FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

(Mark One)

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

For the quarterly period ended December 31, 1997

OR

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

For the transition period from ______ to ______

For Quarter Ended December 31, 1997   Commission File number 2-71058

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

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

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

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

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

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

CLASS	Outstanding at December 31, 1997
Common Stock, $.33 1/3 par value	5,351,000 shares

DAWSON GEOPHYSICAL COMPANY

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PART I. FINANCIAL INFORMATION

DAWSON GEOPHYSICAL COMPANY

STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended December 31	
	1997	1996
Operating revenues	$ 13,787,000	$ 10,063,000
Operating costs:		
Operating expenses	9,093,000	6,800,000
General and administrative	482,000	320,000
Depreciation	2,111,000	1,865,000
	11,686,000	8,985,000
Income from operations	2,101,000	1,078,000
Other income (expense):		
Interest income	147,000	25,000
Other	15,000	8,000
Interest expense	(125,000)	(118,000)
Gain on disposal of assets	145,000	18,000
Income before income tax	2,283,000	1,011,000
Income tax expense:		
Current	(666,000)	(187,000)
Deferred	(134,000)	(167,000)
	(800,000)	(354,000)
Net income	$ 1,483,000	$ 657,000
Net income per common share	$ .31	$ .16
Weighted average equivalent shares outstanding	4,745,268	4,185,201

See accompanying notes to the financial statements.

DAWSON GEOPHYSICAL COMPANY

BALANCE SHEETS

	December 31, 1997 (UNAUDITED)	September 30,1997
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,151,000	$ 4,774,000
Marketable securities	12,982,000	3,968,000
Accounts receivable	12,610,000	8,724,000
Prepaid expenses	286,000	288,000
Total current assets	29,029,000	17,754,000
Property, plant and equipment	67,254,000	63,267,000
Less accumulated depreciation	(29,404,000)	(27,460,000)
Net property, plant and equipment	37,850,000	35,807,000
	$ 66,879,000	$ 53,561,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ -	$ 1,690,000
Accounts payable	3,820,000	3,956,000
Accrued liabilities:		
Payroll costs and other taxes	274,000	566,000
Other	837,000	494,000
Total current liabilities	4,931,000	6,706,000
Long-term debt, less current maturities	-	7,893,000
Deferred income taxes	1,551,000	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, 5,351,000 and 4,199,250 shares issued and outstanding	1,784,000	1,400,000
Additional paid-in capital	38,180,000	17,174,000
Retained earnings	20,433,000	18,971,000
Total stockholders' equity	60,397,000	37,545,000
	$ 66,879,000	$ 53,561,000

Contingencies (See Note 3)

See accompanying notes to the financial statements.

DAWSON GEOPHYSICAL COMPANY

STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Three Months Ended December 31	
	1997	1996
Cash flows from operating activities:		
Net income	$ 1,483,000	$ 657,000
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	2,111,000	1,865,000
Gain on disposal of assets	(145,000)	(18,000)
Non-cash interest income	(22,000)	-
Deferred income taxes	134,000	167,000
Other	49,000	8,000
Change in current assets and liabilities:		
Increase in accounts receivable	(3,886,000)	(2,563,000)
Decrease in income taxes receivable	-	187,000
Decrease in prepaid expenses	2,000	10,000
Increase (decrease) in accounts payable	(136,000)	728,000
Decrease in accrued liabilities	(629,000)	(382,000)
Increase in federal and state income taxes payable	680,000	-
Net cash provided by (used in) operating activities	(359,000)	659,000
Cash flows from investing activities:		
Proceeds from disposal of assets	209,000	34,000
Capital expenditures	(4,276,000)	(868,000)
Proceeds from maturity of marketable securities	1,000,000	-
Investment in marketable securities	(9,992,000)	-
Net cash used in investing activities	(13,059,000)	(834,000)
Cash flows from financing activities:		
Issuance of common stock	21,371,000	-
Principal payments on debt	(9,583,000)	(214,000)
Proceeds from exercise of stock options	7,000	23,000
Net cash provided by (used in) financing activities	11,795,000	(191,000)
Net decrease in cash and cash equivalents	(1,623,000)	(366,000)
Cash and cash equivalents at beginning of period	4,774,000	1,493,000
Cash and cash equivalents at end of period	$ 3,151,000	$ 1,127,000

See accompanying notes to the financial statements.

DAWSON GEOPHYSICAL COMPANY

NOTES TO FINANCIAL STATEMENTS

1. OPINION OF MANAGEMENT

Although the information furnished is unaudited, in the opinion of management of the Registrant, the accompanying financial statements reflect all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the financial condition and results of operations for the periods presented. The results of operations for the three months ended December 31, 1997, are not necessarily indicative of the results to be expected for the fiscal year.

2. NOTES PAYABLE

In April 1997, the Company entered into a loan agreement, as amended (the "Loan Agreement"), with a bank. 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 the bank's prime rate and which matures on March 25, 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 notes are secured by eligible accounts receivable and equipment purchased from loan proceeds.

On November 25, 1997, the Company repaid all outstanding principal and interest on the two Term Promissory Notes which have no reborrowing capacity. The Company has not utilized the revolving line of credit.

3. 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, prejudgment 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 provided 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 is 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.

4. PUBLIC OFFERING

On November 21, 1997, the Company completed an offering of 1,150,000 shares. The proceeds of the offering were approximately $21,371,000 after deducting costs payable by the Company.

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

OVERVIEW

The results of operations for the quarter ended December 31, 1997 compare favorably to the same quarter of the prior year and are consistent with the quarter ended September 30, 1997. In November 1997, the Company completed a secondary public offering of 1,150,000 common shares with net proceeds of $21,371,000. 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.

RESULTS OF OPERATIONS

The Company's operating revenues for the first quarter of 1998 totaled $13,787,000 versus $10,063,000 for the same period of fiscal 1997, an increase of 37.0%. This increase reflects the Company's added production capacity in response to continued strong demand for 3-D seismic services. In August 1997, the Company added a new, sixth data acquisition crew. To further complement capacity, the Company has continually added channels to each of its crews.

Operating expenses for the quarter ended December 31, 1997 totaled $9,093,000, an increase of $2,293,000, or 33.7%, over the same period of fiscal 1997. Operating expenses increased primarily as a result of the increased personnel required to field the Company's added capacity. The Company experienced two "one time" events during the first quarter of fiscal 1998. The Company received insurance proceeds of approximately $380,000 resulting from livestock induced damages to equipment, which was recognized as expense in fiscal 1997; and incurred approximately $160,000 in equipment rental expense.

General and administrative expenses for the quarter ended December 31, 1997 totaled $482,000, an increase of 50.6% over the same period of fiscal 1997. The increase primarily reflects additional personnel required to support expanding operations. General and administrative expenses totaled 3.5% of operating revenues for the quarter ended December 31, 1997 versus 3.2% of operating revenues for the same period of the prior year.

Depreciation for the quarter ended December 31, 1997 totaled $2,111,000, an increase of $246,000 from the same quarter of fiscal 1997. Depreciation increased as a result of the capital expansion discussed below in "Liquidity and Capital Resources."

Total operating costs for the first quarter of fiscal 1998 totaled $11,686,000, an increase of 30%, over the first quarter of fiscal 1997 due to the factors described above. Income from operations increased to $2,101,000, 15.2% of revenues, from $1,078,000, 10.7% of revenues, in the comparable period of the prior year. This increase illustrates the result of the Company's operating expenses being relatively fixed as compared to revenue trends.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Cash flows from operating activities resulted in a net use of $359,000 for the three months ended December 31, 1997 as compared to net cash provided of $659,000 for the same period of fiscal 1997. The increase in net income to $1,483,000 from $657,000 resulted in a net use of cash from operating activity due primarily to the increase in accounts receivable generated by increased revenues.

Net cash used in investing activities increased to $13,059,000 from $834,000 resulting from investment of offering proceeds and increased capital expenditures in the first quarter of fiscal 1998 as compared to the first quarter of fiscal 1997.

The cash flows provided by financing activities for the quarter ended December 31, 1998 represent the net of the offering proceeds reduced by the retirement of debt.

Capital Expenditures

The Company continually strives to supply market demand with technologically advanced 3-D data acquisition recording systems and leading edge data processing capabilities. In August of 1997 the Company placed a sixth crew into service. The cost of the new crew equipped with a 2,000 channel I/O System Two RSR was approximately $6,000,000. Depreciation has increased as a new crew has been placed into service each year for the past several years. Expenditures made during the first quarter of fiscal 1998 consist of additions and replacements of cables and geophones and the continuous effort to sustain a safe fleet of vehicles.

Capital Resources

The Company believes that its capital resources including its holdings of marketable securities, the availability of bank borrowings, and cash flow from operations are adequate to meet its current operational needs and finance capital needs as determined by market demand and technological developments.

SIGNATURE

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

DAWSON GEOPHYSICAL COMPANY
(REGISTRANT)

By: /s/ L. Decker Dawson

L. Decker Dawson
President

/s/ Christina W. Hagan

Christina W. Hagan
Vice President and
Chief Financial Officer

DATE: February 9, 1998

Index to Exhibits

3-MOS
SEP-30-1998
DEC-31-1997
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