FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

(Mark One)

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

For the quarterly period ended June 30, 1996

OR

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

For the transition period from ________ to ________

For Quarter Ended June 30, 1996 Commission File number 2-71058

DAWSON GEOPHYSICAL COMPANY
(Exact name of Registrant as specified in its Charter)

TEXAS	75-0970548
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
208 S. Marienfeld, Midland, Texas	79701
(Address of principal executive offices)	(Zip Code)

(Registrant's telephone number, including area code) 915/682-7356

NONE
(Former Name, Former Address & Former Fiscal Year if changed since last report)

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 X . No .

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

CLASS	Outstanding at June 30, 1996
Common Stock, $.33 1/3 par value	4,161,550 shares

DAWSON GEOPHYSICAL COMPANY

INDEX

PART I. FINANCIAL INFORMATION

DAWSON GEOPHYSICAL COMPANY

STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended June 30		Nine Months Ended June 30	
	1996	1995	1996	1995
Operating revenues	$8,555,000	$7,461,000	$24,485,000	$21,944,000
Operating costs:				
Operating expenses	6,059,000	5,311,000	17,613,000	15,495,000
General and administrative	293,000	204,000	1,031,000	782,000
Depreciation	1,453,000	1,073,000	4,104,000	3,016,000
	7,805,000	6,588,000	22,748,000	19,293,000
Income from operations	750,000	873,000	1,737,000	2,651,000
Other income (expense):				
Interest income	75,000	89,000	187,000	322,000
Interest expense	(26,000)	(5,000)	(26,000)	(170,000)
Gain on disposal of assets	-	55,000	9,000	77,000
Other income	1,000	136,000	1,000	155,000
Income before income tax	800,000	1,148,000	1,908,000	3,035,000
Income tax expense:				
Current	(76,000)	(238,000)	(373,000)	(931,000)
Deferred	(210,000)	(197,000)	(314,000)	(197,000)
	(286,000)	(435,000)	(687,000)	(1,128,000)
Net income	$ 514,000	$ 713,000	$ 1,221,000	$ 1,907,000
Net income per common share	$.12	$.17	$.29	$.49
Weighted average equivalent shares outstanding	4,204,912	4,200,465	4,197,520	3,923,636

See accompanying notes to the financial statements.

DAWSON GEOPHYSICAL COMPANY

BALANCE SHEETS

	June 30, 1996 (UNAUDITED)	September 30, 1995
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,644,000	$ 1,671,000
Marketable securities	3,105,000	3,767,000
Accounts receivable	5,621,000	5,008,000
Income taxes receivable	411,000	126,000
Prepaid expenses	207,000	220,000
Total current assets	11,988,000	10,792,000
Property, plant and equipment	49,651,000	39,248,000
Less accumulated depreciation	(21,737,000)	(17,698,000)
Net property, plant and equipment	27,914,000	21,550,000
	$39,902,000	$32,342,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 857,000	$ -
Accounts payable	2,845,000	682,000
Accrued liabilities:		
Payroll and other taxes	359,000	291,000
Other	132,000	178,000
Total current liabilities	4,193,000	1,151,000
Long-term debt, less current maturities	2,926,000	-
Deferred income taxes	649,000	335,000
Stockholders' equity:		
Preferred stock - par value $1.00 per share; 5,000,000 shares authorized, none outstanding	-	-
Common stock - par value $.33 1/3 per share; 10,000,000 shares authorized, 4,161,550 and 4,149,050 shares issued and outstanding	1,387,000	1,383,000
Additional paid-in capital	17,021,000	16,973,000
Net unrealized loss on marketable securities	(8,000)	(13,000)
Retained earnings	13,734,000	12,513,000
Total stockholders' equity	32,134,000	30,856,000
	$39,902,000	$32,342,000

Contingencies (See Note 3)

See accompanying notes to the financial statements.

DAWSON GEOPHYSICAL COMPANY

STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Nine Months Ended June 30	
	1996	1995
Cash flows from operating activities:		
Net income	$1,221,000	$1,907,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	4,104,000	3,016,000
Gain on disposal of assets	(9,000)	(77,000)
Non-cash interest income	(82,000)	(189,000)
Deferred income taxes	314,000	197,000
Change in current assets and liabilities:		
Increase in accounts receivable	(613,000)	(1,324,000)
Decrease (increase) in prepaid expenses	13,000	(24,000)
Increase in income taxes receivable	(285,000)	-
Increase in accounts payable	2,163,000	500,000
Increase (decrease) in accrued liabilities	22,000	(205,000)
Decrease in federal and state income taxes payable	-	(121,000)
Net cash provided by operating activities	6,848,000	3,680,000
Cash flows from investing activities:		
Proceeds from disposal of assets	31,000	290,000
Capital expenditures	(10,490,000)	(8,470,000)
Proceeds from sale and maturity of marketable securities	2,845,000	7,037,000
Investment in marketable securities	(2,096,000)	(5,935,000)
Net cash used in investing activities	(9,710,000)	(7,078,000)
Cash flows from financing activities:		
Principal payments on debt	(71,000)	(7,875,000)
Proceeds from debt	3,854,000	1,500,000
Proceeds from public offering	-	10,785,000
Proceeds from exercise of stock options	52,000	117,000
Net cash provided by financing activities	3,835,000	4,527,000
Net increase in cash and cash equivalents	973,000	1,129,000
Cash and cash equivalents at beginning of period	1,671,000	151,000
Cash and cash equivalents at end of period	$2,644,000	$1,280,000

See accompanying notes to the financial statements.

DAWSON GEOPHYSICAL COMPANY

NOTES TO FINANCIAL STATEMENTS

1. OPINION OF MANAGEMENT

Although the information furnished is unaudited, in the opinion of management of the Registrant, the accompanying financial statements reflect all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the financial condition and results of operations for the period presented. The results of operations for the three months and the nine months ended June 30, 1996, are not necessarily indicative of the results to be expected for the fiscal year.

2. NOTES PAYABLE

As of April 1, 1996, the Company has two notes payable that exist under a loan agreement with a bank. The loan agreement consists of (1) a revolving line of credit of $5,000,000 to mature April 15, 1997 with funding availability determined by a borrowing base calculation; and (2) a term note of $6,000,000 to mature March 15, 2003. Both notes are secured by eligible accounts receivable and equipment purchased from loan proceeds. The loan agreement contains various restrictive covenants and compliance requirements. Among others, the agreement requires that no liens exist upon any of the collateral nor any vehicle owned by the Company. The notes bear interest at the bank's prime rate (8.25% at June 30, 1996). The term note requires monthly principal and interest payments.

On May 31, 1996, the Company borrowed $3,854,000 on the term note and on July 10, 1996 an additional $2,045,000 was advanced on the term note for the purchase of capital equipment. For fiscal year 1996, the current maturity of the long-term debt is $286,000. For the fiscal years 1997 through 2002, the annual maturity is $857,000, and for fiscal 2003, the annual maturity will be the balance. As of July 19, 1996, the Company has not utilized the revolving line of credit.

3. CONTINGENCIES

On July 1, 1995, an accident involving an automobile owned by the Company claimed the lives of four employees. The Company is a defendant in a lawsuit by the families of two of the employees whose deaths resulted from the accident. The families filed suit against the Company under the gross negligence provisions of the Texas Workers' Compensation Act. Accordingly, the Company believes its exposure is limited to claimed exemplary damages of $36 million. The litigation is currently in the discovery stage. The Company has approximately $12 million of insurance coverage available to provide against an unfavorable outcome in this matter. Due to the uncertainties inherent in litigation, no absolute assurance can be given as to the ultimate outcome of this suit. However, the Company believes, based on knowledge of the facts to date and consultation with its legal advisors, that liabilities, if any, from this suit should not have a material adverse effect on the Company's financial position.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The Company has expanded significantly over the last few years with state of the art equipment and experienced personnel in response to demand for 3-D seismic technology. As this technology is increasingly successful in the search for oil and gas, the surveys have become larger in size and more complex in design. Although the Company strives to utilize all of its resources to meet demand, uncontrollable factors of weather and problems in obtaining permits from land and mineral owners and lessees delay production, from time to time negatively impacting revenues.

In late June of 1996, the Company placed a field acquisition crew into service to bring the number of crews back to five. In February 1995, the Company placed a crew into service that represented the fifth crew until August 1995 when two crews were combined to one 2,000-channel crew in response to demand for more recording channels. While continually utilizing all resources within the Company, increased revenues were generated with more channels per each of four crews in the quarter ended June 30, 1996 than with five crews in the comparable quarter of the prior year. Currently all five crews have 2,000-channels each. To contribute to the financing of capital expenditures, the Company has negotiated a loan agreement with a bank. Please refer to the discussions in "Capital Expenditures" and "Credit Agreement" below.

In reviewing the Company's financial statements, it should be noted that fluctuations in the Company's results of operations can occur due to weather and other factors.

RESULTS OF OPERATIONS

The Company's operating revenues for the nine months ended June 30, 1996 totaled $24,485,000, an increase of 11.6% from $21,944,000 for the same period of fiscal 1995. For the three months ended June 30, 1996, operating revenues increased $1,094,000 or 14.7%. These increases are attributable primarily to continued industry demand for 3-D data acquisition services, and capacity from the additions of new equipment and technological upgrades to existing equipment. The Company believes that weather and other factors had a negative impact on revenues during the first quarter of 1996 such that fiscal revenues as of June 30, are not representative of the Company's capacity. Minimal revenues were generated through the acquisition and processing of 2-D seismic data.

Operating expenses for the nine months ended June 30, 1996 totaled $17,613,000, an increase of $2,118,000, or 13.7%, over the same period of fiscal 1995. For the quarter ended June 30, 1996, operating expenses increased $748,000, or 14.1%. Operating expenses increased primarily as a result of increased personnel and other expenses associated with the equipment acquisitions and technological upgrades made during the second quarter of fiscal 1995 that have been maintained to utilize resource capacity and the new crew fielded in the third quarter of fiscal 1996.

General and administrative expenses for the nine months ended June 30, 1996 totaled $1,031,000, an increase of $249,000 over the same period of fiscal 1995. For the three months ended June 30, 1996, general and administrative expenses totaled $293,000 versus $204,000 for the same period of the prior year. General and administrative expenses totaled 4.2% of operating revenue for the nine months ended June 30, 1996 versus 3.6% of operating revenues for the same period of the prior year. General and administrative costs have increased as additional support services have been incurred in response to the growth of the Company during the last few years.

Depreciation for the nine months ended June 30, 1996 totaled $4,104,000, an increase of $1,088,000 from the same period of fiscal 1995. For the quarter ended June 30, 1996, depreciation increased $380,000 to $1,453,000. Depreciation increased as a result of the capital expansion discussed below in "Liquidity and Capital Resources."

While the ratio of operating expenses to operating revenues is relatively unchanged for all periods reported, total operating costs for the first nine months of fiscal 1996 totaled $22,748,000, an increase of 17.9%, over the first nine months of fiscal 1995 due to the factors described above. The fiscal year decrease in income from operations of 34.5% as compared to decrease in the quarter of 14.1% is the direct result of the Company's operating expenses being relatively fixed as compared to revenue trends. Because of the high proportion of relatively fixed total operating costs (including personnel costs and depreciation costs), year to date income from operations reflects the significant negative effects on revenues of the largely uncontrollable factors of weather and permit problems experienced during the first quarter of fiscal 1996.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Net cash provided by operating activities for the nine months ended June 30, 1996 reflects an increase as compared to the same period of the prior year. This was primarily due to the combined results of decreased income from operations, an increase in depreciation, and increases and decreases relating to working capital items resulting from the increased benefits provided by 3-D technology. The increase in accounts payable reflects energy source units paid for in July 1996.

Net cash used in investing activities increased to $9,710,000 for the first nine months of fiscal 1996 from $7,078,000 in the same period of fiscal 1995 primarily due to increased capital expenditures in fiscal 1996.

Net cash provided by financing activities decreased from the prior year when proceeds of the public offering were used in the pay down of long-term debt. In 1996, the Company negotiated a loan agreement with a bank to finance future capital needs. Please refer to "Credit Agreement" below.

Capital Expenditures

In addition to fielding a 2,000-channel Input/Output System II-equipped acquisition crew, total capital expenditures of $10,490,000 for the nine months ended June 30, 1996 represent additional channel capacity of the existing crews and additional energy source units. For the remainder of fiscal 1996, the Company intends to continue to expand and update the fleet of energy source units and equipment peripheral to the acquisition of seismic data. The Company intends to finance these expenditures with operating cash flow and the notes payable described below.

Credit Agreement

As of April 1, 1996, the Company has two notes payable that exist under a loan agreement with a bank. The loan agreement consists of (1)a revolving line of credit of $5,000,000 to mature April 15, 1997 and (2)a term note of $6,000,000 to mature March 15, 2003. Both notes are secured by eligible accounts receivable and equipment purchased from loan proceeds. As of June 30, 1996, $3,854,000 had been advanced on the term note and on July 10, an additional $2,045,000 was advanced on the term noted for payment of energy source units reflected in accounts payable at June 30, 1996. As of August 1996 no advances have been made on the revolving line of credit.

Capital Resources

The Company believes that its capital resources, including the availability of bank borrowings, and cash flow from operations are adequate to meet its current operational needs and will allow the Company to continue its practice of acquiring new technologically advanced equipment.

SIGNATURE

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

(REGISTRANT)

By: /s/ L. DECKER DAWSON

L. Decker Dawson
President

/s/ CHRISTINA W. HAGAN

Christina W. Hagan
Treasurer, Controller

DATE: July 19, 1996

EXHIBIT INDEX

Exhibit No.	Description
27	Financial Data Schedule

5

9-MOS
SEP-30-1996
JUN-30-1996
2,644,000
3,105,000
5,621,000
0
0
11,988,000
49,651,000
(21,737,000)
39,902,000
4,193,000
0
1,387,000
0
0
0
39,902,000
24,485,000
24,485,000
22,748,000
22,748,000
0
0
26,000
1,908,000
(687,000)
1,221,000
0
0
0
1,221,000
0
0