

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON NOVEMBER 12, 1997

REGISTRATION NO. 333-38393

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 1

TO

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

DAWSON GEOPHYSICAL COMPANY
(Exact name of registrant as specified in its charter)

TEXAS	1382	75-0970548
(State or other jurisdiction of corporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)
		L. DECKER DAWSON PRESIDENT
		DAWSON GEOPHYSICAL COMPANY
208 SOUTH MARIENFELD MIDLAND, TEXAS 79701 (915) 682-7356		208 SOUTH MARIENFELD MIDLAND, TEXAS 79701 (915) 682-7356
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)		(Name, address, including zip code, and telephone number, including area code, of agent for service)

COPIES TO:

JACK D. LADD
STUBBEMAN, MCRAE, SEALY,
LAUGHLIN & BROWDER, INC.
550 W. TEXAS AVE., SUITE 800
MIDLAND, TEXAS 79701

C. NEEL LEMON III
THOMPSON & KNIGHT, P.C.
1700 PACIFIC AVE.
SUITE 3300
DALLAS, TEXAS 75201

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. []

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. []

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. []

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. []

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SECTION 8(a), MAY DETERMINE.

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INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION, DATED NOVEMBER 12, 1997

1,500,000 SHARES

(DAWSON LOGO)

COMMON STOCK

Of the 1,500,000 shares of Common Stock offered hereby, 1,000,000 shares are being issued and sold by Dawson Geophysical Company and 500,000 shares are being sold by the Selling Shareholder. The Company will not receive any proceeds from the sale of Common Stock by the Selling Shareholder. The Common Stock is traded on the Nasdaq National Market under the symbol "DWSN." On November 10, 1997, the closing price of the Common Stock on the Nasdaq National Market was \$23.38 per share.

SEE "RISK FACTORS" ON PAGES 6 THROUGH 8 FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS(1)	PROCEEDS TO COMPANY(2)	PROCEEDS TO SELLING SHAREHOLDER
Per Share.....	\$	\$	\$	\$
Total(3).....	\$	\$	\$	\$

- (1) The Company and the Selling Shareholder have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting."
- (2) Before deducting estimated expenses of \$400,000 payable by the Company.
- (3) The Company has granted to the Underwriters a 30-day option to purchase up to 225,000 additional shares of Common Stock on the same terms and conditions as the securities offered hereby solely to cover over-allotments, if any. If such option is exercised in full, the total Price to Public, Underwriting Discounts and Commissions and Proceeds to Company will be \$, \$ and \$, respectively. See "Underwriting."

The shares of Common Stock are offered by the several Underwriters named herein subject to prior sale, when, as and if delivered to and accepted by the Underwriters, and subject to certain other conditions including the right of the Underwriters to withdraw, cancel, modify or reject any order in whole or in part. It is expected that delivery of the Common Stock will be made on or about , 1997 at the offices of Raymond James & Associates, Inc., St. Petersburg, Florida.

RAYMOND JAMES & ASSOCIATES, INC.

PRINCIPAL FINANCIAL SECURITIES, INC.

The date of this Prospectus is , 1997.

I/O System Two RSR
The Company's I/O System Two RSR central control unit and transmitting tower.

Technician collecting data
Technician collecting data from a remote seismic recorder.
Vibrator energy source units
Vibrator energy source units operating in north Texas.
Geophysicist performing quality control
Company geophysicist performing quality control of data volume from a 3-D seismic survey.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE COMMON STOCK, INCLUDING ENTERING STABILIZING BIDS, EFFECTING SYNDICATE COVERING TRANSACTIONS OR IMPOSING PENALTY BIDS. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING."

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by reference to the more detailed information and the financial statements and related notes appearing elsewhere in this Prospectus. As used herein, the "Company" means Dawson Geophysical Company, the "Selling Shareholder" means L. Decker Dawson, President of the Company, and "Common Stock" means the Company's Common Stock, \$.33 1/3 par value per share, unless the context otherwise requires. Unless otherwise indicated, all financial information and share data in this Prospectus assume no exercise of the Underwriters' over-allotment option. Investors should carefully consider the information set forth under "Risk Factors."

THE COMPANY

Founded in 1952, Dawson Geophysical Company acquires and processes three-dimensional ("3-D") seismic data used in the exploration, development and field management of oil and natural gas reserves. The Company's operations consist of six 3-D seismic data acquisition crews and a seismic data processing center located in Midland, Texas. As a result of an increase in industry-wide demand for 3-D seismic surveys and the Company's competitive position, the Company has experienced increasing demand for its 3-D seismic services. The Company acquires and processes seismic data for its clients, ranging from major oil and gas companies to independent oil and gas operators, who retain exclusive rights to the information obtained.

The Company's land-based data acquisition crews operate primarily in the southwestern United States, but have responded to demand from south Texas to North Dakota. As a result of the addition of a sixth crew equipped with the versatile I/O System Two(R)* Remote Seismic Recorder ("RSR"), the Company has expanded its capabilities to accommodate more difficult and remote terrains such as east Texas and the Rocky Mountains.

The Company operates five I/O System Two recording systems, one with RSR capability, and one MDS-18X(R)* recording system. The Company's six seismic crews are equipped with an aggregate capacity of 14,200 recording channels and 45 vibrator energy source units, which are configured to meet the demands of specific survey designs. Each crew consists of approximately 40 technicians, 25 associated vehicles with off-road capabilities, 31,000 geophones, a recording system, energy sources, electronic cables and a variety of other equipment.

3-D seismic surveys provide an immense volume of concentrated subsurface information to the oil and gas industry. Detailed subsurface resolution from 3-D seismic data enhances the exploration for new reserves and enables oil and gas companies to better delineate existing fields and to augment reservoir management techniques. Benefits of incorporating 3-D seismic technology into exploration and development programs include reducing drilling risk, decreasing oil and gas finding costs, lowering field development expenditures and recovering a greater portion of reserves in place.

The Company believes that it maintains a competitive advantage in the industry by (i) acquiring equipment to expand capacity in response to client demand, (ii) updating its equipment to take advantage of advances in geophysical technology, (iii) maintaining skilled and experienced personnel for its data acquisition and processing operations, (iv) focusing its operations on the domestic onshore seismic industry, and (v) providing integrated in-house operations necessary to complete all phases of 3-D seismic data acquisition and processing, including project design, permitting and surveying.

Since fiscal 1990, the Company has spent approximately \$57 million to acquire new 3-D telemetry recording systems and associated equipment, including approximately \$26 million since fiscal 1995. Consistent with the Company's strategy of maintaining technologically advanced equipment and the financial flexibility to expand its 3-D capacity, the Company intends to use, of the net proceeds it receives from this offering, (i) approximately \$10 million to reduce bank debt of the Company, (ii) approximately \$8 million to acquire

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* I/O System Two(R) is a registered trademark of Input/Output, Inc. and MDS-18X(R) is a registered trademark of I/O Exploration Products.

new equipment and to upgrade existing equipment for the six 3-D seismic crews now operated by the Company, and (iii) the balance to increase working capital of the Company and for general corporate purposes. The Company intends to continue its program of acquiring new seismic equipment and upgrading its existing equipment.

The headquarters of the Company, a Texas corporation, are located at 208 South Marienfeld, Midland, Texas 79701, and its telephone number is (915) 682-7356.

THE OFFERING

Common Stock offered by the Company.....	1,000,000 shares(1)
Common Stock offered by the Selling Shareholder.....	500,000 shares
Common Stock to be outstanding after this offering.....	5,200,000 shares(1)
Use of proceeds.....	Approximately \$10 million to reduce bank debt, approximately \$8 million to acquire new equipment and to upgrade existing equipment for the Company's six 3-D seismic crews, and the balance to be added to working capital and for general corporate purposes. See "Use of Proceeds."
Nasdaq National Market symbol.....	"DWSN"
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(1) Excludes 89,000 shares of Common Stock issuable upon exercise of outstanding employee stock options. See "Management -- Compensation Plans."

SUMMARY FINANCIAL INFORMATION
(IN THOUSANDS, EXCEPT PER SHARE DATA)

The following summary financial information for the five fiscal years ended September 30, 1997 was derived from the audited financial statements of the Company. The following information should be read in conjunction with "Selected Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations," the Company's financial statements and notes thereto and the other financial data included elsewhere in this Prospectus.

	YEARS ENDED SEPTEMBER 30,				
	1993	1994	1995	1996	1997
STATEMENT OF OPERATIONS DATA:					
Operating revenues.....	\$17,016	\$23,027	\$28,188	\$33,518	\$48,227
Operating costs:					
Operating expenses.....	12,497	15,478	20,067	23,763	32,293
General and administrative.....	842	887	975	1,299	1,477
Depreciation.....	1,830	3,016	4,150	5,818	7,321
	15,169	19,381	25,192	30,880	41,091
Income from operations.....	1,847	3,646	2,996	2,638	7,136
Other income (expense).....	950	(129)	444	122	(20)
Income before extraordinary item.....	\$ 1,862	\$ 2,266	\$ 2,174	\$ 1,888	\$ 4,570
Net income.....	\$ 2,739(1)	\$ 2,266	\$ 2,174	\$ 1,888	\$ 4,570
PER SHARE DATA:					
Income per share before extraordinary item.....	\$.62	\$.74	\$.54	\$.45	\$ 1.09
Net income per share.....	\$.91	\$.74	\$.54	\$.45	\$ 1.09
Weighted average equivalent common shares outstanding.....	3,008	3,045	3,990	4,183	4,202

SEPTEMBER 30, 1997

	HISTORICAL	AS ADJUSTED(2)
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BALANCE SHEET DATA (AT PERIOD END):

Working capital.....	\$11,048	\$
Net property, plant and equipment.....	35,807	
Total assets.....	53,561	
Long-term debt, less current maturities.....	7,893	
Stockholders' equity.....	37,545	

(1) During 1993, the Company fully utilized its remaining net operating loss carryforwards for federal income tax purposes resulting in an extraordinary benefit of \$877,000.

(2) As adjusted to reflect the sale by the Company in this offering of 1,000,000 shares of Common Stock and the application of the estimated net proceeds it receives therefrom as described under "Use of Proceeds."

RISK FACTORS

Prospective investors should carefully consider the following factors, as well as the other information contained in this Prospectus, in evaluating the Company and its business before purchasing the Common Stock offered hereby.

INDUSTRY CONDITIONS

Demand for the Company's services depends upon the level of spending by oil and gas companies for exploration, production, development and field management activities, which activities depend in part on oil and gas prices. Beginning in 1982, a sharp decline in oil and gas prices led to a worldwide reduction in oil and gas activities. This decline resulted in a significant reduction in the overall demand for seismic services. Since reaching a high in 1981, the number of land-based seismic crews operating worldwide and the number of companies providing seismic services declined dramatically. Although demand for 3-D seismic data acquisition services has continually increased over the past seven years, no assurance can be given that current levels of oil and gas activities will be maintained or that demand for the Company's services will reflect the level of such activities. Decreases in oil and gas activities could adversely affect the demand for the Company's services and the Company's results of operations. In addition, a decrease in oil and gas expenditures in the United States could result from such factors as unfavorable tax and other legislation or uncertainty concerning national energy policy. Any significant decline in oil and gas prices such as that which occurred in the 1980's could cause the Company to alter its capital spending plans.

WEATHER

The Company's seismic data acquisition operations could be adversely affected by inclement weather conditions. Delays associated with weather conditions could negatively affect the Company's results of operations.

PERMITS

The Company's seismic data acquisition operations could be adversely affected by the inability of the Company to obtain right of way usage from land or mineral owners. Delays associated with permitting could negatively affect the Company's results of operations.

OPERATING RISKS

The Company's activities are subject to general risks inherent in land-based seismic data acquisition activities. To date, the Company has not suffered any material losses of equipment, but there can be no assurance that it will not experience such losses in the future. Because of the high fixed costs associated with the Company's 3-D equipment, any significant downtime or low productivity caused by reduced demand, weather interruptions, equipment failures, permit delays or other causes could adversely affect its results of operations. See "Business -- Operating Hazards and Insurance" for a description of such risks and the insurance therefor carried by the Company.

LIQUIDITY AND WORKING CAPITAL REQUIREMENTS

The Company's sources of working capital are limited. The Company has funded its working capital requirements with cash generated from operations, cash reserves and borrowings from commercial banks. The Company's working capital requirements increased significantly during the last seven years, primarily due to the development of its 3-D land seismic data acquisition infrastructure. If the Company were to expand its operations at a rate exceeding operating cash flow, or if the current demand for and pricing of geophysical services were to decrease substantially, additional financing could be required. There is no assurance that additional financing could or would occur. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

RELIANCE ON KEY SUPPLIER

The Company's primary supplier for seismic data acquisition systems is Input/Output, Inc. Although the Company believes it will be able to obtain data acquisition systems and/or replacement parts from Input/Output, Inc. or another source for such systems or parts in the future, should it be unable to do so, the Company's anticipated revenues could be reduced and the amount of cash needed for capital expenditures could be increased. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources -- Capital Expenditures" and "Business -- Equipment Acquisition."

LITIGATION

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

DEPENDENCE ON KEY PERSONNEL

The Company's success may be dependent upon, among other things, the services of certain key personnel. The loss of services of any one or more of the executive officers of the Company could have a material adverse effect on or result in a disruption of normal business operations. See "Management."

COMPETITION

The acquisition and processing of 3-D geophysical data for the oil and gas industry is a highly competitive business in the United States. The Company's competitors include companies with financial resources that are significantly greater than those of the Company as well as companies of comparable and smaller size.

TECHNICAL OBSOLESCENCE

Seismic data acquisition and data processing technology have progressed rapidly over the past several years, and the Company expects this progression to continue. The Company's strategy is to regularly upgrade its data acquisition and processing equipment to maintain its competitive position. However, due to the rapid advances in technology and the related costs associated with such technological advances, no assurance can be given that the Company will be able to fulfill its strategy, thus possibly affecting the Company's ability to compete.

GOVERNMENTAL REGULATIONS

The Company's operations are subject to a variety of federal, state and local laws and regulations, including laws and regulations relating to the protection of the environment and archeological sites. The Company is required to expend financial and managerial resources to comply with such laws and related permit requirements in its operations, and anticipates that it will continue to be required to do so in the future. Although such expenditures historically have not been material to the Company, the fact that such laws or regulations change frequently make it impossible for the Company to predict the cost or impact of such laws and regulations on its future operations. The adoption of laws and regulations that have the effect of reducing or curtailing exploration and production activities by energy companies could also adversely affect the Company's operations by reducing the demand for its services.

SHARES ELIGIBLE FOR FUTURE SALE

Sales of a substantial number of shares of Common Stock in the open market after this offering could adversely affect the trading price of the Common Stock. Immediately after this offering, the Selling Shareholder will hold 507,272 shares, representing approximately 9.76% of the outstanding shares of Common Stock. A decision by the Selling Shareholder to sell shares of Common Stock could adversely affect the trading price of the Common Stock. Upon the consummation of this offering, the Company will have 5,200,000 shares of Common Stock outstanding (excluding 89,000 shares of Common Stock issuable upon exercise of outstanding employee stock options). Of such outstanding shares, the Company estimates that approximately 4,410,000 shares will be freely tradeable unless purchased by an "affiliate" of the Company, as that term is defined in Rule 144 under the Securities Act of 1933, as amended (the "Securities Act"). See "Description of Capital Stock -- Shares Eligible for Future Sale."

NO DIVIDENDS

The Company has never paid cash dividends on its Common Stock and has no plans to do so in the foreseeable future. The Company intends to retain earnings for use in its operations and to finance its business. See "Dividend Policy."

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

All statements other than statements of historical fact included in this Prospectus, including without limitation statements under "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" regarding technological advancements, use of proceeds and the Company's financial position, business strategy and plans and objectives of management of the Company for future operations, are forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). When used in this Prospectus, words such as "anticipate," "believe," "estimate," "expect," "intend" and similar expressions, as they relate to the Company or its management, identify forward-looking statements. Such forward-looking statements are based on the beliefs of the Company's management as well as assumptions made by and information currently available to the Company's management. Actual results could differ materially from those contemplated by the forward-looking statements as a result of certain factors, including but not limited to dependence upon energy industry spending, weather problems, inability to obtain land use permits, the volatility of oil and gas prices, the availability of capital resources and the other factors set forth in "Risk Factors." Such statements reflect the current views of the Company with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the operations, results of operations, growth strategy and liquidity of the Company. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by this paragraph. The Company assumes no obligation to update any such forward-looking statements.

USE OF PROCEEDS

The net proceeds to the Company from the sale of the Common Stock offered by it are estimated to be approximately \$ _____ after deducting underwriting discounts and commissions and offering expenses payable by the Company. Of the net proceeds it receives from this offering, the Company intends to use (i) approximately \$10 million to reduce bank debt, (ii) approximately \$8 million to acquire new equipment and to upgrade existing equipment for the Company's six 3-D seismic crews in early 1998, and (iii) the balance for working capital and general corporate purposes. Pending its use of the net proceeds it receives from this offering, the Company may invest such proceeds in short-term investments.

The Company's bank debt has been used to finance operating cash requirements and capital expenditures for equipment purchases. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources -- Loan Agreement" for additional information concerning the Company's bank debt.

The Company will not receive any proceeds from the sale of the shares of Common Stock offered by the Selling Shareholder. See "Principal and Selling Shareholders."

PRICE RANGE OF COMMON STOCK

The Common Stock is quoted on the Nasdaq National Market under the symbol "DWSN." The following table sets forth the high and low sales prices, as reported on the Nasdaq National Market, for the periods indicated.

	HIGH -----	LOW -----
FISCAL YEAR ENDED SEPTEMBER 30, 1996		
First Quarter.....	\$12.25	\$ 8.50
Second Quarter.....	9.75	7.75
Third Quarter.....	12.00	9.13
Fourth Quarter.....	11.25	8.31
FISCAL YEAR ENDED SEPTEMBER 30, 1997		
First Quarter.....	\$11.25	\$ 8.13
Second Quarter.....	13.75	10.38
Third Quarter.....	14.50	9.13
Fourth Quarter.....	25.75	13.50
FISCAL YEAR ENDED SEPTEMBER 30, 1998		
First Quarter (through November 10, 1997).....	\$27.38	\$17.50

The last reported sale price for the Common Stock on November 10, 1997 on the Nasdaq National Market was \$23.38 per share. As of September 30, 1997, there were approximately 296 record holders of the Common Stock.

DIVIDEND POLICY

Since its initial public offering in 1981, the Company has not declared or paid any dividends on its Common Stock. The Company presently intends to retain earnings for use in its operations and to finance its business. Any change in the Company's dividend policy is within the discretion of its Board of Directors and will depend, among other things, on the Company's earnings, debt service and capital requirements, restrictions in financing agreements, business conditions and other factors that the Board of Directors deems relevant.

CAPITALIZATION

The following table sets forth the capitalization of the Company as of September 30, 1997, and as adjusted to give effect to the sale of 1,000,000 shares of Common Stock offered hereby by the Company and the application of the estimated net proceeds to the Company therefrom. See "Use of Proceeds" and the Company's financial statements and notes thereto included elsewhere herein.

	SEPTEMBER 30, 1997	
	HISTORICAL	AS ADJUSTED

	AS	
	HISTORICAL	ADJUSTED

	(IN THOUSANDS, EXCEPT SHARE DATA)	
Long-term debt, less current maturities(1).....	\$ 7,893	\$
Stockholders' equity:		
Preferred Stock, par value \$1.00 per share:		
5,000,000 shares authorized, none issued or outstanding.....	--	
Common Stock, par value \$.33 1/3 per share:		
10,000,000 shares authorized, 4,199,250 shares issued and outstanding;		
5,199,250 shares issued and outstanding as adjusted(2).....	1,400	
Additional paid-in capital.....	17,174	
Retained earnings.....	18,971	
	-----	-----
Total stockholders' equity.....	37,545	
	-----	-----
Total capitalization.....	\$45,438	\$
	=====	=====

(1) See the Company's financial statements and notes thereto included elsewhere herein for additional information relating to the Company's long-term debt.

(2) Excludes 89,750 shares reserved for issuance upon exercise of employee stock options at September 30, 1997. See "Management -- Compensation Plans."

SELECTED FINANCIAL DATA

The following selected financial data as of and for the five fiscal years ended September 30, 1997 were derived from the historical financial statements of the Company, which have been audited by KPMG Peat Marwick LLP, independent certified public accountants. The selected financial data presented herein is qualified in its entirety by, and should be read in conjunction with, "Management's Discussion and Analysis of Financial Condition and Results of Operations," the Company's financial statements and notes thereto and the other financial information included elsewhere herein.

SELECTED FINANCIAL DATA
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	YEARS ENDED SEPTEMBER 30,				
	1993	1994	1995	1996	1997
STATEMENT OF OPERATIONS DATA:					
Operating revenues.....	\$17,016	\$23,027	\$28,188	\$33,518	\$48,227
Operating costs:					
Operating expenses.....	12,497	15,478	20,067	23,763	32,293
General and administrative.....	842	887	975	1,299	1,477
Depreciation.....	1,830	3,016	4,150	5,818	7,321
	15,169	19,381	25,192	30,880	41,091
Income from operations.....	1,847	3,646	2,996	2,638	7,136
Other income (expense):					
Interest and dividend income.....	367	209	399	253	260
Interest expense.....	(160)	(376)	(170)	(144)	(486)
Gain on disposal of assets.....	67	68	76	11	196
Other.....	1	(30)	8	2	10
Proceeds from litigation settlement.....	669	--	131	--	--
Realized gain on marketable securities.....	6	--	--	--	--
Income before income tax expense and extraordinary item...	2,797	3,517	3,440	2,760	7,116
Income tax expense:					
Current.....	58	1,212	970	599	1,738
Deferred.....	877	39	296	273	808
	935	1,251	1,266	872	2,546
Income before extraordinary item.....	1,862	2,266	2,174	1,888	4,570
Tax benefit from utilization of loss carryforward.....	877	--	--	--	--
Net income.....	\$ 2,739	\$ 2,266	\$ 2,174	\$ 1,888	\$ 4,570
Income per common share:					
Income before extraordinary item.....	\$.62	\$.74	\$.54	\$.45	\$ 1.09
Extraordinary item.....	.29	--	--	--	--
Net income.....	\$.91	\$.74	\$.54	\$.45	\$ 1.09
Weighted average equivalent common shares outstanding.....	3,008	3,045	3,990	4,183	4,202
BALANCE SHEET DATA (AT PERIOD END):					
Working capital.....	\$ 3,646	\$ 2,789	\$ 9,641	\$ 5,343	\$11,048
Net property, plant and equipment.....	11,836	14,936	21,550	32,926	35,807
Total assets.....	21,908	24,942	32,342	41,909	53,561
Long-term debt, less current maturities.....	3,500	2,250	--	4,857	7,893
Stockholders' equity.....	15,482	17,686	30,856	32,804	37,545

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 Prospectus. In addition, in reviewing the Company's financial statements it should be noted that quarterly fluctuations in the Company's results of operations can occur due to weather, land use permitting and other factors. See "Risk Factors."

FISCAL YEAR ENDED SEPTEMBER 30, 1997 VERSUS FISCAL YEAR ENDED SEPTEMBER 30, 1996

The Company's operating revenues increased 43.9% from \$33,518,000 for fiscal 1996 to \$48,227,000 for fiscal 1997. The increase in revenues is primarily due to increased capacity and improved efficiency resulting from fiscal 1996 capital expenditures. The fiscal 1996 capital expenditures consisted of the addition of a fifth crew in the third quarter combined with additional channel capacity of the existing crews and additional vibrator energy source units. During the fourth quarter of fiscal 1997 the Company placed a sixth crew into service.

Operating expenses increased 35.9% in 1997 as compared to 1996 as a result of adding a fifth 3-D seismic crew in fiscal 1996, as well as increased personnel and other expenses associated with equipment additions and technological upgrades made primarily during the third quarter of fiscal 1996.

General and administrative expenses for fiscal 1997 totaled \$1,477,000, an increase of \$178,000 from fiscal 1996. The increase for fiscal year 1997 was primarily due to timing adjustments of certain expenses. General and administrative expenses totaled 3.1% of operating revenues for fiscal 1997 versus 3.9% for fiscal 1996.

Depreciation for fiscal 1997 totaled \$7,321,000, an increase of 25.8% from fiscal 1996. Depreciation continues to increase as a result of the capital expansion discussed below in "Liquidity and Capital Resources."

Total operating costs for fiscal 1997 totaled \$41,091,000, an increase of 33.1% over fiscal 1996 due to the factors described above. Income from operations in fiscal 1997 increased to \$7,136,000, 14.8% of revenues, from \$2,638,000, 7.9% of revenues, in fiscal 1996. This increase 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 for active crews and depreciation costs), income from operations in fiscal 1997 reflects the benefit of efficient production with steady demand.

Interest is paid monthly at prime rates on the principal of the term notes described below in "Liquidity and Capital Resources -- Loan Agreement."

The Company's effective tax rate for 1997 is 35.8% as compared to 32.0% for 1996. These rates reflect the effects of federal and state income taxes over the periods reported.

FISCAL YEAR ENDED SEPTEMBER 30, 1996 VERSUS FISCAL YEAR ENDED SEPTEMBER 30, 1995

The Company's operating revenues increased 18.9% from \$28,188,000 for fiscal 1995 to \$33,518,000 for fiscal 1996. In June 1996, the Company placed into service its fifth telemetry recording system after combining two 1,000-channel crews in the quarter ended March 31, 1996. The Company further increased production capacity during 1996 with the purchase of additional equipment. Demand for larger surveys translates to an increased number of channels and improved efficiency which has been gained with additional energy source units to complement recording systems already in service.

Operating expenses increased 18.4% in 1996 as compared to 1995 as a result of adding a new 3-D seismic crew as well as increased personnel and other expenses associated with the equipment additions and technological upgrades.

General and administrative costs have increased with additional support services for the Company's expanding operations. As a percentage of operating revenues, general and administrative costs increased to 3.9% from 3.5% in 1995.

Depreciation increased dramatically due to the Company's capital expansion. In 1996, the cost to field the new telemetry crew represents approximately \$10,000,000 of the total \$15,597,000 in capital expenditures. The increase from the total capital expenditures in 1995 of \$10,961,000 is comprised of the upgrades to data acquisition capacity of the existing crews and further expansion of energy source units.

The decrease in income from operations for 1996 as compared to 1995 and for 1995 as compared to 1994 is attributable to the significant increase in depreciation. In addition, the impact of the permit delays in the first quarter and unfavorable weather during the first and fourth quarters of 1996 affected revenue directly without a significant corresponding reduction in the relatively fixed operating expenses.

The significant changes in the Company's other income and expenses are a result of a final litigation settlement of \$131,000 in 1995 resulting from the suit filed against First Republic Bank in 1988 and the increase of interest income in 1995 due to the investment of public offering proceeds until capital expenditures were made.

The Company's effective tax rate for 1996 is 32.0% as compared to 36.8% for 1995. These rates reflect the effects of federal and state income taxes over the periods reported. As of September 30, 1995, the Company had no tax loss carryforwards to offset future tax expense.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Net cash provided by operating activities increased to \$10,335,000 in fiscal 1997 from \$6,732,000 in fiscal 1996 primarily due to a 142% increase in net income to \$4,570,000 in fiscal 1997 from \$1,888,000 in fiscal 1996. In addition, accounts receivable increased as a result of increased revenues in 1997. The increase in depreciation to \$7,321,000 in 1997 from \$5,818,000 in 1996 reflects the Company's continued capital expansion as discussed in "Capital Expenditures" below.

Net cash used in investing activities decreased to \$11,079,000 in 1997 from \$12,676,000 in 1996 as a result of the decrease in capital expenditures in 1997 as compared to 1996. In addition, during fiscal 1997 the Company invested cash generated from operations in U.S. Treasury instruments. As discussed below in "Capital Expenditures," the Company is positioning for possible future expansion.

Net cash provided by financing activities primarily reflects proceeds from a fourth quarter borrowing under the Company's loan agreement referenced below and principal payments thereunder. During 1997, the Company made monthly principal payments of approximately \$71,400 under a \$6,000,000 term note, and in September 1997, the Company made a \$69,400 principal payment under a \$5,000,000 term note. See "Loan Agreement" below.

Capital Expenditures

As a result of capital expenditures of approximately \$57,000,000 since fiscal 1990, including approximately \$26,000,000 since fiscal 1995, the Company has positioned itself to meet market demand with technologically advanced 3-D data acquisition recording systems and leading edge data processing capabilities. Depreciation has increased as a new crew has been placed into service each year for the past several years.

The Company placed a sixth crew into service in August of 1997. The cost of the new crew equipped with a 2,000 channel I/O System Two RSR was approximately \$6,000,000. Expenditures of approximately \$2,500,000 with additional commitments of approximately \$2,000,000 during fiscal 1997 were made for additions and replacements to the myriad of cables and geophones, enhancements to the surveying operation, and additions in support of quality control and operational safety efforts.

Loan Agreement

The Company is a party to a loan agreement, as amended (the "Loan Agreement"), with Norwest Bank Texas, N.A. ("Norwest"). The Loan Agreement consists of (1) a revolving line of credit of \$6,000,000 which matures on April 15, 1999, (2) a term note in the aggregate principal amount of \$6,000,000 bearing interest at Norwest's prime rate and which matures on March 15, 2003 and (3) a term note in the aggregate principal amount of \$5,000,000 bearing interest at the prime rate as published in The Wall Street Journal and which matures on April 15, 2003. The \$5,000,000 term note, together with working capital, was utilized to finance the purchase of equipment placed into service in August 1997. The term notes are secured by eligible accounts receivable and equipment purchased from loan proceeds. At September 30, 1997, approximately \$9.5 million was outstanding under the term notes all of which was bearing interest at 8.5% per annum.

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 and upgrading its existing equipment. However, the Company's expansion plans, including its capital budget for fiscal 1998, may be affected by its ability to raise capital from additional sources, including but not limited to this offering.

Litigation

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

RECENT ACCOUNTING PRONOUNCEMENTS

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("FAS") No. 123, "Accounting for Stock-Based Compensation." FAS 123 provides for alternative methods of recording stock-based compensation and requires additional disclosure regardless of which method is utilized to record stock-based compensation. The Company accounts for employee stock-based compensation using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees ("APB 25"). Effective October 1, 1996, the Company adopted the disclosure provisions of FAS 123.

In February 1997, the Financial Accounting Standards Board issued FAS No. 128, "Earnings per Share." FAS No. 128 establishes standards for computing and presenting earnings per share and is effective for periods ending after December 15, 1997. The impact of the adoption of FAS No. 128 on the Company's earnings per share is expected to be immaterial.

In June 1997, the Financial Accounting Standards Board issued FAS No. 130, "Reporting Comprehensive Income." FAS No. 130 establishes standards for reporting and display of comprehensive income and its components in a full set of general purpose financial statements. FAS No. 130 is effective for interim and annual periods beginning after December 15, 1997. The Company plans to adopt FAS No. 130 for the period ended December 31, 1999.

BUSINESS

GENERAL

Founded in 1952, Dawson Geophysical Company acquires and processes seismic data used in the exploration, development and field management of oil and natural gas reserves. Since fiscal 1990, the Company has spent approximately \$57 million to acquire new 3-D telemetry recording systems and associated equipment, including approximately \$26 million since fiscal 1995. The Company's operations consist of six 3-D seismic data acquisition crews and a seismic data processing center. As a result of an increase in industry-wide demand for 3-D seismic surveys and the Company's competitive position, the Company has experienced increasing demand for its 3-D seismic services. During fiscal 1997, substantially all of the Company's revenues were derived from 3-D seismic operations.

The Company's land-based data acquisition crews operate primarily in the southwestern United States, but have responded to demand from south Texas to North Dakota. As a result of the addition of a sixth crew equipped with the versatile I/O System Two RSR, the Company has expanded its capabilities to accommodate more difficult and remote terrains such as east Texas and the Rocky Mountains.

Data processing is performed by Company geophysicists at the Company's computer center located in Midland, Texas. The Company acquires and processes data for its clients, ranging from major oil and gas companies to independent oil and gas operators, who retain exclusive rights to the information obtained.

The Company believes that it maintains a competitive advantage in the industry by (i) acquiring equipment to expand capacity in response to client demand, (ii) updating its equipment base to take advantage of advances in geophysical technology, (iii) maintaining skilled and experienced personnel for its data acquisition and processing operations, (iv) focusing its operations on the domestic onshore seismic industry, and (v) providing integrated in-house operations necessary to complete all phases of 3-D seismic data acquisition and processing, including project design, permitting and surveying.

GEOPHYSICAL SERVICES

General. Technological advances in equipment and computers have allowed the seismic industry to economically acquire and process immense volumes of seismic data which produce more precise images of the earth's subsurface. The industry refers to this process of data acquisition, processing and subsequent interpretation of the processed data as the 3-D seismic method. Geophysicists use computer workstations to interpret 3-D data volumes, identify subsurface anomalies and generate a geologic model of subsurface features.

3-D seismic data are used in the exploration for new reserves and enable oil and gas companies to better delineate existing fields and to augment their reservoir management techniques. Benefits of incorporating 3-D seismic technology into exploration and development programs include reducing drilling risk, decreasing oil and gas finding costs and increasing the efficiencies of reservoir location, delineation and management.

The Company is exploring the opportunities presented by the four-dimensional seismic method, which adds the element of time to 3-D surveys. By surveying the same site at successive times, geophysicists compare data volumes and may be able to determine the progress of enhanced recovery programs in existing petroleum reservoirs, and thereby aid in extracting remaining reserves. Such projects could, over time, benefit reservoir management thereby providing future opportunities for the Company.

The industry as a whole is investigating even more sophisticated technologies. Researchers at the Colorado School of Mines, underwritten in part by the Company, are exploring the use of three-component ("3-C") surveys utilizing shear wave information in the effort to identify and exploit recoverable oil and gas reserves. The Company's equipment currently includes vibrators and geophones capable of generating and recording shear waves.

Data Acquisition. The seismic survey begins at the time a client requests the Company to formulate a proposal to acquire seismic data on its behalf. The Company's geophysicists then assist the client in designing

the specifications of the proposed 3-D survey. If the client accepts the Company's proposal, in most cases, a Company permit agent then obtains access from the landowner to the site where the survey is to be conducted.

Utilizing electronic surveying equipment, the Company's survey personnel precisely locate the energy source and receiver positions from which the seismic data are collected. The Company utilizes the satellite global positioning system, known as GPS, to properly locate the seismic survey grid.

The Company operates six land based crews gathering 3-D seismic data. The Company primarily uses vibrator energy sources, each of which weighs 50,000 to 62,000 pounds, but on occasion detonates dynamite charges placed in drill holes below the earth's surface to generate seismic energy. The Company has 45 vibrator energy source units and a capacity of 14,200 recording channels, any of which are configured to meet the demands of specific survey designs. Each crew consists of approximately 40 technicians, 25 associated vehicles with off-road capabilities, 31,000 geophones, a seismic recording system, energy sources, electronic cables and a variety of other equipment. The Company operates five I/O System Two recording systems, one with RSR capability, and one MDS-18X recording system.

Since 1994 the Company has grown from four seismic data acquisition crews with an aggregate recording capacity of 4,532 channels and 22 vibrator energy source units. Demand for more recording channels continues to increase from client companies as the industry strives for improved data quality. The Company's current average of 2,367 channels per crew is well above the industry average. The comparatively large number of recording channels gives the Company a competitive edge with the versatility and productivity to improve data quality at a lower cost per unit of data to the client.

Data Processing. The Company currently operates a computer center located in Midland, Texas to process seismic data. Such processing primarily involves the enhancement of the data by improving reflected signal resolution, removing ambient noise and establishing proper spatial relationships of geological features. The data are then arranged in such a manner that computer graphic technology may be employed for examination and interpretation of the data by the user.

The processing center operates 24 hours daily utilizing two parallel high-speed computers. The Company continues to improve data processing efficiency by further integrating workstation-based computer technology into the mainframe operation at the computer center and remote sites such as the client's office. The Company purchases, develops or leases, under non-exclusive licensing arrangements, seismic data processing software.

The Company's computer center processes seismic data collected by its crews, as well as by other geophysical contractors. In addition, the Company reprocesses previously recorded seismic data using current technology to enhance the data quality. The Company's processing contracts may be awarded jointly with or independently from data acquisition services.

Integrated Services. The Company maintains integrated in-house operations necessary to the development and completion of 3-D seismic surveys. Experienced Company personnel conduct and supervise the 3-D seismic survey design, permitting, surveying and data acquisition and processing functions for each seismic program. In-house support operations include facilities for automotive repair, automotive paint, electronics repair, electrical engineering and software development, thereby enabling better quality control and improved efficiency. The Company's clients generally undertake to provide their own interpretation of the seismic data provided by the Company, although from time to time the Company's geophysicists may assist its clients in this process.

EQUIPMENT ACQUISITION

The Company believes it is essential to monitor and evaluate advances in geophysical technology and to commit capital funds to purchase equipment it deems most promising. Purchasing new assets and continually upgrading capital assets involves a continuing commitment to capital spending. The Company's capital expenditures for the three fiscal years ended September 30, 1997 were \$10,961,000, \$15,597,000 and \$8,528,000 respectively. Projected capital expenditures for fiscal 1998 are at least \$8 million which will be used to purchase new equipment and upgrade existing equipment for its six 3-D seismic crews by early 1998. See "Risk Factors -- Liquidity and Working Capital Requirements" and "Use of Proceeds."

CLIENTS

The Company's services are marketed by supervisory and executive personnel who contact clients to determine geophysical needs and respond to client inquiries regarding the availability of crews or processing schedules. These contacts are based principally upon professional relationships developed over a number of years.

The Company's clients range from major oil companies to small independent oil and gas operators. The services provided by the Company vary according to the size and needs of the client. During the year ended September 30, 1997, the three most significant clients for the Company's services accounted for approximately 9.1%, 7.3% and 6.2% of the Company's revenues. None of such clients were included in the three largest clients during fiscal 1996. Because of the limited number of data acquisition crews and the length of contracts under which these crews have performed duties in the past, the Company anticipates that a large portion of future revenues will continue to be attributable to a few clients, who may change from period to period. The Company presently believes that the loss of any one of its clients would not have a material impact on its business.

CONTRACTS

For the past seven years, demand for the Company's services has substantially exceeded its ability to meet such demand. Based on current market conditions, current indications of interest and work in progress, the Company believes that there will be a significant demand for its services well into the Company's 1998 fiscal year.

The Company's seismic services are conducted under master contracts with clients. Contracts are either "turnkey" contracts that provide for a fixed fee to be paid to the Company for each unit of data acquired, or "term" contracts that provide for a fixed hourly, daily, or monthly fee during the term of the project. Turnkey contracts generally provide more profit potential for the Company, but involve more risks because of the potential downtime for weather and other types of delays. Substantially all of the Company's contracts with its clients are turnkey. A supplemental agreement setting forth the terms of a specific project, which may be cancelled by either party, is entered into for every project.

The results of the Company's services belong to the contracting party. To avoid conflicts of interest, the Company does not acquire any data for its own account. All of the client's information is maintained in strictest confidence. Company policy prohibits any officer, director or employee from participating in oil and gas ventures.

COMPETITION AND MARKETS

The acquisition and processing of 3-D seismic data for the oil and gas industry is a highly competitive business in the United States. Contracts for such services generally are awarded on the basis of price quotations, crew experience and availability of crews to perform in a timely manner, although factors other than price, such as technological expertise and reputation, are sometimes determinative. The Company's competitors include companies with financial resources that are significantly greater than those of the Company as well as companies of comparable and smaller size.

Historically, the demand for geophysical services has been directly related to the level of spending by oil and gas companies for exploration, production, development and field management activities, which activities depend in part on the level of oil and gas prices. Because geophysical services are among the first operations involved in the exploration for oil and gas, the level of such services, in the past, has declined prior to a decline in oil and gas exploration activities. In recent years, however, the improved subsurface resolution obtainable from 3-D seismic data have enhanced the exploration for new reserves and enabled oil and gas companies to utilize 3-D surveys to better delineate existing fields and to augment their reservoir management techniques. See "Risk Factors -- Industry Conditions."

EMPLOYEES

The Company employs approximately 350 persons, of which 293 are engaged in providing energy sources and acquiring data, 12 are engaged in data processing, seven are administrative personnel, 30 are engaged in equipment maintenance and eight are executive officers. Of the employees listed above, 16 are geophysicists. The Company's employees are not represented by a labor union. The Company believes it has good relations with its employees.

The current level of demand for geophysical services has increased the difficulty of obtaining qualified personnel. Although the Company thus far has not experienced unusual difficulty in this regard, a continued acceleration in demand for geophysical services may create a shortage of such personnel. The Company maintains an active training program and attempts to promote from within the Company.

PROPERTIES

The Company's principal properties are energy sources and data acquisition and processing equipment. At September 30, 1997 the average age of the Company's data acquisition equipment was approximately three years. In general, the Company believes that this equipment is well maintained and suitable for its intended uses. See "Business -- Equipment Acquisition" for information regarding capital expenditures by the Company.

The location and description of the Company's principal real properties are set forth in the following table:

LOCATION -----	FEE OR LEASED -----	PURPOSE -----	BUILDING AREA SQUARE FEET -----
Midland, Texas.....	Fee	Executive offices and data processing	10,400
Midland, Texas.....	Fee	Field office Equipment fabrication Maintenance and repairs	53,000

OPERATING HAZARDS AND INSURANCE

The Company's activities are often conducted in remote areas under extreme weather and other dangerous conditions. These operations are subject to risks of injury to personnel and equipment. The Company's crews are mobile and the equipment and personnel are subject to vehicular accidents. The Company uses diesel fuel which is classified by the U.S. Department of Transportation as a hazardous material. See "Risk Factors -- Litigation and -- Governmental Regulations."

The Company carries insurance in amounts which it considers adequate on the principal items of its equipment. The Company does not carry insurance against certain risks, including business interruption resulting from equipment losses or weather delays. The Company obtains insurance against certain property and personal casualty risks, when such insurance is available and when management considers it advisable to do so. Such coverage is not always available, however, and, when available, is subject to unilateral cancellation by the insuring companies on very short notice. The Company insures seismic data for amounts considered acceptable by management. Accordingly, damage to such data should not have a material adverse effect upon the Company.

LEGAL PROCEEDINGS

The Company is a defendant in two lawsuits pending in the 112th and 83rd District Courts of Pecos County, Texas (respectively, Cause No. 8812, Ernestine Bernal, et al. vs. Javier Antonio Orona, et al.; and Cause No. P5565-83-CV, Carla Jaquez, et al. vs. Javier Antonio Orona, et al.) relating to a July 1995 accident involving a van owned by the Company which was used to transport employees to various job sites and a non-Company owned vehicle. The accident resulted in the deaths of four Company employees who were passengers in such van. The Company is one of several named defendants in such suits. Other named

defendants include the estate of the deceased driver of such van, who was an employee of the Company, the driver of such non-Company owned vehicle, who was then an employee of the Company, the owner of such vehicle, and Ford Motor Company, the manufacturer of the Company van involved in such accident. In general, the claims against the Company include allegations of negligence, gross negligence and/or intentional tort as a result of, among other things, the Company's alleged failure to provide safe transportation for its employees and to properly select, train and supervise the deceased driver of such van. The plaintiffs in such suits are seeking actual damages from the defendants of \$15.5 million, additional unspecified actual damages, pre-judgment and post-judgment interest and costs of suit as well as exemplary and punitive damages in an amount not to exceed four times the amount of actual damages. The Company believes that it has meritorious defenses to the claims asserted against it in such suits and it intends to continue to vigorously defend itself against such claims. In addition, the Company believes that it has approximately \$11 million of liability insurance coverage to provide against an unfavorable outcome. Such suits are currently in the discovery stage and the Company currently has pending before the court a motion for summary judgment in Cause No. 8812 requesting that the Company be dismissed from such suit based upon various legal theories. A trial date of July 20, 1998 has been set in Cause No. 8812. No trial date has yet been set for Cause No. P5565-83-CV. A motion to consolidate such suits into a single proceeding is currently pending before the courts. Due to the uncertainties inherent in litigation, no assurance can be given as to the ultimate outcome of such suits or the adequacy or availability of the Company's liability insurance to cover the damages, if any, which may be assessed against the Company in such suits. A judgment awarding plaintiffs an amount significantly exceeding the Company's available insurance coverage could have a material adverse effect on the Company's financial condition, results of operations and liquidity. See "Risk Factors -- Litigation" and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

In addition to the foregoing, 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, the Company's 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.

MANAGEMENT

The Board of Directors currently consists of three persons who are employees of the Company and three persons who are not employees of the Company (i.e., outside directors). Set forth below are the names, ages, and positions of the Company's Directors and executive officers.

NAME ----	AGE ---	POSITION -----
L. Decker Dawson.....	77	President, Director
Floyd B. Graham.....	69	Executive Vice President, Director
Howell W. Pardue.....	61	Executive Vice President, Director
Christina W. Hagan.....	42	Vice President, Chief Financial Officer
Edward L. Huff.....	60	Vice President
C. Ray Tobias.....	40	Vice President
Stephen C. Jumper.....	36	Vice President
Paula W. Henry.....	40	Secretary
Calvin J. Clements.....	76	Director
Matthew P. Murphy.....	67	Director
Tim C. Thompson.....	63	Director

L. Decker Dawson. Mr. Dawson founded the Company in 1952 and has served in his present positions since that time. Prior thereto, Mr. Dawson was a geophysicist with Republic Exploration Company, a geophysical company. Mr. Dawson served as President of the Society of Exploration Geophysicists (1989-1990) and received its Enterprise Award in 1997. He was Chairman of the Board of Directors of the International Association of Geophysical Contractors (1981). He currently serves as a director and honorary life member of such association. He was inducted into the Permian Basin Petroleum Museum's Hall of Fame in 1997.

Floyd B. Graham. Mr. Graham joined the Company in 1974 and has served in his present positions since that time. Prior thereto, Mr. Graham was an independent geophysical consultant for 14 years, and prior thereto was a geophysicist for the predecessor of Exxon Company, U.S.A. for 10 years.

Howell W. Pardue. Mr. Pardue joined the Company in 1976 and has served in his present positions since that time. Prior thereto, Mr. Pardue was employed in data processing for 17 years by Geosource, Inc. and its predecessor geophysical company.

Christina W. Hagan. Ms. Hagan joined the Company in 1988, and was elected Chief Financial Officer in January 1997 and Vice President in September 1997. Prior thereto, Ms. Hagan served the Company as Controller and Treasurer. Ms. Hagan is a certified public accountant.

Edward L. Huff. Mr. Huff joined the Company in 1956, and was elected Vice President in September 1997. Prior thereto, Mr. Huff served as instrument operator, crew manager and field supervisor. He has managed the Company's field operations since 1987.

C. Ray Tobias. Mr. Tobias joined the Company in 1990, and was elected Vice President in September 1997. Mr. Tobias is responsible for maintaining client relationships and submitting survey cost quotations to client companies. He is presently the chairman of the International Association of Geophysical Contractors West Texas -- Eastern New Mexico Operations Committee and is Past President of the Permian Basin Geophysical Society. Prior to joining the Company, Mr. Tobias was employed by Geo-Search Corporation where he was responsible for pricing and bidding geophysical work to major oil companies.

Stephen C. Jumper. Mr. Jumper, a geophysicist, joined the Company in 1985, and was elected Vice President in September 1997. Mr. Jumper also serves as manager of technical services with an emphasis on 3-D processing. Mr. Jumper has served the Permian Basin Geophysical Society as Second Vice President (1991), First Vice President (1992), and as President (1993).

Paula W. Henry. Ms. Henry joined the Company in 1981 and has served in her present position since 1989. Ms. Henry supervises administrative operations of the Company.

Calvin J. Clements. Mr. Clements has served the Company as a director since 1972. Prior thereto and until his retirement in 1987, Mr. Clements was employed by the Company as vice president of the data acquisition operations.

Matthew P. Murphy. Mr. Murphy has served the Company as a director since 1993. Until his retirement in 1991, Mr. Murphy served as an executive of NCNB Texas, now known as Nations Bank of Texas, N.A. (and predecessor banks), and from 1986 to 1991, Mr. Murphy served the bank as District Director-West Texas.

Tim C. Thompson. Mr. Thompson has served the Company as director since 1995. Mr. Thompson, a management consultant since May 1993, was President and Chief Executive Officer of Production Technologies International, Inc. from November 1989 to May 1993.

All directors and officers of the Company are elected annually and hold office from the date of their election until their successors have been duly elected and qualified, or until their earlier death, resignation or removal from office. The Board of Directors has standing audit and compensation committees, each consisting of Messrs. Clements, Murphy, and Thompson, all of whom are non-employee directors.

EXECUTIVE COMPENSATION

The following table sets forth summary information regarding the compensation paid by the Company to L. Decker Dawson, the President of the Company, and to Floyd B. Graham, Howell W. Pardue, Edward L. Huff and Stephen C. Jumper (collectively, the "named executive officers").

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	FISCAL YEAR	ANNUAL COMPENSATION			LONG TERM COMPENSATION
		SALARY	BONUS(1)	OTHER ANNUAL COMPENSATION	AWARDS
					SECURITIES UNDERLYING OPTIONS (NO. OF SHARES)
L. Decker Dawson.....	1997	\$119,892	\$ --	\$--	--
President	1996	90,301	--	--	--
	1995	84,293	--	--	--
Floyd B. Graham.....	1997	121,538	5,840	--	5,000
Executive Vice President	1996	120,000	7,588	--	--
	1995	120,000	9,138	--	--
Howell W. Pardue.....	1997	121,538	5,531	--	5,000
Executive Vice President	1996	120,000	7,168	--	--
	1995	120,000	8,607	--	--
Edward L. Huff(2).....	1997	102,302	4,603	--	5,000
Vice President					
Stephen C. Jumper(2).....	1997	102,302	3,337	--	5,000
Vice President					

(1) Bonus amounts reflect discretionary amounts paid during the indicated fiscal year based on prior fiscal year results.

(2) Messrs. Huff and Jumper were each elected Vice President in September 1997.

The following table sets forth certain information with respect to options to purchase Common Stock granted during the fiscal year ended September 30, 1997 to each of the named executive officers.

OPTION GRANTS IN FISCAL YEAR 1997

INDIVIDUAL GRANTS					
NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED (NO. OF SHARES)	% OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE PRICE (\$/SH)	EXPIRATION DATE	GRANT DATE VALUE(1)
					GRANT DATE PRESENT VALUE(\$)
Floyd B. Graham.....	5,000	16.67%	24.125	9/30/2002	55,926
Howell W. Pardue.....	5,000	16.67%	24.125	9/30/2002	55,926
Edward L. Huff.....	5,000	16.67%	24.125	9/30/2002	55,926
Stephen C. Jumper.....	5,000	16.67%	24.125	9/30/2002	55,926

(1) The "grant date present value" shown is a hypothetical value based upon application of the Black-Scholes model which often is used to estimate the market value of transferable options by calculating the probability, based on the volatility of the stock subject to the options, that the stock price will exceed the option exercise price at the end of the option term. The Company's stock options are not transferable and, the Black-Scholes estimate notwithstanding, an option will have value to the optionee only if and to the extent the market price of the Company's stock rises above the market price on the date the option was granted.

The following table sets forth certain information with respect to the exercise of options to purchase Common Stock during the fiscal year ended September 30, 1997, and unexercised options held at September 30, 1997, by each of the named executive officers.

AGGREGATED OPTION EXERCISES IN FISCAL YEAR 1997
AND FISCAL YEAR-END OPTION VALUES

NAME	SHARES ACQUIRED ON EXERCISE	VALUE REALIZED	NUMBER OF UNEXERCISED OPTIONS AT 9/30/97	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT 9/30/97(1)
			EXERCISABLE/ UNEXERCISABLE (NO. OF SHARES)	EXERCISABLE/ UNEXERCISABLE
Floyd B. Graham.....	--	\$ --	--/5,000	\$--/\$--
Howell W. Pardue.....	--	--	--/5,000	--/ --
Edward L. Huff.....	2,500	17,188	--/5,000	--/ --
Stephen C. Jumper.....	3,750	23,906	--/5,000	--/ --

(1) The closing price per share on September 30, 1997 was \$24.125 as reported by the Nasdaq National Market.

Defined Benefit Plans and Other Arrangements. Long-term incentive compensation for senior executive officers is not a policy of the Company. Accordingly, no awards or payouts have been made. The Company has no retirement or pension plan except for its Employee Stock Purchase Plan and its 1991 Incentive Stock Option Plan, both of which are described below.

COMPENSATION OF DIRECTORS

Directors who are not also employees of the Company receive \$1,000 per month and 500 shares of Common Stock per year for serving as Directors.

COMPENSATION PLANS

Stock Option Plan. The Dawson Geophysical Company 1991 Incentive Stock Option Plan (the "1991 Plan") provides that 150,000 shares of the Company's authorized but unissued Common Stock are reserved for issuance pursuant to the 1991 Plan and are subject to options granted to key employees during the ten-year period ending January 8, 2001.

Options under the 1991 Plan will be granted at an exercise price equal to the market price of the Common Stock on the date of grant. Each option that is granted will be exercisable after the period or periods specified in the option agreement, but prior to the expiration of five years after the date of grant. Commencing one year after date of grant, optionees may purchase up to one-fourth of the shares covered by a particular grant, and each option becomes exercisable with respect to an additional one-fourth of the shares covered in each of the next three years.

During fiscal 1997, options to purchase an aggregate of 30,000 shares of Common Stock were granted to certain key employees of the Company under the 1991 Plan. The per share exercise price of all options granted in fiscal 1997 is \$24.125, being the fair market value of a share of the Common Stock on the date of grant. During fiscal 1997, 36,500 shares of the Common Stock were issued pursuant to the exercise of options granted under the 1991 Plan. As of November 10, 1997, the total number of shares covered by outstanding options was 89,000.

Stock Purchase Plan. On November 1, 1982, the Board of Directors of the Company adopted an Employee Stock Purchase Plan (the "Purchase Plan") effective January 1, 1983, in which eligible employees may elect to purchase, through payroll deductions, shares of the Company's Common Stock and thereby increase their proprietary interest in the Company. Pursuant to the Purchase Plan, the Company contributes one dollar (before Social Security and withholding taxes) for each dollar contributed by an eligible employee to purchase Common Stock for the employee's account up to 5% of the employee's annual salary. As of September 30, 1997, two named executive officers participated in the Purchase Plan. On a bi-weekly basis, the Company matches the participants' contributions and directs the purchase of shares of the Company's Common Stock. There are no vesting requirements for the participants. The Company contributed \$164,530, \$198,863 and \$217,723 to the Purchase Plan during the fiscal years 1995, 1996 and 1997, respectively.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Company's Compensation Committee makes recommendations regarding compensation subject to approval of the entire Board of Directors.

PRINCIPAL AND SELLING SHAREHOLDERS

The following table sets forth certain information, as adjusted to reflect the sale of the Common Stock offered by this Prospectus, with respect to the beneficial ownership of the Company's outstanding Common Stock by (i) each person known by the Company to own beneficially more than 5% of the outstanding Common Stock, (ii) each of the directors and executive officers of the Company, (iii) all directors and executive officers of the Company as a group and (iv) L. Decker Dawson, the President of the Company and the Selling Shareholder.

NAME AND ADDRESS OF SHAREHOLDER	SHARES BENEFICIALLY OWNED BEFORE THIS OFFERING(1)		SHARES TO BE SOLD IN THIS OFFERING	SHARES BENEFICIALLY OWNED AFTER THIS OFFERING(1)	
	NUMBER	PERCENT		NUMBER	PERCENT
L. Decker Dawson..... 208 South Marienfeld Midland, Texas 79701	1,007,272	23.98%	500,000	507,272	9.76%
Wellington Management Company(2)..... 75 State Street Boston Massachusetts 02109	410,000	9.76%	--	410,000	7.88%
Dimensional Fund Advisors Inc.(3)..... 1299 Ocean Avenue 11th Floor Santa Monica, California 90401	232,000	5.52%	--	232,000	4.46%
Howell W. Pardue.....	77,000	1.83%	--	77,000	1.48%
Calvin J. Clements.....	71,126	1.69%	--	71,126	1.37%
Floyd B. Graham.....	60,425	1.44%	--	60,425	1.16%
Stephen C. Jumper.....	21,928	*	--	21,928	*
Christina W. Hagan.....	16,420	*	--	16,420	*
Edward L. Huff.....	15,537	*	--	15,537	*
C. Ray Tobias.....	15,146	*	--	15,146	*
Tim C. Thompson.....	1,500	*	--	1,500	*
Paula W. Henry.....	1,152	*	--	1,152	*
Matthew P. Murphy.....	200	*	--	200	*
Share ownership of directors and executive officers as a group (11 persons).....	1,287,706	30.66%		787,706	15.15%

* Indicates less than 1% of the outstanding shares of Common Stock.

- (1) Except as otherwise indicated, each shareholder shown in the table has sole voting and investment power with respect to all shares listed as beneficially owned by such shareholder.
- (2) Wellington Management Company, LLP ("WMC") is an investment adviser registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940, as amended. WMC, in its capacity as investment adviser, may be deemed to have beneficial ownership of 410,000 shares of Common Stock that are owned by numerous investment advisory clients, none of which is known to have such interest with respect to more than five percent of the class.
- (3) Dimensional Fund Advisors Inc. ("Dimensional"), a registered investment advisor, is deemed to have beneficial ownership of 232,000 shares of Common Stock, all of which shares are held in portfolios of DFA Investment Dimensions Group Inc., a registered open-end investment company, or in series of the DFA Investment Trust Company, a Delaware business trust, or the DFA Group Trust and DFA Participation Group Trust, investment vehicles for qualified employee benefit plans, all of which Dimensional Fund Advisors Inc. serves as investment manager. Dimensional disclaims beneficial ownership of all such shares.

DESCRIPTION OF CAPITAL STOCK

The Company is authorized to issue 5,000,000 shares of Preferred Stock, \$1.00 par value per share, and 10,000,000 shares of Common Stock, \$.33 1/3 par value per share. As of the date of this Prospectus, there were 4,200,000 shares of Common Stock issued and outstanding, and no shares of Preferred Stock have been issued. The outstanding shares of Common Stock are, and the shares of Common Stock to be sold by the Company as described herein will be when issued, fully paid and nonassessable.

PREFERRED STOCK

The Preferred Stock may be issued in series, and shares of each series shall have such rights and preferences as shall be fixed by the Board of Directors in the resolution or resolutions authorizing the issuance of that particular series. In designating any series of Preferred Stock the Board of Directors has authority without further action by the holders of Common Stock, to fix the number of shares constituting that series and to fix the dividend rights, dividend rate, conversion rights, rights and terms of redemption (including any sinking fund provisions), and the liquidation preferences of that series of Preferred Stock. The issuance of Preferred Stock could adversely affect the voting power of holders of Common Stock and the likelihood that such holders will receive dividend payments and payments upon liquidation and could have the effect of delaying, deferring or preventing a change in control of the Company. The Company has no present plans to issue any shares of Preferred Stock.

COMMON STOCK

Each share of Common Stock has one vote on all matters presented to the shareholders. Since the Common Stock does not have cumulative voting rights, the holders of more than 50% of the shares may, if they choose to do so, elect all of the directors and, in that event, the holders of the remaining shares will not be able to elect any directors. Subject to the rights and preferences of any Preferred Stock which may be designated and issued, the holders of Common Stock are entitled to dividends when and as declared by the Board of Directors and are entitled on liquidation to all assets remaining after payment of liabilities, subject to the liquidation preferences of any shares of Preferred Stock. The Common Stock has no preemptive or other subscription rights. There are no conversion rights or redemption or sinking fund provisions with respect to the Common Stock.

LIMITATION OF DIRECTOR LIABILITY

The Company's Restated Articles of Incorporation provide that the Company's directors will have no personal liability to the Company or its shareholders for monetary damages for breach or alleged breach of the directors' duty of care. This provision in the Restated Articles of Incorporation does not eliminate the directors' fiduciary duty of care, and in appropriate circumstances, equitable remedies such as an injunction or other forms of non-monetary relief should remain available under Texas law. Furthermore, each director will continue to be subject to liability for (i) a breach of the directors' duty of loyalty, (ii) acts or omissions not in good faith or involving intentional misconduct or knowing violations of law, (iii) any transaction from which a director derives an improper personal benefit, or (iv) an act or omission for which the liability of a director is expressly provided by an applicable statute. This provision does not affect a director's responsibilities under any other laws, such as the federal securities laws or state or federal environmental laws.

SHARES ELIGIBLE FOR FUTURE SALE

Sales of a substantial number of shares of Common Stock in the open market after this offering could adversely affect the trading price of the Common Stock. Immediately after this offering, the Selling Shareholder will hold 507,272 shares representing approximately 9.76% of the outstanding shares of Common Stock. A decision by the Selling Shareholder to sell shares of Common Stock could adversely affect the trading price of the Common Stock. Upon consummation of this offering, the Company will have 5,200,000 shares of Common Stock outstanding excluding 89,000 shares of Common Stock issuable upon exercise of outstanding employee stock options. Of such outstanding shares, the Company estimates that approximately

4,410,000 shares will be freely tradeable without restriction or further registration under the Securities Act unless purchased by an "affiliate" of the Company, as that term is defined in Rule 144 under the Securities Act. The remaining shares were acquired in transactions exempt from registration under the Securities Act and are or formerly were "restricted securities" within the meaning of Rule 144 and may not be resold unless they are registered under the Securities Act or are sold pursuant to an applicable exemption from registration, including Rule 144 under the Securities Act.

In general, under Rule 144 as currently in effect, a person (or persons whose shares are aggregated) who has beneficially owned shares for at least one year from the later of the date the shares were acquired from the Company or from an "affiliate" of the Company, is entitled to sell, within any three-month period, a number of shares that does not exceed the greater of one percent of the then outstanding shares of Common Stock or the average weekly trading volume in the Common Stock during the four calendar weeks preceding such sale. Sales under Rule 144 are also subject to the availability of certain public information about the Company, restrictions on the manner of sale and notice requirements. A person who is not deemed an affiliate of the Company under the Securities Act, has not been an affiliate during the preceding 90 days and has beneficially owned shares for at least two years from the later of the date the shares were acquired from the Company or from an "affiliate" of the Company is entitled to sell such shares under Rule 144(k) without regard to the volume limitations and other restrictions described above.

See "Underwriting" for a description of certain agreements prohibiting the Company, the directors and officers thereof and the Selling Shareholder from selling shares of Common Stock (other than the shares sold pursuant to this Prospectus) for a period of 120 days from the date of this Prospectus.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Stock is ChaseMellon Shareholder Services, L.L.C., Dallas, Texas.

UNDERWRITING

Subject to the terms and conditions of an Underwriting Agreement, the Underwriters named below, through their representatives, Raymond James & Associates, Inc. and Principal Financial Securities, Inc. (the "Representatives"), have severally agreed to purchase from the Company and the Selling Shareholder the following respective numbers of shares of Common Stock at the initial price to public less the underwriting discounts and commissions set forth on the cover page of this Prospectus:

NAME ----	NUMBER OF SHARES -----
Raymond James & Associates, Inc.....	
Principal Financial Securities, Inc.....	
Total.....	1,500,000 =====

The Underwriting Agreement provides that the obligations of the several Underwriters to pay for and accept delivery of the shares of Common Stock offered hereby are subject to certain conditions. The

Underwriters are obligated to take and pay for all shares of Common Stock offered hereby (other than those covered by the over-allotment option described below) if any such shares are to be purchased.

The Underwriters, through the Representatives, propose to offer part of the shares of Common Stock directly to the public at the offering price set forth on the cover page of this Prospectus and part of the shares to certain dealers at a price that represents a concession not in excess of \$ per share under the initial price to public. The Underwriters may allow, and such dealers may re-allow, a concession not in excess of \$ per share to certain other dealers. After the initial offering of the shares to the public, the offering price and other selling terms may be changed by the Representatives. The Representatives of the Underwriters have advised the Company that the Underwriters do not intend to confirm sales to any accounts over which they exercise discretionary authority.

The Company has granted the Underwriters an option, exercisable not later than 30 days after the date of this Prospectus, to purchase up to an aggregate of 225,000 additional shares of Common Stock, at the initial price to public, less the underwriting discounts and commissions set forth on the cover page of this Prospectus. To the extent that the Underwriters exercise such option, each of the Underwriters will have a firm commitment to purchase approximately the same percentage thereof that the number of shares of Common Stock to be purchased by it shown in the above table bears to the total shown, and the Company will be obligated, pursuant to the option, to sell such shares to the Underwriters. The Underwriters may exercise their option only to cover over-allotments made in connection with the sale of the shares of Common Stock offered hereby. If purchased, the Underwriters will sell such additional shares on the same terms as those on which the shares that the Underwriters have agreed to purchase from the Company and the Selling Shareholder are being offered.

This offering of Common Stock is made for delivery when, as and if accepted by the Underwriters and subject to prior sale and to withdrawal, cancellation or modification of this offering without notice. The Underwriters reserve the right to reject an order for the purchase of shares in whole or in part.

Until the distribution of Common Stock in this offering is completed, rules of the Securities and Exchange Commission may limit the ability of the Underwriters and certain selling group members to bid for and purchase the Common Stock. As an exception to these rules, the Representatives are permitted to engage in certain transactions that stabilize the price of the Common Stock. Such transactions consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the Common Stock. If the Underwriters create a short position in the Common Stock in connection with this offering, i.e., if they sell more shares of Common Stock than are set forth on the cover page of this Prospectus, the Representatives may reduce the short position by purchasing Common Stock in the open market. The Representatives may also elect to reduce any short position by exercising all or part of the over-allotment option described above. The Representatives may also impose a penalty bid on certain Underwriters and selling group members. This means that if the Representatives purchase shares of Common Stock in the open market to reduce the Underwriters' short position or to stabilize the price of the Common Stock, they may reclaim the amount of the selling concession from the Underwriters and selling group members who sold those shares as part of this offering. In general, purchases of a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases. The imposition of a penalty bid might also have an effect on the price of a security to the extent that it discouraged resales of any security. Neither the Company, the Selling Shareholder nor any of the Underwriters makes any representation or predictions as to the direction or magnitude of any effect that the transactions described above may have on the price of the Common Stock. In addition, neither the Company, the Selling Shareholder nor any of the Underwriters makes any representation that the Representatives will engage in such transactions or the such transactions, once commenced, will not be discontinued without notice.

The Company, the Selling Shareholder and officers and directors of the Company, which upon consummation of this offering will own or have the right to acquire in the aggregate 817,706 shares of Common Stock, have agreed that they will not, without the prior written consent of Raymond James & Associates, Inc., sell, offer to sell, contract to sell or otherwise transfer or dispose of any shares of Common Stock (other than the shares offered by the Selling Shareholder in this offering), options, rights or warrants to

acquire shares of Common Stock, or securities exchangeable for or convertible into shares of Common Stock, during the 120-day period commencing on the date of this Prospectus, except that the Company may issue shares of Common Stock upon exercise of options outstanding under the 1991 Plan and may grant additional options under the 1991 Plan, provided that without the prior written consent of Raymond James & Associates, Inc., such additional options shall not be exercisable during such period.

The Company and the Selling Shareholder have agreed to indemnify the Underwriters against, and to contribute to losses arising out of, certain civil liabilities, including liabilities under the Securities Act.

Prior to the filing of the Registration Statement of which this Prospectus is a part, the Company paid the Representatives of the Underwriters a due diligence and advisory fee in the aggregate amount of \$25,000.

The foregoing includes a summary of the principal terms of the Underwriting Agreement and does not purport to be complete. Reference is made to the form of Underwriting Agreement that is on file as an exhibit to the Registration Statement of which this Prospectus is a part.

LEGAL MATTERS

The validity of the Common Stock offered hereby will be passed upon for the Company by Stubbeman, McRae, Sealy, Laughlin & Browder, Inc., Midland, Texas. Certain matters relating to this offering will be passed upon for the Underwriters by Thompson & Knight, P.C., Dallas, Texas.

EXPERTS

The financial statements of the Company as of September 30, 1996 and 1997 and for each of the years in the three-year period ended September 30, 1997 have been included herein and in the Registration Statement in reliance upon the report of KPMG Peat Marwick LLP, independent certified public accountants, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

AVAILABLE INFORMATION

The Company has filed with the Commission a registration statement on Form S-1 (as amended and together with all exhibits thereto, the "Registration Statement") under the Securities Act with respect to the shares of Common Stock offered by this Prospectus. As permitted by the rules and regulations of the Commission, this Prospectus does not contain all of the information set forth in the Registration Statement. For further information with respect to the Company and the Common Stock offered, reference is made to the Registration Statement. Statements contained in this Prospectus concerning the provisions of any contract, agreement or other document are not necessarily complete. With respect to each contract, agreement or other document filed as an exhibit to the Registration Statement, reference is made to the exhibit for the complete contents of the exhibit, and each statement concerning its provisions is qualified in its entirety by such reference.

The Company is subject to the informational requirements of the Exchange Act, and in accordance therewith files reports, proxy statements and other information with the Commission, which can be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Judiciary Plaza, Room 1024, Washington, D.C. 20549, and at the following regional offices of the Commission: Chicago Regional Office, 500 W. Madison Street, Suite 1400, Chicago, Illinois 60661, and New York Regional Office, 7 World Trade Center, New York, New York 10048. Copies of such material may also be obtained by mail at prescribed rates from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Judiciary Plaza, Washington, D.C. 20549. The Commission maintains an Internet world wide web site that contains reports, proxy and information reports and other materials that are filed through the Commission's Electronic Data Gathering, Analysis and Retrieval System. The site can be accessed at <http://www.sec.gov>.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Dawson Geophysical Company:

We have audited the accompanying balance sheets of Dawson Geophysical Company as of September 30, 1996 and 1997, and the related statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended September 30, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dawson Geophysical Company as of September 30, 1996 and 1997, and the results of its operations and its cash flows for each of the years in the three-year period ended September 30, 1997, in conformity with generally accepted accounting principles.

KPMG PEAT MARWICK LLP

Midland, Texas

October 30, 1997

DAWSON GEOPHYSICAL COMPANY

BALANCE SHEETS

	ASSETS	
	SEPTEMBER 30,	
	1996	1997
Current assets:		
Cash and cash equivalents.....	\$ 1,493,000	\$ 4,774,000
Marketable securities.....	988,000	3,968,000
Accounts receivable.....	6,161,000	8,724,000
Income taxes receivable.....	193,000	--
Prepaid expenses.....	148,000	288,000
Total current assets.....	8,983,000	17,754,000
Property, plant and equipment.....	56,368,000	63,267,000
Less accumulated depreciation.....	(23,442,000)	(27,460,000)
Net property, plant and equipment.....	32,926,000	35,807,000
	\$ 41,909,000	\$ 53,561,000
	=====	=====
	LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:		
Current maturities of long-term debt.....	\$ 857,000	\$ 1,690,000
Accounts payable.....	2,079,000	3,956,000
Accrued liabilities:		
Payroll costs and other taxes.....	560,000	566,000
Other.....	144,000	494,000
Total current liabilities.....	3,640,000	6,706,000
Long-term debt, less current maturities.....	4,857,000	7,893,000
Deferred income taxes.....	608,000	1,417,000
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 4,199,250 shares issued and outstanding as of September 30, 1996 and 1997.....	1,387,000	1,400,000
Additional paid-in capital.....	17,021,000	17,174,000
Net unrealized loss on marketable securities.....	(5,000)	--
Retained earnings.....	14,401,000	18,971,000
Total stockholders' equity.....	32,804,000	37,545,000
Contingencies (See note 11)		
	\$ 41,909,000	\$ 53,561,000
	=====	=====

See accompanying notes to the financial statements.

DAWSON GEOPHYSICAL COMPANY
STATEMENTS OF OPERATIONS

	YEARS ENDED SEPTEMBER 30,		
	1995	1996	1997
Operating revenues.....	\$28,188,000	\$33,518,000	\$48,227,000
Operating costs:			
Operating expenses.....	20,067,000	23,763,000	32,293,000
General and administrative.....	975,000	1,299,000	1,477,000
Depreciation.....	4,150,000	5,818,000	7,321,000
	25,192,000	30,880,000	41,091,000
Income from operations.....	2,996,000	2,638,000	7,136,000
Other income (expense):			
Interest income.....	399,000	253,000	260,000
Interest expense.....	(170,000)	(144,000)	(486,000)
Gain on disposal of assets.....	76,000	11,000	196,000
Other.....	8,000	2,000	10,000
Proceeds from litigation settlement.....	131,000	--	--
Income before income tax expense.....	3,440,000	2,760,000	7,116,000
Income tax expense:			
Current.....	970,000	599,000	1,738,000
Deferred.....	296,000	273,000	808,000
	1,266,000	872,000	2,546,000
Net income.....	\$ 2,174,000	\$ 1,888,000	\$ 4,570,000
Income per common share.....	\$.54	\$.45	\$ 1.09
Weighted average equivalent common shares outstanding.....	3,989,949	4,182,891	4,201,611

See accompanying notes to the financial statements.

DAWSON GEOPHYSICAL COMPANY
STATEMENTS OF CASH FLOWS

	YEARS ENDED SEPTEMBER 30,		
	1995	1996	1997
Cash flows from operating activities:			
Net income.....	\$ 2,174,000	\$ 1,888,000	\$ 4,570,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation.....	4,150,000	5,818,000	7,321,000
Gain on disposal of assets.....	(76,000)	(11,000)	(196,000)
Non-cash interest income.....	(229,000)	(101,000)	(63,000)
Deferred income taxes.....	296,000	273,000	808,000
Other.....	--	--	91,000
Change in current assets and liabilities:			
Increase in accounts receivable.....	(704,000)	(1,153,000)	(2,563,000)
Decrease (increase) in prepaid expenses.....	(21,000)	72,000	(140,000)
Decrease (increase) in income taxes receivable.....	(126,000)	(67,000)	193,000
Increase (decrease) in accounts payable.....	548,000	(222,000)	(42,000)
Increase (decrease) in accrued liabilities.....	(118,000)	235,000	267,000
Increase (decrease) in income taxes payable.....	(121,000)	--	89,000
Net cash provided by operating activities.....	5,773,000	6,732,000	10,335,000
Cash flows from investing activities:			
Proceeds from disposal of assets.....	273,000	33,000	340,000
Capital expenditures.....	(10,961,000)	(15,597,000)	(8,528,000)
Proceeds from sale of marketable securities.....	--	2,884,000	742,000
Proceeds from maturity of marketable securities.....	7,827,000	2,100,000	750,000
Investment in marketable securities.....	(5,935,000)	(2,096,000)	(4,383,000)
Net cash used in investing activities.....	(8,796,000)	(12,676,000)	(11,079,000)
Cash flows from financing activities:			
Principal payments on debt.....	(7,875,000)	(286,000)	(927,000)
Proceeds from debt.....	1,500,000	6,000,000	4,795,000
Issuance of common stock.....	10,776,000	--	--
Proceeds from exercise of stock options.....	142,000	52,000	157,000
Net cash provided by financing activities.....	4,543,000	5,766,000	4,025,000
Net increase (decrease) in cash and cash equivalents.....	1,520,000	(178,000)	3,281,000
Cash and cash equivalents at beginning of year.....	151,000	1,671,000	1,493,000
Cash and cash equivalents at end of year.....	\$ 1,671,000	\$ 1,493,000	\$ 4,774,000

See accompanying notes to the financial statements.

DAWSON GEOPHYSICAL COMPANY
STATEMENTS OF STOCKHOLDERS' EQUITY

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	NET UNREALIZED LOSS ON MARKETABLE SECURITIES	RETAINED EARNINGS	TOTAL
	NUMBER OF SHARES	AMOUNT				
Balance, September 30, 1994.....	3,002,800	\$1,001,000	\$ 6,437,000	\$(91,000)	\$10,339,000	\$17,686,000
Issuance of common stock.....	1,114,000	371,000	10,405,000	--	--	10,776,000
Exercise of stock options.....	32,250	11,000	131,000	--	--	142,000
Net unrealized gain on marketable securities.....	--	--	--	78,000	--	78,000
Net income.....	--	--	--	--	2,174,000	2,174,000
Balance, September 30, 1995.....	4,149,050	1,383,000	16,973,000	(13,000)	12,513,000	30,856,000
Exercise of stock options.....	12,500	4,000	48,000	--	--	52,000
Net unrealized gain on marketable securities.....	--	--	--	8,000	--	8,000
Net income.....	--	--	--	--	1,888,000	1,888,000
Balance, September 30, 1996.....	4,161,550	1,387,000	17,021,000	(5,000)	14,401,000	32,804,000
Issuance of common stock.....	1,200	1,000	8,000	--	--	9,000
Exercise of stock options.....	36,500	12,000	145,000	--	--	157,000
Net unrealized gain on marketable securities.....	--	--	--	5,000	--	5,000
Net income.....	--	--	--	--	4,570,000	4,570,000
Balance September 30, 1997	4,199,250	\$1,400,000	\$17,174,000	\$ --	\$18,971,000	\$37,545,000

See accompanying notes to the financial statements.

DAWSON GEOPHYSICAL COMPANY

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

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

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

Cash Equivalents

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

Marketable Securities

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

Concentrations of Credit Risk

Financial instruments which potentially expose the Company to concentrations of credit risk, as defined by Statement of Financial Accounting Standards No. 105, consist primarily of trade accounts receivable and marketable securities. The Company's sales are to customers whose activities relate to oil and gas exploration and production. However, accounts receivable are well diversified among many customers, and a significant portion of the receivables are from major oil companies, which management believes minimizes potential credit risk. The Company generally extends unsecured credit to these customers; therefore, collection of receivables may be affected by the economy surrounding the oil and gas industry. However, the Company closely monitors extensions of credit and has not experienced significant credit losses in recent years. The Company invests primarily in U.S. Treasury securities which are a low risk investment.

Property, Plant and Equipment

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

Impairment of Long-Lived Assets

In March, 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" (Statement 121) which requires companies to assess their long-lived assets for impairment. Statement 121 requires companies to review for impairment whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable. The Company adopted

DAWSON GEOPHYSICAL COMPANY

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Statement 121 as of October 1, 1995. The effect of the adoption of Statement 121 was not material to the Company and, accordingly, no provision was recorded in the Statement of Operations for the years ended September 30, 1996 and 1997.

Income Taxes

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

Income per Common Share

Income per common share is computed based on the weighted average common shares and common share equivalents outstanding during each year. The dilutive effect of stock options granted is included in the computation of income per common share. The fully dilutive effect of common share equivalents was less than 3% for 1995, 1996 and 1997.

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128 (Statement 128), "Earnings per Share." Statement 128 establishes standards for computing and presenting earnings per share and is effective for periods ending after December 15, 1997. The impact of the adoption of Statement 128 on the Company's earnings per share is expected to be immaterial.

Use of Estimates in the Preparation of Financial Statements

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

Stock-Based Compensation

Effective October 1, 1996, the Company adopted Statement of Financial Accounting Standards No. 123, "Accounting For Stock-Based Compensation" (Statement 123). Statement 123 allows a company to adopt a fair value based method of accounting for a stock-based employee compensation plan or to continue to use the intrinsic value based method of accounting prescribed by Accounting Principles Board Opinion No. 25, "Accounting For Stock Issued To Employees" (APB No. 25). The Company has chosen to continue to account for stock-based compensation under APB No. 25 using the intrinsic value method. Under this method, the Company has not recorded any compensation expense related to stock options granted. The disclosures required by Statement 123, however, have been included in Note 5.

2. MARKETABLE SECURITIES

Marketable securities, consisting entirely of U.S. Treasury securities, had a cost and market value of approximately \$993,000 and \$988,000, respectively, at September 30, 1996. At September 30, 1997, market value approximated the cost of \$3,968,000.

DAWSON GEOPHYSICAL COMPANY

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Marketable securities held at September 30, 1997, consisting of U.S. Treasury securities, have contractual maturities from December 1997 through June 1998.

3. PROPERTY, PLANT AND EQUIPMENT

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

	SEPTEMBER 30		RATES
	1996	1997	
Land.....	\$ 836,000	\$ 836,000	--
Buildings and improvements.....	1,214,000	1,219,000	3 to 12.5 percent
Machinery and equipment.....	52,150,000	58,811,000	10 to 20 percent
Equipment in process(a).....	2,168,000	2,400,000	--
	=====	=====	
	\$56,368,000	\$63,266,000	
	=====	=====	

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

4. SHORT-TERM AND LONG-TERM DEBT

In April 1997, the Company entered into a loan agreement, as amended (the "Loan Agreement"), with Norwest Bank Texas, N.A. ("Norwest"). The Loan Agreement consists of (1) a revolving line of credit of \$6,000,000 which matures on April 15, 1999, (2) a term note in the aggregate principal amount of \$6,000,000 bearing interest at Norwest's prime rate and which matures on March 15, 2003 and (3) a term note in the aggregate principal amount of \$5,000,000 bearing interest at the prime rate as published in The Wall Street Journal and which matures on April 15, 2003. The \$5,000,000 term note, together with working capital, were utilized to finance the purchase of equipment placed into service in August 1997. The term notes are secured by eligible accounts receivable and equipment purchased from loan proceeds. At September 30, 1997, approximately \$9.5 million was outstanding under the term notes all of which were bearing interest at 8.5% per annum.

At September 30, 1997, the current maturity of the long-term debt is \$1,690,000. For fiscal years 1998 through 2002, the annual maturity is \$1,690,000, and for fiscal year 2003, the annual maturity will be the balance. As of September 30, 1997, the Company has not utilized the revolving line of credit.

DAWSON GEOPHYSICAL COMPANY

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

5. STOCK OPTIONS

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

The transactions under the 1991 Plan are summarized as follows:

	OPTION PRICE PER SHARE	NUMBER OF OPTIONED SHARES
	-----	-----
Balance as of September 30, 1994.....	\$3.625 to \$8.875	135,000
Granted.....	\$11.25	17,000
Exercised.....	\$3.625 to \$4.75	(32,250)
Cancelled or expired.....	\$4.75 to \$8.875	(7,000)
	-----	-----
Balance as of September 30, 1995.....	\$4.25 to \$11.25	112,750
Exercised.....	\$4.25	(12,500)
	-----	-----
Balance as of September 30, 1996.....	\$4.25 to \$11.25	100,250
Granted.....	\$24.125	30,000
Exercised.....	\$4.25 to \$8.875	(36,500)
Cancelled or expired.....	\$4.25	(4,000)
	-----	-----
Balance as of September 30, 1997.....	\$7.25 to \$24.125	89,750
	=====	=====

Options for 54,250, 73,000 and 47,500 shares were exercisable as of September 30, 1995, 1996 and 1997, respectively.

Options for 30,000 shares were granted in fiscal year 1997 and none were granted in 1996. The expected life of the options granted is 5 years. The weighted average fair value of options granted during 1997 is \$10.64. The fair value of each option grant is estimated on the date of grant, using the Black-Scholes options-pricing model. The model assumed expected volatility of 42% and risk-free interest rate of 6.4% for grants in 1997. As the Company has not declared dividends since it became a public entity, no dividend yield was used. Actual value realized, if any, is dependent on the future performance of the Company's common stock and overall stock market conditions. There is no assurance the value realized by an optionee will be at or near the value estimated by the Black-Scholes model.

Outstanding options at September 30, 1997 expire between September 1998 and September 2002.

As discussed in Note 1, no compensation expense has been recorded in 1997 for the Company's stock options under the intrinsic value method. Had compensation cost for the 1991 Plan been determined based on the fair value at the grant dates for awards made after September 30, 1995 under the 1991 Plan, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

		YEAR ENDED SEPTEMBER 30, 1997

Net income	As reported	\$4,570,000
	Pro forma	\$4,352,000
Earnings per share	As reported	\$ 1.09
	Pro forma	\$ 1.04

Under the provisions of Statement No. 123, the pro forma disclosures above indicate only the effects of stock options granted by the Company subsequent to September 30, 1995. During this initial phase-in period,

DAWSON GEOPHYSICAL COMPANY

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

the pro forma disclosures as required by Statement No. 123 are not representative of the effects on reported net income for future years as options vest over several years and additional awards are generally made each year.

6. EMPLOYEE STOCK PURCHASE PLAN

The Company has an employee stock purchase plan to invest in the Company's common stock for the benefit of eligible employees. Participants were entitled to contribute a percentage, not to exceed 5%, of their biweekly salary to the plan. On a bi-weekly basis, the Company matches the participants' contributions and directs the purchase of shares of the Company's common stock. There are no vesting requirements for the participants. The Company contributed \$164,530, \$198,863 and \$217,723 to the plan during 1995, 1996 and 1997, respectively.

7. INCOME TAXES

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

	YEAR ENDED SEPTEMBER 30,		
	1995	1996	1997
Current:			
U.S. federal.....	\$ 859,000	\$ 596,000	\$1,585,000
State.....	111,000	3,000	153,000
	970,000	599,000	1,738,000
Deferred -- U.S. federal.....	296,000	273,000	808,000
Total.....	<u>\$1,266,000</u>	<u>\$ 872,000</u>	<u>\$2,546,000</u>

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

	YEAR ENDED SEPTEMBER 30,		
	1995	1996	1997
Expense computed at statutory rates.....	\$1,169,000	\$ 938,000	\$2,420,000
Effect of:			
State income taxes, net of federal income tax benefit.....	73,000	10,000	101,000
Other.....	24,000	(76,000)	25,000
Income tax expense.....	<u>\$1,266,000</u>	<u>\$ 872,000</u>	<u>\$2,546,000</u>

A valuation allowance is provided when it is more likely than not that some portion of the deferred tax assets will not be realized.

8. STATEMENT OF CASH FLOWS

The Company paid current and estimated tax payments of \$1,019,000, \$619,000 and \$1,553,000 in 1995, 1996 and 1997, respectively. Payments of interest were \$170,000, \$144,000 and \$486,000 in 1995, 1996 and 1997, respectively. During 1995, the Company exchanged certain land and buildings plus cash of \$425,000 for buildings and land held by a third party.

DAWSON GEOPHYSICAL COMPANY

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

9. MAJOR CUSTOMERS

The Company operates in only one business segment, contract seismic data acquisition and processing services. The major customers in 1995 and 1996 varied and sales to these customers, as a percentage of operating revenues, for periods in which sales to these customers exceeded 10%, were as follows:

	1995	1996
	----	----
Customer A.....	--	11%
Customer B.....	20%	--
Customer C.....	16%	--

During 1997, sales to no customers exceeded 10% of operating revenue.

10. EQUITY OFFERING

During the first quarter of fiscal 1995, the Company completed a public offering of 1,114,000 shares with net proceeds of approximately \$10,776,000 used to acquire seismic equipment and retire debt.

11. CONTINGENCIES

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

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

DAWSON GEOPHYSICAL COMPANY

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

12. QUARTERLY FINANCIAL DATA (UNAUDITED)

	QUARTER ENDED			
	DECEMBER 31	MARCH 31	JUNE 30	SEPTEMBER 30
1996:				
Operating revenues.....	\$ 7,358,000	\$ 8,572,000	\$ 8,555,000	\$ 9,033,000
Income from operations.....	\$ 56,000	\$ 931,000	\$ 750,000	\$ 901,000
Net income.....	\$ 77,000	\$ 630,000	\$ 514,000	\$ 667,000
Net Income per common share.....	\$.02	\$.15	\$.12	\$.16
1997:				
Operating revenues.....	\$10,063,000	\$11,721,000	\$12,520,000	\$13,923,000
Income from operations.....	\$ 1,078,000	\$ 1,566,000	\$ 2,322,000	\$ 2,180,000
Net income.....	\$ 657,000	\$ 1,090,000	\$ 1,501,000	\$ 1,322,000
Net Income per common share.....	\$.16	\$.26	\$.36	\$.31

NO DEALER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THIS OFFERING AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY, THE SELLING SHAREHOLDER OR THE UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, TO ANY PERSON IN ANY JURISDICTION IN WHICH SUCH OFFER TO SELL OR SOLICITATION IS NOT AUTHORIZED, OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO, OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY OR THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

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=====

1,500,000 SHARES

[DAWSON LOGO]

DAWSON
 GEOPHYSICAL
 COMPANY

COMMON STOCK

 PROSPECTUS

RAYMOND JAMES & ASSOCIATES, INC.

PRINCIPAL FINANCIAL SECURITIES, INC.

, 1997

=====

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, incurred or to be incurred in connection with the sale of the common Stock being registered (all amounts are estimated except the SEC registration fee, the NASD filing fee and the Nasdaq National Market filing fee) all of which will be paid by the Registrant:

SEC registration fee.....	\$ 11,826.70
NASD filing fee.....	4,403.00
Nasdaq National Market filing fee.....	17,500.00
Printing and engraving costs.....	140,000.00
Legal fees and expenses.....	125,000.00
Accounting fees and expenses.....	35,000.00
Blue Sky fees and expenses.....	10,000.00
Transfer agent and registrar fees.....	5,000.00
Miscellaneous.....	51,270.30

Total.....	\$400,000.00
	=====

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Article Seven of the Articles of Incorporation, as amended, of Dawson Geophysical Company (the "Registrant") provides as follows:

"A director of the corporation shall not be personally liable to the corporation or its shareholders for monetary damages for an act or omission in such director's capacity as a director, except for liability for (i) a breach of a director's duty of loyalty to the corporation or its shareholders; (ii) an act or omission not in good faith or that involves intentional misconduct or a knowing violation of the law; (iii) a transaction from which a director received an improper benefit, whether or not the benefit resulted from an action taken within the scope of the director's office; (iv) an act or omission for which the liability of a director is expressly provided by statute; or (v) an act related to an unlawful stock repurchase or payment of a dividend. If the laws of the State of Texas are hereafter amended to authorize corporate action further eliminating or limiting the personal liability of a director of the corporation, then the liability of a director of the corporation shall thereupon automatically be eliminated or limited to the fullest extent permitted by such laws. Any repeal or modification of this Article Seven by the shareholders of the corporation shall not adversely affect any right or protection of a director existing at the time of such repeal or modification with respect to events or circumstances occurring or existing prior to such time."

Article IX of the Bylaws of the Registrant provides that:

"To the extent permitted by Texas Business Corporation Act Article 2.02-1, the corporation shall indemnify any present or former Director, officer, employee, or agent of the corporation against judgments, penalties (including excise and similar taxes), fines, settlements, and reasonable expenses actually incurred by the person in connection with a proceeding in which the person was, is, or is threatened to be made a named defendant or respondent because the person is or was a Director, officer, employee, or agent of the corporation."

Article 2.02-1 of the Texas Business Corporation Act permits corporations to indemnify a person who was or is a director, officer, employee, or agent of a corporation or who serves at the corporation's request as a director, officer, partner, proprietor, trustee, employee, or agent of another corporation, partnership, trust, joint venture, or other enterprise (an "outside enterprise"), who was, is, or is threatened to be named a defendant in a legal proceeding by virtue of such person's position in the corporation or in an outside enterprise, but only if

the person acted in good faith and reasonably believed, in the case of conduct in the person's official capacity, that the conduct was in or, in the case of all other conduct, that the conduct was not opposed to the corporation's best interest, and, in the case of a criminal proceeding, the person had no reasonable cause to believe the conduct was unlawful. A person may be indemnified within the above limitations against judgments, penalties (including excise and similar taxes), fines, settlements, and reasonable expenses actually incurred; however, indemnification is limited to reasonable expenses actually incurred in a proceeding in which the person is found liable to the corporation or is found to have improperly received a personal benefit and shall not be made in respect of any proceeding in which the person shall have been found liable for willful or intentional misconduct in the performance of his duty to the corporation. A corporation must indemnify a director, officer, employee, or agent against reasonable expenses incurred in connection with a proceeding in which the person is a party because of the person's corporate position, if the person was successful, on the merits or otherwise, in the defense of the proceeding. Under certain circumstances, a corporation may also advance expenses to such person.

Indemnification can be made by the corporation only upon a determination made in the manner prescribed by the statute that indemnification is proper in the circumstances because the party seeking indemnification has met the applicable standard of conduct as set forth in Article 2.02-1 of the Texas Business Corporation Act.

Article 2.02-1 of the Texas Business Corporation Act also permits a corporation to purchase and maintain insurance or to make other arrangements on behalf of any of the above persons against any liability asserted against and incurred by the person in such capacity, or arising out of the person's status as such a person, whether or not the corporation would have the powers to indemnify the person against the liability under applicable law.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

The following information relates to all securities sold by the Registrant within the past three years and not registered under the Securities Act of 1933 (the "Securities Act").

The only securities sold by the Registrant within the past three years and not registered under the Securities Act have been in connection with the exercise of employee stock options granted to certain key employees of the Registrant pursuant to the Registrant's 1991 Incentive Stock Option Plan. During the past three years, 17 employees of the Company exercised stock options for the purchase of a total of 81,250 shares of Common Stock at an average exercise price of \$4.33 per share.

Each of the transactions described above was conducted in reliance upon the exemption from registration provided in Section 4(2) of the Securities Act and the rules and regulations promulgated thereunder. Furthermore, each of the certificates representing the Registrant's securities issued in connection with such transactions contains a restrictive legend, as appropriate, and each person acquiring such securities from the Registrant furnished investment representations to the Registrant and no underwriters participated in such transactions.

No other sales of securities were made by the Registrant during the past three year period.

SCHEDULES:

The schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

ITEM 16. EXHIBITS.

Exhibits.

EXHIBIT NO. -----	DESCRIPTION OF EXHIBIT -----
1.1	-- Proposed form of Underwriting Agreement.
3.1 (2)	-- Restated and Amended Articles of Incorporation of Dawson Geophysical Company.
3.2 (2)	-- Bylaws of Dawson Geophysical Company.
5.1	-- Opinion of Stubbeman, McRae, Sealy, Laughlin & Browder, Inc., counsel for the Company.
10.1 (2)	-- Form of Short Term Seismograph Service Agreement for Periodic Performance between Dawson Geophysical Company and clients.
10.2 (2)	-- Form of Supplemental Agreement for Geophysical Services for seismograph services between Dawson Geophysical Company and clients.
10.3 (2)	-- License Agreement granting license to use system for seismic exploration, dated May 15, 1992 between Dawson Geophysical Company and Techno Geophysical Services, Ltd.
10.4 (2)	-- Dawson Geophysical Company 1991 Incentive Stock Option Plan.
10.5 (2)	-- Dawson Geophysical Company Employee Stock Purchase Plan.
10.6 (3)	-- Loan Agreement dated April 1, 1996 by and between Dawson Geophysical Company and Norwest Bank Texas, N.A.
10.7 (4)	-- First Amendment to Loan Agreement, dated April 15, 1997.
10.8 (3)	-- Security Agreement dated April 1, 1996 relating to the Loan Agreement between Dawson Geophysical Company and Norwest Bank Texas, N.A.
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10.10(3)	-- Term Note of Dawson Geophysical Company dated April 1, 1996.
10.11(3)	-- Revolving Note of Dawson Geophysical Company dated April 1, 1996.
10.12(4)	-- Term Note of Dawson Geophysical Company dated April 15, 1997.
10.13(4)	-- Revolving Note of Dawson Geophysical Company, Dated April 15, 1997.
23.1	-- Consent of KPMG Peat Marwick LLP
23.2	-- Consent of Stubbeman, McRae, Sealy, Laughlin & Browder, Inc. (included in their opinion filed as Exhibit 5.1).
24.1 (1)	-- Power of Attorney.

(1) Previously filed.

(2) Incorporated by reference to Registrant's Form S-1, dated October 19, 1994 (Commission File No. 33-85328).

(3) Incorporated by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1996.

(4) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997.

ITEM 17. UNDERTAKINGS

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnifica-

tion is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer, or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Amendment No. 1 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Midland, and the State of Texas, on the 12th day of November, 1997.

DAWSON GEOPHYSICAL COMPANY

By /s/ L. DECKER DAWSON

L. Decker Dawson
President

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 1 to the Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

SIGNATURE -----	TITLE -----	DATE -----
/s/ L. DECKER DAWSON ----- L. Decker Dawson	Director, President (Principal Executive Officer)	November 12, 1997
/s/ FLOYD B. GRAHAM* ----- Floyd B. Graham	Director, Executive Vice President	November 12, 1997
/s/ HOWELL W. PARDUE* ----- Howell W. Pardue	Director, Executive Vice President	November 12, 1997
/s/ CALVIN J. CLEMENTS* ----- Calvin J. Clements	Director	November 12, 1997
/s/ MATTHEW P. MURPHY* ----- Matthew P. Murphy	Director	November 12, 1997
/s/ TIM C. THOMPSON* ----- Tim C. Thompson	Director	November 12, 1997
/s/ CHRISTINA W. HAGAN* ----- Christina W. Hagan	Vice President, Chief Financial Officer (Principal Financial and Accounting Officer)	November 12, 1997
*By: /s/ L. DECKER DAWSON ----- L. Decker Dawson Attorney-in-fact		

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10.13(4)	-- Revolving Note of Dawson Geophysical Company, dated April 15, 1997.
23.1	-- Consent of KPMG Peat Marwick LLP
23.2	-- Consent of Stubbeman, McRae, Sealy, Laughlin & Browder, Inc. (included in their opinion filed as Exhibit 5.1).
24.1 (1)	-- Power of Attorney.

(1) Previously filed.

(2) Incorporated by reference to Registrant's Form S-1, dated October 19, 1994 (Commission File No. 33-85328).

(3) Incorporated by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1996.

(4) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997.

1,500,000 SHARES*

DAWSON GEOPHYSICAL COMPANY

COMMON STOCK

UNDERWRITING AGREEMENT

St. Petersburg, Florida
November , 1997

Raymond James & Associates, Inc.
Principal Financial Securities, Inc.
As Representatives of the Several Underwriters
c/o Raymond James & Associates, Inc.
880 Carillon Parkway
St. Petersburg, Florida 33716

Ladies and Gentlemen:

Dawson Geophysical Company, a Texas corporation (the "Company"), proposes, subject to the terms and conditions stated herein, to issue and sell an aggregate of 1,000,000 shares of common stock, \$.33 1/3 par value per share (the "Common Stock"), of the Company, to the several underwriters named in Schedule I hereto (the "Underwriters"), and L. Decker Dawson (the "Selling Shareholder") proposes, subject to the terms and conditions stated herein, to sell to the Underwriters an aggregate of 500,000 shares of the Common Stock (the aggregate of such 1,500,000 shares to be sold by the Company and the Selling Shareholder hereinafter referred to as the "Firm Shares"). In addition, the Company has agreed to sell to the Underwriters, upon the terms and conditions set forth herein, up to an additional 225,000 shares (the "Additional Shares") of the Common Stock to cover over-allotments by the Underwriters, if any. The Firm Shares and the Additional Shares are hereinafter collectively referred to as the "Shares."

The Company and the Selling Shareholder, acting severally and jointly, wish to confirm as follows their agreement with you and the other several Underwriters, on whose behalf you are

* Plus an additional 225,000 shares subject to the Underwriters over-allotment option.

acting, in connection with the several purchases of the Shares from the Company and the Selling Shareholder.

1. REGISTRATION STATEMENT AND PROSPECTUS. The Company has prepared and filed with the Securities and Exchange Commission (the "Commission") in accordance with the provisions of the Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder (collectively, the "Act"), a registration statement on Form S-1 (File No. 333-38393), including a prospectus subject to completion, relating to the Shares. Such registration statement, as amended at the time when it becomes effective and as thereafter amended by post-effective amendment, is referred to in this Agreement as the "Registration Statement." The prospectus in the form included in the Registration Statement (including any prospectus subject to completion meeting the requirements of Rule 434(b) under the Act provided by the Company with any term sheet meeting the requirements of such Rule 434(b) as the prospectus provided to meet the requirements of Section 10(a) of the Act), or, if the prospectus included in the Registration Statement omits information in reliance upon Rule 430A under the Act and such information is included in a prospectus filed with the Commission pursuant to Rule 424(b) under the Act or as part of a post-effective amendment to the Registration Statement after the Registration Statement becomes effective, the prospectus as so filed, is referred to in this Agreement as the "Prospectus." The prospectus subject to completion in the form included in the Registration Statement at the time of the initial filing of such Registration Statement with the Commission and as such prospectus is amended from time to time until the date of the Prospectus, is referred to in this Agreement as the "Prepricing Prospectus."

2. AGREEMENTS TO SELL AND PURCHASE. The Company and the Selling Shareholder hereby agree, severally and not jointly, to sell the Firm Shares to the Underwriters and, upon the basis of the representations, warranties and agreements of the Company and the Selling Shareholder herein contained and subject to all the terms and conditions set forth herein, each Underwriter agrees, severally and not jointly, to purchase from the Company and the Selling Shareholder at a purchase price of \$___ per Share (the "purchase price per Share"), the number of Firm Shares set forth opposite the name of such Underwriter in Schedule I hereto (or such number of Firm Shares as adjusted pursuant to Section 11 hereof).

The Company hereby also agrees to sell to the Underwriters, and upon the basis of the representations, warranties and agreements of the Company and the Selling Shareholder herein contained and subject to all the terms and conditions set forth herein, the Underwriters shall have the right for 30 days from the date of the Prospectus to purchase from the Company up to 225,000 Additional Shares at the purchase price per Share for the Firm Shares. The Additional Shares may be purchased solely for the purpose of covering over-allotments, if any, made in connection with the offering of the Firm Shares. If any Additional Shares are to be purchased, each Underwriter, severally and not jointly, agrees to purchase the number of Additional Shares (subject to such adjustments as you may determine to avoid fractional shares) which bears the same proportion to the total number of Additional Shares to be purchased by the Underwriters as the number of Firm Shares set forth opposite the name of such Underwriter in Schedule I hereto (or such number of Firm Shares as adjusted pursuant to Section 11 hereof) bears to the total number of Firm Shares.

3. TERMS OF PUBLIC OFFERING. The Company and the Selling Shareholder have been advised by you that the Underwriters propose severally, and not jointly, to make a public offering of their respective portions of the Shares as soon after the Registration Statement and this Agreement have become effective as in your judgment is advisable and initially to offer the Shares upon the terms set forth in the Prospectus.

4. DELIVERY OF THE SHARES AND PAYMENT THEREFOR. Delivery to the Underwriters of the Firm Shares and payment therefor shall be made at the offices of Raymond James & Associates, Inc., 880 Carillon Parkway, St. Petersburg, Florida, at 10:00 a.m., St. Petersburg, Florida time, on November __, 1997 (the "Closing Date"). The place of closing for the Firm Shares and the Closing Date may be varied by agreement between you and the Company.

Delivery to the Underwriters of and payment for any Additional Shares to be purchased by the Underwriters shall be made at the offices of Raymond James & Associates, Inc., 880 Carillon Parkway, St. Petersburg, Florida, at 10:00 a.m., St. Petersburg, Florida time, on such date or dates (the "Additional Closing Date") (which may be the same as the Closing Date but shall in no event be earlier than the Closing Date nor earlier than three nor later than ten business days after the giving of the notice hereinafter referred to) as shall be specified in a written notice from you on behalf of the Underwriters to the Company of the Underwriters' determination to purchase a number, specified in such notice, of Additional Shares. Such notice may be given to the Company by you at any time within 30 days after the date of the Prospectus. The place of closing for the Additional Shares and the Additional Closing Date may be varied by agreement among you and the Company.

Certificates for the Firm Shares and for any Additional Shares to be purchased hereunder shall be registered in such names and in such denominations as you shall request prior to 1:00 p.m., St. Petersburg, Florida time, not later than the second full business day preceding the Closing Date or the Additional Closing Date, as the case may be. Such certificates shall be made available to you in St. Petersburg, Florida for inspection and packaging not later than 9:30 a.m., St. Petersburg, Florida time, on the business day immediately preceding the Closing Date or the Additional Closing Date, as the case may be. The certificates evidencing the Firm Shares and any Additional Shares to be purchased hereunder shall be delivered to you on the Closing Date or the Additional Closing Date, as the case may be, against payment of the purchase price therefor by certified or official bank check or checks payable in New York Clearing House (next day) funds.

5. COVENANTS AND AGREEMENTS OF THE COMPANY. The Company covenants and agrees with the several Underwriters as follows:

a. The Company will use its best efforts to cause the Registration Statement to become effective and will advise you promptly and, if requested by you, will confirm such advice in writing (i) when the Registration Statement has become effective and when any post-effective amendment thereto becomes effective, (ii) if Rule 430A under the Act is employed, when the Prospectus has been timely filed pursuant to Rule 424(b) under the Act, (iii) of any request by the Commission for amendments or supplements to the Registration Statement, any Prepricing Prospectus or the Prospectus or for additional

information, (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or of the suspension of qualification of the Shares for offering or sale in any jurisdiction or the initiation of any proceeding for such purposes and (v) within the period of time referred to in the first sentence of Section 5(e) below, of any change in the Company's condition (financial or other), business, prospects, properties, net worth or results of operations, or of any event that comes to the attention of the Company that makes any statement made in the Registration Statement or the Prospectus (as then amended or supplemented) untrue in any material respect or that requires the making of any additions thereto or changes therein in order to make the statements therein not misleading in any material respect, or of the necessity to amend or supplement the Prospectus (as then amended or supplemented) to comply with the Act or any other law. If at any time the Commission shall issue any stop order suspending the effectiveness of the Registration Statement, the Company will make every reasonable effort to obtain the withdrawal of such order at the earliest possible time.

b. The Company will furnish to you, without charge, two signed duplicate originals of the Registration Statement as originally filed with the Commission and of each amendment thereto, including financial statements and all exhibits thereto, and will also furnish to you, without charge, such number of conformed copies of the Registration Statement as originally filed and of each amendment thereto as you may reasonably request.

c. The Company will not file any amendment to the Registration Statement or make any amendment or supplement to the Prospectus of which you shall not previously have been advised (with a reasonable opportunity to review such amendment or supplement) or to which you have reasonably objected after being so advised.

d. Prior to the execution and delivery of this Agreement, the Company has delivered or will deliver to you, without charge, in such quantities as you have requested or may hereafter reasonably request, copies of each form of the Prepricing Prospectus. The Company consents to the use, in accordance with the provisions of the Act and with the securities or Blue Sky laws of the jurisdictions in which the Shares are offered by the several Underwriters and by dealers, prior to the date of the Prospectus, of each Prepricing Prospectus so furnished by the Company.

e. As soon after the execution and delivery of this Agreement as is practicable and thereafter from time to time for such period as in the reasonable opinion of counsel for the Underwriters a prospectus is required by the Act to be delivered in connection with sales by any Underwriter or a dealer, and for so long a period as you may request for the distribution of the Shares, the Company will deliver to each Underwriter, without charge, as many copies of the Prospectus (and of any amendment or supplement thereto) as they may reasonably request. The Company consents to the use of the Prospectus (and of any amendment or supplement thereto) in accordance with the provisions of the Act and with the securities or Blue Sky laws of the jurisdictions in which the Shares are offered by the several Underwriters and by all dealers to whom Shares may be sold, both in connection

with the offering and sale of the Shares and for such period of time thereafter as the Prospectus is required by the Act to be delivered in connection with sales by any Underwriter or dealer. If at any time during the nine-month period referred to in Section 10(a)(3) of the Act any event shall occur that in the judgment of the Company or in the opinion of counsel for the Underwriters is required to be set forth in the Prospectus (as then amended or supplemented) or should be set forth therein in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or if it is necessary to supplement or amend the Prospectus to comply with the Act or any other law, the Company will forthwith prepare and, subject to Sections 5(a) and 5(c) hereof, file with the Commission and use its best efforts to cause to become effective as promptly as possible an appropriate supplement or amendment thereto, and will furnish to each Underwriter who has previously requested Prospectuses, without charge, a reasonable number of copies thereof.

f. The Company will cooperate with you and counsel for the Underwriters in connection with the registration or qualification of the Shares for offering and sale by the several Underwriters and by dealers under the securities or Blue Sky laws of such jurisdictions as you may reasonably designate and will file such consents to service of process or other documents as may be reasonably necessary in order to effect such registration or qualification; provided that in no event shall the Company be obligated to qualify to do business in any jurisdiction where it is not now so qualified or to take any action which would subject it to service of process in suits, other than those arising out of the offering or sale of the Shares, in any jurisdiction where it is not now so subject.

g. The Company will make generally available to its security holders a consolidated earnings statement (in form complying with the provisions of Rule 158), which need not be audited, covering a twelve-month period commencing after the effective date of the Registration Statement and ending not later than 15 months thereafter, as soon as practicable after the end of such period, which consolidated earnings statement shall satisfy the provisions of Section 11(a) of the Act.

h. During the period ending five years from the date hereof, the Company will furnish to you and, upon your request, to each of the other Underwriters, (i) as soon as available, a copy of each proxy statement, quarterly or annual report or other report of the Company mailed to shareholders or filed with the Commission, the National Association of Securities Dealers, Inc. ("NASD") or any securities exchange or quotation system on which any class of securities of the Company is listed or traded and (ii) from time to time such other information concerning the Company as you may reasonably request.

i. If this Agreement shall terminate or shall be terminated after execution pursuant to any provision hereof (except pursuant to a termination under Section 11 hereof) or if this Agreement shall be terminated by the Underwriters because of any inability, failure or refusal on the part of the Company or the Selling Shareholder to perform any agreement herein or to comply with any of the terms or provisions hereof, the Company agrees to reimburse you and the other Underwriters for all out-of-pocket

expenses (including travel expenses and fees and expenses of counsel for the Underwriters) incurred by you in connection herewith, such fees and expenses not to exceed \$50,000.

j. The Company will apply the net proceeds from the sale of the Shares to be sold by it hereunder for the purposes set forth under "Use of Proceeds" in the Prospectus.

k. If Rule 430A under the Act is employed, the Company will timely file the Prospectus pursuant to Rule 424(b) under the Act.

l. For a period of 120 days after commencement of the public offering of the Shares by the Underwriters, without the prior written consent of Raymond James & Associates, Inc., the Company will not sell, contract to sell or otherwise dispose of any Common Stock or rights to purchase Common Stock, except to the Underwriters pursuant to this Agreement; provided, however, that the Company may issue to participants in its 1991 Incentive Stock Option Plan, as currently in effect, shares of Common Stock upon the exercise of currently outstanding options that are or that become exercisable during such 120-day period and may grant additional options under the 1991 Stock Incentive Plan, provided that without the prior written consent of Raymond James & Associates, Inc., such additional options shall not be exercisable during such 120-day period.

m. Prior to the Closing Date or the Additional Closing Date, as the case may be, the Company will furnish to you, as promptly as possible, copies of any unaudited interim financial statements of the Company for any period subsequent to the periods covered by the financial statements appearing in the Prospectus.

n. The Company will comply with all provisions of any undertakings contained in the Registration Statement.

o. The Company will not at any time, directly or indirectly take any action designed, or which might reasonably be expected to cause or result in, or which will constitute, stabilization or manipulation of the price of the shares of Common Stock to facilitate the sale or resale of any of the Shares.

p. The Company will use its best efforts to qualify or register its Common Stock for sale in non-issuer transactions under (or obtain exemptions from the application of) the Blue Sky laws of each state where necessary to permit market making transactions and secondary trading, and will comply with such Blue Sky laws and will continue such qualifications, registrations and exemptions in effect for a period of five years after the date hereof.

q. The Company will timely file within the National Association of Securities Dealers Automated Quotation ("Nasdaq") National Market all documents and notices required by the Nasdaq National Market of companies that have issued securities that are

traded in the over-the-counter market and quotations for which are reported by the Nasdaq National Market.

r. The Company will file with the Commission such reports on Form SR as may be required pursuant to Rule 463 under the Act.

6. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company represents and warrants to each Underwriter on the date hereof, and shall be deemed to represent and warrant to each Underwriter on the Closing Date and the Additional Closing Date, that:

a. Each Prepricing Prospectus included as part of the Registration Statement as originally filed or as part of any amendment or supplement thereto, or filed pursuant to Rule 424(a) under the Act, complied when so filed in all material respects with the provisions of the Act, except that this representation and warranty does not apply to statements in or omissions from such Prepricing Prospectus (or any amendment or supplement thereto) made in reliance upon and in conformity with information relating to any Underwriter furnished to the Company in writing by or on behalf of any Underwriter through you expressly for use therein. The Commission has not issued any order preventing or suspending the use of any Prepricing Prospectus. Any term sheet and prospectus subject to completion provided by the Company to the Underwriters for use in connection with the offering and sale of the Shares pursuant to Rule 434 under the Act together are not materially different from the last Prepricing Prospectus included as part of the Registration Statement at the time of its effectiveness (exclusive of any information deemed to be a part thereof by virtue of Rule 434(d) under the Act).

b. The Registration Statement, in the form in which it becomes effective and also in such form as it may be when any post-effective amendment thereto shall become effective, and the Prospectus, and any supplement or amendment thereto when filed with the Commission under Rule 424(b) under the Act, will comply in all material respects with the provisions of the Act and will not at any such times contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, except that this representation and warranty does not apply to statements in or omissions from the Registration Statement or the Prospectus (or any amendment or supplement thereto) made in reliance upon and in conformity with information relating to any Underwriter furnished to the Company in writing by or on behalf of any Underwriter through you expressly for use therein.

c. The capitalization of the Company is and will be as set forth in the Prospectus as of the date set forth therein. All the outstanding shares of Common Stock of the Company (including the Shares owned by the Selling Shareholder) have been, and as of the Closing Date will be, duly authorized and validly issued, are fully paid and nonassessable and are free of any preemptive or similar rights; the Shares to be issued and sold to the Underwriters by the Company hereunder have been duly authorized and, when issued and delivered to the Underwriters against payment therefor in accordance with the terms hereof, will be validly issued, fully paid and nonassessable and free of any preemptive or similar rights; the capital stock of the

Company conforms to the description thereof in the Registration Statement and the Prospectus (or any amendment or supplement thereto); and the delivery of certificates for the Shares pursuant to the terms of this Agreement and payment for the Shares will pass valid title to the Shares, free and clear of any claim, encumbrance or defect in title to the several Underwriters purchasing the Shares in good faith and without notice of any lien, claim or encumbrance. The certificates for the Shares are or will be in valid and sufficient form.

d. The Company is a corporation duly organized and validly existing in good standing under the laws of the State of Texas with full power and authority to own, lease and operate its properties and to conduct its business as presently conducted and as described in the Registration Statement and the Prospectus (and any amendment or supplement thereto), and is duly registered and qualified to conduct its business and is in good standing in each jurisdiction or place where the nature of its properties or the conduct of its business requires such registration or qualification, except where the failure to so register or qualify does not have a material adverse effect on the condition (financial or other), business, properties, net worth or results of operations of the Company. The Company does not have any Subsidiaries.

e. There are no legal or governmental proceedings pending or, to the best knowledge of the Company, threatened, against the Company, or to which the Company, or to which any of its respective properties, is subject, that are required to be described in the Registration Statement or the Prospectus (or any amendment or supplement thereto) but are not described as required. Except as described in the Prospectus, there is no action, suit, inquiry, proceeding, or investigation by or before any court or governmental or other regulatory or administrative agency or commission pending or, to the best knowledge of the Company, threatened, against or involving the Company, which might individually or in the aggregate prevent or adversely affect the transactions contemplated by this Agreement or result in a material adverse change in the condition (financial or otherwise), properties, business, results of operations or prospects of the Company, nor is there any basis for any such action, suit, inquiry, proceeding, or investigation. There are no agreements, contracts, indentures, leases or other instruments that are required to be described in the Registration Statement or the Prospectus (or any amendment or supplement thereto) or to be filed as an exhibit to the Registration Statement that are not described or filed as required by the Act. All such contracts to which the Company is a party have been duly authorized, executed and delivered by the Company, constitute valid and binding agreements of the Company and are enforceable against the Company in accordance with the terms thereof, and neither the Company nor to the best of the Company's knowledge, any other party, is in breach of or default under any of such contracts.

f. The Company is not in violation of its certificate or articles of incorporation or bylaws, or other organizational documents, or of any law, ordinance, administrative or governmental rule or regulation applicable to the Company or of any decree of any court or governmental agency or body having jurisdiction over the Company, or in default in

any material respect in the performance of any obligation, agreement or condition contained in (i) any bond, debenture, note or any other evidence of indebtedness, or (ii) any material agreement, indenture, lease or other instrument to which the Company is a party or by which it or any of its properties may be bound; and there does not exist any state of facts which constitutes an event of default on the part of the Company as defined in such documents or which, with notice or lapse of time or both, would constitute such an event of default.

g. The execution and delivery of this Agreement and the performance by the Company of its obligations under this Agreement have been duly and validly authorized by the Company, and this Agreement has been duly executed and delivered by the Company and constitutes the valid and legally binding agreement of the Company, enforceable against the Company in accordance with its terms.

h. Neither the issuance and sale of the Shares, the execution, delivery or performance of this Agreement by the Company nor the consummation by the Company of the transactions contemplated hereby (i) requires any consent, approval, authorization or other order of or registration or filing with, any court, regulatory body, administrative agency or other governmental body, agency or official (except such as may be required for the registration of the Shares under the Act and compliance with the securities or Blue Sky laws of various jurisdictions, all of which will be, or have been, effected in accordance with this Agreement) or conflicts with or will conflict with or constitutes or will constitute a breach of, or a default under, the certificate or articles of incorporation or bylaws, or other organizational documents, of the Company or (ii) conflicts or will conflict with or constitutes a breach of, or a default under, any agreement, indenture, lease or other instrument to which the Company is a party or by which it or any of its properties may be bound, or violates any statute, law, regulation or filing or judgment, injunction, order or decree applicable to the Company or any of its properties, or results in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company pursuant to the terms of any agreement or instrument to which it is a party or by which it may be bound or to which any of its property or assets is subject.

i. Except as described in the Prospectus, the Company does not have outstanding and at the Closing Date (and the Additional Closing Date, if applicable) will not have outstanding any options to purchase, or any warrants to subscribe for, or any securities or obligations convertible into, or any contracts or commitments to issue or sell, any shares of Common Stock or any such options, warrants or convertible securities or obligations. No holder of securities of the Company has rights to the registration of any securities of the Company because of the filing of the Registration Statement that have not been satisfied or heretofore waived in writing.

j. KPMG Peat Marwick LLP, the certified public accountants who have certified the financial statements filed as part of the Registration Statement and the Prospectus (or any amendment or supplement thereto) are independent public accountants as required by the Act.

k. The financial statements, together with related schedules and notes, included in the Registration Statement and the Prospectus (and any amendment or supplement thereto), present fairly the financial position, results of operations and cash flows of the Company on the basis stated in the Registration Statement at the respective dates or for the respective periods to which they apply; such statements and related schedules and notes have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods involved, except as disclosed therein; and the other financial and statistical information and data set forth in the Registration Statement and Prospectus (and any amendment or supplement thereto) is accurately presented and prepared on a basis consistent with such financial statements and the books and records of the Company. All pro forma financial data filed with the Commission as a part of the Registration Statement and Prospectus have been prepared to give effect to certain assumptions made on a reasonable basis that are fairly described in the Prospectus and the Registration Statement, and all pro forma adjustments have been properly applied on the basis described therein. No other financial statements or schedules are required to be included in the Registration Statement.

l. Except as disclosed in the Registration Statement and the Prospectus (or any amendment or supplement thereto), subsequent to the respective dates as of which such information is given in the Registration Statement and the Prospectus (or any amendment or supplement thereto), (i) the Company has not incurred any material liabilities or obligations, indirect, direct or contingent, or other transaction which is not in the ordinary course of business or which could result in a material reduction in the future earnings of the Company; (ii) the Company has not sustained any material loss or interference with its business or properties from fire, flood, windstorm, accident or other calamity, whether or not covered by insurance; (iii) the Company has not paid or declared any dividends or other distributions with respect to its capital stock and the Company is not in default in the payment of principal or interest on any outstanding debt obligations; (iv) there has not been any change in the capital stock (other than upon the sale of the Shares hereunder and upon the exercise of options described in the Prospectus) or indebtedness material to the Company (other than in the ordinary course of business); and (v) there has not been any material adverse change, or any development involving or which may reasonably be expected to involve a potential future material adverse change, in the condition (financial or otherwise), business, properties, result of operations or prospects of the Company.

m. The Company has good and marketable title to all property (real and personal) described in the Prospectus as being owned by it, free and clear of all liens, claims, security interests or other encumbrances except (i) such as are described in the financial statements included in, or elsewhere in, the Prospectus or (ii) such as are not materially burdensome and do not interfere in any material respect with the use of the property or the conduct of the business of the Company taken as a whole. The property (real and personal) held under lease by the Company is held by it under valid, subsisting and enforceable leases with only such exceptions as in the aggregate are not materially

burdensome and do not interfere in any material respect with the conduct of the business of the Company taken as a whole.

n. The Company has not distributed and will not distribute any offering material in connection with the offering and sale of the Shares other than the Prepricing Prospectus, the Prospectus, or other offering material, if any, as permitted by the Act and the rules and regulations enacted thereunder (the "Rules and Regulations.").

o. The Company has not taken, directly or indirectly, any action which constituted, or any action designed, or which might reasonably be expected to cause or result in or constitute, under the Act or otherwise, stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares.

p. The Company is not an "investment company," an "affiliated person" of, or "promoter" or "principal underwriter" for an investment company within the meaning of the Investment Company Act of 1940, as amended.

q. The Company has all permits, licenses, franchises, approvals, easements, consents and authorizations of governmental or regulatory authorities (hereinafter "permit" or "permits") as are necessary to own its properties and to conduct its business in the manner described in the Prospectus, subject to such qualifications as may be set forth in the Prospectus, except where the failure to have obtained any such permit has not and will not have a material adverse effect upon the condition (financial or other), properties, business, results of operations or prospects of the Company; the Company has fulfilled and performed all of its material obligations with respect to each such permit and no event has occurred which allows, or after notice or lapse of time would allow, revocation or termination of any such permit or result in any other material impairment of the rights of the holder of any such permit, subject in each case to such qualification as may be set forth in the Prospectus; and, except as described in the Prospectus, such permits contain no restrictions that are materially burdensome to the Company.

r. The Company has complied and will comply in all material respects with wage and hour determinations issued by the U.S. Department of Labor under the Service Contract Act of 1965 and the Fair Labor Standards Act in paying its employees' salaries, fringe benefits, and other compensation for the performance of work or other duties in connection with contracts with the U.S. government. The Company has complied and will comply in all material respects with the terms of all certifications and representations made to the U.S. government in connection with the submission of any bid or proposal or any contract. The Company has complied and will comply in all material respects with its obligations under its agreements and contracts with the U.S. government and agencies thereof.

s. The Company maintains a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary

to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorizations; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

t. The Company has not, directly or indirectly, at any time during the past five years (i) made any unlawful contribution to any candidate for political office, or failed to disclose fully any contribution in violation of law, or (ii) made any payment to any federal, state or foreign governmental official, or other person charged with similar public or quasi-public duties, other than payments required or permitted by the laws of the United States or any jurisdiction thereof or applicable foreign jurisdictions.

u. The Company has obtained all required permits, licenses, and other authorizations, if any, which are required under federal, state, local and foreign statutes, ordinances and other laws relating to pollution or protection of the environment, including laws relating to emissions, discharges, releases, or threatened releases of pollutants, contaminants, chemicals, or industrial, hazardous, or toxic materials or wastes into the environment ("Environmental Laws"). The Company is in material compliance with all terms and conditions of all required permits, licenses, and authorizations, and are also in material compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules, and timetables contained in the Environmental Laws. There is no pending or, to the best knowledge of the Company, threatened civil or criminal litigation, notice of violation, or administrative proceeding relating in any way to the Environmental Laws involving the Company. There have not been and there are not any past, present, or foreseeable future events, conditions, circumstances, activities, practices, incidents, actions, or plans which may interfere with or prevent continued compliance, or which may give rise to any common law or legal liability, or otherwise form the basis of any claim, action, demand, suit, proceeding, hearing, study or investigation under the Environmental Laws.

v. The Company owns and has full right, title and interest in and to, or has valid licenses to use, all copyrights, patents, inventions, formulas, processes (secret or otherwise), trademarks and trade names necessary or material to its business as presently conducted, and the Company has created no lien or encumbrance on, or granted any right or license with respect to, any such copyright, patent, trademark, trade name, application, process, invention or formula or other intangible property right; there is no claim pending against the Company with respect to any copyright, patent, trademark, trade name, application, process, invention or formula or other intangible property right and the Company has not received notice that any copyright, patent, trademark, trade name, application, process, invention or formula or other intangible property right which it uses or has used in the conduct of its business infringes upon or conflicts with the rights of any third party. To the best knowledge of the Company, there is no infringement on the intellectual property rights of the Company by others, and none of the activities engaged in by the Company infringes or conflicts with the intellectual property rights of others, in

a manner that could adversely affect the condition (financial or other), business, properties, results of operations or prospects of the Company.

w. All offers and sales of the Company's capital stock prior to the date hereof were made in compliance with the Act and all other applicable state and federal laws or regulations.

x. The Shares have been duly authorized for trading on the Nasdaq National Market, and with respect to the Shares being offered by the Company, subject to notice of issuance.

y. All federal, state and local tax returns required to be filed by or on behalf of the Company with respect to all periods ended prior to the date of this Agreement have been filed (or are the subject of valid extension) with the appropriate federal, state and local authorities and all such tax returns, as filed, are accurate in all material respects. All federal, state and local taxes (including estimated tax payments) required to be shown on all such tax returns or claimed to be due from or with respect to the business of the Company have been paid or reflected as a liability on the financial statements of the Company for appropriate periods, except for those taxes or claims therefor which are being contested by the Company in good faith and for which appropriate reserves are reflected in the Company's financial statements. All deficiencies asserted as a result of any federal, state or local tax audits have been paid or finally settled and no issue has been raised in any such audit which, by application of the same or similar principles, reasonably could be expected to result in a proposed deficiency for any other period not so audited. No state of facts exists or has existed which would constitute grounds for the assessment of any tax liability with respect to the periods which have not been audited by appropriate federal, state or local authorities. There are no outstanding agreements or waivers extending the statutory period of limitation applicable to any federal, state or local tax return for any period. On the Closing Date, and Additional Closing Date, if any, all stock transfer and other taxes which are required to be paid in connection with the sale of the shares to be sold by the Company to the Underwriters will have been fully paid by the Company and all laws imposing such taxes will have been complied with.

z. Except as set forth in the Prospectus, there are no transactions with affiliates, as defined in Rule 405 promulgated under the Act, which are required by the Act and the applicable Rules and Regulations thereunder to be disclosed in the Registration Statement.

aa. The Company has procured and provided to Raymond James & Associates, Inc. the written agreement of the Selling Shareholder, and each of the officers and directors of the Company who owns shares of Common Stock or options to acquire shares of Common Stock of the Company as set forth in the Prospectus not to sell, or otherwise dispose of or transfer, directly or indirectly, any shares of Common Stock owned or controlled, or hereafter acquired, by such persons, or any rights to purchase any of such shares of Common Stock, for a period of 120 days after the commencement of the public offering of the Shares by the Underwriters without the prior written consent of Raymond James & Associates, Inc.

ab. The Company (i) does not conduct business or have affiliates which conduct business in or with Cuba, (ii) does not plan to commence doing business in or with Cuba after the effective date of the Registration Statement or (iii) is not required by Florida law to report a material change in information previously reported to the State of Florida regarding business conducted in or with Cuba.

ac. No officer, director or nominee for director of the Company, and except as disclosed in writing to the NASD in connection with the offering contemplated hereby, no beneficial owner of 5% or more of the Company's outstanding Common Stock, has any direct or indirect affiliation or association with any member of the NASD.

7. REPRESENTATIONS AND WARRANTIES OF THE SELLING SHAREHOLDER.

The Selling Shareholder hereby represents and warrants to each Underwriter on the date hereof (except as otherwise set forth herein), and shall be deemed to represent and warrant to each Underwriter on the Closing Date and the Additional Closing Date, that:

a. All consents, approvals, authorizations and orders necessary for the execution and delivery by the Selling Shareholder of this Agreement and the Custody Agreement (including the Power of Attorney provided for in such Custody Agreement) referred to in the last paragraph of this Section 7 (the "Custody Agreement"), and for the sale and delivery of the Shares to be sold by the Selling Shareholder hereunder, have been obtained; and the Selling Shareholder has full right, power and authority to enter into this Agreement and the Custody Agreement, and to sell, assign, transfer and deliver the Shares to be sold by such Selling Shareholder hereunder.

b. This Agreement and the Custody Agreement have been duly authorized, executed and delivered by the Selling Shareholder and this Agreement and the Custody Agreement constitute the valid and binding agreements of the Selling Shareholder enforceable against the Selling Shareholder in accordance with their respective terms, except as may be limited by bankruptcy, insolvency, reorganization or other laws of general application relating to or affecting enforcement of creditors' rights generally or the availability of equitable remedies, regardless of whether such enforcement is considered in a proceeding in equity or at law; the performance of this Agreement and the Custody Agreement and the consummation of the transactions contemplated herein and therein will not result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, voting trust agreement, note agreement, lease or other agreement or instrument to which the Selling Shareholder is a party or by which the Selling Shareholder or the Selling Shareholder's properties are bound, or under any law, statute, order, rule or regulation of any court or governmental agency or body applicable to the Selling Shareholder or the business or property of the Selling Shareholder.

c. The Selling Shareholder has, and immediately prior to the Closing Date (and the Additional Closing Date, if any) the Selling Shareholder will have, good and marketable title to the Shares to be sold by the Selling Shareholder hereunder, free and clear of all liens, encumbrances, equities, shareholder agreements, voting trusts, adverse claims or other claims of any nature whatsoever, and, upon delivery of the Shares and payment therefor pursuant hereto, good and marketable title to the Shares, free and clear of all liens, encumbrances, equities,

shareholder agreements, voting trusts, adverse claims or other claims of any nature whatsoever (other than those arising by or through the Underwriters), will pass to the several Underwriters.

d. The Selling Shareholder will not, for a period of 120 days after the commencement of the public offering of the Shares by the Underwriters, directly or indirectly, sell, offer or contract to sell, or otherwise dispose of or transfer any shares of Common Stock or rights to purchase shares of Common Stock otherwise than hereunder or with the prior written consent of Raymond James & Associates, Inc.

e. The Selling Shareholder has not taken, and will not take, directly or indirectly, any action designed to or which has constituted nor which might reasonably be expected to cause or result in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares or otherwise.

f. No consent, approval, authorization or order of, or any filing or declaration with, any court or governmental agency or body is required for the consummation by the Selling Shareholder of the transactions on his part contemplated herein or in the Custody Agreement, except such as have been obtained under the Act and such as may be required under state securities or Blue Sky laws or the by-laws and rules of the NASD in connection with the purchase and distribution by the Underwriters of the Shares to be sold by the Selling Shareholder.

g. The Selling Shareholder is familiar with the Registration Statement, the Prepricing Prospectus and the Prospectus and has no knowledge of any material fact or condition not set forth in the Registration Statement, the Prepricing Prospectus or the Prospectus which has adversely affected, or may adversely affect, the business, properties, business prospects, condition (financial or otherwise) or results of operations of the Company, and the sale of the Shares proposed to be sold by the Selling Shareholder is not prompted by any such knowledge.

h. All information with respect to the Selling Shareholder contained in the Registration Statement, the Prepricing Prospectus and the Prospectus (as amended or supplemented, if the Company shall have filed with the Commission any amendment or supplement thereto) complied and will comply in all material respects with all applicable provisions of the Act, contains and will contain all statements required to be stated therein in accordance with the Act, and does not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading.

i. To the best knowledge of such Selling Shareholder, the representations and warranties of the Company contained in Section 6 hereof are true and correct.

j. Other than as permitted by the Act and the Rules and Regulations, the Selling Shareholder has not distributed and will not distribute any Prepricing Prospectus,

the Prospectus or any other offering material in connection with the offering and sale of the Shares.

k. On the Closing Date, and on the Additional Closing Date, if any, all stock transfer and other taxes (other than income taxes) which are required to be paid in connection with the sale and transfer of the Shares to be sold by the Selling Shareholder to the several Underwriters hereunder will have been fully paid for by the Selling Shareholder and all laws imposing such taxes will have been fully complied with.

In order to document the Underwriters' compliance with the reporting and withholding provisions of the Tax Equity and Fiscal Responsibility Act of 1982 with respect to the transactions herein contemplated, the Selling Shareholder agrees to deliver to you at least two days prior to the Closing a properly completed and executed United States Treasury Department Form W-9 (or other applicable form or statement specified by Treasury Department regulations in lieu thereof).

The Selling Shareholder represents and warrants that certificates in negotiable form representing all of the Shares to be sold by the Selling Shareholder hereunder have been placed in custody under a Custody Agreement, in the form heretofore furnished to you, duly executed and delivered by the Selling Shareholder to the Company, as the Custodian (the "Custodian"). The Selling Shareholder specifically agrees that the Shares represented by the certificates held in custody for the Selling Shareholder under the Custody Agreement are subject to the interest of the Underwriters hereunder, and that the arrangements made by the Selling Shareholder for such custody, including the Power of Attorney provided for in the Custody Agreement, are to that extent irrevocable. The Selling Shareholder specifically agrees that the obligations of the Selling Shareholder hereunder or under the Custody Agreement shall not be terminated by operation of law, whether by the death or incapacity of the Selling Shareholder, or if the Selling Shareholder should die or become incapacitated or if any other such event should occur before the delivery of the Shares hereunder, certificates representing the Shares shall be delivered by or on behalf of the Selling Shareholder in accordance with the terms and conditions of this Agreement and the Custody Agreement, regardless of whether or not the Custodian shall have received notice of such death, incapacity or other event.

8. EXPENSES. Whether or not the transactions contemplated hereby are consummated or this Agreement becomes effective or is terminated, the Company will pay or cause to be paid

the following: (i) the fees, disbursements and expenses of counsel to the Company and the Selling Shareholder and the Company's accountants in connection with the registration of the Shares under the Act and all other expenses in connection with the preparation, printing and filing of the Registration Statement and the Prospectus and amendments and supplements thereto and the mailing and delivering of copies thereof and of any Prepricing Prospectus to the Underwriters and dealers; (ii) the printing and delivery (including, without limitation, postage, air freight charges and charges for counting and packaging) of such copies of the Registration Statement, the Prospectus, each Prepricing Prospectus, the Blue Sky memoranda, the Custody Agreement, the Agreement Among Underwriters, this Agreement, the Selected Dealers Agreement and all amendments or supplements to any of them as may be reasonably requested for use in connection with the offering and sale of the Shares; (iii) all expenses in connection with the qualification of the Shares for offering and sale under state securities laws or Blue Sky laws, including the fees of the counsel for the Underwriters in connection therewith; (iv) the filing fees incident to securing any required review by the NASD of the sale of the Shares and the reasonable fees and disbursements of the Underwriters' counsel relating thereto; (v) the cost of preparing stock certificates; (vi) the costs and charges of any transfer agent or registrar; (vii) the cost of the tax stamps, if any, in connection with the issuance and delivery of the Shares to the respective Underwriters; (viii) all other fees, costs and expenses referred to in Item 13 of the Registration Statement; (ix) all travel, lodging and living expenses of the Company's directors, officers and employees incurred during the "road show" or otherwise in connection with the marketing of the Shares; and (x) all other costs and expenses incident to the performance of the obligations of the Company and the Selling Shareholder hereunder which are not otherwise specifically provided for in this Section. Notwithstanding the foregoing, in the event that the proposed offering is terminated for the reasons set forth in Section 5(i) hereof, the Company agrees to reimburse the Underwriters as provided in Section 5(i).

9. INDEMNIFICATION AND CONTRIBUTION. The Company and the Selling Shareholder jointly and severally agree to indemnify and hold harmless you and each other Underwriter, the directors, officers, employees and agents of each Underwriter, and each person, if any, who controls any Underwriter within the meaning of Section 15 of the Act or Section 20 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") from and against any and all losses, claims, damages, liabilities and expenses (including reasonable costs of investigation) arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in any Prepricing Prospectus or in the Registration Statement or the Prospectus or in any amendment or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages, liabilities or expenses arise out of or are based upon an untrue statement or omission or alleged untrue statement or omission which has been made therein or omitted therefrom in reliance upon and in conformity with the information furnished in writing to the Company by or on behalf of any Underwriter through you expressly for use in connection therewith, or arising out of or based upon any inaccuracy in the representations and warranties of the Company or the Selling Shareholder contained herein or any failure of the Company or the Selling Shareholder to perform their respective obligations hereunder or under law; provided, however, that with respect to any untrue statement or omission made in any Prepricing Prospectus, the indemnity agreement contained in this subsection shall not inure to the benefit of any Underwriter (or to the benefit of any person controlling such Underwriter) from whom the person asserting any such losses,

claims, damages or liabilities purchased the shares of Stock concerned if both (A) a copy of the Prospectus was not sent or given to such person at or prior to the written confirmation of the sale of such shares of Stock to such person as required by the Act, and (B) the untrue statement or omission in the Prepricing Prospectus was corrected in the Prospectus. Notwithstanding anything in this Section 9, in no event shall the Selling Shareholder's obligation under this Section 9 exceed the total net proceeds from the offering received by such Selling Shareholder (it being agreed that the Company shall bear the balance).

In addition to its other obligations under this Section 9, the Company and the Selling Shareholder agree that, as an interim measure during the pendency of any claim, action, investigation, inquiry or other proceeding arising out of or based upon any statement or omission, or any inaccuracy in the representations and warranties of the Company or the Selling Shareholder herein or failure to perform its obligations hereunder, all as described in this Section 9, they will reimburse each Underwriter on a quarterly basis for all reasonable legal or other expenses incurred in connection with investigating or defending any such claim, action, investigation, inquiry or other proceeding, notwithstanding the absence of a judicial determination as to the propriety and enforceability of the Company's or the Selling Shareholder's obligation to reimburse each Underwriter for such expenses and the possibility that such payments might later be held to have been improper by a court of competent jurisdiction. To the extent that any such interim reimbursement payment is so held to have been improper, each Underwriter shall promptly return it to the Company together with interest, compounded daily determined on the basis of the base lending rate announced from time to time by Chase Manhattan Bank, N.A. (the "Prime Rate"). Any such interim reimbursement payments which are not made to the Underwriters within 30 days of a request for reimbursement shall bear interest at the Prime Rate from the date of such request.

If any action or claim shall be brought against any Underwriter or any person controlling any Underwriter in respect of which indemnity may be sought against the Company or the Selling Shareholder, such Underwriter or such controlling person shall promptly notify in writing the party(s) against whom indemnification is being sought (the "indemnifying party" or "indemnifying parties"), and such indemnifying party(s) shall assume the defense thereof, including the employment of counsel reasonably acceptable to such Underwriter or such controlling person and payment of all fees and expenses. Such Underwriter or any such controlling person shall have the right to employ separate counsel (but the Company and the Selling Shareholder shall not be liable for the fees and expenses of more than one counsel) in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Underwriter or such controlling person unless (i) the indemnifying party(s) has (have) agreed in writing to pay such fees and expenses, (ii) the indemnifying party(s) has (have) failed to assume the defense and employ counsel reasonably acceptable to the Underwriter or such controlling person or (iii) the named parties to any such action (including any impleaded parties) include both such Underwriter or such controlling person and the indemnifying party(s), and such Underwriter or such controlling person shall have been advised by its counsel that one or more legal defenses may be available to the Underwriter which may not be available to the Company, or that representation of such indemnified party and any indemnifying party(s) by the same counsel would be inappropriate under applicable standards of professional conduct (whether or not such representation by the same counsel has been proposed) due to actual or potential differing interests

between them (in which case the indemnifying party(s) shall not have the right to assume the defense of such action on behalf of such Underwriter or such controlling person (notwithstanding its (their) obligation to bear the fees and expenses of such counsel)). The indemnifying party(s) shall not be liable for any settlement of any such action effected without its (their) written consent, but if settled with such written consent, or if there be a final judgment for the plaintiff in any such action, the indemnifying party(s) agrees to indemnify and hold harmless any Underwriter and any such controlling person from and against any loss, claim, damage, liability or expense by reason of such settlement or judgment.

Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, its directors, its officers who sign the Registration Statement, and any person who controls the Company within the meaning of Section 15 of the Act or Section 20 of the Exchange Act and the Selling Shareholder, to the same extent as the foregoing indemnity from the Company and the Selling Shareholder to each Underwriter, but only with respect to information furnished in writing by or on behalf of such Underwriter through you expressly for use in the Registration Statement, the Prospectus or any Prepricing Prospectus, or any amendment or supplement thereto. If any action or claim shall be brought or asserted against the Company, any of its directors, any such officers, or any such controlling person or the Selling Shareholder based on the Registration Statement, the Prospectus or any Prepricing Prospectus, or any amendment or supplement thereto, and in respect of which indemnity may be sought against any Underwriter pursuant to this paragraph, such Underwriter shall have the rights and duties given to the Company and the Selling Shareholder by the preceding paragraph (except that if the Company shall have assumed the defense thereof such Underwriter shall not be required to do so, but may employ separate counsel therein and participate in the defense thereof, but the fees and expenses of such counsel shall be at such Underwriter's expense), and the Company, its directors, any such officers, and any such controlling persons and the Selling Shareholder shall have the rights and duties given to the Underwriters by the immediately preceding paragraph.

If the indemnification provided for in this Section 9 is unavailable or insufficient for any reason whatsoever to an indemnified party under the first or fourth paragraph hereof in respect of any losses, claims, damages, liabilities or expenses referred to therein, then an indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities or expenses (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Selling Shareholder on the one hand and the Underwriters on the other hand from the offering of the Shares or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Selling Shareholder on the one hand and the Underwriters on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative benefits received by the Company and the Selling Shareholder on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company and the Selling Shareholder bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus; provided that, in the event that the Underwriters shall have purchased any Additional Shares hereunder, any determination of the relative benefits received by the Company and the Selling Shareholder or the Underwriters from the offering of the Shares shall include the net proceeds (before deducting expenses) received by the Company, and the underwriting

discounts and commissions received by the Underwriters, from the sale of such Additional Shares, in each case computed on the basis of the respective amounts set forth in the notes to the table on the cover page of the Prospectus. The relative fault of the Company and the Selling Shareholder on the one hand and the Underwriters on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company and the Selling Shareholder on the one hand or by the Underwriters on the other hand and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company, the Selling Shareholder and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 9 was determined by a pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages, liabilities and expenses referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 9, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price of the Shares underwritten by it and distributed to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute pursuant to this Section 9 are several in proportion to the respective numbers of Firm Shares set forth opposite their names in Schedule I hereto (or such numbers of Firm Shares increased as set forth in Section 11 hereof) and not joint.

Notwithstanding the second paragraph of this Section 9, any losses, claims, damages, liabilities or expenses for which an indemnified party is entitled to indemnification or contribution under this Section 9 shall be paid by the indemnifying party to the indemnified party as such losses, claims, damages, liabilities or expenses are incurred. The indemnity, contribution and reimbursement agreements contained in Section 9 and the representations and warranties of the Company and the Selling Shareholder, respectively, set forth in this Agreement shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of any Underwriter or any person controlling any Underwriter, the Company, its directors or officers or any person controlling the Company or the Selling Shareholder, (ii) acceptance of any Shares and payment therefor hereunder and (iii) any termination of this Agreement. A successor to any Underwriter or any person controlling any Underwriter, or to the Company, its directors or

officers, or any person controlling the Company or the Selling Shareholder, shall be entitled to the benefits of the indemnity, contribution and reimbursement agreements contained in this Section 9.

It is agreed that any controversy arising out of the operation of the interim reimbursement arrangements set forth in the second paragraph of this Section 9, including the amounts of any requested reimbursement payments and the method of determining such amounts, shall be settled by arbitration conducted under the provisions of the Constitution and Rules of the Board of Governors of the New York Stock Exchange, Inc. or pursuant to the Code of Arbitration Procedure of the NASD. Any such arbitration must be commenced by service of a written demand for arbitration or written notice of intention to arbitrate, therein electing the arbitration tribunal. In the event the party demanding arbitration does not make such designation of an arbitration tribunal in such demand or notice, then the party responding to said demand or notice is authorized to do so. Such an arbitration would be limited to the operation of the interim reimbursement provisions contained in the second paragraph of this Section 9, and would not resolve the ultimate propriety or enforceability of the obligation to reimburse expenses which is created by the provisions of the second paragraph of this Section 9.

10. CONDITIONS OF UNDERWRITERS' OBLIGATIONS. The several obligations of the Underwriters to purchase the Firm Shares hereunder are subject to the following conditions:

a. The Registration Statement shall have become effective not later than 12:00 noon, New York City time, on the date hereof, or at such later date and time as shall be consented to in writing by you, and all filings required by Rules 424(b) and 430A under the Act shall have been timely made.

b. You shall be reasonably satisfied that since the respective dates as of which information is given in the Registration Statement and Prospectus, (i) there shall not have been any change in the capital stock (other than pursuant to the exercise of outstanding options and warrants disclosed in the Prospectus) of the Company or any material change in the indebtedness (other than in the ordinary course of business) of the Company, (ii) except as set forth or contemplated by the Registration Statement or the Prospectus, no material verbal or written agreement or other transaction shall have been entered into by the Company, which is not in the ordinary course of business or which could reasonably be expected to result in a material reduction in the future earnings of the Company, (iii) no loss or damage (whether or not insured) to the property of the Company shall have been sustained which materially and adversely affects the condition (financial or otherwise), business, results of operations or prospects of the Company, (iv) no legal or governmental action, suit or proceeding affecting the Company which is material to the Company or which affects or could reasonably be expected to affect the transactions contemplated by this Agreement shall have been instituted or threatened, and (v) there shall not have been any material change in the condition (financial or otherwise), business, management, results or operations or prospects of the Company which makes it impractical or inadvisable in your judgment to proceed with the public offering or purchase the Shares as contemplated hereby.

c. You shall have received on the Closing Date an opinion of Stubbeman, McRae, Sealy, Laughlin & Browder, Inc., Midland, Texas, as counsel for the Company and the Selling Shareholder, dated the Closing Date, satisfactory to you and your counsel, to the effect that:

(i) The Company is a corporation duly organized and validly existing in good standing under the laws of the State of Texas with corporate power and authority to own or hold under lease its properties and conduct its business as described in the Prospectus, and is duly qualified to conduct the business in which it is engaged, in each jurisdiction or place where its ownership or leasing of properties makes such qualification necessary.

(ii) The Company has all necessary authorizations, approvals, licenses, certificates, permits and orders of and from all governmental regulatory officials and bodies of the United States of America to own its properties and to conduct its business as described in the Registration Statement and Prospectus.

(iii) Except for permits and similar authorizations required under the securities or Blue Sky laws of certain jurisdictions, no consent, approval, authorization or other order of any regulatory body, administrative agency or other governmental body is required for the valid issuance and sale of the Shares to the Underwriters as contemplated by this Agreement.

(iv) This Agreement has been duly authorized, executed and delivered by the Company and is a valid and binding agreement of the Company in accordance with its terms, except as specific performance may be limited by general principles of equity and except as rights to indemnity hereunder may be limited by applicable securities laws and subject to bankruptcy or other laws relating to or affecting the rights of creditors generally.

(v) The authorized and outstanding capital stock of the Company is as set forth under the caption "Capitalization" in the Prospectus, and all of the outstanding shares of Common Stock of the Company are validly authorized and issued, fully paid and nonassessable and free of preemptive rights; the shares of Common Stock reserved for issuance upon exercise of the Company's outstanding options have been duly and validly authorized and are sufficient in number to meet the current exercise requirements of such securities.

(vi) Except as disclosed in the Registration Statement and Prospectus, no person has any right to the registration of any security of the Company by reason of the Company's filing of the Registration Statement with the Commission or the consummation of the transactions contemplated hereby or otherwise.

(vii) The Shares to be sold by the Company and the Selling Shareholder have been duly authorized and when paid for will be validly issued and outstanding, fully paid and nonassessable and free of preemptive rights.

(viii) The Registration Statement and the Prospectus and any supplements or amendments thereto (except as to the financial statements, notes and schedules and other financial and statistical data included therein as to which such counsel need not express an opinion) at the time of their effectiveness complied and as of the Closing Date comply with the requirements of the Act. Such counsel has participated in conferences with representatives of the Company, accountants for the Company, representatives of the Underwriters and counsel for the Underwriters in connection with the preparation of the Registration Statement and Prospectus and have considered the matters required to be stated therein and the statements contained therein, although such counsel have not independently verified the accuracy, completeness or fairness of such statements. Based upon and subject to the foregoing, no facts have come to the attention of such counsel that have caused them to believe that the Registration Statement (other than the financial statements, notes and schedules and other financial and statistical data included therein, as to which no belief need be stated), at the time it became effective and as of the Closing Date, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus (other than the financial statements, notes and schedules and other financial and statistical data included therein, as to which no belief need be stated), at the time the Prospectus was forwarded to the Commission for filing or on the Closing Date, contained an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(ix) The Registration Statement has become effective under the Act and, to the best knowledge of such counsel, no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or are pending or contemplated under the Act.

(x) The sale of the Shares and the compliance by the Company with all of the provisions hereof will not result in a breach of any of the provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any of the property or assets of the Company pursuant to the terms of any agreement or instrument to which the Company is a party, or by which the Company is bound, of which such counsel is aware, will not result in a violation of the provisions of the certificate of incorporation or charter, as the case may be, or by-laws of the Company and will not result in any violation of any statute or any order, rule or regulation applicable to the Company of any court or of any federal, state or other regulatory authority or other governmental body having jurisdiction over the Company.

(xi) The Shares conform as to legal matters with the statements concerning them in the Prospectus and the certificates representing the Shares are in due and proper form.

(xii) The statements under the caption "Description of Capital Stock" and "Underwriting" in the Prospectus, insofar as such statements constitute a summary of the documents, securities or legal matters referred to therein, fairly present the information called for with respect to such documents, securities or legal matters.

(xiii) So far as such counsel are aware, there are no legal or governmental proceedings, pending or threatened to which the Company is a party or of which the business or property of the Company is the subject which is required to be described in the Registration Statement or the Prospectus which is not so described, and there is no contract or document of a character required to be described in the Registration Statement or the Prospectus or to be filed as an exhibit to the Registration Statement which is not described or filed as required.

(xiv) The Company is not in violation of its charter or by-laws, in default in any respect in the performance of any obligations, agreement or condition contained in any bond, debenture, note or any other evidence of indebtedness or in any indenture, lease, loan agreement or contract of the Company known to such counsel or in violation of any franchise, license, permit, judgment, decree, order, statute, rule or regulation under the laws of the State of Texas or the United States of America.

(xv) Except as disclosed in the Registration Statement and Prospectus, there are no patents, copyrights, trade secrets, service marks, trademarks or trade names not presently held by or licensed by the Company that, in the Company's judgment, are material to its business as presently conducted.

(xvi) This Agreement and the Custody Agreement have each been duly executed and delivered by the Selling Shareholder and are valid and binding agreements of the Selling Shareholder in accordance with their terms, except as specific performance may be limited by general principles of equity and except as rights to indemnity hereunder may be limited under applicable securities laws and subject to bankruptcy or other laws relating to or affecting the rights of creditors generally.

(xvii) The Selling Shareholder has full legal right, power and authorization, and all approval required by law, to sell, assign, transfer and delivery good and marketable title to the Shares to be sold by the Selling Shareholder in the manner provided in this Agreement.

(xviii) Upon delivery of the Shares to be sold by the Company and the Selling Shareholder pursuant hereto and payment therefor, as contemplated herein,

the Underwriters will acquire good and marketable title thereto, free and clear of any perfected security interest and free and clear of any encumbrance, adverse claim or other restriction whatsoever.

(xix) The execution, delivery and performance of this Agreement and the Custody Agreement will not conflict with, or result in the creation or imposition of any lien, charge or encumbrance upon any of the Shares to be sold by the Selling Shareholder pursuant to the terms of, or constitutes a default under, any agreement or instrument known to such counsel to which the Selling Shareholder is a party or result in any violation of any order, rule or regulation of any court or governmental agency having jurisdiction over the Selling Shareholder or his property, and no consent, authorization or order of, or filing or registration with, any court or government agency is legally required for the execution, delivery and performance of this Agreement and the Custody Agreement, except such as have been obtained under the Act and such as may be required under the Blue Sky or securities laws of certain jurisdictions.

(xx) The statements in the Prospectus under the caption "Principal and Selling Shareholders," insofar as such statements constitute a summary of the matters referred to therein, fairly present the information called for with respect to such matters.

In rendering its opinion hereunder, such counsel for the Company and the Selling Shareholder may rely: (i) as to matters of fact, on certificates of officers of the Company and of the Selling Shareholder and certificates or other written statements of officers of departments of various jurisdictions having custody of documents regarding the corporate existence or good standing of the Company; and (ii) as to matters involving the application of laws other than the laws of the United States and the State of Texas, to the extent such counsel deems proper and to the extent specified in such opinion, if at all, upon an opinion or opinions (in form and substance reasonably satisfactory to Underwriters' counsel) of other counsel reasonably acceptable to Underwriters' counsel and familiar with the applicable laws. The opinion of such counsel for the Company and the Selling Shareholder shall state that counsel for the Company and the Selling Shareholder believes that you are justified in relying thereon. A copy of the opinion of any such other counsel shall be attached to the opinion of such counsel for the Company and the Selling Shareholder. The opinion of counsel for the Company and the Selling Shareholder may be expressly limited to the laws of the United States and the State of Texas.

The opinion of the counsel for the Company and the Selling Shareholder shall state that as used therein, the qualification "to the knowledge of such counsel" relates to factual matters and matters of local law and (i) shall limit the opinions to which such qualification relates to the actual conscious awareness of information by those attorneys in such counsel's firm who have been actively involved in the representation of the Company and the Selling Shareholder with respect to this Agreement and the transactions contemplated hereby or otherwise, without independent investigation or verification; and (ii) does not

indicate or imply that such counsel has not conducted such review as it, in its professional judgment, has deemed necessary or appropriate to render such opinion, but does indicate that such counsel has relied upon factual certificates, representations and information from the Company and its representatives and the Selling Shareholder, having such scope and in such form as such counsel has deemed appropriate.

Such opinion shall also state that such counsel waives any right it may have, at the time of giving the opinion or thereafter, to assert against the Underwriters any claim or defense based on the absence of privity between the Underwriters and such counsel with respect to reliance by the Underwriters on such opinion; provided, however, that the foregoing shall not constitute a waiver of the attorney-client privilege between such counsel and the Company or the Selling Shareholder nor a waiver of any other claim or defense available at law or in equity.

d. You shall have received on the Closing Date (and the Additional Closing Date, if any) an opinion of Thompson & Knight, P.C., as counsel for the Underwriters, dated the Closing Date with respect to the issuance and sale of the Firm Shares, the Registration Statement and other related matters as you may reasonably request and the Company and its counsel shall have furnished to your counsel such documents as they may reasonably request for the purpose of enabling them to pass upon such matters.

e. You shall have received letters addressed to you and dated the date hereof and the Closing Date from KMPG Peat Marwick LLP, independent certified public accountants, substantially in the forms heretofore approved by you.

f.(i) No stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceedings for that purpose shall be pending or, to the knowledge of the Company, shall be threatened or contemplated by the Commission at or prior to the Closing Date; (ii) no order suspending the effectiveness of the Registration Statement or the qualification or registration of the Shares under the securities or Blue Sky laws of any jurisdiction shall be in effect and no proceeding for such purpose shall be pending or, to the knowledge of the Company, threatened or contemplated by the Commission or the authorities of any jurisdiction; (iii) any request for additional information on the part of the staff of the Commission or any such authorities shall have been complied with to the satisfaction of the staff of the Commission or such authorities; (iv) after the date hereof no amendment or supplement to the Registration Statement or the Prospectus shall have been filed unless a copy thereof was first submitted to you and you did not object thereto in good faith; and (v) all of the representations and warranties of the Company and the Selling Shareholder contained in this Agreement shall be true and correct in all respects on and as of the date hereof and on and as of the Closing Date as if made on and as of the Closing Date, and you shall have received a certificate, dated the Closing Date and signed by the chief executive officer and the chief financial officer of the Company (or such other officers as are acceptable to you) as well as the Selling Shareholder to the effect set forth in this Section 10(f) and in Sections 10(b) and 10(g) hereof.

g. The Company and the Selling Shareholder shall not have failed in any respect at or prior to the Closing Date to have performed or complied with any of its agreements herein contained and required to be performed or complied with by it hereunder at or prior to the Closing Date.

h. You shall have received a certificate, dated on and as of the Closing Date, by or on behalf of the Selling Shareholder to the effect that as of such Closing Date the Selling Shareholder's representations and warranties in this Agreement are true and correct as if made on and as of such Closing Date, and that the Selling Shareholder has performed all the Selling Shareholder's obligations and satisfied all the conditions on the Selling Shareholder's part to be performed or satisfied at or prior to the Closing Date.

i. The Company and the Selling Shareholder shall have furnished or caused to have been furnished to you such further certificates and documents as you shall have reasonably requested.

j. At or prior to the Closing Date, you shall have received the written commitment of each of the Company's officers and directors and certain of their affiliates and the Selling Shareholder not to sell, offer or contract to sell, or otherwise dispose of or transfer any shares of Common Stock or rights to purchase any of such shares of Common Stock, directly or indirectly, except to the Underwriters pursuant to this Agreement, for a period of 120 days after commencement of the public offering of the Shares by the Underwriters without the prior written consent of Raymond James & Associates, Inc.

All such opinions, certificates, letters and other documents will be in compliance with the provisions hereof only if they are reasonably satisfactory in form and substance to you and your counsel.

The several obligations of the Underwriters to purchase Additional Shares hereunder are subject to the satisfaction on and as of the Additional Closing Date of the conditions set forth in this Section 10, except that, if the Additional Closing Date is other than the Closing Date, the certificates, opinions and letters referred to in paragraphs (c) through (h) shall be dated as of the Additional Closing Date and the opinion called for by paragraph (c) shall be revised to reflect the sale of Additional Shares.

If any of the conditions hereinabove provided for in this Section 10 shall not have been satisfied when and as required by this Agreement, this Agreement may be terminated by you by notifying the Company of such termination in writing or by telegram at or prior to such Closing Date, but you shall be entitled to waive any of such conditions.

11. EFFECTIVE DATE OF AGREEMENT. This Agreement shall become effective upon the later of (a) the execution and delivery hereof by the parties hereto, and (b) release of notification of the effectiveness of the Registration Statement by the Commission; provided, however, that the provisions of Sections 8 and 9 shall at all times be effective.

If any one or more of the Underwriters shall fail or refuse to purchase Firm Shares which it or they have agreed to purchase hereunder, and the aggregate number of Firm Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase is not more than one-tenth of the aggregate number of the Firm Shares, each non-defaulting Underwriter shall be obligated, severally, in the proportion which the number of Firm Shares set forth opposite its name in Schedule I hereto bears to the aggregate number of Firm Shares set forth opposite the names of all non-defaulting Underwriters or in such other proportion as you may specify in the Agreement Among Underwriters, to purchase the Firm Shares which such defaulting Underwriter or Underwriters agreed, but failed or refused to purchase. If any Underwriter or Underwriters shall fail or refuse to purchase Firm Shares and the aggregate number of Firm Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Firm Shares and arrangements satisfactory to you, the Company and the Selling Shareholder for the purchase of such Firm Shares are not made within 48 hours after such default, this Agreement will terminate without liability on the part of any non-defaulting Underwriter, the Company or the Selling Shareholder. In any such case which does not result in termination of this Agreement, either you or the Company and the Selling Shareholder shall have the right to postpone the Closing Date, but in no event for longer than seven (7) days, in order that the required changes, if any, in the Registration Statement and the Prospectus or any other documents or arrangements may be effected. Any action taken under this paragraph shall not relieve any defaulting Underwriter from liability in respect of any such default of any such Underwriter under this Agreement.

12. TERMINATION OF AGREEMENT. This Agreement shall be subject to termination in your absolute discretion, without liability on the part of any Underwriter to the Company or the Selling Shareholder by notice to the Company and the Selling Shareholder, if prior to the Closing Date or the Additional Closing Date (if different from the Closing Date and then only as to the Additional Shares), as the case may be, in your sole judgment, (i) trading in the Company's Common Stock shall have been suspended by the Commission or the Nasdaq National Market, (ii) trading in securities generally on the New York Stock Exchange, American Stock Exchange or Nasdaq National Market shall have been suspended or materially limited, or minimum or maximum prices shall have been generally established on such exchange or market, or additional material governmental restrictions, not in force on the date of this Agreement, shall have been imposed upon trading in securities generally by any such exchange or market or by order of the Commission or any court or other governmental authority, (iii) a general moratorium on commercial banking activities shall have been declared by either federal or New York State authorities or (iv) there shall have occurred any outbreak or escalation of hostilities or other international or domestic calamity, crisis or change in political, financial or economic conditions or other material event the effect of which on the financial markets of the United States is such as to make it, in your judgment, impracticable or inadvisable to market the Shares or to enforce contracts for the sale of the Shares. Notice of such cancellation shall be promptly given to the Company and its counsel by telegraph, telecopy or telephone and shall be subsequently confirmed by letter.

13. INFORMATION FURNISHED BY THE UNDERWRITERS. The Company acknowledges that the statements under the third paragraph under the caption "Underwriting" in any Prepricing Prospectus and in the Prospectus, constitute the only information furnished by or on behalf of the

Underwriters through you or on your behalf as such information is referred to in Sections 6(a), 6(b) and 9 hereof.

14. MISCELLANEOUS. Except as otherwise provided in Sections 5 and 12 hereof, notice given pursuant to any of the provisions of this Agreement shall be in writing and shall be delivered (i) if to the Company or the Selling Shareholder, to the office of the Company at 208 South Marienfeld Street, Midland, Texas 79701, Attention: President (with copy to Jack D. Ladd, Stubbeman, McRae, Sealy, Laughlin & Browder, Inc., 550 West Texas, Suite 800, Midland, Texas 79701) or (ii) if to you, as Representatives of the Underwriters, to Raymond James & Associates, Inc., 880 Carillon Parkway, St. Petersburg, Florida 33716, Attention: Corporate Finance Department, (with copy to C. Neel Lemon III, Thompson & Knight, P.C., 1700 Pacific Avenue, Suite 3300, Dallas, Texas 75201).

This Agreement has been and is made solely for the benefit of the several Underwriters, the Company, its directors and officers, and the other controlling persons referred to in Section 9 hereof, the Selling Shareholder and their respective successors and assigns, to the extent provided herein, and no other person shall acquire or have any right under or by virtue of this Agreement. Neither of the terms "successor" and "successors and assigns" as used in this Agreement shall include a purchaser from you of any of the Shares in his status as such purchaser.

15. APPLICABLE LAW; COUNTERPARTS. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF FLORIDA WITHOUT REFERENCE TO CHOICE OF LAW PRINCIPLES THEREUNDER.

This Agreement may be signed in various counterparts which together shall constitute one and the same instrument.

Subject to Section 11, this Agreement shall be effective when, but only when, at least one counterpart hereof shall have been executed on behalf of each party hereto.

The Company, the Selling Shareholder and the Underwriters each hereby irrevocably waive any right they may have to a trial by jury in respect to any claim based upon or arising out of this Agreement or the transactions contemplated hereby.

Please confirm that the foregoing correctly sets forth the agreement among the Company, the Selling Shareholder and the several Underwriters.

Very truly yours,

DAWSON GEOPHYSICAL COMPANY

By: -----

Name: L. Decker Dawson
Title: President

SELLING SHAREHOLDER

L. Decker Dawson

CONFIRMED as of the date first above mentioned, on behalf of itself and the other several Underwriters named in Schedule I hereto.

RAYMOND JAMES & ASSOCIATES, INC.

By: -----

Name: Allen D. Lassiter
Title: Senior Vice President

SCHEDULE I

Name -----	(1) Number of Firm Shares to be Purchased -----	(2) Number of Firm Shares to be Purchased from the Company -----	(3) Number of Firm Shares to be Purchased from the Selling Shareholder -----
Raymond James & Associates, Inc.			
Principal Financial Securities, Inc. . . .			
Total	----- 1,500,000 =====	----- 1,000,000 =====	----- 500,000 =====

[Letterhead of Stubbeman, McRae,
Sealy, Laughlin & Browder, Inc.]

November 12, 1997

Dawson Geophysical Company
208 South Marienfeld
Midland, TX 79702

Re: Dawson Geophysical Company/Public Offering

Gentlemen:

We have acted as counsel for Dawson Geophysical Company, a Texas corporation (the "Company"), and are familiar with the proceedings taken by the Company in connection with the proposed offering covering up to 1,725,000 shares (the "Subject Shares Stock") of its Common Stock, par value \$0.33-1/3 per share (the "Common Stock"), all on the terms and conditions set forth in the Company's Registration Statement on Form S-1 (Registration No. 333-38393), as amended (the "Registration Statement"), filed with the Securities and Exchange Commission on October 21, 1997. Of the Subject Shares, up to 1,225,000 shares of Common Stock will be issued and sold by the Company (including 225,000 shares of Common Stock subject to an over-allotment option granted by the Company), and 500,000 shares will be sold by L. Decker Dawson (the "Selling Shareholder").

In addition, we have examined such corporate records and other documents and made such examinations thereof as we considered necessary for the purposes of this opinion.

Based upon the foregoing, we are of the opinion:

1. The Company has been duly incorporated and is validly existing and in good standing under the laws of the State of Texas.
2. The 1,000,000 shares of Subject Shares Stock (or up to 1,225,000, if the over allotment option is exercised), being offered by the Company, when sold in accordance with the terms of the offering described in the Registration Statement will be legally issued and outstanding, fully paid and non-assessable shares of Common Stock of the Company.

3. The 500,000 shares of Common Stock being offered by the Selling Shareholder, are legally issued and outstanding, fully paid and non-assessable shares of common stock of the Company.
4. When the applicable provisions of the Securities Act of 1933, as amended, and of the securities or Blue Sky laws of various states have been complied with, the Subject Shares may be legally sold as contemplated in said Registration Statement.
5. The Company has reserved a total of 1,225,000 shares of its authorized but unissued Common Stock for issuance.

We hereby consent to the reference to our firm under the caption "Legal Matters" in the Prospectus forming a part of the Registration Statement and to the filing of this opinion as an exhibit to said Registration Statement.

Sincerely,

Stubbeman, McRae, Sealy, Laughlin
& Browder, Inc.

By: /s/ JACK D. LADD

Jack D. Ladd

CONSENT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders
Dawson Geophysical Company:

We consent to the use of our report included herein and to the reference to our firm under the headings "Selected Financial Data" and "Experts" in the Prospectus.

KPMG PEAT MARWICK LLP

Midland, Texas

November 12, 1997