
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended March 31, 2015

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

Texas
(State or other jurisdiction of
incorporation or organization)

75-0970548
(I.R.S. Employer
Identification No.)

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

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller reporting company

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

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

Title of Each Class	Outstanding at May 12, 2015
Common Stock, \$0.01 par value	21,543,681 shares

DAWSON GEOPHYSICAL COMPANY

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EXPLANATORY NOTE

This report is the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2015 (this “Form 10-Q”) of Dawson Geophysical Company, which was formerly known as TGC Industries, Inc. (“Legacy TGC”) prior to the consummation on February 11, 2015 of the strategic business combination described below.

On February 11, 2015, Legacy TGC completed its previously announced strategic business combination with Dawson Operating Company, which was formerly known as Dawson Geophysical Company (“Legacy Dawson”), pursuant to which a wholly-owned subsidiary of Legacy TGC merged with and into Legacy Dawson, with Legacy Dawson continuing after the merger as the surviving entity and a wholly-owned subsidiary of Legacy TGC (the “Merger”). As a result of the Merger, the former shareholders of Legacy Dawson received shares of Legacy TGC common stock representing approximately 66% of the outstanding common shares of the post-merger combined company, and Legacy TGC’s shareholders retained approximately 34% of the outstanding common shares of the post-merger combined company. In connection with the Merger, Legacy Dawson changed its name to “Dawson Operating Company” and Legacy TGC changed its name to “Dawson Geophysical Company.” Except as otherwise specifically noted herein, all references in this Form 10-Q to the “Company,” “we,” “us” or “our” refer to (i) Legacy Dawson and its consolidated subsidiaries, for periods through February 11, 2015 and (ii) the combined company following the Merger, for periods on or after February 12, 2015.

The Merger has been accounted for as a reverse acquisition under which Legacy Dawson was considered the accounting acquirer of Legacy TGC. As such, the historical financial statements of Legacy Dawson will be treated as the historical financial statements of the combined company. Accordingly, the financial results for the quarter ended March 31, 2015 presented in this Form 10-Q reflect the operations of Legacy Dawson for the period January 1 through March 31, 2015 and the operations of Legacy TGC for the period February 12 through March 31, 2015. Such results are compared to the quarterly results for Legacy Dawson for the period January 1 through March 31, 2014. The Company’s second quarter ending June 30, 2015 will reflect a full quarter of combined entity operating results.

See Notes 2 and 3 of the Notes to Consolidated Financial Statements for additional information.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

**DAWSON GEOPHYSICAL COMPANY
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)**

	March 31, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 20,642,000	\$ 14,644,000
Short-term investments	27,500,000	28,750,000
Accounts receivable, net of allowance for doubtful accounts of \$763,000 at March 31, 2015 and \$250,000 at December 31, 2014	57,795,000	37,133,000
Prepaid expenses and other assets	8,568,000	5,703,000

Current deferred tax asset	2,524,000	2,818,000
Total current assets	117,029,000	89,048,000
Property, plant and equipment	366,436,000	339,245,000
Less accumulated depreciation and amortization	<u>(190,301,000)</u>	<u>(181,453,000)</u>
Net property, plant and equipment	176,135,000	157,792,000
Intangibles	<u>2,797,000</u>	<u>—</u>
Total assets	<u>\$ 295,961,000</u>	<u>\$ 246,840,000</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 13,860,000	\$ 5,849,000
Accrued liabilities:		
Payroll costs and other taxes	3,492,000	3,015,000
Other	5,629,000	3,158,000
Deferred revenue	5,522,000	1,752,000
Current maturities of notes payable and obligations under capital leases	<u>11,250,000</u>	<u>6,018,000</u>
Total current liabilities	39,753,000	19,792,000
Long-term liabilities:		
Notes payable and obligations under capital leases less current maturities	7,921,000	4,209,000
Deferred tax liability	<u>18,106,000</u>	<u>28,621,000</u>
Total long-term liabilities	26,027,000	32,830,000
Commitments and contingencies		
Stockholders' equity:		
Preferred stock-par value \$1.00 per share; 4,000,000 shares authorized, none outstanding at March 31, 2015; par value \$1.00 per share, 5,000,000 shares authorized, none outstanding at December 31, 2014	—	—
Common stock-par value \$0.01 per share, 35,000,000 shares authorized, 21,591,126 and 14,216,540 issued and outstanding at March 31, 2015 and December 31, 2014	216,000	142,000
Additional paid-in capital	141,983,000	99,084,000
Retained earnings	88,744,000	95,336,000
Treasury stock, at cost; 48,445 shares at March 31, 2015	—	—
Accumulated other comprehensive loss, net of tax	<u>(762,000)</u>	<u>(344,000)</u>
Total stockholders' equity	230,181,000	194,218,000
Total liabilities and stockholders' equity	<u>\$ 295,961,000</u>	<u>\$ 246,840,000</u>

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

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DAWSON GEOPHYSICAL COMPANY

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (UNAUDITED)

	<u>Three Months Ended March 31,</u>	
	<u>2015</u>	<u>2014</u>
Operating revenues	\$ 73,722,000	\$ 76,766,000
Operating costs:		
Operating expenses	64,791,000	60,091,000
General and administrative	7,522,000	3,676,000
Depreciation and amortization	<u>11,223,000</u>	<u>10,177,000</u>
	83,536,000	73,944,000
(Loss) income from operations	(9,814,000)	2,822,000
Other income (expense):		
Interest income	24,000	21,000
Interest expense	(147,000)	(161,000)
Other income (expense)	<u>32,000</u>	<u>(343,000)</u>

(Loss) income before income taxes	(9,905,000)	2,339,000
Income tax benefit (expense)	3,313,000	(687,000)
Net (loss) income	<u>\$ (6,592,000)</u>	<u>\$ 1,652,000</u>
Other comprehensive loss:		
Net unrealized loss on foreign exchange rate translations, net of tax	\$ (418,000)	\$ (107,000)
Comprehensive (loss) income	<u>\$ (7,010,000)</u>	<u>\$ 1,545,000</u>
Basic (loss) income per share attributable to common stock	<u>\$ (0.37)</u>	<u>\$ 0.12</u>
Diluted (loss) income per share attributable to common stock	<u>\$ (0.37)</u>	<u>\$ 0.12</u>
Cash dividend declared per share of common stock	<u>\$ —</u>	<u>\$ 0.08</u>
Weighted average equivalent common shares outstanding	<u>18,021,366</u>	<u>14,009,358</u>
Weighted average equivalent common shares outstanding-assuming dilution	<u>18,021,366</u>	<u>14,075,988</u>

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

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DAWSON GEOPHYSICAL COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three Months Ended March 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	\$ (6,592,000)	\$ 1,652,000
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization	11,223,000	10,177,000
Noncash compensation	531,000	298,000
Deferred income tax (benefit) expense	(3,418,000)	573,000
Other	(39,000)	99,000
Change in current assets and liabilities:		
(Increase) decrease in accounts receivable	(6,211,000)	5,659,000
Increase in prepaid expenses and other assets	(819,000)	(60,000)
Increase in accounts payable	2,259,000	1,290,000
Decrease in accrued liabilities	(192,000)	(439,000)
(Decrease) increase in deferred revenue	(4,000)	4,101,000
Net cash (used in) provided by operating activities	<u>(3,262,000)</u>	<u>23,350,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash acquired from merger	12,382,000	—
Capital expenditures, net of increase in accrued purchases of property and equipment summarized below	(1,189,000)	(6,370,000)
Proceeds from maturity of short-term investments	6,750,000	8,250,000
Acquisition of short-term investments	(5,500,000)	(6,750,000)
Proceeds from disposal of assets	603,000	163,000
Net cash provided by (used in) investing activities	<u>13,046,000</u>	<u>(4,707,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Excess tax benefit from share-based payment arrangement	(340,000)	—
Tax withholdings related to stock based compensation awards	(120,000)	—
Principal payments on notes payable	(2,847,000)	(3,135,000)
Principal payments on capital lease obligations	(378,000)	(227,000)
Dividends paid	—	(645,000)
Net cash used in financing activities	<u>(3,685,000)</u>	<u>(4,007,000)</u>
Effect of exchange rate changes in cash and cash equivalents	(101,000)	(170,000)
Net increase in cash and cash equivalents	5,998,000	14,466,000
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>14,644,000</u>	<u>11,860,000</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 20,642,000</u>	<u>\$ 26,326,000</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	\$ 152,000	\$ 168,000
Cash paid for income taxes	\$ 215,000	\$ 110,000
Cash received for income taxes	\$ 520,000	\$ —
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Increase in accrued purchases of property and equipment	\$ 19,000	\$ 1,387,000
Capital lease obligations incurred	\$ 126,000	\$ 485,000
Stock consideration to consummate the merger	\$ 42,902,000	\$ —

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

DAWSON GEOPHYSICAL COMPANY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)****1. ORGANIZATION AND NATURE OF OPERATIONS**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of Presentation**

In the opinion of management of the Company, the accompanying unaudited financial statements reflect all adjustments, consisting only of normal recurring accruals, necessary for a fair statement of the results for the periods presented. The results of operations for the three months ended March 31, 2015 are not necessarily indicative of the results to be expected for the fiscal year.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q report pursuant to certain rules and regulations of the Securities and Exchange Commission (the "SEC"). These financial statements should be read with the financial statements and notes included in Exhibit 99.1 to the Company's Form 8-K/A filed with the SEC on April 30, 2015.

As discussed more fully in Note 3, on February 11, 2015, Legacy Dawson completed the merger with a wholly-owned subsidiary of Legacy TGC ("Merger Sub"), with Legacy Dawson continuing after the merger as the surviving entity and a wholly-owned subsidiary of Legacy TGC (the "Merger"). The Merger was accounted for as a purchase of Legacy TGC by Legacy Dawson in a "reverse acquisition" because the existing shareholders of Legacy TGC prior to the Merger did not have voting control of the combined entity after the Merger. In a reverse acquisition, the accounting treatment differs from the legal form of the transaction, as the continuing legal parent entity, Legacy TGC, is not assumed to be the acquirer and the financial statements of the combined entity are those of the accounting acquirer, Legacy Dawson, including any comparative prior year financial statements presented by the combined entity. Further, in connection with the Merger, Legacy Dawson changed its fiscal year end from September 30 to December 31. Consequently, the accompanying unaudited consolidated financial statements cover (i) the results of operations of Legacy Dawson for the fiscal period from January 1, 2014 through March 31, 2014 and (ii) the results of operations of Legacy Dawson for the fiscal period from January 1, 2015 through March 31, 2015 and the results of operations of Legacy TGC and its subsidiaries for the fiscal period from February 12, 2015 through March 31, 2015. Additionally, all historical equity accounts and awards of Legacy Dawson, including par value per share, share and per share numbers, have been adjusted to reflect the number of shares received in the Merger. The Company's 2015 fiscal year will cover the period from January 1, 2015 through December 31, 2015.

Significant Accounting Policies

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

Principles of Consolidation. The consolidated financial statements for the fiscal period from January 1, 2014 through March 31, 2014 include the accounts of Legacy Dawson and its wholly-owned subsidiaries, Dawson Seismic Services Holdings, Inc. and Dawson Seismic Services ULC. The consolidated financial statements for the fiscal period from January 1, 2015 through March 31, 2015 include (i) the accounts of Legacy Dawson and its wholly-owned subsidiaries, Dawson Seismic Services Holdings, Inc. and Dawson Seismic Services ULC, for the fiscal period from January 1, 2015 through March 31, 2015 and (ii) the accounts of Legacy TGC and its other subsidiaries, Tidelands Geophysical Co., Inc., Exploration Surveys, Inc. and Eagle Canada, Inc., for the fiscal period from February 12, 2015 through March 31, 2015. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash Equivalents. The Company considers demand deposits, certificates of deposit, overnight investments, money market funds and all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents.

Allowance for Doubtful Accounts. Management prepares its allowance for doubtful accounts receivable based on its review of past-due accounts, its past experience of historical write-offs and its current client base. While the 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.

Property, Plant and Equipment. As discussed more fully in Note 3, the Merger was accounted for as a reverse acquisition, and the Company will account for the transaction by using Legacy Dawson's historical information and accounting policies and adding the assets and liabilities of Legacy TGC as of the completion date of the Merger at their respective fair values. As a result, Legacy Dawson's property, plant and equipment is capitalized at historical cost and depreciated over the useful life of the assets and Legacy TGC's property, plant and equipment is included in the consolidated balance sheet at its estimated fair values.

Management's estimation of the useful life of assets 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.

For purposes of measuring the estimated fair value of the Legacy TGC assets acquired in the Merger, the Company used the guidance in Accounting Standards Codification (“ASC”) 820, “Fair Value Measurement and Disclosure.” ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Market participants are assumed to be buyers and sellers in the principal (most advantageous) market for the asset or liability. Additionally, under ASC 820, fair value measurements for an asset assume the highest and best use of that asset by market participants. As a result, the Company may be required to value assets of Legacy TGC at fair value measures that do not reflect the Company’s intended use of those assets. Use of different estimates and judgments could yield different results.

Impairment of Long-lived Assets. Long-lived assets are reviewed for impairment when triggering events occur that suggest 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.

Leases. The Company leases certain equipment and vehicles under lease agreements. The Company evaluates each lease to determine its appropriate classification as an operating or capital lease for financial reporting purposes. Any lease that does not meet the criteria for a capital lease is accounted for as an operating lease. The assets and liabilities under capital 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 capital leases are amortized using the straight-line method over the initial lease term. Amortization of assets under capital leases is included in depreciation expense.

Intangibles

Acquired customer relationships and backlog are capitalized and amortized over useful lives ranging from five months to five years using the straight-line method of amortization.

Trademarks/tradenames resulting from a business combination are not subject to amortization. The Company tests for impairment on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount.

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

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

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

In some instances, the contract contains certain permitting, surveying and drilling costs that are incorporated into the per unit of data acquired rate. In these circumstances, these set up costs that occur prior to initiating revenue recognition are capitalized and amortized as services are provided.

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

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Foreign Currency Translation. The U.S. Dollar is the reporting currency for all periods presented. The functional currency of the Company’s foreign subsidiaries is generally the local currency. All assets and liabilities denominated in a foreign currency are translated into U.S. Dollars at the exchange rate on the balance sheet date. Income and expenses are translated at the average exchange rate during the period. Equity transactions are translated using historical exchange rates. Adjustments resulting from translation are recorded as a separate component of accumulated other comprehensive loss in the consolidated balance sheets. Foreign currency gains (losses) are included in the Consolidated Statements of Operations and Comprehensive Loss.

Income Taxes. The Company accounts for income taxes by recognizing amounts of taxes payable or refundable for the current year and by using an asset and liability approach in recognizing the amount of deferred tax assets and liabilities for the future tax consequences of events that have been recognized in the Company’s financial statements or tax returns. Management determines deferred taxes by identifying the types and amounts of existing temporary differences, measuring the total deferred tax asset or liability using the applicable tax rate in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the year of an enacted rate change. The deferred tax asset is reduced by a valuation allowance if, based on available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized. Management’s methodology for recording income taxes requires judgment regarding assumptions and the use of estimates, including determining the annual effective tax rate and the valuation of deferred tax assets, which can create variances between actual results and estimates and could have a material impact on the Company’s provision or benefit for income taxes. The Company’s effective tax rates differ from the statutory federal rate of 35% for certain items such as state and local taxes, non-deductible expenses, discrete items and expenses related to share-based compensation that were not expected to result in a tax deduction.

Use of Estimates in the Preparation of Financial Statements. Preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Because of the use of assumptions and estimates inherent in the reporting process, actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09 that introduces a new five-step revenue recognition model in which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU also requires disclosures sufficient to enable users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, including qualitative and quantitative disclosures about contracts with customers, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. This standard is effective for fiscal years beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. Entities have the option of using either a full retrospective or modified approach to adopt ASU 2014-09. On April 29, 2015, the FASB issued an exposure draft with a 30-day comment period that proposes a one-year deferral of the effective date of the new revenue standard. If the deferral passes a final vote, the guidance would be effective for the Company’s fiscal year beginning January 2018. The Company is monitoring the FASB’s decision on the proposed deferral and is currently evaluating the new guidance to determine the impact it will have on its consolidated financial statements and the method of adoption.

In August 2014, the FASB issued ASU No. 2014-15, “Presentation of Financial Statements - Going Concern” (Subtopic 205-40). This ASU provides guidance on management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern and in certain circumstances to provide related footnote disclosures. This ASU is effective for the annual period ending after December 15, 2016, and for annual and interim periods thereafter. Early adoption is permitted. The Company is currently evaluating the new guidance; however, it does not expect any impact on its consolidated financial statements.

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3. MERGER

On February 11, 2015, the Company completed the Merger. Immediately prior to the effective time of the Merger, Legacy TGC affected a reverse stock split with respect to its common stock, par value \$0.01 per share (“Legacy TGC Common Stock”), on a one-for-three ratio (the “Reverse Stock Split”) to reduce the total number of shares of Legacy TGC Common Stock outstanding. After giving effect to the Reverse Stock Split, at the effective time of the Merger, without any action on the part of any shareholder, each issued and outstanding share of Legacy Dawson’s common stock, par value \$0.33-1/3 per share (the “Legacy Dawson Common Stock”), including shares underlying Legacy Dawson’s outstanding equity awards (but excluding any shares of Legacy Dawson Common Stock owned by Legacy TGC, Merger Sub or Legacy Dawson or any wholly-owned subsidiary of Legacy Dawson), were converted into the right to receive 1.760 shares of Legacy TGC Common Stock (the “Exchange Ratio”).

As described in Note 1, the Merger was accounted for as a reverse acquisition under the acquisition method of accounting in accordance with ASC 805, “Business Combinations.” The Company will account for the transaction by using Legacy Dawson’s historical information and accounting policies and adding the assets and liabilities of Legacy TGC at their respective fair values. Consequently, Legacy Dawson’s assets and liabilities retained their carrying values and Legacy TGC’s assets acquired and liabilities assumed by Legacy Dawson as the accounting acquirer in the Merger have been recorded at their fair values measured as of February 11, 2015, the effective date of the Merger.

The Company continues to evaluate the available information, and the purchase price allocation is subject to finalization of the Company’s analysis of the fair value of the assets and liabilities of Legacy TGC as of the effective date of the Merger. Accordingly, the purchase price allocation is preliminary and will be adjusted upon completion of the final valuation. Such adjustments could be material.

The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed at the Merger date (in thousands):

<u>TGC Industries, Inc.-Assets Acquired</u>	<u>Estimated Fair Value</u>
Stock Consideration	\$ 42,902
Interest Bearing Debt Assumed	12,048
Total Purchase Price Consideration	54,950
Debt-free Current Liabilities	12,647
Total Equity and Liabilities	\$ 67,597
Value of Current Assets	
Current Assets excluding Cash and Equivalents	16,156
Cash and Equivalents	12,382
Total Current Assets	\$ 28,538
Identified Tangible Assets	
Fair Value of Property, Plant and Equipment	28,812
Total Identified Tangible Assets	\$ 28,812
Identified Intangible Assets	
Trademarks/Trade Names	1,063
Customer Relationships	1,799
Backlog	491
Total Identifiable Intangible Assets	\$ 3,353
Deferred Tax Asset	\$ 6,894

Total Indicated Value of Assets

\$ 67,597

The value of the stock consideration was determined based on the \$5.85 closing price of Legacy TGC on the February 11, 2015 closing date and the 7,333,708 shares outstanding. As a result of the consideration transferred being less than the book value of net assets acquired, the Company is required to analyze the purchase price allocation and the potential reasonableness of reflecting a bargain purchase. Upon completing this analysis, the Company determined that the Merger is not an acquisition of a distressed business or a bargain purchase and accordingly reflected a substantial reduction in the property, plant and equipment to its fair value which is reflected by the value of the consideration transferred. Furthermore, in allocating the remainder of the purchase price to the indicated fair value of the property, plant and equipment, there is not any excess purchase price to be allocated to goodwill. Measurements used to determine fair value are deemed to be level 3 Fair Value Measurements.

Trade receivables and payables, as well as other current and non-current assets and liabilities were valued at the existing carrying values as they represented the fair value of those items at the time of the Merger, based on management's judgments and estimates.

Property, plant and equipment have been valued using a combination of the income approach, the market approach and cost approach which is based on current replacement and/or reproduction cost of the asset as new, less depreciation attributable to physical, functional, and economic factors. Useful lives of the property, plant and equipment were estimated to be between 2 and 15 years.

Trademarks have been valued using the relief from royalty method. Relief from royalty method under the income approach estimates the cost savings that accrue to the Company which would otherwise have to pay royalties or license fees on revenues earned through the use of the asset. Trademarks are considered to have an indefinite life and as a result are not amortizable.

Customer relationships and backlog were valued using the excess earnings method, where estimated margins, customer attrition, and contributory asset charge assumptions are used. The useful lives of customer relationships is estimated to be 5 years, and the estimated useful weighted average life of backlog is expected to be 5 months. At, March 31, 2015, the carrying value of our customer relationships was approximately \$1,799,000 and the accumulated amortization was approximately \$147,000, and the carrying value of our back log was \$491,000 and the accumulated amortization was \$76,000.

Existing long term debt assumed in the Merger was fair valued based on a current market rate.

Deferred income tax assets and liabilities as of the acquisition date represent the expected future tax consequences of temporary differences between the fair values of the assets acquired and liabilities assumed and their tax bases. At the acquisition date the Company accrued \$750,000 for contingencies related to certain tax matters.

The Company incurred approximately \$2,600,000 in Merger related costs on a pretax basis. The Company also incurred \$530,000 related to severance and compensation arrangements pursuant to existing agreements with certain former employees in connection with the Merger. These amounts are reflected in the accompanying statement of operations.

Since the acquisition date, Company's income statement includes \$8,592,000 of revenues from Legacy TGC and \$2,837,000 of net loss of Legacy TGC.

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The following unaudited pro forma condensed financial information for the three months ended March 31, 2015 and 2014 gives effect to the Merger as if it had occurred on January 1, 2014. The unaudited pro forma condensed financial information has been included for comparative purposes only and is not necessarily indicative of the results that might have occurred had the transactions taken place on the dates indicated and is not intended to be a projection of future results. The unaudited pro forma financial information reflects certain adjustments related to the acquisition, such as (1) to record certain incremental expenses resulting from purchase accounting adjustments, such as reduced depreciation and amortization expense in connection with the fair value adjustments to property, plant and equipment, and intangible assets; and (2) to record the related tax effects. Shares used in the calculations of earnings per share in the table below were 21,647,889 and 21,328,048 in 2015 and 2014, respectively.

	2015	2014
Pro forma total revenues	\$ 87,332,000	\$ 125,567,000
Pro forma net (loss) income	\$ (10,569,000)	\$ 8,958,000
Pro forma net income per share:		
Basic	\$ (0.49)	\$ 0.42
Diluted	\$ (0.49)	\$ 0.42

4. SHORT-TERM INVESTMENTS

The Company had short-term investments at March 31, 2015 and December 31, 2014 consisting of certificates of deposit with original maturities greater than three months, but less than a year. Certificates of deposit are limited to one per banking institution and no single investment exceeded the FDIC insurance limit at March 31, 2015 or December 31, 2014.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

At March 31, 2015 and December 31, 2014, the Company's financial instruments included cash and cash equivalents, short-term investments in certificates of deposit, trade and other receivables, other current assets, accounts payable, other current liabilities, term notes, capital leases and other contractual obligations (defined below). Due to the short-term maturities of cash and cash equivalents, trade and other receivables, 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 term notes 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.

6. DEBT

Each of Legacy Dawson and Legacy TGC had a credit agreement in effect prior to the Merger (the “Legacy Dawson Credit Agreement” and the “Legacy TGC Credit Agreement,” respectively), which continue in effect as obligations of the Company following the Merger. Both the Legacy Dawson Credit Agreement and Legacy TGC Credit Agreement provide for a revolving line of credit and term loans to be made pursuant to notes, as further described below.

Legacy Dawson Indebtedness

The Company has three outstanding notes payable under the term loan feature of the Legacy Dawson Credit Agreement, representing a remaining aggregate principal amount of \$6,777,000 and \$8,577,000 as of March 31, 2015 and December 31, 2014, respectively. In addition, the Legacy Dawson Credit Agreement permits the Company to borrow, repay and reborrow, from time to time until June 2, 2015, up to \$20.0 million or 80% of the Company’s eligible accounts receivable (the “Legacy Dawson Line of Credit”). The Company did not utilize the Legacy Dawson Line of Credit during the current year or the twelve months ended December 31, 2014 and has the full Legacy Dawson Line of Credit available for borrowing. The Company is currently in the process of discussing the renewal of this credit facility. We anticipate it will be renewed in the second quarter.

The Company’s obligations under the Legacy Dawson Credit Agreement are secured by a security interest in Legacy Dawson’s accounts receivable, equipment and related collateral. Interest on amounts outstanding under the Legacy Dawson Credit Agreement accrues at an annual rate equal to either the 30-day London Interbank Offered Rate (“LIBOR”), plus two and one-quarter percent, or the Prime Rate, minus three-quarters percent, as the Company directs monthly, subject to an interest rate floor of 4%. Interest on the outstanding amount under the Legacy Dawson Credit Agreement is payable monthly. The Legacy Dawson Credit Agreement contains customary covenants for credit facilities of this type, including limitations on disposition of assets, mergers and reorganizations. The Company is also obligated to meet certain financial covenants, including maintaining an average debt service coverage ratio of at least of 1.5 to 1.0, a ratio of debt to tangible net worth not in excess of 1.5 to 1.0 and a ratio of current assets to current liabilities of at least

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1.5 to 1.0, in each case measured quarterly. The Company was in compliance with all covenants under the Legacy Dawson Credit Agreement, including specified ratios, as of March 31, 2015 and December 31, 2014.

In addition, the Company leases vehicles and certain specialized seismic equipment under leases classified as capital leases. The Company’s balance sheet as of March 31, 2015 and December 31, 2014 includes capital lease obligations of \$1,474,000 and \$1,650,000, respectively, relating to Legacy Dawson’s capital leases prior to and following the Merger.

Legacy TGC Indebtedness

The Company has three outstanding notes payable under the term loan feature of the Legacy TGC Credit Agreement, representing a remaining aggregate principal amount of \$9,265,000 as of March 31, 2015. In addition, the Legacy TGC Credit Agreement permits the Company to borrow, repay and reborrow, from time to time until September 16, 2015, up to the lesser of \$5.0 million or 80% of the Company’s eligible accounts receivable (the “Legacy TGC Line of Credit”). The Company did not utilize the Legacy TGC Line of Credit during the current year and has the full Legacy TGC Line of Credit available for borrowing.

The Company’s obligations under the Legacy TGC Line of Credit are secured by a security interest in Legacy TGC’s accounts receivable, and the term notes are secured by certain of Legacy TGC’s core equipment. Interest on amounts outstanding under the Legacy TGC Credit Agreement accrues at the greater of the prime rate as quoted in the Wall Street Journal or 5%. The Legacy TGC Credit Agreement contains customary covenants for credit facilities of this type, including limitations on disposition of assets, mergers and other fundamental changes. The Company is also obligated to meet certain financial covenants, including maintaining a minimum debt service coverage ratio in excess of 2.0 to 1.0, a ratio of debt to worth not in excess of 1.25 to 1.0 and a minimum tangible net worth of at least \$55.0 million. Except as described in the following sentence, the Company was in compliance with all covenants under the Legacy TGC Credit Agreement, including specified ratios, as of March 31, 2015. The Company was not in compliance at March 31, 2015, and Legacy TGC was not in compliance at December 31, 2014, with the financial covenant related to the debt service coverage ratio. The Company obtained a letter of waiver from the lender that waived all defaults for compliance with the debt service coverage ratio through March 31, 2016.

In addition, the Company has one outstanding note, in the remaining principal amount of \$673,000, which was held by Legacy TGC prior to the Merger, payable to a commercial bank for an equipment purchase. Interest on amounts outstanding under such note accrues at an annual rate equal to 4.60% and is payable monthly. This note is secured by certain of Legacy TGC’s core equipment and matures on June 5, 2015.

The Company also has one outstanding note, in the remaining principal amount of \$80,000 at March 31, 2015, which was held by Legacy TGC prior to the Merger, payable to a finance company for insurance. Interest on amounts outstanding under such note accrues at an annual rate equal to 4.09% and is payable monthly. This note is secured by certain of Legacy TGC’s core equipment.

In addition, the Company’s balance sheet as of March 31, 2015 includes capital lease obligations of \$902,000 relating to Legacy TGC’s capital lease obligations.

The following tables set forth the aggregate principal amount outstanding under the Company’s outstanding notes payable and the interest rates and monthly payments as of March 31, 2015 and December 31, 2014 with respect to the same. Information as of December 31, 2014 does not include indebtedness of Legacy TGC as of such date, due to the accounting treatment of the Merger as a reverse acquisition as described in Notes 2 and 3.

	<u>March 31, 2015</u>	<u>December 31, 2014</u>
Notes payable to commercial banks		
Aggregate principal amount outstanding	\$16,715,000	\$8,577,000
Interest rates	3.5%-4.6%	3.5%-4.6%
Monthly payments (excluding interest)	\$128,363-290,938	\$128,363-290,938
	<u>March 31, 2015</u>	<u>December 31, 2014</u>

Notes payable to finance company for insurance			
Aggregate principal amount outstanding	\$	80,000	—
Interest rates		4.09%	—
Monthly payments (excluding interest)	\$	14,674	—

The aggregate maturities of the notes payable at March 31, 2015 are as follows:

April 2015 — March 2016	\$	9,887,000
April 2016 — March 2017		5,892,000
April 2017 — March 2018		1,016,000
	\$	<u>16,795,000</u>

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The Company leases vehicles and certain specialized seismic equipment under leases classified as capital leases. The aggregate maturities of obligations under capital leases at March 31, 2015 are as follows:

April 2015 – March 2016	\$	1,363,000
April 2016 – March 2017		743,000
April 2017 – March 2018		270,000
	\$	<u>2,376,000</u>

Interest rates on these leases ranged from 3.76% to 8.17%.

7. COMMITMENTS AND CONTINGENCIES

On December 22, 2014, Legacy Dawson received a letter dated December 18, 2014 from legal counsel for a purported shareholder demanding that the members of Legacy Dawson’s Board of Directors at the time the action was initiated (the “Legacy Dawson Board”) take appropriate legal action against the members of the Legacy Dawson Board (the “December Demand Letter”). The December Demand Letter alleges conflicts of interest on the part of certain of Legacy Dawson officers and directors in connection with the Merger, disclosure deficiencies by Legacy Dawson with respect to the Merger and the negotiations leading to the merger agreement and breaches of fiduciary duties by such persons in connection with such matters. The December Demand Letter also demanded that Legacy Dawson make various corrective disclosures concerning the Merger.

In addition, on January 7, 2015, Andrew Speese, through his attorney, filed a purported shareholder class action and derivative action relating to the Merger on behalf of himself and Legacy Dawson’s other shareholders in the United States District Court for the Western District of Texas (Midland/Odessa Division), against Legacy Dawson, the Legacy Dawson Board, Legacy TGC and Merger Sub (the “Speese Lawsuit”). In connection with the filing of the Speese Lawsuit, on January 8, 2015, Legacy Dawson received a letter dated January 7, 2015 from legal counsel for Andrew Speese demanding that the Legacy Dawson Board take legal action to remedy alleged breaches of fiduciary duties in connection with the strategic business combination and to recover damages caused by such alleged breaches (the “Speese Demand Letter”). On March 16, 2015, Andrew Speese, through his attorney, dismissed the Speese Lawsuit without prejudice; however, counsel for Andrew Speese has not formally withdrawn the Speese Demand Letter.

The Legacy Dawson Board formed a Special Litigation Committee, which committee is authorized to retain independent legal counsel, to investigate the claims in the demand letters described above. That committee is continuing to function following the consummation of the Merger.

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

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

The Company has non-cancelable operating leases for office space in Midland, Houston, Plano, Denison, Denver, Oklahoma City, Pittsburgh and Calgary, Alberta.

The following table summarizes payments due in specific periods related to the Company’s contractual obligations with initial terms exceeding one year as of March 31, 2015.

	Payments Due by Period (in 000’s)				
	Total	Within 1 Year	2-3 Years	4-5 Years	After 5 Years
Operating lease obligations (office space)	\$ 3,739	\$ 1,191	\$ 1,971	\$ 481	\$ 96

Some of the Company’s operating leases contain predetermined fixed increases of the minimum rental rate during the initial lease term. For these leases, the Company recognizes the related expense on a straight-line basis and records deferred rent as the difference between the amount charged to expense and the rent paid. Rental expense under the Company’s operating leases with initial terms exceeding one year was \$357,000 and \$242,000 for the three month periods ended March 31, 2015 and 2014, respectively.

As of March 31, 2015, the Company had unused letters of credit totaling approximately \$233,000. The Company’s letters of credit principally back obligations associated with the Legacy Dawson’s self-insured retention on workers’ compensation claims. The Company was no longer self-insured for workers’ compensation claims after October 1, 2011. The unused letters of credit outstanding at March 31, 2015 are associated with workers’ compensation claims outstanding prior to October 1, 2011.

[Table of Contents](#)**8. NET (LOSS) INCOME PER SHARE ATTRIBUTABLE TO COMMON STOCK**

Net (loss) income per share attributable to common stock is calculated using the two-class method. The two-class method is an allocation method of calculating (loss) earnings per share when a company's capital structure includes participating securities that have rights to undistributed earnings. The Company's employees and officers that hold unvested restricted stock are entitled to dividends when the Company pays dividends.

The Company's basic net (loss) income per share attributable to common stock is computed by reducing the Company's net (loss) income by the net (loss) income allocable to unvested restricted stockholders that have a right to participate in earnings. The Company's employees and officers that hold unvested restricted stock do not participate in losses because they are not contractually obligated to do so. The undistributed earnings are allocated based on the relative percentage of the weighted average unvested restricted stock awards. The basic net (loss) income per share attributable to common stock is computed by dividing the net (loss) income attributable to common stock by the weighted average shares outstanding. The weighted average number of shares outstanding for the three months ended March 31, 2015 was calculated by totaling (i) the product of (x) the weighted shares of Legacy Dawson Common Stock outstanding at the beginning of the period multiplied by (y) the Exchange Ratio, plus (ii) the number of shares associated with awards of Legacy Dawson restricted stock and restricted stock units that vested in conjunction with the Merger, weighted as of February 11, 2015, plus (iii) the number of shares of Legacy TGC Common Stock outstanding immediately prior to the Merger, weighted to reflect that such shares were outstanding from February 11, 2015 until the end of the period. The weighted average number of shares outstanding for the three months ended March 31, 2014 was calculated by multiplying the weighted average shares of Legacy Dawson Common Stock outstanding during the period by the Exchange Ratio. The Company's diluted net (loss) income per share attributable to common stock is computed by adjusting basic net (loss) income per share attributable to common stock by diluted (loss) income allocable to unvested restricted stock divided by weighted average diluted shares outstanding. A reconciliation of the basic and diluted loss per share attributable to common stock is as follows:

	Three Months Ended March 31,	
	2015	2014
	(in 000's)	
Net (loss) income	\$ (6,592)	\$ 1,652
Income allocable to unvested restricted stock	—	(21)
Basic (loss) income attributable to common stock	<u>\$ (6,592)</u>	<u>\$ 1,631</u>
Reallocation of participating earnings	—	—
Diluted (loss) income attributable to common stock	<u>\$ (6,592)</u>	<u>\$ 1,631</u>
Weighted average common shares outstanding:		
Basic	18,021,366	14,009,358
Dilutive common stock options and restricted stock units	—	66,630
Diluted	<u>18,021,366</u>	<u>14,075,988</u>
Basic (loss) income attributable to a share of common stock	<u>\$ (0.37)</u>	<u>\$ 0.12</u>
Diluted (loss) income attributable to a share of common stock	<u>\$ (0.37)</u>	<u>\$ 0.12</u>

The Company had a net loss in the three months ended March 31, 2015. As a result, all stock options and restricted stock units were anti-dilutive and excluded from weighted average shares used in determining the loss attributable to share of common stock for the respective periods. There were no shares that had anti-dilutive effect on the calculation of dilutive income attributable to common stock for the quarter ended March 31, 2014.

None of the Company's stock options or restricted stock units were dilutive for the three months ended March 31, 2015 due to the loss in that period. The following weighted average numbers of stock options and restricted stock units have been excluded from the calculation of diluted loss per share attributable to common stock, as their effect would be anti-dilutive for the three months ended March 31, 2014:

Stock options	92,315
Restricted stock units	15,832
Total	<u>108,147</u>

Shares of 46,500 and 103,500 respectively of unvested restricted stock at March 31, 2015 and 2014 are included in common stock outstanding as such shares have a nonforfeitable right to participate in any dividends that might be declared and have the right to vote.

[Table of Contents](#)**9. QUARTERLY DIVIDEND**

On February 3, 2014, the Legacy Dawson Board approved the commencement of the payment of an \$0.08 per share quarterly cash dividend to shareholders, subject to capital availability and a determination that cash dividends continue to be in the best interest of Legacy Dawson. Quarterly dividends were paid on February 24, 2014, May 30, 2014, August 29, 2014 and December 8, 2014 to Legacy Dawson's shareholders of record at the close of business on February 14, 2014, May 16, 2014, August 15, 2014 and November 24, 2014, respectively, representing an aggregate dividend of approximately \$645,000 based on the number of issued and outstanding shares of Common Stock as of the declaration date, or approximately \$2,580,000 on an annualized basis.

Following the Merger, the combined Company's Board of Directors, after consideration of general economic and market conditions affecting the energy industry in general, and the oilfield services business in particular, has determined that the Company will not pay a dividend in respect of the quarters ended December 31, 2014 and March 31, 2015 or for the foreseeable future. Payment of any dividends in the future will be at the discretion of the Company's Board of Directors and will depend on the Company's financial condition, results of operations, capital and legal requirements, and other factors deemed relevant by the Board of Directors.

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

On February 11, 2015, Legacy TGC completed the business combination with Legacy Dawson pursuant to which a wholly-owned subsidiary of Legacy TGC merged with and into Legacy Dawson, with Legacy Dawson continuing after the merger as the surviving entity and a wholly-owned subsidiary of Legacy TGC (the "Merger"). The common stock of the combined company is listed on the NASDAQ Stock Market LLC ("NASDAQ") under the symbol "DWSN." Under the merger agreement, at the effective time of the Merger, each issued and outstanding share of Legacy Dawson's common stock, par value \$0.33 1/3 per share, including shares underlying Legacy Dawson's outstanding equity awards, were converted into the right to receive 1.760 shares of common stock of Legacy TGC, par value \$0.01 per share (the "Legacy TGC Common Stock"), after giving effect to a 1-for-3 reverse stock split of Legacy TGC Common Stock which occurred immediately prior to the Merger. Also in conjunction with the Merger, Legacy Dawson was delisted on NASDAQ.

The Merger has been accounted for as a reverse acquisition under which Legacy Dawson was considered the accounting acquirer of Legacy TGC. As such, the financial statements of Legacy Dawson will be treated as the historical financial statements of the combined company. Except as otherwise specifically provided, this discussion and analysis relates to the business and operations of Legacy Dawson and its consolidated subsidiaries for the periods prior to the closing of the Merger and on a consolidated basis with Legacy TGC and its subsidiaries after the closing of the Merger.

You should read this discussion in conjunction with the financial statements and notes thereto included elsewhere in this Form 10-Q. Except as otherwise specifically noted herein, all references in this Form 10-Q to the "Company," "we," "us" or "our" refer to (i) Legacy Dawson and its consolidated subsidiaries, for periods through February 11, 2015 and (ii) the combined company following the Merger, for periods on or after February 12, 2015.

Forward Looking Statements

Statements other than statements of historical fact included in this Form 10-Q that relate to forecasts, estimates or other expectations regarding future events, including without limitation, statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations" regarding technological advancements and our financial position, business strategy and plans and objectives of our management for future operations, may be deemed to be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. When used in this Form 10-Q, words such as "anticipate," "believe," "estimate," "expect," "intend," and similar expressions, as they relate to us or our management, identify forward-looking statements. Such forward-looking statements are based on the beliefs of our management as well as assumptions made by and information currently available to management. Actual results could differ materially from those contemplated by the forward-looking statements as a result of certain factors, including but not limited to dependence upon energy industry spending, the volatility of oil and natural gas prices, high fixed costs of operations, operational disruptions, changes in economic conditions, industry competition, the potential for contract delay or cancellations of service contracts, the availability of capital resources, weather interruptions, limited number of customers, and credit risk related to our customers. A discussion of these factors, including risks and uncertainties, is set forth under "Risk Factors" in Exhibit 99.5 to our Form 8-K/A that was filed with the Securities and Exchange Commission on April 30, 2015 and in our other reports filed from time to time with the Securities and Exchange Commission. These forward-looking statements reflect our current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, growth strategies and liquidity. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by this paragraph. We assume no obligation to update any such forward-looking statements.

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Overview

We are a leading provider of North America onshore seismic data acquisition services with operations throughout the continental United States and Canada. Substantially all of our revenues are derived from the seismic data acquisition services we provide to our clients, mainly oil and natural gas companies of all sizes. Our clients consist of major oil and gas companies, independent oil and gas companies and 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 part, on oil and natural gas prices. Significant fluctuations in domestic oil and natural gas exploration activities and commodity prices, as we have recently experienced, have and will 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.

During the quarter ended March 31, 2015, we operated a peak of fourteen data acquisition crews in the United States and four crews in Canada on a combined basis after the completion of our strategic business combination with Legacy TGC which closed on February 11, 2015. We are currently operating eight to ten data acquisition crews in the United States and based on currently available information we anticipate operating eight to ten seismic data acquisition crews in the United States into the third quarter ending September 30, 2015 with limited activity in Canada during the summer season. The majority of our crews are currently working in oil producing basins. 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, crew downtime related to inclement weather, delays in acquiring land access permits, agricultural or hunting activity, holiday schedules, short winter days, crew repositioning or equipment failure, whether we enter into turnkey or term contracts with our clients, the number and size of crews and the number of recording channels per crew. To the extent we experienced these factors our operating results may be affected from quarter to quarter. Consequently, our efforts to negotiate favorable contract terms in our supplemental service agreements, to mitigate permit access delays and to improve overall crew productivity may contribute to growth in our revenues.

Demand for our services is at reduced levels from recent years and is anticipated to remain at such levels through 2015 in response to decreasing and uncertain commodity prices and reduced client expenditures. We have experienced several client-directed delays over the last several months. We have also been impacted by severe weather conditions in many areas of operation, a weaker than anticipated Canadian season and reduced utilization rates of deployed data acquisition crews in the lower 48 United States. Severe wet weather conditions, reduced demand and client delays have continued during April and through mid-May 2015 which has severely impacted crew utilization.

Most of our client contracts are turnkey contracts. The percentage of revenues derived from turnkey contracts represented approximately three-quarters of our revenues in the first quarter of 2015 and approximately three-quarters of Legacy Dawson's revenues throughout fiscal 2014. While turnkey contracts allow us to capitalize on improved crew productivity, we also bear more risks related to weather and crew downtime. We expect the percentage of turnkey contracts to remain high as we continue to expand our operations in the mid-continent, western and southwestern regions of the United States in which turnkey contracts are more common.

Over time, we have experienced continued increases in recording channel capacity on a per crew or project basis. This increase in channel count demand is driven by client needs and is necessary in order to produce higher resolution images, increase crew efficiencies and undertake larger scale projects. In response to project-based channel requirements, we routinely deploy a variable number of channels on a variable number of crews in an effort to maximize asset utilization and meet client needs.

Reimbursable third-party charges related to our use of helicopter support services, permit support services, specialized survey technologies and dynamite energy sources in areas with limited access are another important factor affecting our results. Revenues associated with third-party charges continued to decline as a percentage of revenue during 2014 and the first quarter of 2015. We expect that as we continue to expand our operations in the more open terrain of the mid-continent, western and southwestern regions of the United States, the level of these third-party charges will continue to be generally within or below Legacy Dawson's historical range of 25% to 35% of revenue.

While the markets for oil and natural gas have been very volatile and are likely to continue to be so in the future, and we can make no assurances as to future levels of domestic exploration or commodity prices, we believe opportunities exist for us to enhance our market position by responding to our clients' continuing desire for higher resolution subsurface images. If economic conditions were to weaken, our clients reduce their capital expenditures or there is a significant sustained drop in oil and natural gas prices, it would result in diminished demand for our seismic services, could cause downward pressure on the prices we charge and would affect our results of operations.

Items Affecting Comparability of Our Financial Results

As discussed above, the Merger has been accounted for as a reverse acquisition under which Legacy Dawson was considered the accounting acquirer of Legacy TGC. As such, the historical financial statements of Legacy Dawson will be treated as the historical financial statements of the combined company. The combined companies adopted a calendar fiscal year ending December 31.

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Accordingly, the financial results for the quarter ended March 31, 2015 that are presented in this Form 10-Q reflect the operations of Legacy Dawson for the period January 1 through March 31, 2015 and the operations of Legacy TGC for the period February 12 through March 31, 2015. Such results are compared to the quarterly results for Legacy Dawson for the period January 1 through March 31, 2014, which at the time was the second fiscal quarter of Legacy Dawson's fiscal year ended September 30, 2014. Due to the foregoing, our financial results for the quarter ended March 31, 2014 are not comparable to our financial results for the quarter ended March 31, 2015 as a result of the combination of the assets and results of operations of two previously separate companies.

Results of Operations

Operating Revenues. Our operating revenues for the first three months of fiscal 2015 decreased 16% to \$73,722,000 from \$76,766,000 in the first three months of fiscal 2014. The revenue decrease was primarily the result of significant reduction in utilization rates in the current quarter as demand for our services has decreased as a result of decreasing and uncertain commodity prices and reduced client expenditures. Severe weather conditions in several areas of operation early in the quarter also led to short term project delays. Our revenues also were negatively impacted by a weaker than anticipated Canadian season. Reimbursed third-party charges as a percentage of revenues remained within our historical range for such charges, although reimbursed third-party charges in the first quarter of fiscal 2015 were at the low end of the historical range as compared to being at the high end of the historical range in the first quarter of fiscal 2014.

Operating Costs. Operating expenses for the first three months of 2015 were \$64,791,000 compared to \$60,091,000 for the same period of 2014. The primary contributing factor to the increase in operating expenses was the addition of Legacy TGC crews in the United States and Canada. Operating expenses excluding third party charges decreased slightly during the first quarter 2015 as compared to the corresponding period of fiscal 2014 but not in proportion to the reduction in revenue. Although the dollar amount of operating costs decreased between the two periods, operating expenses as a percentage of revenue and the reimbursed third-party charges component of such operating costs as a percentage of revenue both increased between periods due to reduced revenue. These increases in reimbursed third-party charges and expenses as a percentage of revenue had the effect of reducing margins in the first three months of 2015 as compared to the quarter ended March 31, 2014.

Selling, general and administrative expenses. Selling, general and administrative expenses were 10.2% of revenues for the quarter ended March 31, 2015 compared to 4.8% of revenues in the same period of 2014. The dollar amount of selling, general and administrative expenses increased to \$7,522,000 during the first quarter of 2015 from \$3,676,000 during the first quarter of 2014. The primary factor for the increase in general and administrative expenses was transaction costs of approximately \$2,600,000 associated with the Merger and severance expenses of approximately \$530,000 related to an approximate 20 percent reduction in work force since the closing of the Merger.

Depreciation expense. Depreciation expense for the three months ended March 31, 2015 was \$11,223,000 compared to \$10,177,000 for the three months ended March 31, 2014. The increase in depreciation expense is the result additional depreciation expense related to the additional assets acquired in the Merger, partially offset by fewer capital expenditures during the past year. Our depreciation expense is expected to remain flat during 2015 primarily due to limited capital expenditures to maintain our existing asset base.

Our total operating costs for the first three months of 2015 were \$83,536,000, an increase of 13% from the first three months of 2014. The increase in the first three months of 2015 was primarily due to the factors described above.

Income Taxes. Income tax benefit was \$3,313,000 compared to income tax expense of \$687,000 for the three months ended March 31, 2015 and 2014, respectively. The effective tax benefit rate for the three months ended March 31, 2015 was 33.4%, while the effective income tax expense rate for the three month period ended March 31, 2014 was approximately 29.4% primarily due to the effect of permanent tax differences during the three months ended March 31, 2014. Our effective tax rates differ from the statutory federal rate of 35% for certain items such as state and local taxes, non-deductible expenses, discrete items and expenses related to share-based compensation that were not expected to result in a tax deduction.

Use of EBITDA (Non-GAAP measure)

We define EBITDA as net (loss) income plus interest expense, interest income, income taxes, 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

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- 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 generally accepted accounting principles (“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 (loss) income, 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, depreciation and amortization.

The reconciliation of our EBITDA to our net loss and net cash used in operating activities, which are the most directly comparable GAAP financial measures, are provided in the tables below:

Reconciliation of EBITDA to Net (Loss) Income

	Three Months Ended March 31,	
	2015	2014
	(in thousands)	
Net (loss) income	\$ (6,592)	\$ 1,652
Depreciation	11,223	10,177
Interest expense, net	123	140
Income tax (benefit) expense	(3,313)	687
EBITDA	\$ 1,441	\$ 12,656

Reconciliation of EBITDA to Net Cash (Used in) Provided by Operating Activities

	Three Months Ended March 31,	
	2015	2014
	(in thousands)	
Net cash (used in) provided by operating activities	\$ (3,262)	\$ 23,350
Changes in working capital and other items	5,335	(10,226)
Noncash adjustments to net (loss) income	(632)	(468)
EBITDA	\$ 1,441	\$ 12,656

Liquidity and Capital Resources

Introduction. Our principal sources of cash are amounts earned from the seismic data acquisition services we provide to our clients. Our principal uses of cash are the amounts used to provide these services, including expenses related to our operations and acquiring new equipment. Accordingly, our cash position depends (as do our revenues) on the level of demand for our services. Historically, cash generated from our operations along with cash reserves and borrowings from commercial banks have been sufficient to fund our working capital requirements and, to some extent, our capital expenditures.

Cash Flows. Net cash used in and provided by operating activities was \$3,262,000 and \$23,350,000 for the three months ended March 31, 2015 and 2014, respectively. These amounts primarily reflect our decline in revenues during the three months ended March 31, 2015. The decrease in revenues during the three months ended March 31, 2015 was not matched by a decrease in overall operating expenses and, as a result, our margins and net results from operating activities were negatively affected. In addition, cash provided by operating activities for the three months ended March 31, 2014 of \$23,350,000 included \$10,551,000 of cash inflows associated with changes in working capital. Cash used by operating activities for the three months ended March 31, 2015 of \$3,262,000 included \$4,967,000 of cash outflows associated with changes in working capital. As such, cash flows from operations was impacted significantly by changes in working capital, primarily due to timing differences on cash received from customers and paid to vendors. Net cash provided by and used in investing activities was \$13,046,000 and \$4,707,000 for the three months ended March 31, 2015 and 2014, respectively. The net cash provided by investing activities in the three months ended March 31, 2015 primarily represents cash of \$12,382,000 acquired from our recent Merger, partially offset by cash capital expenditures of \$1,189,000. During the quarter ended March 31, 2014, cash of \$6,370,000 was used to purchase property and equipment. Short-term investments of \$5,500,000 and \$6,750,000 in certificates of deposit were made during the first quarter of 2015 and 2014, respectively, from cash reserves and maturities of certificates of deposit of \$6,750,000 and \$8,250,000, respectively.

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Net cash used in financing activities in the three months ended March 31, 2015 of \$3,685,000 included principal payments of \$2,847,000 on our seven outstanding notes payable to commercial banks for equipment financing and payments of \$378,000 under our capital leases. In the first three months of 2014, net cash used in financing activities of \$4,007,000 included principal payments of \$3,135,000 on Legacy Dawson term notes, payments of \$227,000 under our capital leases, and cash dividends paid of \$645,000.

Current maturities of notes payable and obligations under capital leases increased \$6,253,000 and long term maturities of notes payable and obligations under capital leases increased \$4,668,000 due primarily to notes and capital leases assumed in the Merger with Legacy TGC, which were partially offset by note and capital lease payments made during the quarter.

Capital Expenditures. Our Board of Directors has approved a 2015 capital budget of \$10,000,000. To date, \$1,334,000 of the capital budget has been spent for maintenance capital purposes. We anticipate that our maintenance capital expenditures for 2015 will be less than the capital budget approved by our Board of Directors.

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

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

Indebtedness

Each of Legacy Dawson and Legacy TGC had a credit agreement in effect prior to the Merger (the "Legacy Dawson Credit Agreement" and the "Legacy TGC Credit Agreement," respectively), which continue in effect as our obligations following the Merger. Both the Legacy Dawson Credit Agreement and Legacy TGC Credit Agreement provide for a revolving line of credit and term loans to be made pursuant to notes, as further described below.

Legacy Dawson Indebtedness

We have three outstanding notes payable under the term loan feature of the Legacy Dawson Credit Agreement, representing a remaining aggregate principal amount of \$6,777,000 and \$8,577,000 as of March 31, 2015 and December 31, 2014, respectively. In addition, the Legacy Dawson Credit Agreement permits us to borrow, repay and reborrow, from time to time until June 2, 2015, up to \$20.0 million or 80% of our eligible accounts receivable (the "Legacy Dawson Line of Credit"). We did not utilize the Legacy Dawson Line of Credit during the current year or the twelve months ended December 31, 2014, and we have the full Legacy Dawson Line of Credit available for borrowing. We are currently in the process of discussing the renewal of this credit facility. We anticipate it will be renewed in the second quarter.

Our obligations under the Legacy Dawson Credit Agreement are secured by a security interest in Legacy Dawson's accounts receivable, equipment and related collateral. Interest on amounts outstanding under the Legacy Dawson Credit Agreement accrues at an annual rate equal to either the 30-day London Interbank Offered Rate ("LIBOR"), plus two and one-quarter percent, or the Prime Rate, minus three-quarters percent, as we direct monthly, subject to an interest rate floor of 4%. Interest on the outstanding amount under the Legacy Dawson Credit Agreement is payable monthly. The Legacy Dawson Credit Agreement contains customary covenants for credit facilities of this type, including limitations on disposition of assets, mergers and reorganizations. We are also obligated to meet certain financial covenants, including maintaining an average debt service coverage ratio of at least of 1.5 to 1.0, a ratio of debt to tangible net worth not in excess of 1.5 to 1.0 and a ratio of current assets to current liabilities of at least 1.5 to 1.0, in each case measured quarterly. We were in compliance with all covenants under the Legacy Dawson Credit Agreement, including specified ratios, as of March 31, 2015 and December 31, 2014.

In addition, we lease vehicles and certain specialized seismic equipment under leases classified as capital leases. Our balance sheet as of March 31, 2015 and December 31, 2014 includes capital lease obligations of \$1,474,000 and \$1,650,000, respectively, relating to Legacy Dawson's capital leases prior to and following the Merger.

Legacy TGC Indebtedness

We have three outstanding notes payable under the term loan feature of the Legacy TGC Credit Agreement, representing a remaining aggregate principal amount of \$9,265,000 as of March 31, 2015. In addition, the Legacy TGC Credit Agreement permits us to borrow, repay and reborrow, from time to time until September 16, 2015, up to the lesser of \$5.0 million or 80% of our eligible accounts receivable (the "Legacy TGC Line of Credit"). We did not utilize the Legacy TGC Line of Credit during the current year, and we have the full Legacy TGC Line of Credit available for borrowing.

Our obligations under the Legacy TGC Line of Credit are secured by a security interest in Legacy TGC's accounts receivable, and the term notes are secured by certain of Legacy TGC's core equipment. Interest on amounts outstanding under the Legacy TGC Credit Agreement accrues at the greater of the prime rate as quoted in the Wall Street Journal or 5%. The Legacy TGC Credit Agreement contains customary covenants for credit facilities of this type, including limitations on disposition of assets, mergers and other fundamental changes. We are also obligated to meet certain financial covenants, including maintaining a minimum debt service coverage ratio in excess of 2.0 to 1.0, a ratio of debt to worth not in excess of 1.25 to 1.0 and a minimum tangible net worth of at least

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\$55.0 million. Except as described in the following sentence, we were in compliance with all covenants under the Legacy TGC Credit Agreement, including specified ratios, as of March 31, 2015. We were not in compliance at March 31, 2015, and Legacy TGC was not in compliance at December 31, 2014, with the financial covenant related to the debt service coverage ratio. We obtained a letter of waiver from the lender that waived all defaults for compliance with the debt service coverage ratio through March 31, 2016.

In addition, we have one outstanding note, in the remaining principal amount of \$673,000, which was held by Legacy TGC prior to the Merger, payable to a commercial bank for an equipment purchase. Interest on amounts outstanding under such note accrues at an annual rate equal to 4.60% and is payable monthly. This note is secured by certain of Legacy TGC's core equipment and matures on June 5, 2015.

We also have one outstanding note, in the remaining principal amount of \$80,000 at March 31, 2015, which was held by Legacy TGC prior to the Merger, payable to a finance company for insurance as of March 31, 2015. Interest on amounts outstanding under such note accrues at an annual rate equal to 4.09% and is payable monthly. This note is secured by certain of Legacy TGC's core equipment.

In addition, our balance sheet as of March 31, 2015 includes capital lease obligations of \$902,000 relating to Legacy TGC's capital lease obligations.

The following tables set forth the aggregate principal amount outstanding under the Company's outstanding notes payable and the interest rates and monthly payments as of March 31, 2015 and December 31, 2014 with respect to the same. Information as of December 31, 2014 does not include indebtedness of Legacy TGC as of such date, due to the accounting treatment of the Merger as a reverse acquisition as described above.

	March 31, 2015	December 31, 2014
Notes payable to commercial banks		
Aggregate principal amount outstanding	\$16,715,000	\$8,577,000
Interest rates	3.5%-4.6%	3.5%-4.6%
Monthly payments (excluding interest)	\$128,363-290,938	\$128,363-290,938
Notes payable to finance company for insurance		
Aggregate principal amount outstanding	\$ 80,000	—
Interest rates	4.09%	—
Monthly payments (excluding interest)	\$ 14,674	—

The following is a schedule showing the future minimum lease payments under capital leases by years and the present value of the minimum lease payments as of March 31, 2015:

April 2015 – March 2016	\$ 1,363,000
April 2016 – March 2017	743,000
April 2017 – March 2018	270,000
	<u>\$ 2,376,000</u>

Interest rates on these leases ranged from 3.76% to 8.17%.

Contractual Obligations. We believe that our capital resources, including our short-term investments, funds available under our revolving credit agreements, and cash flow from operations, will be adequate to meet our current operational needs. We believe that we will be able to finance our 2015 capital expenditures through cash flow from operations, borrowings from commercial lenders, and the funds available under our revolving credit agreements. 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

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affects the ability of our customers, and/or potential customers, to pay promptly amounts owing to the Company under their service contracts with us.

The following table summarizes payments due in specific periods related to our contractual obligations with initial terms exceeding one year as of March 31, 2015.

Contractual Obligations	Payments Due by Period (in 000's)				
	Total	Within 1 Year	2-3 Years	4-5 Years	After 5 Years
Operating lease obligations (office space)	\$ 3,739	\$ 1,191	\$ 1,971	\$ 481	\$ 96
Capital lease obligations	2,376	1,363	1,013	—	—
Debt obligations	16,795	9,887	6,908	—	—
Total	<u>\$ 22,910</u>	<u>\$ 12,441</u>	<u>\$ 9,892</u>	<u>\$ 481</u>	<u>\$ 96</u>

Off-Balance Sheet Arrangements

As of March 31, 2015, we had no off-balance sheet arrangements.

Critical Accounting Policies

Information regarding our critical accounting policies and estimates is included in Note 1 "Summary of Significant Accounting Policies" in Exhibit 99.1 to our Form 8-K/A that was filed with the Securities and Exchange Commission on April 30, 2015.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09 that introduces a new five-step revenue recognition model in which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU also requires disclosures sufficient to enable users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, including qualitative and quantitative disclosures about contracts with customers, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. This standard is effective for fiscal years beginning after December 15, 2016, including interim periods within that reporting period. The standard permits the use of either the retrospective or cumulative effect transition method. Early adoption is not permitted. We will have the option of using either a full retrospective or modified approach to adopt ASU 2014-09. On April 29, 2015, the FASB issued an exposure draft with a 30-day comment period that proposes a one-year deferral of the effective date of the new revenue standard. If the deferral passes a final vote, the guidance would be effective for our fiscal year beginning January 2018. We are monitoring the FASB's decision on the proposed deferral and are currently evaluating the new guidance to select a transition method and determine the impact it will have on our consolidated financial statements and the method of adoption.

In August 2014, the FASB issued ASU No. 2014-15, "Presentation of Financial Statements - Going Concern" (Subtopic 205-40). This ASU provides guidance on management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and in certain circumstances to provide related footnote disclosures. This ASU is effective for the annual period ending after December 15, 2016, and for annual and interim periods thereafter. Early adoption is permitted. We are currently evaluating the new guidance and expect that it will have no impact on our consolidated financial statements.

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 flow 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. We believe that our allowance for doubtful accounts of \$763,000 at March 31, 2015 is adequate to cover exposures related to our trade account balances.

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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. We are exposed to the impact of interest rate changes on the outstanding indebtedness under our credit loan agreement, which has variable interest rates.

We have cash in the bank which, at times, may exceed 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 March 31, 2015, cash and cash equivalents totaled \$20,642,000.

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, financial and accounting officers, of the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 as of the end of the period covered by this report. Based upon that evaluation, our President and Chief Executive Officer, our Executive Vice President, Treasurer and Chief Financial Officer and our Executive Vice President, Secretary and Chief Accounting Officer concluded that, as of March 31, 2015, 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, our Executive Vice President, Treasurer and Chief Financial Officer and our Executive Vice President, Secretary and Chief Accounting Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting. We completed the Merger on February 11, 2015. We have extended our oversight and monitoring processes that support our internal control over financial reporting to include Legacy TGC's operations. Except for this extension, 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 Securities Exchange Act of 1934) during the quarter ended March 31, 2015 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

On December 22, 2014, Legacy Dawson received a letter dated December 18, 2014 from legal counsel for a purported shareholder demanding that the Legacy Dawson board of directors prior to the Merger (the "Legacy Dawson Board") take appropriate legal action against the members of the Legacy Dawson Board. In addition, in connection with a lawsuit that was filed and subsequently dismissed within the quarter, on January 8, 2015, Legacy Dawson received a letter dated January 7, 2015 from legal counsel for Andrew Speese demanding that the Legacy Dawson Board take legal action to remedy alleged breaches of fiduciary duties in connection with the Merger and to recover damages caused by such alleged breaches. For additional information regarding these matters, please refer to Note 7 "Commitments and Contingencies" of the Notes to Condensed Consolidated Financial Statements, which is incorporated by reference herein.

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

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this Form 10-Q, you should carefully consider the risk factors discussed in Exhibit 99.5 to our Form 8-K/A that was filed with the Securities and Exchange Commission on April 30, 2015, which information is hereby incorporated by reference, which could materially affect our financial condition or results of operations.

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ITEM 6. EXHIBITS

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

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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: May 18, 2015

By: /s/ Stephen C. Jumper
Stephen C. Jumper
Chairman of the Board of Directors, President and
Chief Executive Officer

DATE: May 18, 2015

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

DATE: May 18, 2015

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

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INDEX TO EXHIBITS

<u>Number</u>	<u>Exhibit</u>
2.1	Agreement and Plan of Merger, dated October 8, 2014, by and among Dawson Operating Company (f/k/a Dawson Geophysical Company), the Registrant and Riptide Acquisition Corp., filed on October 9, 2014 as Exhibit 2.1 to the Registrant's Current Report on Form 8-K and incorporated herein by reference.
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.
10.1	Amended and Restated Dawson Geophysical Company 2006 Stock and Performance Incentive Plan, filed on February 11, 2015 as Exhibit 10.1 to the Registrant's Current Report on Form 8-K and incorporated herein by reference.
10.2	Employment Agreement, dated October 8, 2014, by and between the Registrant and Wayne A. Whitener, filed on October 9, 2014 as Exhibit 10.2 to the Registrant's Current Report on Form 8-K and incorporated herein by reference.
10.3	Employment Agreement, dated October 8, 2014, by and between the Registrant and James K. Brata, filed on October 9, 2014 as Exhibit 10.3 to the Registrant's Current Report on Form 8-K and incorporated herein by reference.
10.4	Employment Agreement, dated October 8, 2014, by and between the Registrant and Daniel G. Winn, filed on October 9, 2014 as Exhibit 10.4 to the Registrant's Current Report on Form 8-K and incorporated herein by reference.

- 10.5 Employment Agreement, dated October 8, 2014, by and between the Registrant and Stephen C. Jumper, filed on October 9, 2014 as Exhibit 10.5 to the Registrant's Current Report on Form 8-K and incorporated herein by reference.
- 10.6 Employment Agreement, dated October 8, 2014, by and between the Registrant and C. Ray Tobias, filed on October 9, 2014 as Exhibit 10.6 to the Registrant's Current Report on Form 8-K and incorporated herein by reference.
- 10.7 Employment Agreement, dated October 8, 2014, by and between the Registrant and Christina W. Hagan, filed on October 9, 2014 as Exhibit 10.7 to the Registrant's Current Report on Form 8-K and incorporated herein by reference.
- 10.8 Employment Agreement, dated October 8, 2014, by and between the Registrant and James W. Thomas, filed on October 9, 2014 as Exhibit 10.8 to the Registrant's Current Report on Form 8-K and incorporated herein by reference.
- 10.9 Form of Amendment to Stock Option Agreement, filed on October 9, 2014 as Exhibit 10.9 to the Registrant's Current Report on Form 8-K and incorporated herein by reference.
- 10.10 Form of Indemnification Agreement, filed on October 9, 2014 as Exhibit 10.1 to the Registrant's Current Report on Form 8-K and incorporated herein by reference.
- 31.1* Certification of Chief Executive Officer of Dawson Geophysical Company pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
- 31.2* Certification of Chief Financial Officer of Dawson Geophysical Company pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
- 31.3* Certification of Chief Accounting 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.
- 32.3* Certification of Chief Accounting 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 March 31, 2015, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Statements of Operations for the three months ended March 31, 2015 and 2014, (ii) Consolidated Balance Sheets at March 31, 2015 and December 31, 2014, (iii) Consolidated Statements of Cash Flows for the three months ended March 31, 2015 and 2014, and (iv) Notes to Consolidated Financial Statements.

* Filed herewith.

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 officers 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 officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 18, 2015

/s/ Stephen C. Jumper

Stephen C. Jumper
Chairman of the Board of Directors, President and
Chief Executive Officer
(principal executive officer)

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 officers 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 officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 18, 2015

/s/ James K. Brata

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

CERTIFICATION

I, Christina W. Hagan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dawson Geophysical Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers 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 officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 18, 2015

/s/ Christina W. Hagan

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

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

In connection with the quarterly report of Dawson Geophysical Company (the "Company") on Form 10-Q for the period ended March 31, 2015, as filed with the Securities and Exchange Commission (the "Report"), I, Stephen C. Jumper, President, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

Dated: May 18, 2015

/s/ Stephen C. Jumper

Stephen C. Jumper

Chairman of the Board of Directors, President and

Chief Executive Officer

(principal executive officer)

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

In connection with the quarterly report of Dawson Geophysical Company (the "Company") on Form 10-Q for the period ended March 31, 2015, as filed with the Securities and Exchange Commission (the "Report"), I, James K. Brata, Executive Vice President, Treasurer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

Dated: May 18, 2015

/s/ James K. Brata

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

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

In connection with the quarterly report of Dawson Geophysical Company (the "Company") on Form 10-Q for the period ended March 31, 2015, as filed with the Securities and Exchange Commission (the "Report"), I, Christina W. Hagan, Executive Vice President, Secretary and Chief Accounting Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

Dated: May 18, 2015

/s/ Christina W. Hagan

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