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 December 31, 2007

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

For the Transition Period From __________ to __________

Commission File No. 0-10144

DAWSON GEOPHYSICAL COMPANY

Texas **(State or other jurisdiction of incorporation or organization)**	**75-0970548** **(I.R.S. Employer identification No.)**

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

Telephone Number: 432-684-3000

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

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. (Check one):

Large accelerated filer o	Accelerated filer ☑	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o 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 February 7, 2008
Common Stock, $.33 1/3 par value	**7,665,994 shares**

DAWSON GEOPHYSICAL COMPANY

INDEX

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DAWSON GEOPHYSICAL COMPANY
STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended December 31, 2007	Three Months Ended December 31, 2006
Operating revenues	$ 77,599,000	$ 53,654,000
Operating costs:		
Operating expenses	58,125,000	39,724,000
General and administrative	1,706,000	1,448,000
Depreciation	5,551,000	4,014,000
	65,382,000	45,186,000
Income from operations	12,217,000	8,468,000
Other income (expense):		
Interest income	218,000	154,000
Interest expense	(105,000)	—
Other	(16,000)	32,000
Income before income tax	12,314,000	8,654,000
Income tax expense:		
Current	(4,540,000)	(1,927,000)
Deferred	(70,000)	(1,292,000)
	(4,610,000)	(3,219,000)
Net income	$ 7,704,000	$ 5,435,000
Net income per common share	$ 1.01	$ 0.72
Net income per common share-assuming dilution	$ 1.00	$ 0.71
Weighted average equivalent common shares outstanding	7,660,100	7,553,809
Weighted average equivalent common shares outstanding-assuming dilution	7,720,101	7,635,013

See accompanying notes to the financial statements (unaudited).

Table of Contents

DAWSON GEOPHYSICAL COMPANY
BALANCE SHEETS

	December 31, 2007 (Unaudited)	September 30, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 18,231,000	$ 14,875,000
Accounts receivable, net of allowance for doubtful accounts of $176,000 in each period	52,633,000	56,707,000
Prepaid expenses and other assets	2,651,000	815,000
Current deferred tax asset	1,325,000	693,000
Total current assets	74,840,000	73,090,000
Property, plant and equipment:	222,044,000	207,427,000
Less accumulated depreciation	(89,991,000)	(84,655,000)
Net property, plant and equipment	132,053,000	122,772,000
	$206,893,000	$195,862,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 17,073,000	$ 12,816,000
Accrued liabilities:		
Payroll costs and other taxes	1,331,000	2,325,000
Other	13,858,000	14,263,000
Deferred revenue	2,312,000	2,922,000
Line of credit	5,000,000	5,000,000
Total current liabilities	39,574,000	37,326,000
Deferred tax liability	10,084,000	9,381,000
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; 50,000,000 shares authorized, 7,665,994 and 7,658,494 shares issued and outstanding in each period	2,555,000	2,553,000
Additional paid-in capital	85,564,000	85,090,000
Retained earnings	69,116,000	61,512,000
Total stockholders' equity	157,235,000	149,155,000
	$206,893,000	$195,862,000

See accompanying notes to the financial statements (unaudited).

DAWSON GEOPHYSICAL COMPANY
STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three Months Ended December 31, 2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 7,704,000	$ 5,435,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	5,551,000	4,014,000
Noncash compensation	347,000	287,000
Deferred income tax expense	70,000	1,292,000
Excess tax benefit from share-based payment arrangement	(92,000)	(115,000)
Other	46,000	120,000
Change in current assets and liabilities:		
Decrease in accounts receivable	4,074,000	810,000
(Increase) decrease in prepaid expenses	(1,836,000)	557,000
Decrease in accounts payable	(1,353,000)	(9,596,000)
Decrease in accrued liabilities	(1,399,000)	(389,000)
(Decrease) increase in deferred revenue	(610,000)	779,000
Net cash provided by operating activities	12,502,000	3,194,000
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures, net of $5,610,000 and $606,000 noncash capital expenditures in 2007 and 2006, respectively	(9,280,000)	(2,670,000)
Proceeds from disposal of assets	5,000	—
Net cash used in investing activities	(9,275,000)	(2,670,000)
CASH FLOW FROM FINANCING ACTIVITIES:		
Excess tax benefit from share-based payment arrangement	92,000	115,000
Proceeds from exercise of stock options	37,000	112,000
Net cash provided by financing activities	129,000	227,000
Net increase in cash and cash equivalents	3,356,000	751,000
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	14,875,000	8,064,000
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 18,231,000	$ 8,815,000
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the period for interest expense	$ 96,000	$ —
Cash paid during the period for income taxes	$ 1,172,000	$ 139,000
NONCASH INVESTING ACTIVITIES:		
Unrealized gain on investments	$ —	$ 18,000

See accompanying notes to the financial statements (unaudited).

DAWSON GEOPHYSICAL COMPANY

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

1. ORGANIZATION AND NATURE OF OPERATIONS

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

2. OPINION OF MANAGEMENT

Although the information furnished is unaudited, in the opinion of management of the Company, the accompanying financial statements reflect all adjustments, consisting only of normal recurring accruals, necessary for a fair statement of the results for the periods presented. The results of operations for the three months ended December 31, 2007 are not necessarily indicative of the results to be expected for the fiscal year.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q report pursuant to certain rules and regulations of the Securities and Exchange Commission. These financial statements should be read with the financial statements and notes included in the Company’s Form 10-K for the fiscal year ended September 30, 2007.

Critical Accounting Policies

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

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

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

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

Allowance for Doubtful Accounts. Management prepares its allowance for doubtful accounts receivable based on its review of past-due accounts, its past experience of historical write-offs and its current customer base. The inherent volatility of the energy industry’s business cycle can cause swift and unpredictable changes in the financial stability of the Company’s customers.

Impairment of Long-lived Assets. Long-lived assets are reviewed for impairment when triggering events occur suggesting deterioration in the assets’ recoverability or fair value. Recognition of an impairment charge is required if future expected net cash flows are insufficient to recover the carrying value of the asset. Management’s forecast of future cash flow used to perform impairment analysis includes estimates of future revenues and future gross margins based on the Company’s historical results and analysis of future oil and gas prices which is fundamental in assessing demand for the Company’s services. If the Company is unable to achieve these cash flows an impairment charge would be recorded.

Depreciable Lives of Property, Plant and Equipment. Property, plant and equipment are capitalized at historical cost and depreciated over the useful life of the asset. Management’s estimation of this useful life is based on circumstances that exist in the seismic industry and information available at the time of the purchase of the asset. As circumstances change and new information becomes available, these estimates could change.

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

Tax Accounting. The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 109, “Accounting for Income Taxes,” which requires the recognition of amounts of taxes payable or refundable for the current year and an asset and liability approach in recognizing the amount of deferred tax liabilities and assets for the future tax consequences of events that have been recognized in the Company’s financial statements or tax returns. Management determines deferred taxes by identifying the types and amounts of existing temporary differences, measuring the total deferred tax asset or liability using the applicable tax rate and reducing the deferred tax asset by a valuation allowance if, based on available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Management’s methodology for recording income taxes requires judgment regarding assumptions and the use of estimates, including determining the annual effective tax rate and the valuation of deferred tax assets, which can create variances between actual results and estimates and could have a material impact on the Company’s provision or benefit for income taxes.

Stock Based Compensation. On December 16, 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123 (revised 2004) (“SFAS 123(R)”), “Share-Based Payment.” SFAS 123(R) requires a company to measure all employee stock-based compensation awards using the fair value method and recognize compensation cost in its financial statements. The Company adopted SFAS 123(R) beginning October 1, 2005 for stock-based compensation awards granted after that date and for nonvested awards outstanding at that date using the modified prospective application method. The Company recognizes the fair value of stock-based compensation awards as operating or general and administrative expense as appropriate in the Statements of Operations on a straight-line basis over the vesting period. Compensation costs are not recognized for anticipated forfeitures prior to the vesting of equity instruments.

Recently Issued Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157 (“SFAS 157”), “Fair Value Measurements.” SFAS 157 clarifies that fair value is the amount that would be exchanged to sell an asset or transfer a liability in an orderly transaction between market participants. Further, the standard establishes a framework for measuring fair value in generally accepted accounting principles and expands certain disclosures about fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. The Company does not expect the adoption of SFAS 157 to have a material impact on its financial statements.

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

3. DEBT

The Company’s revolving line of credit loan agreement is with Western National Bank. In January 2008, the Company renewed the agreement for an additional year. The agreement permits the Company to borrow, repay and reborrow, from time to time until January 18, 2009, up to $20.0 million. The Company’s obligations under this agreement are secured by a security interest in the Company’s accounts receivable and related collateral. From January 19, 2008 through January 31, 2008 interest accrued at an annual rate equal to 5.63%. Beginning on February 1, 2008, interest will accrue 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 shall choose monthly. Interest on the outstanding amount under the loan agreement is payable monthly. The loan 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 under the loan agreement, including maintaining a minimum tangible net worth (as defined in the loan agreement) of $40.0 million and maintaining specified ratios with respect to cash flow coverage, current assets and liabilities, and debt to tangible net worth. On July 5, 2007, the Company borrowed $5.0 million under the prior loan agreement for working capital purposes. This amount has been renewed and extended under the new loan agreement. The Company was in compliance with all covenants as of December 31, 2007 and February 5, 2008.

4. STOCK-BASED COMPENSATION

The Company's stock-based compensation activity for the quarters ended December 31, 2007 and 2006 is summarized below.

Incentive Stock Options:

The Company estimates the fair value of each stock option on the date of grant using the Black-Scholes option pricing model. The expected volatility is based on historical volatility over the expected vesting term of 48 months. As the Company has not historically declared dividends, the dividend yield used in the calculation is zero. Actual value realized, if any, is dependent on the future performance of the Company's common stock and overall stock market conditions. There is no assurance the value realized by an optionee will be at or near the value estimated by the Black-Scholes model. Options granted by the Company vest in equal installments annually over four years from the date of the grant, and the options expire five years from the date of grant. Compensation cost is recognized as the options vest.

No options were granted during the quarters ended December 31, 2007 or 2006. The total intrinsic value of options exercised during the quarters ended December 31, 2007 and 2006 was $282,000 and $431,000 for 4,500 and 15,000 shares, respectively.

Stock options issued under the Company's stock based compensation plans are incentive stock options. No tax deduction is recorded when options are awarded. If an exercise and sale of vested options results in a disqualifying disposition, a tax deduction for the Company occurs. For the quarters ended December 31, 2007 and 2006 there was $92,000 and $115,000, respectively, in excess tax benefits from disqualifying dispositions of options.

The Company recognized compensation expense of $19,000 and $46,000 during the quarters ended December 31, 2007 and 2006, respectively, associated with stock option awards. This amount is included in wages in the Statements of Operations.

Stock Awards:

The Company granted 59,000 restricted shares during the first quarter of fiscal 2007, of which 56,000 were outstanding as of September 30, 2007 and December 31, 2007. The fair value of the restricted stock granted equals the market price on the grant date and vests after three years. The grant date fair value of these awards was $27.05. No restricted shares were granted during the first quarter of fiscal 2008.

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

The Company recognized compensation expense of $120,000 in the first quarter of fiscal 2008 and $121,000 in the first quarter of fiscal 2007 related to restricted stock awards. This amount is included in wages in the Statements of Operations.

The Company granted 3,000 shares with immediate vesting to outside directors in both the first quarter of fiscal 2008 and 2007 as compensation. The grant date fair value equaled $69.64 and $39.77 in each quarter, respectively.

5. CONTINGENCY

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

The Company has non-cancelable operating leases for office space in Midland, Houston, Denver, Oklahoma City and Lyon Township, Michigan.

The following table summarizes payments due in specific periods related to our contractual obligations with initial terms exceeding one year as of December 31, 2007:

	Payments Due by Period ($000)				
	Total	Within 1 Year	1-3 Years	3-5 Years	After 5 Years
Operating lease obligations	$1,106	$394	$491	$221	$—

Some of the Company's operating leases contain predetermined fixed increases of the minimum rental rate during the initial lease term. For these leases, the Company recognizes the related expense on a straight-line basis and records the difference between the amount charged to expense and the rent paid as deferred rent. Rental expense under the Company's operating leases with initial terms exceeding one year was $130,000 and $77,000 for the periods ended December 31, 2007 and 2006, respectively.

As of December 31, 2007, the Company had unused letters of credit totaling $2,480,000. Upon renewal of its workers' compensation policy for calendar year 2008, the Company applied for an additional $500,000 in letters of credit. The Company's letters of credit principally back obligations associated with the Company's self-insured retention on workers' compensation claims.

6. ADOPTION OF FIN 48

In July 2006, the FASB issued Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109," which became effective for the Company on October 1, 2007. FIN 48 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon re-examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. As a result of the adoption of FIN 48, the Company recorded a liability of approximately $207,000, which was accounted for as a reduction to retained earnings as of October 1, 2007. The liability included $137,000 in taxes and $70,000 in penalties and interest.

Interest and penalty costs related to income taxes are classified as income tax expense. The tax years generally subject to future examination by tax authorities are for years ending September 30, 2004 and after. While it is expected that the amount of unrecognized tax benefits will change in the next twelve months, the Company does not expect any change to have a significant impact on its results of operations. The recognition of unrecognized tax benefits would have an immaterial effect on the effective tax rate.

7. NET INCOME PER COMMON SHARE

The Company accounts for earnings per share in accordance with SFAS No. 128 ("SFAS 128"), "Earnings per Share." Basic net income per share is computed by dividing the net income for the period by the weighted average number of common shares outstanding during the period. Diluted net income per share is computed by dividing the net income for the period by the weighted average number of common shares and common share equivalents outstanding during the period.

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

	Three Months Ended December 31	
	2007	2006
NUMERATOR:		
Net income and numerator for basic and diluted net income per common share-income available to common shareholders	$ 7,704,000	$ 5,435,000
DENOMINATOR:		
Denominator for basic net income per common share-weighted average common shares	7,660,100	7,553,809
Effect of dilutive securities-employee stock options and restricted stock grants	60,001	81,204
Denominator for diluted net income per common share-adjusted weighted average common shares and assumed conversions	7,720,101	7,635,013
Net income per common share	$ 1.01	$ .72
Net income per common share-assuming dilution	$ 1.00	$ .71

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

The following discussion should be read in conjunction with the Company's financial statements and notes thereto included elsewhere in this Form 10-Q.

Forward Looking Statements

All statements other than statements of historical fact included in this Form 10-Q, including without limitation, statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations" regarding technological advancements and our financial position, business strategy and plans and objectives of our management for future operations, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. When used in this Form 10-Q, words such as "anticipate", "believe", "estimate", "expect", "intend", and similar expressions, as they relate to us or our management, identify forward-looking statements. Such forward-looking statements are based on the beliefs of our management as well as assumptions made by and information currently available to management. Actual results could differ materially from those contemplated by the forward-looking statements as a result of certain factors, including but not limited to dependence upon energy industry spending, the volatility of oil and gas prices, high fixed cost of operations, weather interruptions, inability to obtain land access rights of way, industry competition, the ability to manage growth, and the availability of capital resources. A discussion of these factors, including risks and uncertainties, is set forth under "Risk Factors" in our annual report on Form 10-K for the year ended September 30, 2007 and in our other reports filed from time to time with the Securities and Exchange Commission. These forward-looking statements reflect our current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, growth strategies and liquidity. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by this paragraph. We assume no obligation to update any such forward-looking statements.

Overview

We are the leading provider of onshore seismic data acquisition services in the lower 48 United States as measured by the number of active data acquisition crews. Substantially all of our revenues are derived from the seismic data acquisition services we provide to our clients, mainly domestic oil and gas companies. Demand for our services depends upon the level of spending by these oil and gas companies for exploration, production, development and field management activities, which depend, in part, on oil and natural gas prices. Significant fluctuations in domestic oil and natural gas exploration activities and commodity prices have affected the demand for our services and our results of operations in years past and continue to be the single most important factor affecting our business and results of operations.

Our return to profitability in fiscal 2004 after several years of losses was directly related to an increase in the level of exploration for domestic oil and natural gas reserves by the petroleum industry since 2003. The increased level of exploration is a function of higher prices for oil and natural gas. As a result of the increase in domestic exploration spending, we have experienced an increased demand for our seismic data acquisition and processing services, particularly from entities seeking natural gas reserves. While the markets for oil and natural gas have historically been volatile and are likely to continue to be so in the future and we can make no assurances as to future levels of domestic exploration or commodity prices, we believe opportunities exist for us to enhance our market position by responding to our clients' continuing desire for higher resolution subsurface images. In addition, we continue to experience high demand for our services despite recent fluctuations in oil and natural gas prices. Because the majority of our current clients are focused on the exploration for and production of natural gas, a sustained significant decline in the price of natural gas would have an adverse effect on the demand for our services.

We continue to focus on increasing the revenues from and profitability of our existing crews by upgrading our recording capacity, expanding the channel count on existing crews, adding to our energy source fleet and utilizing related technologies. While our revenues are mainly affected by the level of client demand for our services, our revenues are also affected by the pricing for our services that we negotiate with our clients and the productivity of our data acquisition crews, including factors such as crew downtime related to inclement weather, delays in acquiring land access permits, or equipment failure. Consequently, our successful efforts to negotiate more favorable contract terms in our supplemental service agreements, to mitigate access permit delays and to improve overall crew productivity, may contribute to growth in our revenues. Although our clients may cancel their supplemental service agreements with us on short notice, we believe we currently have a sufficient order book to sustain operations at full capacity well into calendar year 2008.

Highlights of the Quarter Ended December 31, 2007

Our financial performance from operations for the first quarter of fiscal 2008 significantly improved when compared to our financial performance for the first quarter of fiscal 2007. This improvement was the result of the expanded capabilities and increased productivity of existing crews supported by continuing demand for our seismic services, particularly by clients seeking natural gas reserves. The following are the highlights of our first quarter performance:

- We operated fifteen data acquisition crews during the quarter, an increase of two crews from the same quarter in fiscal 2007;
- We continued to make significant capital investments and capital improvements in order to enhance our data acquisition capabilities, including:
  - § Replacing an I/O System II MRX recording system on an existing crew with a 7,500 channel ARAM ARIES recording system purchased in fiscal 2007;
  - § Increasing channel count from 10,000 to 11,500 on an existing ARAM ARIES crew;
  - § Increasing channel count from 9,500 to 10,000 on an existing ARAM ARIES crew;
  - § Increasing total channel count to in excess of 107,000;
  - § Taking delivery of ten I/O vibrator energy source units and bringing the Company’s total to 123 units; and
- We operated in West Texas, South Texas, Fort Worth Basin of Texas, New Mexico, Oklahoma, Arkansas, Colorado, Utah, Montana and West Virginia.

Results of Operations

Operating Revenues. Our operating revenues for the first three months of fiscal 2008 increased 45% to $77,599,000 from $53,654,000 for the first three months of fiscal 2007. Revenue growth was primarily due to the expanded capabilities of existing crews which resulted in improved efficiencies and pricing as well as the fielding of two additional seismic data acquisition crews in April and September of 2007, our fourteenth and fifteenth crews. Included in the first quarter revenues are continued high third party charges related to the use of helicopter support services, specialized survey techniques, and dynamite energy sources. The sustained level of these charges is driven by our continued operations in areas with limited access in the Appalachian Basin, Arkansas, Val Verde Basin in Texas and Eastern Oklahoma.

Operating Costs. Operating expenses for the three months ended December 31, 2007 increased 46% to $58,125,000 as compared to $39,724,000 for the same period of fiscal 2007. Increases in operating expenses are primarily due to the ongoing expenses of the two crews added in April and September of 2007, the expenses of supporting equipment enhancements on existing crews and reimbursable expenses.

General and administrative expenses for the quarter ended December 31, 2007 were approximately 2.2% of revenues as compared to 2.7% for the comparable quarter of fiscal 2007. While the ratio of general and administrative expenses to revenue declined in the first quarter of fiscal 2008, the actual dollar amount increased. The increase of $258,000 from the first three months of fiscal 2008 to the first three months of fiscal 2007 reflects ongoing expenses necessary to support expanded field operations.

Depreciation for the three months ended December 31, 2007 totaled $5,551,000 as compared to $4,014,000 for the three months ended December 31, 2006. The increase in depreciation expense is the result of the significant capital expenditures we made during fiscal 2007 and to date in fiscal 2008. Our depreciation expense is expected to increase during fiscal 2008 reflecting our significant capital expenditures over the last few fiscal years and in the quarter just ended.

Our total operating costs for the first three months of fiscal 2008 were $65,382,000, an increase of 45% from the first three months of fiscal 2007. These increases in the first quarter were primarily due to the factors described above.

Taxes. The effective tax rate for the income tax provision for the three months ended December 31, 2007 and 2006 was 37.4% and 37.2%, respectively.

In July 2006, FASB issued FASB Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109," which became effective for us on October 1, 2007. FIN 48 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon re-examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. As a result of the adoption of FIN 48, we recognized a receivable of approximately $192,000 and a liability of approximately $231,000 for uncertain tax positions, the net of which resulted in a $39,000 tax liability for uncertain tax positions. We also recognized $61,000 in penalties and interest associated with uncertain tax positions. The total net liability of $100,000 was accounted for as a reduction to retained earnings as of October 1, 2007.

Interest and penalty costs related to income taxes are classified as income tax expense. The tax years generally subject to future examination by tax authorities are for years ending September 30, 2004 and after. While it is expected that the amount of unrecognized tax benefits will change in the next twelve months, we do not expect any change to have a significant impact on our results of operations.

Liquidity and Capital Resources

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

Cash Flows. Net cash provided by operating activities was $12,502,000 for the first three months of fiscal 2008 and $3,194,000 for the first three months of fiscal 2007. Net cash flow provided by operating activities for the first three months of fiscal 2008 primarily reflects an increase in total revenues resulting from our expanded business and the working capital components effect of a decrease in accounts receivable without a corresponding decrease in accounts payable.

Net cash used in investing activities was $9,275,000 in the three months ended December 31, 2007 and $2,670,000 in the three months ended December 31, 2006. The net cash used in investing activities in both years primarily represents capital expenditures made with cash generated from operations.

Net cash provided by financing activities for the first three months ended December 31, 2007 and 2006 was $129,000 and $227,000, respectively, and reflects proceeds from the exercise of stock options and the excess tax benefits from disqualifying dispositions in each period.

Capital Expenditures. Capital expenditures during the first three months of fiscal 2008 were $14,890,000, which we used to purchase an additional 5,000 channels of ARAM ARIES recording equipment, ten additional I/O vibrator energy source units, and to make technical improvements in all phases of our operations.

Our Board of Directors previously approved a fiscal 2008 capital budget of $30,000,000. We plan to use the unspent balance of the capital budget to make technical improvements in all phases of our operations and to meet maintenance capital requirements. We believe these expenditures will allow us to maintain our competitive position as we respond to client desire for higher resolution subsurface images.

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

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

Our revolving line of credit loan agreement is with Western National Bank. In January 2008, we renewed the agreement for an additional year. The agreement permits us to borrow, repay and reborrow, from time to time until January 18, 2009, up to $20.0 million. Our obligations under this agreement are secured by a security interest in our accounts receivable and related collateral. From January 19, 2008 through January 31, 2008 interest accrued at an annual rate equal to 5.63%. Beginning on February 1, 2008, interest will accrue 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. Interest on the outstanding amount under the loan agreement is payable monthly. The loan 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 under the loan agreement, including maintaining a minimum tangible net worth (as defined in the loan agreement) of $40.0 million and maintaining specified ratios with respect to cash flow coverage, current assets and liabilities, and debt to tangible net worth. On July 5, 2007, we borrowed $5.0 million under the prior credit loan agreement for working capital purposes. This amount has been renewed and extended under the new loan agreement. We were in compliance with all covenants as of December 31, 2007 and February 5, 2008.

On August 5, 2005, we filed a shelf registration statement with the Securities and Exchange Commission covering the periodic offer and sale of up to $75.0 million in debt securities, preferred and common stock, and warrants. The registration statement allows us to sell securities, after the registration statement has been declared effective by the SEC, in one or more separate offerings with the size, price and terms to be determined at the time of sale. The terms of any securities offered would be described in a related prospectus to be filed separately with the SEC at the time of the offering. The filing of the shelf registration statement will enable us to act quickly as opportunities arise.

The following table summarizes payments due in specific periods related to our contractual obligations with initial terms exceeding one year as of December 31, 2007:

	Payments Due by Period ($000)				
	Total	Within 1 Year	1-3 Years	3-5 Years	After 5 Years
Operating lease obligations	$1,106	$394	$491	$221	$—

We believe that our capital resources and cash flow from operations are adequate to meet current operational needs. We believe we will be able to finance our fiscal 2008 capital requirements including the continued expansion of our capital equipment through cash flow from operations, through borrowings under our revolving line of credit and, if necessary, from capital markets offerings. However, the ability to satisfy our working capital requirements and to fund future capital requirements will depend principally upon our future operating performance, which is subject to the risks inherent in our business.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Critical Accounting Policies

The preparation of our financial statements in conformity with generally accepted accounting principles requires us to make certain assumptions and estimates that affect the reported amounts of assets and liabilities at the date of our financial statements and the reported amounts of revenues and expenses during the reporting period. Because of the use of assumptions and estimates inherent in the reporting process, actual results could differ from those estimates.

Revenue Recognition. Our services are provided under cancelable service contracts. These contracts are either "turnkey" or "term" agreements. Under both types of agreements, we recognize revenues when revenue is realizable and services are performed. Services are defined as the commencement of data acquisition or processing operations. Revenues are considered realizable when earned according to the terms of the service contracts. Under turnkey agreements, revenue is recognized on a per unit of data acquired rate, as services are performed. Under term agreements, revenue is recognized on a per unit of time worked rate, as services are performed. In the case of a cancelled service contract, we recognize revenue and bill our client for services performed up to the date of cancellation. We also receive reimbursements for certain out-of-pocket expenses under the terms of our service contracts. We record amounts billed to clients in revenue at the gross amount, including out-of-pocket expenses that are reimbursed by the client.

In some instances, we bill clients in advance of the services performed. In those cases, we recognize the liability as deferred revenue.

Allowance for Doubtful Accounts. We prepare our allowance for doubtful accounts receivable based on our review of past-due accounts, our past experience of historical write-offs and our current customer base. The inherent volatility of the energy industry's business cycle can cause swift and unpredictable changes in the financial stability of our customers.

Impairment of Long-Lived Assets. We review long-lived assets for impairment when triggering events occur suggesting deterioration in the assets recoverability or fair value. Recognition of an impairment charge is required if future expected net cash flows are insufficient to recover the carrying value of the asset. Our forecast of future cash flows used to perform impairment analysis includes estimates of future revenues and future gross margins based on our historical results and analysis of future oil and gas prices which is fundamental in assessing demand for our services. If we are unable to achieve these cash flows, an impairment charge would be recorded.

Depreciable Lives of Property, Plant and Equipment. Our property, plant and equipment are capitalized at historical cost and depreciated over the useful life of the asset. Our estimation of this useful life is based on circumstances that exist in the seismic industry and information available at the time of the purchase of the asset. As circumstances change and new information becomes available, these estimates could change. We amortize these capitalized items using the straight-line method.

Tax Accounting. We account for our income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes," which requires the recognition of amounts of taxes payable or refundable for the current year and an asset and liability approach in recognizing the amount of deferred tax liabilities and assets for the future tax consequences of events that have been recognized in our financial statements or tax returns. We determine deferred taxes by identifying the types and amounts of existing temporary differences, measuring the total deferred tax asset or liability using the applicable tax rate and reducing the deferred tax asset by a valuation allowance if, based on available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Our methodology for recording income taxes requires judgment regarding assumptions and the use of estimates, including determining our annual effective tax rate and the valuation of deferred tax assets, which can create a variance between actual results and estimates and could have a material impact on our provision or benefit for income taxes.

Stock-Based Compensation. We account for stock based compensation awards in accordance with SFAS No. 123 (revised 2004) ("SFAS 123(R)"), "Share-Based Payment." We measure all employee stock-based compensation awards using the fair value method and recognize compensation cost in our financial statements. We adopted SFAS 123(R) beginning October 1, 2005 for stock-based compensation awards granted after that date and for nonvested awards outstanding at that date using the modified prospective application method. We record compensation expense as operating or general and administrative expense as appropriate in the Statements of Operations on a straight-line basis over the vesting period of the stock award.

Recently Issued Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157 ("SFAS 157"), "Fair Value Measurements." SFAS 157 clarifies that fair value is the amount that would be exchanged to sell an asset or transfer a liability in an orderly transaction between market participants. Further, the standard establishes a framework for measuring fair value in generally accepted accounting principles and expands certain disclosures about fair value measurements. SFAS 157 is effective for fiscal years ending after November 15, 2007. We do not expect the adoption of SFAS 157 to have a material impact on our financial statements.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our primary sources of market risk include fluctuations in commodity prices which affect demand for and pricing of our services and interest rate fluctuations. On July 5, 2007 we borrowed $5.0 million under the term of the revolving line of credit loan agreement with Western National Bank for working capital purposes. Through January 18, 2008, interest payable under the revolving line of credit was variable based upon the then current prime rate. Beginning on January 19, 2008, interest on the outstanding amount under the line of credit loan agreement is payable monthly 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 at our direction.

At December 31, 2007, we did not have any short-term investments. We have not entered into any hedge arrangements, commodity swap agreements, commodity futures, options or other derivative financial instruments. We do not currently conduct business internationally, so we are not generally subject to foreign currency exchange rate risk.

ITEM 4. CONTROLS AND PROCEDURES

Management's Evaluation of Disclosure Controls and Procedures. We carried out an evaluation, under the supervision and with the participation of our management, including our principal executive and principal financial officers, of the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934 as of the end of the period covered by this quarterly report. Based upon that evaluation, our President and Chief Executive Officer and our Executive Vice President, Secretary and Chief Financial Officer concluded that, as of December 31, 2007, our disclosure controls and procedures were effective, in all material respects, with regard to the recording, processing, summarizing and reporting, within the time periods specified in the SEC's rules and forms, for information required to be disclosed by us in the reports that we file or submit under the Exchange Act. Our disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our President and Chief Executive Officer and our Executive Vice President, Secretary and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting. There have not been any changes in our internal controls over financial reporting (as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934) during the quarter ended December 31, 2007 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this Form 10-Q, you should carefully consider the risk factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended September 30, 2007, which could materially affect our financial condition or results of operations. There have been no material changes in our risk factors from those disclosed in our 2007 Annual Report on Form 10-K.

ITEM 5. OTHER INFORMATION

The Company has filed its updated Form of Restricted Stock Agreement and Form of Stock Option Agreement for the Company's 2006 Stock and Performance Incentive Plan as Exhibits 10.3 and 10.4 to this Form 10-Q.

ITEM 6. EXHIBITS

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

SIGNATURES

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

DAWSON GEOPHYSICAL COMPANY

DATE: February 11, 2008	By: /s/ Stephen C. Jumper Stephen C. Jumper President and Chief Executive Officer
DATE: February 11, 2008	By: /s/ Christina W. Hagan Christina W. Hagan Executive Vice President, Secretary and Chief Financial Officer

INDEX TO EXHIBITS

Number	Exhibit
3.1	Second Restated Articles of Incorporation of the Company, as amended (filed on February 9, 2007 as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2006 and incorporated herein by reference and filed on November 28, 2007 as Exhibit 3.1 to the Company's Current Report on Form 8-K and incorporated herein by reference).
3.2	Amended and Restated Bylaws of the Company (filed on August 7, 2007 as Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the third quarter ended June 30, 2007 and incorporated herein by reference)
4.1	Rights Agreement by and between the Company and Mellon Investor Services, LLC (f/k/a Chasemellon Shareholder Services, L.L.C.), as Rights Agent, dated July 13, 1999 (filed on December 11, 2003 as Exhibit 4 to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2003 and incorporated herein by reference).
10.1	Revolving Line of Credit Loan Agreement, dated as of January 18, 2008, between the Company and Western National Bank (filed on January 28, 2008 as Exhibit 10.1 to the Company's Current Report on Form 8-K and incorporated herein by reference).
10.2†	Description of Profit Sharing Plan (filed on December 3, 2007 as Exhibit 10.1 to the Company's Current Report on Form 8-K and incorporated herein by reference).
10.3†*	Form of Restricted Stock Agreement for the Dawson Geophysical Company 2006 Stock and Performance Incentive Plan.
10.4†*	Form of Stock Option Agreement for the Dawson Geophysical Company 2006 Stock and Performance Incentive Plan.
31.1*	Certification of Chief Executive Officer of Dawson Geophysical Company pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
31.2*	Certification of Chief Financial Officer of Dawson Geophysical Company pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
32.1*	Certification of Chief Executive Officer of Dawson Geophysical Company pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code.
32.2*	Certification of Chief Financial Officer of Dawson Geophysical Company pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code.

* Filed herewith.

† Management contract or compensatory plan or arrangement.

Exhibit 10.3

DAWSON GEOPHYSICAL COMPANY
2006 STOCK AND PERFORMANCE INCENTIVE PLAN

RESTRICTED STOCK AGREEMENT

This Restricted Stock Agreement ("Agreement") between DAWSON GEOPHYSICAL COMPANY (the "Company") and __________ (the "Participant"), an employee of the Company or one of its Subsidiaries, regarding an award ("Award") of __________ shares of Common Stock (as defined in the Dawson Geophysical Company 2006 Stock and Performance Incentive Plan (the "Plan"), such Common Stock comprising this Award referred to herein as "Restricted Stock") awarded to the Participant on __________ (the "Award Date"), such number of shares subject to adjustment as provided in the Plan, and further subject to the terms and conditions set forth herein.

1. **Relationship to Plan.**

This Award is subject to all of the terms, conditions and provisions of the Plan and administrative interpretations thereunder, if any, which have been adopted by the Company's Compensation Committee (the "Committee") and are in effect on the date hereof. Except as defined herein, capitalized terms shall have the same meanings ascribed to them under the Plan. For purposes of this Agreement:

(a) **"Cause"** means:

(i) unacceptable or inadequate performance as determined by the Company, including but not limited to failure to perform the Participant's job at a level or in a manner acceptable to the Company;

(ii) misconduct, dishonesty, acts detrimental or destructive to the Company or any Subsidiary or to any employees or property of the Company or any Subsidiary; or

(iii) violation of any policies of the Company.

(b) **"Change of Control"** means

(i) any "person" (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934) is or becomes a beneficial owner, directly or indirectly, of securities of the Company representing twenty percent (20%) or more of the total voting power of the Company's then outstanding securities;

(ii) the individuals who were members of the Board of Directors of the Company (the "Board") immediately prior to a meeting of the shareholders of the Company involving a contest for the election of directors shall not constitute a majority of the Board following such election unless a majority of the new members of the Board were recommended or approved by majority vote of the members of the Board immediately prior to such shareholder meeting;

(iii) the Company shall have merged into or consolidated with another corporation, or merged another corporation into the Company, on a basis whereby less than fifty percent (50%) of the total voting power of the surviving corporation is represented by shares held by former shareholders of the Company prior to such merger or consolidation; or

(iv) the Company shall have sold, transferred or exchanged all, or substantially all, of its assets to another corporation or other entity or person.

(c) **"Disability"** means illness or other incapacity which prevents the Participant from continuing to perform the duties of his job for a period of more than three months.

(d) **"Employment"** means employment with the Company or any of its Subsidiaries.

(e) **"Exchange Act"** means the Securities Exchange Act of 1934, as amended.

2. **Vesting Schedule.**

(a) This Award shall vest in accordance with the following schedule:

[___________]

Shares of Restricted Stock shall vest as of any particular date only with respect to a whole number of shares.

(b) All shares of Restricted Stock subject to this Award shall vest, irrespective of the limitations set forth in subparagraph (a) above, provided that the Participant has been in continuous Employment since the Award Date, upon the occurrence of:

(i) a Change of Control;

(ii) the Participant's termination of Employment due to death or Disability; or

(iii) the Participant's termination of Employment by the Company or a Subsidiary for reasons other than Cause.

3. **Forfeiture of Award.**

Except as provided in any other agreement between the Participant and the Company, if the Participant's Employment terminates other than by reason of Participant's death, Disability, or termination by the Company or a Subsidiary other than for Cause, all unvested Restricted Stock as of the termination date shall be forfeited.

4. **Escrow of Shares.**

During the period of time between the Award Date and the earlier of the date the Restricted Stock vests or is forfeited (the "Restriction Period"), the Restricted Stock shall be registered in the name of the Participant and held in escrow by the Company, and the Participant agrees, upon the Company's written request, to provide a stock power endorsed by the Participant in blank. Any certificate shall bear a legend as provided by the Company, conspicuously referring to the terms, conditions and restrictions described in this Agreement. Upon termination of the Restriction Period, a certificate representing such shares shall be delivered upon written request to the Participant as promptly as is reasonably practicable following such termination.

5. **Dividends and Voting Rights.**

The Participant is entitled to receive all dividends and other distributions made with respect to Restricted Stock registered in his name and is entitled to vote or execute proxies with respect to such registered Restricted Stock, unless and until the Restricted Stock is forfeited.

6. **Delivery of Shares.**

The Company shall not be obligated to deliver any shares of Common Stock if counsel to the Company determines that such sale or delivery would violate any applicable law or any rule or regulation of any governmental authority or any rule or regulation of, or agreement of the Company with, any securities exchange or association upon which the Common Stock is listed or quoted. The Company shall in no event be obligated to take any affirmative action in order to cause the delivery of shares of Common Stock to comply with any such law, rule, regulation or agreement.

7. **Notices.**

Unless the Company notifies the Participant in writing of a different procedure, any notice or other communication to the Company with respect to this Award shall be in writing and shall be:

(a) by registered or certified United States mail, postage prepaid, to Dawson Geophysical Company, Attn: Corporate Secretary, 508 West Wall, Suite 800, Midland, Texas 79701; or

(b) by hand delivery or otherwise to Dawson Geophysical Company, Attn: Corporate Secretary, 508 West Wall, Suite 800, Midland, Texas 79701.

Any notices provided for in this Agreement or in the Plan shall be given in writing and shall be deemed effectively delivered or given upon receipt or, in the case of notices delivered by the Company to the Participant, five days after deposit in the United States mail, postage prepaid, addressed to the Participant at the address specified at the end of this Agreement or at such other address as the Participant hereafter designates by written notice to the Company.

8. **Assignment of Award.**

Except as otherwise permitted by the Committee, the Participant's rights under the Plan and this Agreement are personal; no assignment or transfer of the Participant's rights under and interest in this Award may be made by the Participant other than by will, by beneficiary designation or by the laws of descent and distribution.

9. **Withholding.**

At the time of delivery or vesting of Restricted Stock, the amount of all federal, state and other governmental withholding tax requirements imposed upon the Company with respect to the delivery or vesting of such shares of Restricted Stock shall be remitted to the Company or provisions to pay such withholding requirements shall have been made to the satisfaction of the Committee. The Committee may make such provisions as it may deem appropriate for the withholding of any taxes which it determines is required in connection with this Award. The Participant may pay all or any portion of the taxes required to be withheld by the Company or paid by the Participant in connection with the all or any portion of this Award by delivering cash, or by electing to have the Company withhold shares of Common Stock, or by delivering previously owned shares of Common Stock, having a Fair Market Value equal to the amount required to be withheld or paid.

10. **Stock Certificates.**

Certificates representing the Common Stock issued pursuant to the Award will bear all legends required by law and necessary or advisable to effectuate the provisions of the Plan and this Award. The Company may place a “stop transfer” order against shares of the Common Stock issued pursuant to this Award until all restrictions and conditions set forth in the Plan or this Agreement and in the legends referred to in this Section 10 have been complied with.

11. **Successors and Assigns.**

This Agreement shall bind and inure to the benefit of and be enforceable by the Participant, the Company and their respective permitted successors and assigns (including personal representatives, heirs and legatees), except that the Participant may not assign any rights or obligations under this Agreement except to the extent and in the manner expressly permitted herein.

12. **No Employment Guaranteed.**

No provision of this Agreement shall confer any right upon the Participant to continued Employment with the Company or any Subsidiary.

13. **Governing Law.**

This Agreement shall be governed by, construed, and enforced in accordance with the laws of the State of Texas.

14. **Amendment.**

This Agreement cannot be modified, altered or amended except by an agreement, in writing, signed by both the Company and the Participant.

DAWSON GEOPHYSICAL COMPANY

Date: ______________________________ By: ______________________________
Name:
Title:

The Participant hereby accepts the foregoing Restricted Stock Agreement, subject to the terms and provisions of the Plan and administrative interpretations thereof referred to above.

PARTICIPANT:

Date: ______________________________ ______________________________

Exhibit 10.4

DAWSON GEOPHYSICAL COMPANY
2006 STOCK AND PERFORMANCE INCENTIVE PLAN

STOCK OPTION AGREEMENT

This option agreement ("Option Agreement" or "Agreement") executed between DAWSON GEOPHYSICAL COMPANY (the "Company"), and __________(the "Participant"), an employee of the Company or one of its Subsidiaries, regarding a right (the "Option") awarded to the Participant on __________ (the "Grant Date") to purchase from the Company up to but not exceeding in the aggregate ___________ shares of Common Stock (as defined in the Dawson Geophysical Company 2006 Stock and Performance Incentive Plan (the "Plan")) at $___.___ per share (the "Exercise Price"), such number of shares and such price per share being subject to adjustment as provided in the Plan, and further subject to the terms and conditions set forth herein.

1. **Relationship to Plan.**

This Option is subject to all of the terms, conditions and provisions of the Plan and administrative interpretations thereunder, if any, which have been adopted by the Company's Compensation Committee ("Committee") and are in effect on the date hereof. Except as defined herein, capitalized terms shall have the same meanings ascribed to them under the Plan. This Option is intended to qualify as an "Incentive Stock Option" as defined in the Plan. To the extent the relevant limits are exceeded or the requisite holding period requirements are not satisfied, this Option shall be deemed a Nonqualified Stock Option (as defined in the Plan). For purposes of this Option Agreement:

(a) **"Cause"** means:

(i) unacceptable or inadequate performance as determined by the Company, including but not limited to failure to perform the Participant's job at a level or in a manner acceptable to the Company;

(ii) misconduct, dishonesty, acts detrimental or destructive to the Company or any Subsidiary or to any employees or property of the Company or any Subsidiary; or

(iii) violation of any policies of the Company.

(b) **"Change of Control"** means

(i) any "person" (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934) is or becomes a beneficial owner, directly or indirectly, of securities of the Company representing twenty percent (20%) or more of the total voting power of the Company's then outstanding securities;

(ii) the individuals who were members of the Board of Directors of the Company (the "Board") immediately prior to a meeting of the shareholders of the Company involving a contest for the election of directors shall not constitute a majority of the Board following such election unless a majority of the new members of the Board were recommended or approved by majority vote of members of the Board immediately prior to such shareholder meeting;

(iii) the Company shall have merged into or consolidated with another corporation, or merged another corporation into the Company, on a basis whereby less than fifty percent (50%) of the total voting power of the surviving corporation is represented by shares held by former shareholders of the Company prior to such merger or consolidation; or

(iv) the Company shall have sold, transferred or exchanged all, or substantially all, of its assets to another corporation or other entity or person.

(c) "**Disability**" means illness or other incapacity which prevents the Participant from continuing to perform the duties of his job for a period of more than three months.

(d) **"Employment"** means employment with the Company or any of its Subsidiaries.

(e) **"Exchange Act"** means the Securities Exchange Act of 1934, as amended.

(f) **"Option Shares"** means the shares of Common Stock covered by this Option Agreement.

2. **Exercise Schedule.**

(a) This Option may be exercised in accordance with the following schedule:

[___________]

The Participant must be in continuous Employment from the Grant Date through the date of exercisability in order for the Option to become exercisable with respect to additional shares of Common Stock on such date.

(b) This Option shall become fully exercisable, irrespective of the limitations set forth in subparagraph (a) above, provided that the Participant has been in continuous Employment since the Grant Date, upon the occurrence of

(i) a Change of Control;

(ii) the Participant's termination of Employment due to death or Disability; or

(iii) the Participant's termination of Employment by the Company or a Subsidiary for reasons other than Cause.

(c) To the extent the Option becomes exercisable, such Option may be exercised in whole or in part (at any time or from time to time, except as otherwise provided herein) until expiration of the Option pursuant to the terms of this Agreement or the Plan.

3. **Termination of Option**

The Option hereby granted shall terminate and be of no force and effect with respect to any shares of Common Stock not previously purchased by the Participant at the earliest time specified below:

(a) the tenth anniversary of the Grant Date;

(b) if Participant's Employment is terminated by the Company or a Subsidiary for Cause at any time after the Grant Date, then the Option shall terminate immediately upon such termination of Participant's Employment;

(c) if Participant's Employment is terminated by the Company or a Subsidiary for any reason other than death, Disability or Cause, then the Option shall terminate on the first business day following the expiration of the 90-day period which began on the date of termination of Participant's Employment;

(d) if Participant's Employment is terminated due to (i) death at any time after the Grant Date and while in Employment or within 60 days after termination of such Employment, or (ii) Disability at any time after the Grant Date, then the Option shall terminate on the first business day following the expiration of the one-year period which began on the date of Participant's death or Disability, as applicable.

In any event in which the Option remains exercisable for a period of time following the date of termination of Participant's Employment, the Option may be exercised during such period of time only to the extent it was exercisable as provided in Section 2 on such date of termination of Participant's Employment. The portion of the Option not exercisable upon termination of Employment shall terminate and be of no force and effect upon the date of the Participant's termination of Employment.

4. **Exercise of Option**

Subject to the limitations set forth herein and in the Plan, this Option may be exercised by written notice provided to the Company as set forth in Section 5. Such written notice shall (a) state the number of shares of Common Stock with respect to which the Option is being exercised, (b) be accompanied by cash or shares of Common Stock (not subject to limitations on transfer) or a combination of cash and Common Stock payable to Dawson

Geophysical Company in the full amount of the purchase price for any shares of Common Stock being acquired and (c) be accompanied by cash or Common Stock in the full amount of all federal and state withholding or other employment taxes applicable to the taxable income of such Participant resulting from such exercise (or instructions to satisfy such withholding obligation by withholding Option Shares in accordance with Section 8); provided, however, that any shares of Common Stock delivered in payment of the option price that are or were the subject of an award under the Plan must be shares that the Participant has owned for a period of at least six months prior to the date of exercise. For the purpose of determining the amount, if any, of the purchase price satisfied by payment in Common Stock, such Common Stock shall be valued at its Fair Market Value on the date of exercise. The Committee may, in its sole discretion, arrange for the exercise of this Option through a broker-assisted cashless exercise program.

Notwithstanding anything to the contrary contained herein, the Participant agrees that he will not exercise the option granted pursuant hereto, and the Company will not be obligated to issue any option shares pursuant to this Option Agreement, if the exercise of the Option or the issuance of such shares would constitute a violation by the Participant or by the Company of any provision of any law or regulation of any governmental authority or any stock exchange or transaction quotation system. The Participant agrees that, unless the options and shares covered by the Plan have been registered pursuant to the Securities Act of 1933, as amended (the "Act"), the Company may, at its election, require the Participant to give a representation in writing in form and substance satisfactory to the Company to the effect that he is acquiring such shares for his own account for investment and not with a view to, or for sale in connection with, the distribution of such shares or any part thereof.

If any law or regulation requires the Company to take any action with respect to the shares specified in such notice, the time for delivery thereof, which would otherwise be as promptly as possible, shall be postponed for the period of time necessary to take such action.

5. **Notices**

Notice of exercise of the Option must be made in the following manner, using such forms as the Company may from time to time provide:

(a) by registered or certified United States mail, postage prepaid, to Dawson Geophysical Company, Attn: Corporate Secretary, 508 West Wall, Suite 800, Midland, Texas 79701, in which case the date of exercise shall be the date of mailing; or

(b) by hand delivery or otherwise to Dawson Geophysical Company, Attn: Corporate Secretary, 508 West Wall, Suite 800, Midland, Texas 79701, in which case the date of exercise shall be the date when receipt is acknowledged by the Company.

Notwithstanding the foregoing, in the event that the address of the Company is changed prior to the date of any exercise of this Option, notice of exercise shall instead be made pursuant to the foregoing provisions at the Company's current address.

Any other notices provided for in this Agreement or in the Plan shall be given in writing and shall be deemed effectively delivered or given upon receipt or, in the case of notices delivered by the Company to the Participant, five days after deposit in the United States mail, postage prepaid, addressed to the Participant at the address specified at the end of this Agreement or at such other address as the Participant hereafter designates by written notice to the Company.

6. **Assignment of Option**

Except as otherwise permitted by the Committee, the Participant's rights under the Plan and this Agreement are personal; no assignment or transfer of the Participant's rights under and interest in this Award may be made by the Participant other than by will, by beneficiary designation or by the laws of descent and distribution.

7. **Stock Certificates**

Certificates representing the Common Stock issued pursuant to the exercise of the Option will bear all legends required by law and necessary or advisable to effectuate the provisions of the Plan and this Option. The Company may place a "stop transfer" order against shares of the Common Stock issued pursuant to the exercise of this Option until all restrictions and conditions set forth in the Plan or this Agreement and in the legends referred to in this Section 7 have been complied with.

8. **Withholding**

No certificates representing shares of Common Stock purchased hereunder shall be delivered to or in respect of an Participant unless the amount of all federal, state and other governmental withholding tax requirements imposed upon the Company with respect to the issuance of such shares of Common Stock has been remitted to the Company or unless provisions to pay such withholding requirements have been made to the satisfaction of the Committee. The Committee may make such provisions as it may deem appropriate for the withholding of any taxes which it determines is required in connection with this Option. The Participant may pay all or any portion of the taxes required to be withheld by the Company or paid by the Participant in connection with the exercise of all or any portion of this Option by delivering cash, or, with the Committee's approval, by electing to have the Company withhold shares of Common Stock, or by delivering previously owned shares of Common Stock, having a Fair Market Value equal to the amount required to be withheld or paid. The Participant may only request withholding Option Shares having a Fair Market Value equal to the statutory minimum withholding amount. The Participant must make the foregoing election on or before the date that the amount of tax to be withheld is determined.

9. **Shareholder Rights**

The Participant shall have no rights of a shareholder with respect to shares of Common Stock subject to the Option unless and until such time as the Option has been exercised and ownership of such shares of Common Stock has been transferred to the Participant.

10. **Successors and Assigns**

This Agreement shall bind and inure to the benefit of and be enforceable by the Participant, the Company and their respective permitted successors and assigns (including personal representatives, heirs and legatees), except that the Participant may not assign any rights or obligations under this Agreement except to the extent and in the manner expressly permitted herein.

11. **No Employment Guaranteed**

No provision of this Option Agreement shall confer any right upon the Participant to continued employment with the Company or any Subsidiary.

12. **Governing Law**

This Option Agreement shall be governed by, construed and enforced in accordance with the laws of the State of Texas.

13. **Amendment**

This Agreement cannot be modified, altered or amended except by an agreement, in writing, signed by both the Company and the Participant.

DAWSON GEOPHYSICAL COMPANY

Date: ____________________ By: ____________________
Name:
Title:

The Participant hereby accepts the foregoing Option Agreement, subject to the terms and provisions of the Plan and administrative interpretations thereof referred to above.

PARTICIPANT:

Date: ____________________ ____________________

Exhibit 31.1

CERTIFICATION

I, Stephen C. Jumper, certify that:

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

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

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

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

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

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

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

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

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

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

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

Dated: February 11, 2008

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

Exhibit 31.2

CERTIFICATION

I, Christina W. Hagan, certify that:

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

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

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

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

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

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

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

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

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

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

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

Dated: February 11, 2008

/s/ Christina W. Hagan

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

Exhibit 32.1

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

In connection with the quarterly report of Dawson Geophysical Company (the “Company”) on Form 10-Q for the period ended December 31, 2007, as filed with the Securities and Exchange Commission (the “Report”), I, Stephen C. Jumper, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 11, 2008

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

Exhibit 32.2

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

In connection with the quarterly report of Dawson Geophysical Company (the “Company”) on Form 10-Q for the period ended December 31, 2007, as filed with the Securities and Exchange Commission (the “Report”), I, Christina W. Hagan, Executive Vice President, Secretary and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 11, 2008

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