This concentration of credit risk may be affected by changes in the economic or other conditions of our key clients and may accordingly impact our overall credit risk. If any of these significant clients were to terminate their contracts or fail to contract for our services in the future because they are acquired, alter their exploration or development strategy, or for any other reason, our results of operations could be affected. Because of the nature of our contracts and clients’ projects, our largest clients can change from year to year, and the largest clients in any year may not be indicative of the largest clients in any subsequent year.

Interest Rate Risk

From time to time, we are exposed to the impact of interest rate changes on the outstanding indebtedness under our Revolving Credit Facility which has variable interest rates.

We generally have cash in the bank which exceeds federally insured limits. Historically, we have not experienced any losses in such accounts; however, volatility in financial markets may impact our credit risk on cash and short-term investments. At September 30, 2023, cash, restricted cash and short term investments totaled $19,156,000.

ITEM 4. CONTROLS AND PROCEDURES

Management’s Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our principal executive and financial officer, of the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the period covered by this report. Based upon that evaluation, our President and Chief Executive Officer and our Executive Vice President, Chief Financial Officer, Secretary and Treasurer concluded that, as of September 30, 2023, 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, Chief Financial Officer, Secretary and Treasurer, 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 control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) during the quarter ended September 30, 2023 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

Refer to Note 7 – Commitments and Contingencies in the Notes to the Condensed Consolidated Financial Statements (Part I, Item 1 of this Form 10-Q) for a discussion of the Company's legal proceedings.

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 year ended December 31, 2022, which could materially affect our financial condition or results of operations.

ITEM 6. EXHIBITS

Number	Exhibit
3.1	Amended and Restated Certificate of Formation, as amended February 11, 2015, filed on March 16, 2015 as Exhibit 3.1 to the Registrant's Annual Report on Form 10-K, and incorporated herein by reference.
3.2	Bylaws, as amended February 11, 2015, filed on March 16, 2015 as Exhibit 3.2 to the Registrant's Annual Report on Form 10-K, and incorporated herein by reference.
3.3	Statement of Resolutions Establishing Series of Shares designated Series A Junior Participating Preferred Stock of Dawson Geophysical Company, filed on April 8, 2021 as Exhibit 3.1 to the Registrant's Current Report on Form 8-K, and incorporated herein by reference.
10.4*	Fifth Loan Modification Agreement, dated as of September 30, 2023, by and between Dawson Geophysical Company and Dominion Bank.
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.
101*	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, formatted in Inline XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Statements of Operations and Comprehensive Loss for the three and nine months ended September 30, 2023 and 2022, (ii) Condensed Consolidated Balance Sheets at September 30, 2023 and December 31, 2022, (iii) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2023 and 2022, (iv) Condensed Consolidated Statements of Stockholders' Equity for the three and nine months ended September 30, 2023 and 2022, and (v) Notes to Condensed Consolidated Financial Statements.
104*	Cover Page Interactive Data File (formatted in Inline XBRL and included as Exhibit 101).

* Filed herewith.
\+ Management contract or compensatory plan or arrangement.
++ This filing excludes certain schedules and exhibits pursuant to Item 601(a)(5) of Regulation S-K, which the registrant agrees to furnish supplementally to the Securities and Exchange Commission upon request by the Commission; provided, however, that the registrant may request confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended, for any schedules or exhibits so furnished. The omitted schedule contains certain performance metrics.

SIGNATURES

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

DAWSON GEOPHYSICAL COMPANY

DATE: November 9, 2023

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

DATE: November 9, 2023

By: /s/ James K. Brata
James K. Brata
Executive Vice President, Chief Financial Officer, Secretary and Treasurer

FIFTH LOAN MODIFICATION AGREEMENT

THIS FIFTH LOAN MODIFICATION AGREEMENT (this "Agreement") is made and entered into effective as of the 30th day of September, 2023 (the "Effective Date"), by and between **DAWSON GEOPHYSICAL COMPANY**, a Texas corporation ("Borrower"), and **DOMINION BANK**, a Texas state bank ("Lender").

RECITALS:

On or about September 30, 2019, Lender made a revolving line of credit loan to Borrower in the original stated principal amount of Fifteen Million and No/100 Dollars ($15,000,000.00), which commitment was subsequently reduced to Ten Million and No/100 Dollars ($10,000,000.00) by the Third Modification (as hereinafter defined), which commitment was subsequently further reduced to Five Million and No/100 Dollars ($5,000,000.00) by the Fourth Modification (as hereinafter defined) (the "Loan"). The Loan is evidenced and secured by, among other things, the following documents and instruments: (i) that certain Loan and Security Agreement dated as of September 30, 2019, executed by Borrower and Lender, as amended by that certain Loan Modification Agreement dated effective as of September 30, 2020, executed by Borrower and Lender (the "First Modification"), as further amended by that certain Second Loan Modification Agreement dated effective as of September 30, 2021, executed by Borrower and Lender (the "Second Modification"), as further amended by that certain Third Loan Modification Agreement dated effective as of September 30, 2022 (the "Third Modification"), and as further amended by that certain Fourth Loan Modification Agreement dated effective as of March 21, 2023 (the "Fourth Modification"; together with the First Modification, the Second Modification, and the Third Modification collectively referred to herein as the "Modification") (as amended, the "Loan Agreement") and (ii) that certain Promissory Note dated as of September 30, 2019, in the original stated principal amount of Fifteen Million and No/100 Dollars ($15,000,000.00), made by Borrower and payable to the order of Lender, as amended by the Modification (as amended, the "Note"). The Loan Agreement, the Note, the First Modification, the Second Modification, the Third Modification, and the Fourth Modification, together with any and all other documents and instruments evidencing, securing or in any manner relating to the Loan (including, without limitation, this Agreement) are hereinafter sometimes collectively referred to as the "Loan Documents."

Borrower has requested that Lender renew the Loan, extend the maturity date and make certain other modifications to the terms of the Loan Documents and Lender is willing to so renew the Loan, extend the maturity date, and make such other modifications, on and subject to the terms and conditions contained in this Agreement.

Borrower and Lender hereby mutually agree to modify the terms of the Loan on and subject to the terms and conditions contained in this Agreement.

AGREEMENT:

NOW, THEREFORE, for and in consideration of the foregoing recitals, the sum of Ten and No/100 Dollars ($10.00) in hand paid, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound hereby, do covenant and agree as follows:

1. **Recitals**. The foregoing Recitals are agreed to be true and correct and are hereby incorporated by reference and made a part hereof for all purposes.

2. **Definitions**. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Note or the Loan Agreement, as applicable.

3. **Conditions to this Agreement**. Borrower hereby acknowledges and agrees that it shall be condition to Lender's willingness to execute this Agreement that Borrower and all other parties thereto, execute and deliver all necessary consents and approvals thereof, all in form and substance satisfactory to Lender, in Lender's sole and absolute discretion.

4. **Current Note Balance; Commitment to Lend.** Notwithstanding anything contained herein or in the Loan Documents, Borrower and Lender hereby acknowledge and agree that (a) as of the Effective Date, the outstanding principal balance of the Note is Zero Dollars ($0), (b) payments or prepayments of advances made under the Note may be reborrowed strictly in accordance with the terms of the Note and the other Loan Documents, each as modified by this Agreement, and (c) Lender has no obligation to make any further advances under the Note unless the terms and conditions of the Loan Documents are met for each advance.

5. **Renewal of the Loan and Extension of Maturity.** The Loan is hereby renewed and the maturity date of the Note and the other Loan Documents is hereby extended from September 30, 2023 to September 30, 2024 (the "Maturity Date"), when the unpaid principal balance of the Note, together with all accrued and unpaid interest thereon, shall be due and payable. Borrower hereby renews, but does not extinguish, the Note and the liens, security interests and assignments created and evidenced by the Loan Documents, and in this regard all of the Loan Documents are hereby modified and renewed by extending the Maturity Date for the Note as set forth above. Borrower covenants to observe, comply with and perform each of the terms and provisions of the Loan Documents, as modified hereby. Borrower acknowledges that Lender is under no obligation whatsoever to extend the Maturity Date of the Loan beyond September 30, 2024.

6. **Modification of Loan Documents**. From and after the Effective Date of this Agreement, the Loan Documents are hereby modified and amended in the following respects:

(a) The introductory paragraph of the Note is hereby deleted in its entirety and replaced with the following:

"**FOR VALUE RECEIVED, DAWSON GEOPHYSICAL COMPANY**, a Texas corporation (*"Debtor")*, unconditionally promises to pay to the order of **DOMINION BANK**, a Texas state bank (together with its successors and assigns, "*Lender*") without setoff, at its offices at 17304 Preston Road, Suite 1100, Dallas, TX 75252, Attention: Stephanie Velasquez, or at such other place as may be designated by Lender, the principal amount of **FIVE MILLION AND NO/100 DOLLARS ($5,000,000.00)**, or so much thereof as may be advanced from time to time in immediately available funds, together with interest computed daily on the outstanding principal balance hereunder, at an annual interest rate (the *"Rate")*, and in accordance with the payment schedule indicated below. This **PROMISSORY**

NOTE (as amended, this "*Note*"), is executed pursuant to and evidences the Loans funded and to be funded by Lender under the Revolving Credit Facility pursuant to that certain **LOAN AND SECURITY AGREEMENT** between Debtor and Lender dated as of **SEPTEMBER 30, 2019**, as amended by that certain Loan Modification Agreement dated effective as of September 30, 2020 (the "*First Modification*"), as further amended by that certain Second Loan Modification Agreement dated effective as of September 30, 2021 (the "*Second Modification*"), as further amended by that certain Third Loan Modification Agreement dated effective as of September 30, 2022 (the "*Third Modification*"), as further amended by that certain Fourth Loan Modification Agreement dated effective as of March 21, 2023 (the "*Fourth Modification*"), and as further amended by that certain Fifth Loan Modification Agreement dated effective as of September 30, 2023 (the "*Fifth Modification*") (as amended by the First Modification, the Second Modification, the Third Modification, the Fourth Modification, and the Fifth Modification and as the same may be further amended, supplemented, renewed or extended from time to time, the "*Loan Agreement*") to which reference is made for a statement of the collateral, rights and obligations of Debtor and Lender in relation thereto; but neither this reference to the Loan Agreement nor any provision thereof shall affect or impair the absolute and unconditional obligation of Debtor to pay unpaid principal of and interest on this Note when due. Capitalized terms not otherwise defined herein shall have the same meanings as in the Loan Agreement."

(b) The reference to September 30, 2023 in clause (ii) of the fourth sentence of Paragraph numbered 4 of the Note is hereby modified and amended to show September 30, 2024.

(c) Section 1(l) of the Loan Agreement is hereby deleted in its entirety and replaced with the following:

"*Loan Documents*" means this Agreement, the Note and the other agreements, documents and instruments now or hereafter evidencing, securing, governing, guaranteeing, or pertaining to the Loans, all as modified and amended by that certain Loan Modification Agreement dated effective as of September 30, 2020, executed by Lender and Debtor, as further modified and amended by that certain Second Loan Modification Agreement dated effective as of September 30, 2021, as further modified and amended by that certain Third Loan Modification Agreement dated effective as of September 30, 2022, as further modified and amended by that certain Fourth Loan Modification Agreement dated effective as of March 21, 2023, and as further modified and amended by that certain Fifth Loan Modification Agreement dated effective as of September 30, 2023.

(d) The first sentence of Section 2(a) of the Loan Agreement is hereby deleted in its entirety and replaced with the following:

"Subject to the terms and conditions set forth in this Agreement and the other Loan Documents, Lender hereby agrees to make loans to Debtor under a credit facility (the "*Revolving Credit Facility*" or "*Credit Facility*") in an aggregate sum not to exceed the lesser of (i) an amount equal to the Borrowing Base, or (ii) **FIVE MILLION AND NO/100 DOLLARS ($5,000,000.00)** (subject to reduction as provided herein, the "*Maximum Amount*"), on a revolving basis from time to time during the period commencing on the Closing Date and continuing until the earlier of: (x) the acceleration of the Indebtedness pursuant to the terms of the Loan Documents; or (ii) **SEPTEMBER 30, 2024** (the earlier of such dates being the "*Revolving Credit Maturity Date*")."

7. **Financial Covenants**. Notwithstanding anything to the contrary in the Loan Agreement, from and after the Effective Date and so long as the Deposit (as defined in the Loan Agreement) held by Lender in the Collateral Account (as defined in the Loan Agreement) remains greater than or equal to the Indebtedness (as defined in the Loan Agreement) (the "Financial Covenant Suspension Threshold"), the testing of the financial covenants set forth in Section 8 of the Loan Agreement and Borrower's obligation to provide Lender with a certificate of compliance shall be suspended. The financial covenant testing shall resume if and when the Financial Covenant Suspension Threshold is no longer satisfied.

8. **Payment of Lender's Fees and Expenses**. Contemporaneously with the execution and delivery of this Agreement, Borrower shall pay, or cause to be paid, all costs and expenses incident to the preparation, negotiation, and execution of this Agreement and the consummation of the transaction contemplated hereby, including, but not limited to reasonable fees and expenses of legal counsel to Lender.

9. **Incorporation into the Note**. This Agreement is hereby made a part of, and is incorporated by reference in the Note. The Note, as modified by this Agreement, shall be deemed to be one and the same instrument, evidencing a single indebtedness owed by Borrower to Lender.

10. **Reaffirmation**. Borrower hereby represents and agrees that there are no oral agreements which modify any of the Loan Documents, and that the Loan Documents, as expressly modified herein, constitute the entire agreement between Borrower and Lender with respect to the Loan. Borrower hereby reaffirms and restates, as of the Effective Date, all covenants, representations, and warranties set forth in any of the Loan Documents to which it is a party or by which it is otherwise bound. Nothing herein shall constitute, and there has not otherwise occurred, any extinguishment or release of or substitution for the obligations and agreements of Borrower under the Note or any of the other Loan Documents, and nothing herein shall constitute, and there has not otherwise occurred, any novation with respect to the Note or any other Loan Document. Except as expressly modified herein, all terms, covenants and provisions of the Note and the other Loan Documents shall remain unaltered and in full force and effect and Borrower does hereby expressly ratify and confirm the Note and the other Loan Documents as modified hereby.

11. **Representations**. Borrower hereby warrants, represents, and certifies to Lender the following facts knowing that Lender requires, and is relying upon, the warranties, representations, and certifications contained in this paragraph as a condition to entering into this Agreement:

(a) **No Defenses**. As of the Effective Date, Borrower does not have any defense, right of setoff, counterclaim, claim, or cause of action of any kind or description against Lender related to (i) payment of the principal sum described in the Note, (ii) payment of interest under the Note, (iii) payment of any other sums due and payable under the Note or any of the other Loan Documents, (iv) performance of any obligations under the Loan Documents, or (v) any of Lender's acts or omissions with respect to the Loan Documents or Lender's performance under the Loan Documents. To the extent Borrower now has, or in the future possesses, any defenses, rights of setoff, counterclaims, claims or causes of action against Lender or the repayment of all or a portion of the Loan, whether known or unknown, fixed or contingent, the same are hereby forever irrevocably waived and released in their entireties.

(b) **Enforceable Obligations**. The Note and the other Loan Documents are valid obligations of Borrower, enforceable against Borrower in accordance with their respective terms, except as limited by bankruptcy, insolvency or similar laws of general application relating to the enforcement of creditors' rights and except to the extent specific remedies may generally be limited by equitable principles. Lender is not in default and no event has occurred which, with the passage of time, giving of notice, or both, would constitute a default by Lender of Lender's obligations under the terms and provisions of the Loan Documents.

(c) **Strict Performance**. Lender's agreement to modify the Note, as set forth herein, is without prejudice to Lender's right at any time hereafter to exercise any right or remedy conferred upon Lender in the Note or any of the other Loan Documents or otherwise available at law or in equity, and shall not constitute a waiver of Lender's right to insist upon strict performance by Borrower of its obligations under the Note and the other Loan Documents.

12. **No Waiver or Implication**. This Agreement modifies the Loan Documents, and in no way acts as a release or relinquishment of any lien, security interest, right, title, privilege, or remedy created by any of the Loan Documents or now or hereafter existing at law or in equity. The liens and security interests of the Loan Documents securing payment of the Note (as the Note has been herein modified) are hereby renewed and confirmed by Borrower in all respects, and shall continue to be enforceable and shall remain in full force and effect until the entire principal amount of the Note, as modified by this Agreement, all accrued but unpaid interest, and all extensions, renewals and rearrangements thereof, and all other sums secured by the Loan Documents have been fully and finally paid. Borrower hereby agrees that nothing herein shall constitute a waiver by Lender of any default, whether known or unknown, which may now or hereafter exist under the Note or any other Loan Document. Borrower hereby further agrees that no action, inaction or agreement by Lender, including, without limitation, any extension, indulgence, waiver, consent, or agreement of modification which may have occurred or been granted or entered into (or which may be occurring or be granted or entered into hereunder or otherwise) with respect to nonpayment of the Loan or any portion thereof, or with respect to matters involving security for the Loan, or with respect to any other matter relating to the Loan, shall require or imply any future extension, indulgence, waiver, consent, or agreement by Lender. Borrower hereby acknowledges and agrees that Lender has made no agreement, and is in no way obligated, to grant any future extension, indulgence, waiver, or consent or enter into any further agreement or modification with respect to the Loan or any matter relating to the Loan.

13. **Additional Documentation**. From time to time, Borrower shall execute or procure and deliver to Lender such other and further documentation evidencing, securing or pertaining to the Loan or the Loan Documents as reasonably requested by Lender so as to evidence or effect the terms and provisions hereof. Upon Lender's request, Borrower shall cause to be delivered to Lender an opinion of counsel, satisfactory to lender as to form, substance and rendering attorney, opining as to (i) the validity and enforceability of this Agreement and the terms and provisions hereof, and any other agreement executed in connection with the transaction contemplated thereby; (ii) the authority of Borrower, and any constituents of Borrower, to execute, deliver and perform its or their respective obligations under the Loan Documents, as hereby modified; and (iii) such other matters reasonably requested by Lender.

14. **Successors and Assigns**. The terms and provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, heirs, and assigns forever; however, the foregoing shall not be deemed or construed to confer any right, title, benefit, cause of action or remedy upon any person or entity not a party hereto, which such party would not or did not otherwise possess.

15. **Governing Law**. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas (without giving effect to the conflict of law principles thereof).

16. **Miscellaneous**. All personal pronouns used herein whether used in the masculine, feminine or neuter gender, shall include all other genders; the singular shall include the plural, and vice versa. Titles of articles and paragraphs as set forth herein are for convenience only and in no way define, limit, amplify, or describe the scope or intent of any provisions hereof.

17. **Authority.** Each party hereto has the full legal authority to execute and deliver this Agreement. In addition, the individual who executes this Agreement on behalf of each party hereto is authorized to act for and on behalf of such party and to bind such party to the terms and provisions hereof.

18. **FINAL AGREEMENT. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS EMBODY THE FINAL, ENTIRE AGREEMENT AMONG THE PARTIES HERETO AND THERETO AND SUPERSEDE ANY AND ALL PRIOR COMMITMENTS, AGREEMENTS, REPRESENTATIONS, AND UNDERSTANDINGS, WHETHER WRITTEN OR ORAL, RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF AND MAY NOT BE CONTRADICTED OR VARIED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSIONS OF THE PARTIES HERETO OR THERETO. THERE ARE NO ORAL AGREEMENTS AMONG THE PARTIES HERETO OR THERETO. THE PROVISIONS OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS MAY BE AMENDED OR WAIVED ONLY BY AN INSTRUMENT IN WRITING SIGNED BY THE RESPECTIVE PARTIES TO SUCH DOCUMENTS.**

19. **Telecopied Facsimiles; Counterparts.** A telecopied facsimile or other electronically transmitted copy of a duly executed counterpart to this Agreement shall be sufficient to evidence the binding agreement of each party to the terms herein. However, the parties each

agree to promptly return an original, duly executed counterpart of this Agreement following the delivery of a telecopied facsimile or other electronically transmitted copy hereof. This Agreement may be executed in several counterparts by one or more of the undersigned and all such counterparts so executed shall together be deemed and constitute one final agreement, as if one document had been signed by all parties hereto; and each such counterpart shall be deemed an original, binding the parties subscribed hereto and multiple signature pages affixed to a single copy of this Agreement shall be deemed to be a fully executed original Agreement.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, Borrower and Lender have caused this Agreement to be duly executed as of the day and year first above written.

<u>BORROWER</u>:

DAWSON GEOPHYSICAL COMPANY,
a Texas corporation

By: /s/ James Brata
Name: James K. Brata
Title: Executive Vice President – Chief Financial Officer

<u>LENDER</u>:

DOMINION BANK

By: /s/ Brad North
Name: Brad North
Title: Senior Vice President

CERTIFICATION

I, Stephen C. Jumper, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dawson Geophysical Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 9, 2023

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

Exhibit 31.2

CERTIFICATION

I, James K. Brata, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dawson Geophysical Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 9, 2023

/s/ James K. Brata
James K. Brata
Executive Vice President,
Chief Financial Officer, Secretary and Treasurer
(principal financial and accounting officer)

Exhibit 32.1

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 September 30, 2023, 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: November 9, 2023

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

Exhibit 32.2

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 September 30, 2023, as filed with the Securities and Exchange Commission (the “Report”), I, James K. Brata, Executive Vice President, Chief Financial Officer, Secretary and Treasurer 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: November 9, 2023

/s/ James K. Brata
James K. Brata
Executive Vice President,
Chief Financial Officer, Secretary and Treasurer
(principal financial and accounting officer)