

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the Quarterly Period Ended March 31, 2024

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

For the Transition Period From to

Commission File No. 001-32472

**DAWSON GEOPHYSICAL COMPANY**

(Exact name of registrant as specified in its charter)

**Texas**  
(State or other jurisdiction of  
incorporation or organization)

**74-2095844**  
(I.R.S. Employer  
Identification No.)

**508 West Wall, Suite 800, Midland, Texas 79701**

(Address of Principal Executive Office) (Zip Code)

Registrant's Telephone Number, Including Area Code: **432-684-3000**

Securities registered pursuant to Section 12(b) of the Act:

<b>Title of Each Class</b>	<b>Name of Exchange on Which Registered</b>	<b>Trading Symbol</b>
<b>Common Stock, \$0.01 par value</b>	<b>The NASDAQ Stock Market</b>	<b>DWSN</b>

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

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

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

Accelerated filer

Large accelerated filer

Smaller reporting company

Non-accelerated filer

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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

<b>Title of Each Class</b>	<b>Outstanding at May 10, 2024</b>
<b>Common Stock, \$0.01 par value</b>	<b>30,812,329 shares</b>

**DAWSON GEOPHYSICAL COMPANY**  
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

DAWSON GEOPHYSICAL COMPANY  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(unaudited and amounts in thousands, except share data)

	March 31, 2024	December 31, 2023
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 11,462	\$ 10,772
Restricted cash	5,000	5,000
Short-term investments	265	265
Accounts receivable, net	14,888	12,735
Prepaid expenses and other current assets	6,578	8,654
Total current assets	<u>38,193</u>	<u>37,426</u>
<b>Property and equipment, net</b>	<u>16,290</u>	<u>16,508</u>
<b>Right-of-use assets</b>	2,928	3,208
<b>Intangibles, net</b>	369	377
Total assets	<u>\$ 57,780</u>	<u>\$ 57,519</u>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 5,415	\$ 3,883
Accrued liabilities:		
Dividend payable	9,860	—
Other	4,019	4,124
Deferred revenue	5,318	11,829
Current maturities of notes payable and finance leases	1,111	1,380
Current maturities of operating lease liabilities	1,137	1,202
Total current liabilities	<u>26,860</u>	<u>22,418</u>
<b>Long-term liabilities:</b>		
Notes payable and finance leases, net of current maturities	1,520	1,289
Operating lease liabilities, net of current maturities	2,125	2,363
Deferred tax liabilities, net	15	15
Total long-term liabilities	<u>3,660</u>	<u>3,667</u>
<b>Commitments and contingencies</b>	—	—
<b>Stockholders' equity:</b>		
Preferred stock-par value \$1.00 per share; 4,000,000 shares authorized, none outstanding	—	—
Common stock-par value \$0.01 per share; 35,000,000 shares authorized, 30,812,329 shares issued, and 30,812,329 shares outstanding		
at March 31, 2024 and December 31, 2023	308	308
Additional paid-in capital	156,678	156,678
Accumulated deficit	(127,654)	(123,640)
Accumulated other comprehensive loss, net	(2,072)	(1,912)
Total stockholders' equity	<u>27,260</u>	<u>31,434</u>
Total liabilities and stockholders' equity	<u>\$ 57,780</u>	<u>\$ 57,519</u>

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

**DAWSON GEOPHYSICAL COMPANY**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**  
(unaudited and amounts in thousands, except share and per share data)

	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>Operating revenues:</b>	\$	
Fee Revenue	\$ 26,738	22,273
Reimbursable Revenue	4,846	7,135
	<u>31,584</u>	<u>29,408</u>
<b>Operating costs:</b>		
Operating expenses		
Fee operating expenses	17,496	16,647
Reimbursable operating expenses	4,846	7,135
	<u>22,342</u>	<u>23,782</u>
General and administrative	1,911	3,499
Depreciation and amortization	1,589	2,700
	<u>25,842</u>	<u>29,981</u>
<b>Income (loss) from operations</b>	5,742	(573)
<b>Other income (expense):</b>		
Interest income	113	108
Interest expense	(46)	(17)
Other income, net	239	52
	<u>239</u>	<u>52</u>
<b>Income (loss) before income tax</b>	6,048	(430)
<b>Income tax (expense) benefit</b>	(202)	17
<b>Net income (loss)</b>	5,846	(413)
<b>Other comprehensive loss:</b>		
Net unrealized loss on foreign exchange rate translation	(160)	(6)
	<u>(160)</u>	<u>(6)</u>
<b>Comprehensive income (loss)</b>	\$ 5,686	\$ (419)
<b>Basic income (loss) per share of common stock</b>	\$ 0.19	\$ (0.02)
<b>Diluted income (loss) per share of common stock</b>	\$ 0.19	\$ (0.02)
<b>Weighted average equivalent common shares outstanding</b>	<u>30,812,329</u>	<u>25,000,564</u>
<b>Weighted average equivalent common shares outstanding - assuming dilution</b>	<u>30,812,329</u>	<u>25,000,564</u>

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

**DAWSON GEOPHYSICAL COMPANY**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited and amounts in thousands)

	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 5,846	\$ (413)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,589	2,700
Operating lease cost	271	254
Deferred income tax (benefit) expense	—	(25)
Gain on disposal of assets	(42)	(11)
Remeasurement and other	5	—
Change in operating assets and liabilities:		
Increase in accounts receivable	(2,208)	(7,467)
Decrease in employee retention credit receivable	—	3,035
Decrease (increase) in prepaid expenses and other assets	2,072	(2,833)
Increase in accounts payable	1,239	3,337
Decrease in accrued liabilities	(97)	(1,033)
Decrease in operating lease liabilities	(294)	(273)
(Decrease) increase in deferred revenue	(6,511)	909
Net cash provided by (used in) operating activities	<u>1,870</u>	<u>(1,820)</u>
<b>Cash flows from investing activities:</b>		
Capital expenditures, net of non-cash capital expenditures summarized below	(684)	(1,606)
Proceeds from disposal of assets	162	11
Acquisition of short-term investments	—	(1,000)
Net cash used in investing activities	<u>(522)</u>	<u>(2,595)</u>
<b>Cash flows from financing activities:</b>		
Principal payments on notes payable	(385)	(144)
Principal payments on finance leases	(197)	(25)
Breckenridge cash distributions prior to acquisition	—	(3,055)
Net cash used in financing activities	<u>(582)</u>	<u>(3,224)</u>
Effect of exchange rate changes on cash and cash equivalents and restricted cash	<u>(76)</u>	<u>(20)</u>
Net increase (decrease) in cash and cash equivalents and restricted cash	690	(7,659)
<b>Cash and cash equivalents and restricted cash at beginning of period</b>	<u>15,772</u>	<u>23,603</u>
<b>Cash and cash equivalents and restricted cash at end of period</b>	<u>\$ 16,462</u>	<u>\$ 15,944</u>
<b>Supplemental cash flow information:</b>		
Cash paid for interest	\$ 42	\$ 14
<b>Non-cash operating, investing and financing activities:</b>		
Increase (decrease) in accrued purchases of property and equipment	\$ 300	\$ (605)
Finance leases incurred	\$ 556	\$ 116
Dividend accrual	\$ 9,860	\$ —
Increase in right-of-use assets and operating lease liabilities	\$ —	\$ 283
Financed insurance premiums	\$ —	\$ 440
Convertible note for asset purchase	\$ —	\$ 9,880
Deemed distribution of Breckenridge net assets not acquired	\$ —	\$ 2,329
Acquisition of Breckenridge net assets	\$ —	\$ (1,335)

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

**DAWSON GEOPHYSICAL COMPANY**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(unaudited and amounts in thousands, except share data)

	Equity Attributable to Breckenridge Prior to Acquisition	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
		Number Of Shares	Amount				
		<b>Balance January 1, 2024</b>	\$ —				
Net income	—				5,846		5,846
Unrealized loss on foreign exchange rate translation	—					(160)	(160)
Dividends declared	—				(9,860)		(9,860)
<b>Balance March 31, 2024</b>	<u>\$ —</u>	<u>30,812,329</u>	<u>\$ 308</u>	<u>\$ 156,678</u>	<u>\$ (127,654)</u>	<u>\$ (2,072)</u>	<u>\$ 27,260</u>

	Equity Attributable to Breckenridge Prior to Acquisition	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
		Number Of Shares	Amount				
		<b>Balance January 1, 2023</b>	\$ 7,695				
Net (loss) income	(976)				563		(413)
Unrealized loss on foreign exchange rate translation						(6)	(6)
Issuance of stock for Breckenridge acquisition	(1,335)	1,188,235	12	2,008			685
Excess of purchase price over net assets acquired				(10,565)			(10,565)
Breckenridge cash distributions prior to acquisition	(3,055)						(3,055)
Deemed distribution of Breckenridge net assets not acquired	(2,329)						(2,329)
<b>Balance March 31, 2023</b>	<u>\$ —</u>	<u>25,000,564</u>	<u>\$ 250</u>	<u>\$ 146,856</u>	<u>\$ (111,906)</u>	<u>\$ (2,079)</u>	<u>\$ 33,121</u>

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

**DAWSON GEOPHYSICAL COMPANY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**1. ORGANIZATION AND NATURE OF OPERATIONS**

Dawson Geophysical Company (the “Company”) is a leading provider of North American onshore seismic data acquisition services with operations throughout the continental United States (“U.S.”) and Canada. The Company acquires and processes 2-D, 3-D and multicomponent seismic data solely for its clients, ranging from major oil and gas companies to independent oil and gas operators as well as providers of multi-client data libraries.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The accompanying condensed consolidated financial statements include the accounts of the Company. Intercompany accounts and transactions have been eliminated. In the opinion of the Company’s management, the condensed consolidated financial statements reflect all adjustments, which are normal and recurring in nature, necessary for fair financial statement presentation. The preparation of these condensed consolidated financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the amounts reported in these condensed consolidated financial statements and accompanying notes. Actual results could differ materially from those estimates. Certain prior period amounts in the condensed consolidated financial statements may have been reclassified to conform to the current period’s presentation.

These condensed consolidated financial statements have been prepared using accounting principles generally accepted in the U.S. for interim financial information and the instructions to Form 10-Q and applicable rules of Regulation S-X of the Securities and Exchange Commission (the “SEC”). Certain information and footnote disclosures normally included in annual financial statements presented in accordance with accounting principles generally accepted in the U.S. have been omitted.

These condensed consolidated financial statements and accompanying notes should be read in conjunction with the Company’s annual consolidated financial statements and the notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023. The December 31, 2023 balance sheet information was derived from our audited financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023.

*Asset Purchase Agreement.* On March 24, 2023, the Company entered into an Asset Purchase Agreement (the “Purchase Agreement”) with Wilks Brothers, LLC (“Wilks”) and Breckenridge Geophysical, LLC (“Breckenridge”), a wholly owned subsidiary of Wilks. Pursuant to the Purchase Agreement, the Company completed the purchase of substantially all of the Breckenridge assets related to seismic data acquisition services other than its multi-client data library, in exchange for a combination of equity consideration and a convertible note (the “Transaction”). While the Transaction was structured as an asset purchase, the Company’s financial presentation reflects combined results of the two companies as if the combination occurred on January 14, 2022, the date Wilks became the majority shareholder of the Company. This is due to the fact that both the Company and Breckenridge were under Wilks’ control from January 14, 2022 forward. The presentation is required as a combination of entities under common control. As part of the Purchase Agreement, in addition to the 1,188,235 shares of our common stock issued to Wilks at closing, we entered into a convertible note to deliver approximately 5.8 million shares of common stock to Wilks after the Company receives shareholder approval of the proposal to issue the shares upon conversion of the convertible note in accordance with NASDAQ Listing Rule 5635 (the “Convertible Note”). The shareholders approved conversion of the Convertible Note during a special meeting held on September 13, 2023. Pursuant to the Purchase Agreement, the Convertible Note in the amount of \$9.9 million was automatically converted into 5,811,765 newly-issued shares of the Company’s common stock following the requisite shareholder approval, and the Convertible Note was thereby extinguished.

The Purchase Agreement has been accounted for as a transfer of net assets between entities under common control in a manner similar to a pooling of interests. The Company’s historical consolidated financial statements include the effects on financial position, cash flows, and results of operations attributable to the activities of Breckenridge for all periods presented. The effects of transactions in Breckenridge’s equity prior to the Transaction have been presented as a separate component of stockholders’ equity on the Condensed Consolidated Balance Sheets and on the Condensed Consolidated Statements of Stockholders’ Equity to demonstrate the effects of those transactions on the Company’s historical consolidated financial statements.

**Significant Accounting Policies**

*Principles of Consolidation.* The condensed consolidated financial statements as of March 31, 2024 and for the three months ended March 31, 2024, and 2023, include the accounts of the Company and its wholly-owned subsidiaries, Dawson Operating LLC, Dawson

Seismic Services Holdings, Inc., Eagle Canada, Inc., Eagle Canada Seismic Services ULC, and Exploration Surveys, Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

*Allowance for Current Expected Credit Losses.* The Company's allowance for credit losses reflects its current estimate expected to be incurred over the life of the financial instrument and is determined based on a number of factors. Management determines the need for any allowance for credit losses on accounts receivable based on its review of past-due accounts, its past experience of historical write-offs, its current client base, when customer accounts exceed 90 days past due and specific customer account reviews. While the collectability of outstanding client invoices is continually assessed, the inherent volatility of the energy industry's business cycle can cause swift and unpredictable changes in the financial stability of the Company's clients. With the adoption of ASU No. 2016-13 in 2020, the Company made an accounting policy election to write off accrued interest amounts by reversing interest income. The Company's allowance for credit losses was \$250,000 at March 31, 2024 and December 31, 2023.

*Leases.* The Company leases certain vehicles, seismic recording equipment, real property and office equipment under lease agreements. The Company evaluates each lease to determine its appropriate classification as a finance lease or an operating lease for financial reporting purposes. The assets and liabilities under finance leases are recorded at the lower of the present value of the minimum lease payments or the fair market value of the related assets. Assets under finance leases are amortized using the straight-line method over the initial lease term. Amortization of assets under finance leases is included in depreciation expense. For operating leases, where readily determinable, the Company uses the implicit interest rate in determining the present value of future minimum lease payments. In the absence of an implicit rate, the Company uses its incremental borrowing rate. The right-of-use assets are amortized to operating lease cost over the lease terms on a straight-line basis and is included in operating expense. Several of the Company's leases include options to renew and the exercise of lease renewal options is primarily at the Company's discretion.

*Property and Equipment.* Property and equipment is capitalized at historical cost, the fair value of assets acquired in a business combination, or historical carrying value of assets acquired from Breckenridge and is depreciated over the useful life of the asset. Management's estimation of this useful life is based on circumstances that exist in the seismic industry and information available at the time of the purchase of the asset. As circumstances change and new information becomes available, these estimates could change. Depreciation is computed using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the balance sheet, and any resulting gain or loss is reflected in the results of operations for the period.

*Impairment of Long-lived Assets.* Long-lived assets are reviewed for impairment when triggering events occur suggesting deterioration in the assets' recoverability or fair value. Recognition of an impairment charge is required if future expected undiscounted net cash flows are insufficient to recover the carrying value of the assets and the fair value of the assets is below the carrying value of the assets. Management's forecast of future cash flows used to perform impairment analysis includes estimates of future revenues and expenses based on the Company's anticipated future results while considering anticipated future oil and natural gas prices, which is fundamental in assessing demand for the Company's services. If the carrying amounts of the assets exceed the estimated expected undiscounted future cash flows, the Company measures the amount of possible impairment by comparing the carrying amount of the assets to the fair value.

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

*Revenue Recognition.* Services are provided under cancelable service contracts which usually have an original expected duration of one year or less. These contracts are either "turnkey" or "term" agreements. Under both types of agreements, the Company recognizes revenues as the services are performed. Revenue is generally recognized based on square miles of data recorded compared to total square miles anticipated to be recorded on the survey using the total estimated revenue for the service contract. In the case of a cancelled service contract, the client is billed and revenue is recognized for any third party charges and square miles of data recorded up to the date of cancellation.

The Company receives reimbursements for certain out-of-pocket expenses under the terms of the service contracts. The amounts billed to clients are included at their gross amount in the total estimated revenue for the service contract.

Clients are billed as permitted by the service contract. Contract assets and contract liabilities are the result of timing differences between revenue recognition, billings and cash collections. If billing occurs prior to the revenue recognition or billing exceeds the revenue recognized, the amount is considered deferred revenue and a contract liability. Conversely, if the revenue recognition exceeds the billing, the excess is considered an unbilled receivable and a contract asset. As services are performed, those deferred revenue amounts are recognized as revenue.



In some instances, third-party permitting, surveying, drilling, helicopter, equipment rental and mobilization costs that directly relate to the contract are utilized to fulfill the contract obligations. These fulfillment costs are capitalized in other current assets and generally amortized based on the total square miles of data recorded compared to total square miles anticipated to be recorded on the survey using the total estimated fulfillment costs for the service contract.

Estimates for total revenue and total fulfillment cost on any service contract are based on significant qualitative and quantitative judgments. Management considers a variety of factors such as whether various components of the performance obligation will be performed internally or externally, cost of third party services, and facts and circumstances unique to the performance obligation in making these estimates.

*Risks and Uncertainties.* The Company's ability to be profitable in the future will depend on many factors beyond its control, but primarily on the level of demand for land-based seismic data acquisition services by oil and natural gas exploration and development companies. The Company earned net income of \$5.8 million for the three months ended March 31, 2024, and incurred a net loss of \$0.4 million for the same period of 2023. As of March 31, 2024, the Company had \$16.5 million in cash, and a positive working capital balance of \$11.3 million. We believe that our cash flows from operations, and our current financial position are adequate to fund our continued operations.

### **Recently Issued Accounting Pronouncements**

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* ("ASU 2023-07"). ASU 2023-07 seeks to improve disclosures about a public entity's reportable segments and add disclosures around a reportable segment's expenses. The updated guidance is effective for our annual periods beginning January 1, 2024, and interim periods within fiscal years beginning January 1, 2025. The Company is evaluating the impacts of adoption, which will be limited to additional disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* ("ASU 2023-09"). ASU 2023-09 seeks to improve transparency of income tax disclosures by requiring consistent categories and greater disaggregation of information in the rate reconciliation and income taxes paid disclosures. The updated guidance is effective for the Company on January 1, 2025. The Company does not expect the adoption of ASU 2023-09 to have a material impact on its financial statements and disclosures.

### **3. FAIR VALUE OF FINANCIAL INSTRUMENTS**

At March 31, 2024 and December 31, 2023, the Company's financial instruments included cash and cash equivalents, restricted cash, short-term investments in certificates of deposit, accounts receivable, other current assets, accounts payable, other current liabilities, notes payable, finance leases and operating lease liabilities. Due to the short-term maturities of cash and cash equivalents, restricted cash, accounts receivable, other current assets, accounts payable and other current liabilities, the carrying amounts approximate fair value at the respective balance sheet dates. The carrying value of the notes payable, finance leases and operating lease liabilities approximate their fair value based on a comparison with the prevailing market interest rate. Due to the short-term maturities of the Company's investments in certificates of deposit, the carrying amounts approximate fair value at the respective balance sheet dates. The fair values of the Company's notes payable and investments in certificates of deposit are level 2 measurements in the fair value hierarchy.

### **4. OPERATING SEGMENTS**

The Company's chief operating decision maker (President and Chief Executive Officer) reviews the discrete segment financial information on a geographic basis for the U.S. operations and Canada Operations. The revenue for both of the Company's segments is generated by the same services, which utilize the same type of equipment and personnel. The performance of our segments is evaluated primarily on Adjusted EBITDA. We define Adjusted EBITDA as our net income (loss), before (i) interest expense, net, (ii) income tax expense or benefit, (iii) depreciation, depletion and amortization and (iv) other unusual or non-recurring charges, such as severance expenses. As a result, the Company has two reportable segments, U.S. Operations and Canada Operations.

The following tables present the Company's income statements by operating segment (in thousands):

	<b>Three Months Ended March 31, 2024</b>		
	<b>USA Operations</b>	<b>Canada Operations</b>	<b>Consolidated</b>
<b>Operating revenues</b>			
Fee revenue	\$ 18,287	\$ 8,451	\$ 26,738
Reimbursable revenue	4,809	37	4,846
	<u>23,096</u>	<u>8,488</u>	<u>31,584</u>
<b>Operating costs:</b>			
Fee operating expenses	13,179	4,317	17,496
Reimbursable operating expenses	4,809	37	4,846
Operating expenses	<u>17,988</u>	<u>4,354</u>	<u>22,342</u>
General and administrative	1,742	169	1,911
Depreciation and amortization	1,305	284	1,589
	<u>21,035</u>	<u>4,807</u>	<u>25,842</u>
<b>Income from operations</b>	2,061	3,681	5,742
<b>Other income (expense):</b>			
Interest income	99	14	113
Interest expense	(36)	(10)	(46)
Other income (expense)	245	(6)	239
<b>Income before income tax</b>	2,369	3,679	6,048
<b>Income tax expense</b>	(202)	—	(202)
<b>Net income</b>	2,167	3,679	5,846
<b>Other comprehensive loss:</b>			
Net unrealized loss on foreign exchange rate translation	—	(160)	(160)
<b>Comprehensive income</b>	<u>\$ 2,167</u>	<u>\$ 3,519</u>	<u>\$ 5,686</u>

	<b>Three Months Ended March 31, 2023</b>		
	<b>USA Operations</b>	<b>Canada Operations</b>	<b>Consolidated</b>
<b>Operating revenues</b>			
Fee revenue	\$ 12,263	\$ 10,010	\$ 22,273
Reimbursable revenue	6,533	602	7,135
	<u>18,796</u>	<u>10,612</u>	<u>29,408</u>
<b>Operating costs:</b>			
Fee operating expenses	9,644	7,003	16,647
Reimbursable operating expenses	6,533	602	7,135
Operating expenses	<u>16,177</u>	<u>7,605</u>	<u>23,782</u>
General and administrative	3,102	397	3,499
Depreciation and amortization	2,118	582	2,700
	<u>21,397</u>	<u>8,584</u>	<u>29,981</u>
<b>(Loss) income from operations</b>	(2,601)	2,028	(573)
<b>Other income (expense):</b>			
Interest income	87	21	108
Interest expense	(12)	(5)	(17)
Other income, net	49	3	52
<b>(Loss) income before income tax</b>	(2,477)	2,047	(430)
<b>Income tax benefit</b>	17	—	17
<b>Net (loss) income</b>	(2,460)	2,047	(413)
<b>Other comprehensive loss:</b>			
Net unrealized loss on foreign exchange rate translation	—	(6)	(6)
<b>Comprehensive (loss) income</b>	<u>\$ (2,460)</u>	<u>\$ 2,041</u>	<u>\$ (419)</u>

The following table presents the Company’s total assets (unaudited and in thousands) disaggregated by operating segment:

	March 31, 2024	December 31, 2023
<b>Total Assets</b>		
United States	\$ 42,518	\$ 48,495
Canada	15,262	9,024
<b>Total Assets</b>	<b>\$ 57,780</b>	<b>\$ 57,519</b>

The reconciliation of the Company’s EBITDA to net income (loss) and to net cash provided by (used in) operating activities, which are the most directly comparable GAAP financial measures, are provided in the following tables (in thousands):

	Three Months Ended March 31,					
	2024 US	2024 CA	2024 Consol.	2023 US	2023 CA	2023 Consol.
Net income (loss)	\$ 2,167	\$ 3,679	\$ 5,846	\$ (2,460)	\$ 2,047	\$ (413)
Depreciation and amortization	1,305	284	1,589	2,118	582	2,700
Severance expense	—	—	—	—	—	—
Interest (income) expense, net	(63)	(4)	(67)	(75)	(16)	(91)
Income tax expense (benefit)	202	—	202	(17)	—	(17)
<b>EBITDA</b>	<b>\$ 3,611</b>	<b>\$ 3,959</b>	<b>\$ 7,570</b>	<b>\$ (434)</b>	<b>\$ 2,613</b>	<b>\$ 2,179</b>

	Three Months Ended March 31,					
	2024 US	2024 CA	2024 Consol.	2023 US	2023 CA	2023 Consol.
Net cash provided by (used in) operating activities	\$ 1,996	\$ (126)	\$ 1,870	\$ 2,578	\$ (4,398)	\$ (1,820)
Changes in working capital and other items	1,835	4,136	5,971	(2,794)	7,047	4,253
Non-cash adjustments to net income (loss)	(220)	(51)	(271)	(218)	(36)	(254)
<b>EBITDA</b>	<b>\$ 3,611</b>	<b>\$ 3,959</b>	<b>\$ 7,570</b>	<b>\$ (434)</b>	<b>\$ 2,613</b>	<b>\$ 2,179</b>

## 5. DEBT

### Dominion Loan Agreement

On September 30, 2019, the Company entered into a Loan and Security Agreement with Dominion Bank, a Texas state bank (“Dominion Bank”). On September 30, 2023, the Company entered into a Fifth Loan Modification Agreement (the “Fifth Modification Agreement”) to the Loan and Security Agreement (as amended by (i) that certain Loan Modification Agreement dated as of September 30, 2020, (ii) that certain Second Loan Modification Agreement dated as of September 30, 2021, (iii) that certain Third Loan Modification Agreement dated as of September 30, 2022, (iv) that certain Fourth Modification Agreement dated as of March 21, 2023, and (v) the Fifth Modification Agreement, the “Loan Agreement”). The Loan Agreement now provides for a secured revolving credit facility (the “Revolving Credit Facility”) in an amount up to the lesser of (I) an amount equal to the Borrowing Base or (II) \$5 million. The Company’s obligations under the Loan Agreement are secured by a Certificate of Deposit with Dominion Bank for \$5 million (the “Deposit”) in the Company’s collateral account. As of March 31, 2024, the Company had not borrowed any amounts under the Revolving Credit Facility and had approximately \$5 million available for withdrawal. On May 2, 2024, the collateral deposit of \$5 million was released and the Loan Agreement was terminated.

### Dominion Letters of Credit

As of March 31, 2024, Dominion Bank has issued one letter of credit in the amount of \$265,000 to support the Company’s workers compensation insurance. The letter of credit is secured by a certificate of deposit with Dominion Bank.

### Other Indebtedness

As of March 31, 2024, the Company has one short-term note payable to a finance company for various insurance premiums totaling \$526,000.

In addition, the Company leases certain seismic recording equipment and vehicles under leases classified as finance leases. The Company’s Condensed Consolidated Balance Sheet as of March 31, 2024 includes finance leases of \$2.1 million.

## Maturities and Interest Rates of Debt

The following tables set forth the aggregate principal amount (in thousands) under the Company's outstanding notes payable and the interest rates as of March 31, 2024 and December 31, 2023:

	March 31, 2024	December 31, 2023
Notes payable to finance company for insurance		
Aggregate principal amount outstanding	\$ 526	\$ 910
Interest rate 8.75%		

The aggregate maturities of finance leases as of March 31, 2024 are as follows (in thousands):

April 2024 - March 2025	\$ 586
April 2025 - March 2026	671
April 2026 - March 2027	619
April 2027 - March 2028	229
Obligations under finance leases	<u>\$ 2,105</u>

Interest rates on these leases range from 4.86% to 8.74%.

## 6. LEASES

The Company leases certain vehicles, seismic recording equipment, real property and office equipment under lease agreements. The Company evaluates each lease to determine its appropriate classification as an operating lease or finance lease for financial reporting purposes. The majority of our operating leases are non-cancelable operating leases for office and shop space in Midland, Plano, Houston and Calgary, Alberta. There have been no material changes to our leases since the Company's most recent Annual Report on Form 10-K that was filed with the SEC on April 1, 2024.

Maturities of lease liabilities as of March 31, 2024 are as follows (in thousands):

	Operating Leases	Finance Leases
April 2024 - March 2025	\$ 1,278	\$ 706
April 2025 - March 2026	1,075	750
April 2026 - March 2027	1,093	653
April 2027 - March 2028	78	235
April 2028 - March 2029	6	—
Thereafter	—	—
Total payments under lease agreements	<u>3,530</u>	<u>2,344</u>
Less imputed interest	(268)	(239)
Total lease liabilities	<u>\$ 3,262</u>	<u>\$ 2,105</u>

## 7. COMMITMENTS AND CONTINGENCIES

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

We are also party to the following legal proceeding: On April 1, 2019, Weatherford International, LLC and Weatherford U.S., L.P. (collectively, "Weatherford") filed a petition in state district court for Midland County, Texas, in which the Company and eighteen other parties were named as defendants, alleging the Company and/or the other named defendants contributed to or caused contamination of groundwater at and around property owned by Weatherford. Weatherford is seeking declaratory judgment, recovery and contribution for past and future costs incurred in responding to or correcting the contamination at and around the property from each defendant. The Company disputes Weatherford's allegations with respect to the Company and intends to vigorously defend itself in this case. Subsequent to the filing of the petition, Weatherford filed for bankruptcy protection on July 1, 2019. While the outcome and impact of this legal proceeding on the

Company cannot be predicted with certainty, based on currently available information, management believes that the resolution of this proceeding will not have a material adverse effect on our financial condition, results of operations or liquidity.

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

## 8. NET INCOME (LOSS) PER SHARE

Basic income (loss) per share is computed by dividing the net income (loss) by the weighted average shares outstanding. Diluted income (loss) per share is computed by dividing the net income (loss) by the weighted average diluted shares outstanding.

The computation of basic and diluted income (loss) per share (in thousands, except share and per share data) was as follows:

	Three Months Ended March 31,	
	2024	2023
Net income (loss)	\$ 5,846	\$ (413)
Weighted average common shares outstanding		
Basic	30,812,329	25,000,564
Diluted	30,812,329	25,000,564
Basic income (loss) per share of common stock	\$ 0.19	\$ (0.02)
Diluted income (loss) per share of common stock	\$ 0.19	\$ (0.02)

The Company does not have any outstanding stock options, restricted stock unit awards, or restricted stock awards that would dilute our outstanding shares for the three months ended March 31, 2024, and 2023. Additionally, for the three months ended March 31, 2023, the 5,811,765 shares issuable upon conversion of the convertible note were excluded from the calculation of diluted loss per share of common stock, as their effect would have been anti-dilutive.

## 9. INCOME TAXES

For the three months ended March 31, 2024 and 2023, the Company's effective tax rates were 3.3% and 4.0%, respectively. The Company's nominal effective tax rate for the periods above was due to the presence of net operating loss carryovers and adjustments to the valuation allowance on deferred tax assets.

The Company assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit the use of the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative loss incurred over an extended amount of time. Such objective evidence limits the ability to consider other subjective evidence, such as projections for taxable earnings.

The Company has recorded valuation allowances against the associated deferred tax assets for the amounts it deems are not more likely than not realizable. Based on management's belief that not all the net operating losses are realizable, a federal valuation allowance and additional state valuation allowances were maintained during the three months ended March 31, 2024 and 2023. In addition, due to the Company's recent operating losses and valuation allowances, the Company may recognize reduced or no tax benefits on future losses on the condensed consolidated financial statements. The amount of the valuation allowances considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased, or if objective negative evidence in the form of cumulative losses is no longer present and additional weight is given to subjective evidence such as projections for future growth.

## 10. SUPPLEMENTAL CONSOLIDATED FINANCIAL STATEMENT INFORMATION

### Deferred Costs (in thousands)

Deferred costs were \$4.3 million and \$5.4 million at January 1, 2024 and 2023, respectively. The Company's prepaid expenses and other current assets at March 31, 2024 and 2023 included deferred costs incurred to fulfill contracts with customers of \$2.8 million and \$8.6 million, respectively.

Deferred costs at March 31, 2024 compared to January 1, 2024 decreased primarily as a result of the completion of several projects during that three month period that had deferred fulfillment costs at January 1, 2024. Deferred costs at March 31, 2023 compared to January 1, 2023 increased primarily as a result of new projects for clients with significant deferred fulfillment costs at March 31, 2023.

The amount of total deferred costs amortized for the three months ended March 31, 2024 and 2023 was \$7.9 million and \$7.4 million, respectively. There were no material impairment losses incurred during these periods.

### **Deferred Revenue (in thousands)**

Deferred revenue was \$11.8 million and \$7.4 million at January 1, 2024 and 2023, respectively. The Company's deferred revenue at March 31, 2024 and 2023 was \$5.3 million and \$8.3 million, respectively.

Deferred revenue at March 31, 2024 compared to January 1, 2024 decreased primarily as a result of completing projects for clients with prepayments for third party reimbursables. Deferred revenue at March 31, 2023 compared to January 1, 2023 increased primarily as a result of new projects for clients with large third party reimbursables where data had not yet been recorded.

Revenue recognized for the three months ended March 31, 2024 and 2023 that was included in the contract liability balance at the beginning of 2024 and 2023 was \$9.7 million and \$3.0 million, respectively.

### **Related Party Transactions**

For the three months ended March 31, 2024, the Company incurred related party expenses totaling approximately \$106,000. These are charges by various commonly controlled companies of Wilks Brothers, LLC, the holder of approximately 80% of the Company's outstanding stock. These transactions consisted of trucking charges of \$97,000 and client hosting expenses of \$9,000. For the three months ended March 31, 2024, the Company received related party revenue of \$5,000 for partial use of leased office space. For the three months ended March 31, 2023, the Company did not have any related party transactions. As of March 31, 2024, the Company had approximately \$48,000 of outstanding related party accounts payable and no outstanding related party accounts receivable.

For the three months ended March 31, 2023, Breckenridge incurred related party expenses totaling approximately \$110,000. These charges by various commonly controlled companies of Wilks Brothers, LLC consisted of trucking charges of \$60,000, management charges of \$44,000, and payroll administration charges of \$6,000.

## **11. SUBSEQUENT EVENTS**

On May 6, 2024, the \$0.32 per share special cash dividend on the Company's common stock declared on March 28, 2024 was paid to stockholders of record as of the close of business on April 22, 2024. The aggregate payment was approximately \$9.9 million, which is recorded as accrued liabilities on our Condensed Consolidated Balance Sheets as of March 31, 2024.

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

### **Forward Looking Statements**

Statements other than statements of historical fact included in this Form 10-Q that relate to forecasts, estimates or other expectations regarding future events, including without limitation, statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" regarding technological advancements and our financial position, business strategy, and plans and objectives of our management for future operations, may be deemed to be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). When used in this Form 10-Q, words such as "anticipate," "believe," "estimate," "expect," "intend" and similar expressions, as they relate to us or our management, identify forward-looking statements. Such forward-looking statements are based on the beliefs of our management, as well as assumptions made by and information currently available to management. Actual results could differ materially from those contemplated by the forward-looking statements as a result of certain factors. These factors include, but are not limited to, the Company's status as a controlled public company, which exempts the Company from certain corporate governance requirements; the limited market for the Company's shares, which could result in the delisting of the Company's shares from Nasdaq and the Company no longer being required to make filings with the SEC; the impact of general economic, industry, market or political conditions; dependence upon energy industry spending; changes in exploration and production spending by our customers and changes in the level of oil and natural gas exploration and development; the results of operations and financial condition of our customers, particularly during extended periods of low prices for crude oil and natural gas; the volatility of oil and natural gas prices; changes in economic conditions; surplus in the supply of oil and the ability of the Organization of the Petroleum Exporting Countries and its allies, collectively known as OPEC+, to agree on and comply with supply limitations; the duration and magnitude of the unprecedented disruption in the oil and gas industry currently resulting from the impact of the foregoing factors, which is negatively impacting our business; the potential for contract delays; reductions or cancellations of service contracts; limited number of customers; credit risk related to our customers; reduced utilization; high fixed costs of operations and high capital requirements; operational challenges relating to the effects of the COVID-19 pandemic and certain efforts to mitigate the spread of the virus, including logistical challenges, protecting the health and well-being of our employees and remote work

arrangements; industry competition; external factors affecting the Company's crews such as weather interruptions and inability to obtain land access rights of way; whether the Company enters into turnkey or day rate contracts; crew productivity; the availability of capital resources; disruptions in the global economy, including unrest in the Middle East, export controls and financial and economic sanctions imposed on certain industry sectors and parties as a result of the developments in Ukraine and related activities, and whether or not a future transaction or other action occurs that causes the Company to be delisted from Nasdaq and no longer be required to make filings with the SEC. The cautionary statements made in this Form 10-Q should be read as applying to all related forward-looking statements wherever they appear in this Form 10-Q. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by this paragraph. A discussion of these and other factors, including risks and uncertainties, is set forth in the Company's Annual Report on Form 10-K that was filed with the SEC on April 1, 2024 and any subsequent Quarterly Reports on Form 10-Q filed with the SEC. The Company disclaims any intention or obligation to revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## Overview

We are a leading provider of North American onshore seismic data acquisition services with operations throughout the continental U.S. and Canada. Substantially all of our revenues are derived from the seismic data acquisition services we provide to our clients. Our clients consist of major oil and gas companies, independent oil and gas operators, and providers of multi-client data libraries. In recent years, our primary customer base has consisted of providers of multi-client data libraries. Demand for our services depends upon the level of spending by these companies for exploration, production, development and field management activities, which depends, in a large part, on oil and natural gas prices. Significant fluctuations in domestic oil and natural gas exploration and development activities related to commodity prices, as we have recently experienced, have affected, and will continue to affect, demand for our services and our results of operations, and such fluctuations continue to be the single most important factor affecting our business and results of operations.

We operated two large channel crews throughout the majority of the first quarter in our U.S. operations, and into May 2024. During the Canadian winter season that ended in early April, there were up to four smaller crews in operation. With the conclusion of the winter season, there is currently no crew activity in Canada. We expect to continually operate with one crew throughout the remainder of the second quarter in our U.S. operations.

We expect revenue to decrease in the second quarter due to the seasonal nature of our Canadian operations and reduced crew activity in the U.S. However, we are taking proactive steps to significantly reduce our cost structure during this period of low activity to improve our operating cash flows. Bid activity in the U.S. has continually improved and we expect to significantly increase our crew utilization later in the year.

While our revenues are mainly affected by the level of client demand for our services, our revenues are also affected by the pricing for our services that we negotiate with our clients and the productivity and utilization level of our data acquisition crews. Factors impacting productivity and utilization levels include: client demand, commodity prices, whether we enter into turnkey or dayrate contracts with our clients, the number and size of crews, the number of recording channels per crew, crew downtime related to inclement weather, delays in acquiring land access permits, agricultural or hunting activity, holiday schedules, short winter days, crew repositioning and equipment failure. To the extent we experience these factors, our operating results may be affected from quarter to quarter. Consequently, our efforts to negotiate more favorable contract terms in our supplemental service agreements, mitigate permit access delays and improve overall crew productivity may contribute to growth in our revenues.

## Results of Operations

*U.S. Fee Revenues.* Acquisition revenues for the first quarter of 2024 increased 49% to \$18.3 million compared to \$12.3 million for the same period of 2023. The increase was primarily due to project timing, increased crew utilization and more favorable contract pricing during 2024.

*Canadian Fee Revenues.* Acquisition revenues for the first quarter of 2024 decreased 15% to \$8.5 million compared to \$10.0 million for the same period of 2023. The decrease was primarily due to decreased crew utilization during 2024.

*Total Revenues.* Revenues for the first quarter of 2024 were \$31.6 million compared to \$29.4 million for the same period of 2023. Total revenues included a decrease of \$2.3 million in reimbursable revenues.

*U.S. Fee Operating Expenses.* Acquisition expenses for the first quarter of 2024 increased 37% to \$13.2 million compared to \$9.6 million for the same period of 2023. The increase was primarily due to an overall increase in crew production and utilization.

*Canadian Fee Operating Expenses.* Acquisition expenses for the first quarter of 2024 decreased 38% to \$4.3 million from \$7.0 million for the same period of 2023. The decrease was primarily due to an overall decrease in crew production and utilization.

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*Reimbursable Revenues and Costs.* These revenues and expenses are passed through to our clients and are job specific and vary significantly from year to year. The costs are agreed to by our clients prior to contracting with outside vendors for the various tasks.

*General and Administrative Expenses.* General and administrative expenses were 6% and 12% of revenues in the first quarter of 2024 and 2023, respectively. General and administrative expenses decreased 45% to \$1.9 million compared to \$3.5 million for the same period of 2023. The decrease was primarily due to our focus on cost reduction initiatives, a decrease in retained legal counsel and a reduction in salary expenses.

*Depreciation and Amortization Expense.* Depreciation and amortization expense for the first quarter of 2024 totaled \$1.6 million compared to \$2.7 million for the same period of 2023. Depreciation expense decreased in 2024 compared to 2023 as a result of multiple years of reduced capital expenditures.

*Total Operating Costs.* Total operating costs for the first quarter of 2024 were \$25.8 million, representing a 14% decrease from the same period of 2023. The decrease was primarily due to the factors described above.

*Income Taxes.* Income tax expense for the first quarter of 2024 was \$202,000 compared to income tax benefit of \$17,000 for the same period of 2023. These amounts represent effective tax rates of 3.3% and 4.0% for the first quarters of 2024 and 2023, respectively. The Company's nominal effective tax rate for the periods above was due to the presence of net operating loss carryovers and adjustments to the valuation allowance on deferred tax assets.

Our effective tax rates differ from the statutory federal rate of 21.0% for certain items such as state and local taxes, valuation allowances, and non-deductible expenses. For further information, see Note 9 of the Notes to the Condensed Consolidated Financial Statements.

#### Use of EBITDA (a Non-GAAP measure)

We define EBITDA as net income (loss) plus interest expense, interest income, income taxes, and depreciation and amortization expense. Our management uses EBITDA as a supplemental financial measure to assess:

- the financial performance of our assets without regard to financing methods, capital structures, taxes or historical cost basis;
- our liquidity and operating performance over time in relation to other companies that own similar assets and that we believe calculate EBITDA in a similar manner; and
- the ability of our assets to generate cash sufficient for us to pay potential interest costs.

We also understand that such data are used by investors to assess our performance. However, the term EBITDA is not defined under GAAP, and EBITDA is not a measure of operating income, operating performance or liquidity presented in accordance with GAAP. When assessing our operating performance or liquidity, investors and others should not consider this data in isolation or as a substitute for net income (loss), cash flow from operating activities or other cash flow data calculated in accordance with GAAP. In addition, our EBITDA may not be comparable to EBITDA or similarly titled measures utilized by other companies since such other companies may not calculate EBITDA in the same manner as us. Further, the results presented by EBITDA cannot be achieved without incurring the costs that the measure excludes: interest, taxes, and depreciation and amortization.

The reconciliation of our EBITDA to net income (loss) and to net cash provided by (used in) operating activities, which are the most directly comparable GAAP financial measures, are provided in the following tables (in thousands):

	Three Months Ended March 31,					
	2024 US	2024 CA	2024 Consol.	2023 US	2023 CA	2023 Consol.
Net income (loss)	\$ 2,167	\$ 3,679	\$ 5,846	\$ (2,460)	\$ 2,047	\$ (413)
Depreciation and amortization	1,305	284	1,589	2,118	582	2,700
Severance expense	—	—	—	—	—	—
Interest (income) expense, net	(63)	(4)	(67)	(75)	(16)	(91)
Income tax expense (benefit)	202	—	202	(17)	—	(17)
EBITDA	<u>\$ 3,611</u>	<u>\$ 3,959</u>	<u>\$ 7,570</u>	<u>\$ (434)</u>	<u>\$ 2,613</u>	<u>\$ 2,179</u>



	Three Months Ended March 31,					
	2024 US	2024 CA	2024 Consol.	2023 US	2023 CA	2023 Consol.
Net cash provided by (used in) operating activities	\$ 1,996	\$ (126)	\$ 1,870	\$ 2,578	\$ (4,398)	\$ (1,820)
Changes in working capital and other items	1,835	4,136	5,971	(2,794)	7,047	4,253
Non-cash adjustments to net income (loss)	(220)	(51)	(271)	(218)	(36)	(254)
EBITDA	\$ 3,611	\$ 3,959	\$ 7,570	\$ (434)	\$ 2,613	\$ 2,179

## Liquidity and Capital Resources

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

*Cash Flows.* Net cash provided by operating activities was \$1.9 million for the three months ended March 31, 2024, compared to net cash used in operating activities of \$1.8 million for the same period of 2023. This increase was primarily due to net income in 2024 compared to net loss in 2023 along with various changes in the balances of our operating assets and liabilities.

Net cash used in investing activities was \$0.5 million and \$2.6 million for the three months ended March 31, 2024, and 2023, respectively. The decrease in cash used in investing activities between periods of \$2.1 million was primarily due to a decrease in cash capital expenditures to \$0.7 million for the first three months of 2024 compared to capital expenditures of \$1.6 million for the same period of 2023. Additionally, in connection with the Breckenridge asset acquisition in 2023 we acquired \$1.0 million of short-term investments.

Net cash used in financing activities was \$0.6 million for the three months ended March 31, 2024, and was primarily comprised of principal payments of \$0.4 million and \$0.2 million under our notes payable and finance leases, respectively. Net cash used in financing activities was \$3.2 million for the three months ended March 31, 2023, and was primarily comprised of principal payments of \$0.1 million and \$25,000 under our notes payable and finance leases, respectively. Additionally, in connection with the Breckenridge asset acquisition we had cash distributions of \$3.1 million.

*Capital Expenditures.* The Board of Directors approved an initial 2024 capital budget in the amount of \$2.5 million for capital expenditures, which was limited to necessary maintenance capital requirements and incremental recording channel replacement or increase. For the three months ended March 31, 2024, we have spent \$0.7 million on capital expenditures, primarily for rolling stock and maintenance capital requirements. In recent years, we have funded most of our capital expenditures through cash flow from operations, cash reserves, equipment term loans and finance leases.

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

*Capital Resources.* Historically, we have primarily relied on cash generated from operations, cash reserves and borrowings from commercial banks to fund our working capital requirements and, to some extent, our capital expenditures. We have funded some of our capital expenditures through commercial bank borrowings, finance leases and equipment term loans.

*Special Cash Dividend.* Declared on March 28, 2024, the \$0.32 per share special cash dividend on the Company's common stock was paid on May 6, 2024 to stockholders of record as of the close of business on April 22, 2024. The aggregate payment was approximately \$9.9 million.

## Loan Agreement

*Dominion Credit Facility.* On September 30, 2019, we entered into a Loan and Security Agreement with Dominion Bank, a Texas state bank ("Dominion Bank"). On September 30, 2023, we entered into a Fifth Loan Modification Agreement (the "Fifth Modification Agreement") to the Loan and Security Agreement (as amended by (i) that certain Loan Modification Agreement dated as of September 30, 2020, (ii) that certain Second Loan Modification Agreement dated as of September 30, 2021, (iii) that certain Third Loan Modification Agreement dated as of September 30, 2022, (iv) that certain Fourth Modification Agreement dated as of March 21, 2023, and (v) the Fifth Modification Agreement, the "Loan Agreement"). The Loan Agreement now provides for a secured revolving credit facility (the "Revolving Credit Facility") in an amount up to the lesser of (I) an amount equal to the Borrowing Base or (II) \$5 million. Our obligations under the Loan Agreement are secured by a Certificate of Deposit with Dominion Bank for \$5 million (the "Deposit") in our collateral account. As of March 31, 2024, we had not borrowed any amounts under the Revolving Credit Facility and had approximately \$5 million available for

withdrawal. On May 2, 2024, the collateral deposit of \$5 million was released and the Loan Agreement was terminated.

*Dominion Letters of Credit.* As of March 31, 2024, Dominion Bank has issued one letter of credit in the amount of \$265,000 to support our workers compensation insurance. The letter of credit is secured by a certificate of deposit with Dominion Bank.

#### Other Indebtedness

As of March 31, 2024, we have one short-term note payable to a finance company for various insurance premiums totaling \$526,000.

In addition, we lease certain seismic recording equipment and vehicles under leases classified as finance leases. Our Condensed Consolidated Balance Sheet as of March 31, 2024, includes finance leases of \$2.1 million.

#### Maturities and Interest Rates of Debt

The following tables set forth the aggregate principal amount (in thousands) under our outstanding notes payable and the interest rates as of March 31, 2024, and December 31, 2023:

	March 31, 2024	December 31, 2023
Notes payable to finance company for insurance		
Aggregate principal amount outstanding	\$ 526	\$ 910
Interest rate 8.75%		

The aggregate maturities of finance leases as of March 31, 2024, are as follows (in thousands):

April 2024 - March 2025	\$ 586
April 2025 - March 2026	671
April 2026 - March 2027	619
April 2027 - March 2028	229
Obligations under finance leases	<u>\$ 2,105</u>

Interest rates on these leases range from 4.86% to 8.74%.

#### Contractual Obligations

We believe that our capital resources, including our cash on hand, short-term investments and cash flow from operations will be adequate to meet our current operational needs. We believe that we will be able to finance our 2024 capital expenditures through cash flow from operations and borrowings from commercial lenders. However, our ability to satisfy working capital requirements, meet debt repayment obligations, and fund future capital requirements will depend principally upon our future operating performance, which is subject to the risks inherent in our business, and will also depend on the extent to which the current economic climate adversely affects the ability of our customers, and/or potential customers, to promptly pay amounts owing to us under their service contracts with us.

#### Critical Accounting Policies

Information regarding our critical accounting policies and estimates is included in Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2023.

#### Recently Issued Accounting Pronouncements

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. ASU 2023-07 seeks to improve disclosures about a public entity’s reportable segments and add disclosures around a reportable segment’s expenses. The updated guidance is effective for our annual periods beginning January 1, 2024, and interim periods within fiscal years beginning January 1, 2025. We are evaluating the impacts of adoption, which will be limited to additional disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. ASU 2023-09 seeks to improve transparency of income tax disclosures by requiring consistent categories and greater disaggregation of information in the rate reconciliation and income taxes paid disclosures. The updated guidance is effective for us on January 1, 2025. We do not expect the adoption of ASU 2023-09 to have a material impact on our financial statements and disclosures.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There has been no material change in our market risk profile during the three months ended March 31, 2024 since December 31, 2023. For additional information about our market risk profile, refer to "Quantitative and Qualitative Disclosures About Market Risk" in Item 7A. in Part II of our 2023 Annual Report on Form 10-K.

We are exposed to certain market risks arising from the use of financial instruments in the ordinary course of business. These risks arise primarily as a result of potential changes to operating concentration of credit risk and changes in interest rates. We have not entered into any hedge arrangements, commodity swap agreements, commodity futures, options or other derivative financial instruments. We also conduct business in Canada, which subjects our results of operations and cash flows to foreign currency exchange rate risk.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **Management's Evaluation of Disclosure Controls and Procedures**

We carried out an evaluation, under the supervision and with the participation of our management, including our principal executive and financial officer, of the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the period covered by this report. Based upon that evaluation, our President and Chief Executive Officer and our Chief Financial Officer concluded that, as of March 31, 2024, our disclosure controls and procedures were effective, in all material respects, with regard to the recording, processing, summarizing and reporting, within the time periods specified in the SEC's rules and forms, for information required to be disclosed by us in the reports that we file or submit under the Exchange Act. Our disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our President and Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

#### **Changes in Internal Control Over Financial Reporting**

There have not been any changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) during the quarter ended March 31, 2024 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

Refer to Note 7 – Commitments and Contingencies in the Notes to the Condensed Consolidated Financial Statements (Part I, Item 1 of this Form 10-Q) for a discussion of the Company's legal proceedings.

### **ITEM 1A. RISK FACTORS**

In addition to the other information set forth in this Form 10-Q, you should carefully consider the risk factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023, which could materially affect our financial condition or results of operations.

### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

During the quarter ended March 31, 2024, we did not issue or sell any shares of our common stock or other equity securities pursuant to unregistered transactions in reliance upon an exemption from the registration requirements of the Securities Act.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

During the quarter ended March 31, 2024, none of the Company's directors or officers adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement (each as defined in Item 408(c) of Regulation S-K).

**ITEM 6. EXHIBITS**

<u>Number</u>	<u>Exhibit</u>
3.1	<a href="#">Amended and Restated Certificate of Formation, as amended February 11, 2015, filed on March 16, 2015 as Exhibit 3.1 to the Registrant's Annual Report on Form 10-K, and incorporated herein by reference.</a>
3.2	<a href="#">Bylaws, as amended February 11, 2015, filed on March 16, 2015 as Exhibit 3.2 to the Registrant's Annual Report on Form 10-K, and incorporated herein by reference.</a>
3.3	<a href="#">Statement of Resolutions Establishing Series of Shares designated Series A Junior Participating Preferred Stock of Dawson Geophysical Company, filed on April 8, 2021 as Exhibit 3.1 to the Registrant's Current Report on Form 8-K, and incorporated herein by reference.</a>
31.1*	<a href="#">Certification of Chief Executive Officer of Dawson Geophysical Company pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.</a>
31.2*	<a href="#">Certification of Chief Financial Officer of Dawson Geophysical Company pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.</a>
32.1**	<a href="#">Certification of Chief Executive Officer of Dawson Geophysical Company pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code.</a>
32.2**	<a href="#">Certification of Chief Financial Officer of Dawson Geophysical Company pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code.</a>
101*	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, formatted in Inline XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Statements of Operations and Comprehensive Loss for the three months ended March 31, 2024 and 2023, (ii) Condensed Consolidated Balance Sheets at March 31, 2024 and December 31, 2023, (iii) Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2024 and 2023, (iv) Condensed Consolidated Statements of Stockholders' Equity for the three months ended March 31, 2024 and 2023, and (v) Notes to Condensed Consolidated Financial Statements.
104*	Cover Page Interactive Data File (formatted in Inline XBRL and included as Exhibit 101).

\* Filed herewith.

\*\* Furnished herewith

**SIGNATURES**

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

DAWSON GEOPHYSICAL COMPANY

DATE: May 14, 2024

By: /s/ William A. Clark  
William A. Clark  
President and Chief Executive Officer

DATE: May 14, 2024

By: /s/ Ian Shaw  
Ian Shaw  
Chief Financial Officer

CERTIFICATION

I, William A. Clark, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dawson Geophysical Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 14, 2024

/s/ William A. Clark  
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William A. Clark  
President and Chief Executive Officer  
(principal executive officer)

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CERTIFICATION

I, Ian Shaw, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dawson Geophysical Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 14, 2024

/s/ Ian Shaw

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Ian Shaw

Chief Financial Officer

(principal financial and accounting officer)

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

In connection with the quarterly report of Dawson Geophysical Company (the "Company") on Form 10-Q for the period ended March 31, 2024, as filed with the Securities and Exchange Commission (the "Report"), I, William A. Clark, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

Dated: May 14, 2024

/s/ William A. Clark  
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William A. Clark  
President and Chief Executive Officer  
(principal executive officer)

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

In connection with the quarterly report of Dawson Geophysical Company (the "Company") on Form 10-Q for the period ended March 31, 2024, as filed with the Securities and Exchange Commission (the "Report"), I, Ian Shaw, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

Dated: May 14, 2024

/s/ Ian Shaw

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Ian Shaw

Chief Financial Officer

(principal financial and accounting officer)

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