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, 2021

☐ **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	**74-2095844**
(State or other jurisdiction of incorporation or organization)	(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:

Title of Each Class	Name of Exchange on Which Registered	Trading Symbol
Common Stock, $0.01 par value	**The NASDAQ Stock Market**	**DWSN**

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.

Title of Each Class	Outstanding at May 12, 2021
Common Stock, $0.01 par value	23,478,072 shares

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

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

	March 31, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 41,371	$ 40,955
Restricted cash	5,000	5,000
Short-term investments	583	583
Accounts receivable, net	5,137	7,343
Prepaid expenses and other current assets	3,083	4,709
Total current assets	55,174	58,590
Property and equipment, net	35,409	38,900
Right-of-use assets	5,241	5,494
Intangibles, net	398	393
Total assets	$ 96,222	$ 103,377
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 1,434	$ 1,603
Accrued liabilities:		
Payroll costs and other taxes	1,011	1,045
Other	1,375	1,811
Deferred revenue	—	1,779
Current maturities of notes payable and finance leases	551	94
Current maturities of operating lease liabilities	1,089	1,109
Total current liabilities	5,460	7,441
Long-term liabilities:		
Notes payable and finance leases, net of current maturities	36	44
Operating lease liabilities, net of current maturities	4,659	4,899
Deferred tax liabilities, net	19	19
Total long-term liabilities	4,714	4,962
Operating commitments and contingencies	—	—
Stockholders' equity:		
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, 23,526,517 shares issued and 23,478,072 shares outstanding at March 31, 2021 and December 31, 2020	235	235
Additional paid-in capital	154,967	154,866
Retained deficit	(68,155)	(62,927)
Treasury stock, at cost; 48,445 shares	—	—
Accumulated other comprehensive loss, net	(999)	(1,200)
Total stockholders' equity	86,048	90,974
Total liabilities and stockholders' equity	$ 96,222	$ 103,377

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

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

	Three Months Ended March 31,	
	2021	**2020**
Operating revenues	$ 11,748	$ 38,979
Operating costs:		
Operating expenses	10,942	29,016
General and administrative	2,807	3,674
Depreciation and amortization	3,434	4,904
	17,183	37,594
(Loss) income from operations	(5,435)	1,385
Other income (expense):		
Interest income	70	105
Interest expense	(6)	(40)
Other income (expense), net	143	(458)
(Loss) income before income tax	(5,228)	992
Income tax benefit	—	1
Net (loss) income	(5,228)	993
Other comprehensive income (loss):		
Net unrealized income (loss) on foreign exchange rate translation, net	201	(1,199)
Comprehensive loss	$ (5,027)	$ (206)
Basic (loss) income per share of common stock	$ (0.22)	$ 0.04
Diluted (loss) income per share of common stock	$ (0.22)	$ 0.04
Weighted average equivalent common shares outstanding	23,478,072	23,287,410
Weighted average equivalent common shares outstanding - assuming dilution	23,478,072	23,465,651

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

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

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Cash flows from operating activities:		
Net (loss) income	$ (5,228)	$ 993
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization	3,434	4,904
Operating lease cost	262	301
Non-cash compensation	101	203
Deferred income tax expense	—	79
Loss (gain) on disposal of assets	38	(4)
Remeasurement and other	61	(130)
Change in operating assets and liabilities:		
Decrease (increase) in accounts receivable	2,232	(8,658)
Decrease (increase) in prepaid expenses and other assets	1,627	(1,738)
(Decrease) increase in accounts payable	(171)	942
(Decrease) increase in accrued liabilities	(480)	1,551
Decrease in operating lease liabilities	(269)	(303)
(Decrease) increase in deferred revenue	(1,779)	1,687
Net cash used in operating activities	(172)	(173)
Cash flows from investing activities:		
Capital expenditures, net of non-cash capital expenditures summarized below	—	(1,777)
Proceeds from disposal of assets	94	85
Proceeds from notes receivable	—	13
Net cash provided by (used in) investing activities	94	(1,679)
Cash flows from financing activities:		
Proceeds from notes payable	550	—
Principal payments on notes payable	(89)	(707)
Principal payments on finance leases	(13)	(725)
Net cash provided by (used in) financing activities	448	(1,432)
Effect of exchange rate changes on cash and cash equivalents and restricted cash	46	(135)
Net increase (decrease) in cash and cash equivalents and restricted cash	416	(3,419)
Cash and cash equivalents and restricted cash at beginning of period	45,955	31,271
Cash and cash equivalents and restricted cash at end of period	$ 46,371	$ 27,852
Supplemental cash flow information:		
Cash paid for interest	$ 4	$ 42
Non-cash operating, investing and financing activities:		
Increase in accrued purchases of property and equipment	$ —	$ 567
Increase in right-of-use assets and operating lease liabilities	$ 1	$ —
Financed insurance premiums	$ —	$ 434

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)

	Common Stock Number Of Shares	Common Stock Amount	Additional Paid-in Capital	Retained Deficit	Accumulated Other Comprehensive (Loss) Income	Total
Balance December 31, 2020	23,526,517	$ 235	$ 154,866	$ (62,927)	$ (1,200)	$ 90,974
Net loss				(5,228)		(5,228)
Unrealized income on foreign exchange rate translation					201	201
Stock-based compensation expense			101			101
Balance March 31, 2021	23,526,517	$ 235	$ 154,967	$ (68,155)	$ (999)	$ 86,048

	Common Stock Number Of Shares	Common Stock Amount	Additional Paid-in Capital	Retained Deficit	Accumulated Other Comprehensive Loss	Total
Balance December 31, 2019	23,335,855	$ 233	$ 154,235	$ (49,731)	$ (1,572)	$ 103,165
Net income				993		993
Unrealized loss on foreign exchange rate translation					(1,199)	(1,199)
Stock-based compensation expense			203			203
Balance March 31, 2020	23,335,855	$ 233	$ 154,438	$ (48,738)	$ (2,771)	$ 103,162

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, 2020.

Significant Accounting Policies

Principles of Consolidation. The condensed consolidated financial statements for the three months ended March 31, 2021 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 Doubtful Accounts. The Company's allowance for doubtful accounts reflects its current estimate of credit losses 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 doubtful 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. The Company's allowance for doubtful accounts was $250,000 at March 31, 2021 and December 31, 2020.

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 or the fair value of assets acquired in a business combination 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.

Stock-Based Compensation. The Company measures all stock-based compensation awards, which include stock options, restricted stock, restricted stock units and common stock awards, using the fair value method and recognizes compensation expense, net of actual forfeitures, as operating or general and administrative expense, as appropriate, in the Condensed Consolidated Statements of Operations and Comprehensive Loss on a straight-line basis over the vesting period of the related awards.

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.

Recently Issued Accounting Pronouncements

In October 2020, the FASB issued ASU No. 2020-10, Codification Improvements, which clarifies the Codification or corrects unintended application of guidance by improving the consistency of the Codification for disclosure on multiple topics. They are not expected to change current practice. This ASU is effective for the annual period beginning after December 15, 2020, including interim periods within that annual period and should be applied on a retrospective basis for all periods presented. The Company adopted this guidance in the first quarter of 2021 and it did not have a material impact on its consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes ("Topic 740"): Simplifying the Accounting for Income Taxes, which simplifies the accounting for income taxes by eliminating certain exceptions to the general principles in Topic 740 and by clarifying and amending existing guidance to improve consistent application. This ASU is effective for the annual period beginning after December

15, 2020, including interim periods within that annual period. Certain amendments within this ASU are required to be applied on a retrospective basis for all periods presented; others are to be applied using a modified retrospective approach with a cumulative-effect adjustment to retained earnings, if any, as of the beginning of the first reporting period in which the guidance is adopted; and yet others are to be applied using either basis. All other amendments not specified in the ASU should be applied on a prospective basis. The Company adopted this guidance in the first quarter of 2021 prospectively as it relates to currency translation adjustments in other comprehensive income and it did not have a material impact on its consolidated financial statements.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

At March 31, 2021 and December 31, 2020, 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. SUPPLEMENTAL CONSOLIDATED FINANCIAL STATEMENT INFORMATION

Disaggregated Revenues

The Company has one line of business, acquiring and processing seismic data in North America. Our chief operating decision maker (President, Chief Executive Officer and Chairman of the Board) makes operating decisions and assesses performance based on the Company as a whole. Accordingly, the Company is considered to be in a single reportable segment. The following table presents the Company's operating revenues (unaudited and in thousands) disaggregated by geographic region:

	Three Months Ended March 31,	
	2021	2020
Operating Revenues		
United States	$ 8,783	$ 27,188
Canada	2,965	11,791
Total	$ 11,748	$ 38,979

Deferred Costs (in thousands)

Deferred costs were $1,847 and $2,525 at January 1, 2021 and 2020, respectively. The Company's prepaid expenses and other current assets at March 31, 2021 and 2020 included deferred costs incurred to fulfill contracts with customers of $0 and $4,828, respectively.

Deferred costs at March 31, 2021 compared to January 1, 2021 decreased primarily as a result of the completion of several projects during that quarter that had significant deferred fulfillment costs at January 1, 2021. Deferred cost at March 31, 2020 compared to January 1, 2020 increased primarily as a result of new projects for clients with significant deferred fulfillment costs at March 31, 2020.

The amount of total deferred costs amortized for the first quarter of 2021 and 2020 was $3,822 and $5,396, respectively. There were no material impairment losses incurred during these periods.

Deferred Revenue (in thousands)

Deferred revenue was $1,779 and $3,481 at January 1, 2021 and 2020, respectively. The Company's deferred revenue at March 31, 2021 and 2020 was $0 and $5,168, respectively.

Deferred revenue at March 31, 2021 compared to January 1, 2021 decreased primarily as a result of completing projects for clients with large prepayments for third party reimbursables. Deferred revenue at March 31, 2020 compared to January 1, 2020 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 first quarter of 2021 and 2020 that was included in the contract liability balance at the beginning of 2021 and 2020 was $1,779 and $3,093, respectively.

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, 2020, the Company entered into a Loan Modification Agreement to the Loan and Security Agreement (as amended by the Loan Modification Agreement, the "Loan Agreement") for the purpose of amending and extending the maturity of its line of credit with Dominion Bank by one year. The Loan Agreement provides for a revolving credit facility (the "Revolving Credit Facility") in an amount up to the lesser of (i) $15,000,000 or (ii) a sum equal to (a) 80% of the Company's eligible accounts receivable plus 100% of the amount on deposit with Dominion Bank in the Company's collateral account, consisting of a restricted CDARS account of $5,000,000 (the "Deposit"). As of March 31, 2021, the Company has not borrowed any amounts under the Revolving Credit Facility.

Under the Revolving Credit Facility, interest will accrue at an annual rate equal to the lesser of (i) 6.00% and (ii) the greater of (a) the prime rate as published from time to time in The Wall Street Journal or (b) 3.50%. The Company will pay a commitment fee of 0.10% per annum on the difference of (a) $15,000,000 minus the Deposit minus (b) the daily average usage of the Revolving Credit Facility. The Loan Agreement contains customary covenants for credit facilities of this type, including limitations on disposition of assets. The Company is also obligated to meet certain financial covenants under the Loan Agreement, including maintaining a tangible net worth of $75,000,000 and specified ratios with respect to current assets and liabilities and debt to tangible net worth. The Company's obligations under the Loan Agreement are secured by a security interest in the collateral account (including the Deposit) with Dominion Bank and future accounts receivable and related collateral. The maturity date of the Loan Agreement is September 30, 2021.

The Company does not currently have any notes payable under the Revolving Credit Facility.

Dominion Letters of Credit

As of March 31, 2021, Dominion Bank has issued one letter of credit in the amount of $583,000 to support the Company's workers compensation insurance. The letter of credit is secured by a certificate of deposit with Dominion Bank.

Other Indebtedness (in thousands)

As of March 31, 2021, the Company has one short-term note payable to a finance company for various insurance premiums totaling $501,000.

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, 2021 includes finance leases of $86,000.

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, 2021 and December 31, 2020:

	March 31, 2021	December 31, 2020
Notes payable to finance company for insurance		
Aggregate principal amount outstanding	$ 501	$ 40
Interest rate	4.99%	4.99%

The aggregate maturities of finance leases as of March 31, 2021 are as follows (in thousands):

April 2021 - March 2022	$	50
April 2022 - March 2023		36
Obligations under finance leases	$	86

Interest rates on these leases range from 4.65% to 5.37%.

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, Denver, Oklahoma City and Calgary, Alberta.

The components of lease cost for the three months ended March 31, 2021 and 2020 were as follows (in thousands):

	Three Months Ended March 31,			
	2021		2020	
Finance lease cost				
Amortization of right-of-use assets	$	325	$	347
Interest on lease liabilities		1		24
Total finance lease cost		326		371
Operating lease cost		335		388
Short-term lease cost		—		—
Total lease cost	$	661	$	759

Supplemental cash flow information related to leases for the three months ended March 31, 2021 and 2020 was as follows (in thousands):

	Three Months Ended March 31,			
	2021		2020	
Cash paid for amounts included in the measurement of lease liabilities				
Operating cash flows from operating leases	$	(344)	$	(392)
Operating cash flows from finance leases	$	(2)	$	(25)
Financing cash flows from finance leases	$	(13)	$	(725)
Right-of-use assets obtained in exchange for lease obligations				
Operating leases	$	1	$	—
Finance leases	$	—	$	—

Supplemental balance sheet information related to leases as of March 31, 2021 and December 31, 2020 was as follows (in thousands):

	March 31, 2021	December 31, 2020
Operating leases		
Operating lease right-of-use assets	$ 5,241	$ 5,494
Operating lease liabilities - current	$ 1,089	$ 1,109
Operating lease liabilities - long-term	4,659	4,899
Total operating lease liabilities	$ 5,748	$ 6,008
Finance leases		
Property and equipment, at cost	$ 8,663	$ 8,663
Accumulated depreciation	(5,229)	(4,624)
Property and equipment, net	$ 3,434	$ 4,039
Finance lease liabilities - current	$ 50	$ 54
Finance lease liabilities - long-term	36	44
Total finance lease liabilities	$ 86	$ 98
Weighted average remaining lease term		
Operating leases	5.4 years	5.6 years
Finance leases	1.3 years	1.6 years
Weighted average discount rate		
Operating leases	5.04%	5.04%
Finance leases	5.00%	5.00%

Maturities of lease liabilities as of March 31, 2021 are as follows (in thousands):

	Operating Leases	Finance Leases
April 2021 - March 2022	$ 1,352	$ 54
April 2022 - March 2023	1,169	36
April 2023 - March 2024	1,180	—
April 2024 - March 2025	1,101	—
April 2025 - March 2026	884	—
Thereafter	901	—
Total payments under lease agreements	6,587	90
Less imputed interest	(839)	(4)
Total lease liabilities	$ 5,748	$ 86

7. OPERATING 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. On October 28, 2020, the trial court granted a plea to jurisdiction in favor the City of Midland, a co-defendant in the case. Weatherford is appealing that decision and the case is stayed, pending the appellate ruling. 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 (LOSS) INCOME PER SHARE

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

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

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Net (loss) income	$ (5,228)	$ 993
Weighted average common shares outstanding		
Basic	23,478,072	23,287,410
Dilutive common stock options, restricted stock unit awards and restricted stock awards	—	178,241
Diluted	23,478,072	23,465,651
Basic (loss) income per share of common stock	$ (0.22)	$ 0.04
Diluted (loss) income per share of common stock	$ (0.22)	$ 0.04

The Company had a net loss for the three months ended March 31, 2021. As a result, all stock options, restricted stock unit awards and restricted stock awards were anti-dilutive and excluded from weighted average shares used in determining the diluted loss per share of common stock for that period. The Company had net income for the three months ended March 31, 2020 and had 178,241 dilutive restricted stock unit awards and no dilutive common stock options or restricted stock awards for that period.

The Company had no anti-dilutive stock options, restricted stock unit awards, or restricted stock awards to be excluded from the calculation of diluted (loss) income per share of common stock for the three months ended March 31, 2021 and 2020.

9. INCOME TAXES

For the three months ended March 31, 2021, the Company's effective tax rate was 0.0%. For the three months ended March 31, 2020, the Company’s effective tax rate was -0.2%. The Company’s negative effective tax rate for the three months ended March 31, 2020 was due to profitability in the quarter compared to a loss for the year.

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.

If the Company had any income tax benefit for the three months ended March 31, 2021, it would not include income tax benefits for all of the losses incurred because the Company has recorded valuation allowances against significantly all of its federal, state and foreign deferred tax assets. 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, 2021 and 2020. 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.

On December 27, 2020, Congress passed the Consolidated Appropriations Act, 2021 which included changes to U.S. Federal income tax law which did not have a material impact on the Company’s consolidated financial statements.

10. SUBSEQUENT EVENTS

On April 8, 2021, the Company's Board of Directors adopted a Shareholder Rights Plan designed to protect Company shareholders from coercive or unfair takeover techniques. This plan has a limited duration and will expire on April 7, 2022, unless terminated earlier by the Board of Directors. The Rights Plan is not designed to prevent any action that the Board of Directors determines to be in the best interest of the Company and its shareholders.

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" regarding technological advancements, our financial position, business strategy and plans, objectives of our management for future operations, including statements related to the expected or potential impact of the novel coronavirus ("COVID-19") pandemic on our business, financial condition and results of operations, may be deemed to be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (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 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 risks include, but are not limited to, 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; the severity and duration of the COVID-19 pandemic, related economic repercussions and the resulting negative impact on demand for oil and gas; surpluses 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 COVID-19 pandemic and 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 our crews such as weather interruptions and inability to obtain land access rights of way; whether we enter into turnkey or dayrate contracts; crew productivity; the availability of capital resources; and disruptions in the global economy. A discussion of these and other factors, including risks and uncertainties, is set forth in our Annual Report on Form 10-K that was filed with the SEC on March 16, 2021 and any subsequent Quarterly Reports on Form 10-Q filed with the SEC. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by this paragraph. We disclaim 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.

During the first quarter, we operated one seismic data acquisition crew in the U.S. with limited utilization and one crew in Canada. The near term outlook for seismic data acquisition activity in the U.S. remains challenged with historically low levels of crew and bid activity. Based on currently available information, we anticipate limited crew activity in the second quarter with up to one crew operating in the U.S. with periods of low utilization in the back half of 2021. Currently, we do not have a crew deployed in the U.S. and the Canadian season concluded at the end of the first quarter.

Since the onset of the COVID-19 pandemic over a year ago, the seismic data acquisition market along with other oil field services remain challenged in the U.S. and Canada. While there are encouraging signs of recovery in certain oil field services, such as drilling and completion services, current demand for seismic related services remains at very low levels. Based on currently available information, we anticipate seismic data acquisition activity in the lower 48 to reach a low in the second quarter and into the third quarter of 2021 with slight improvement later in 2021.

During the latter part of 2018 and continuing into the first half of 2020, we successfully acquired multiple high density, large channel count projects in certain areas of the Permian Basin. These fully processed data sets first became available to the industry in late 2019 and continue into 2021. Early results of these data sets indicate substantially improved subsurface image quality compared to prior seismic data sets, examples of which are just beginning to become public. The increases in data quality and imagery are currently being utilized for improved well planning, geo-steering of long lateral well bores, geo-hazard identification and avoidance, enhanced reservoir definition and rock property description between well data samples and strategic placement of disposal well locations. As the industry begins to recognize and appreciate the value of these high density, large channel count surveys, we believe demand for such surveys will improve. Our state-of-the-art equipment base allows us to deploy multiple large channel count crews when demand does improve.

In our continuing response to these difficult times, we significantly limited capital budget spending, reduced fixed and variable operating expenses, and implemented a comprehensive equipment maintenance program in preparation for a rapid response to increased activity levels. We continue to maintain our commitment to our robust Health, Safety and Environmental program, ongoing relationships, and product quality.

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. Further, the ongoing COVID-19 pandemic may further compound one or more of the foregoing factors and could directly affect our productivity.

Results of Operations

Operating Revenues. Operating revenues for the first quarter of 2021 decreased 69.9% to $11,748,000 compared to $38,979,000 in the same period of 2020. The decreased revenue during the first quarter of 2021 compared to the first quarter of 2020 was primarily due to low crew utilization during those periods of 2021.

Operating Expenses. Operating expenses for the first quarter of 2021 decreased 62.3% to $10,942,000 compared to $29,016,000 in the same period of 2020. The decrease in operating expenses was primarily due to decreased crew utilization during the first quarter of 2021 compared to the same period of 2020.

General and Administrative Expenses. General and administrative expenses were 23.9% and 9.4% of revenues in the first quarter of 2021 and 2020, respectively. General and administrative expenses decreased $867,000 or 23.6% to $2,807,000 during the first quarter of 2021 from $3,674,000 during the same period of 2020. The primary factors for the decrease in general and administrative expenses during the first quarter of 2021 compared to the same period of 2020 was due to workforce reductions, salary reductions, and continued cost reduction efforts by management.

Depreciation and Amortization Expense. Depreciation and amortization expense for the first quarter of 2021 totaled $3,434,000 compared to $4,904,000 for the same period of 2020. Depreciation expense decreased in 2021 compared to 2020 as a result of multiple years of reduced capital expenditures. Our depreciation expense is expected to remain below that of 2020 for the remainder of 2021 due to the anticipated continuation of maintenance levels of capital expenditures to maintain our existing asset base.

Total operating costs for the first quarter of 2021 were $17,183,000, representing a 54.3% decrease from the same period of 2020. This decrease was primarily due to the factors described above.

Income Taxes. There was no income tax benefit or expense for the first quarter 2021, compared to an income tax benefit of $1,000 for the same period of 2020. These amounts represent effective tax rates of 0.0% and -0.2%, respectively. The Company’s effective tax rate increased compared to the corresponding period from the prior year primarily due to 2020’s profitability in the quarter compared to a loss for the year.

Our effective tax rates differ from the statutory federal rate of 21.0% for certain items such as state and local taxes, valuation allowances, non-deductible expenses and discrete items. 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 (loss) income and to net cash 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,	
	2021	**2020**
Net (loss) income	$ (5,228)	$ 993
Depreciation and amortization	3,434	4,904
Interest (income) expense, net	(64)	(65)
Income tax benefit	—	(1)
EBITDA	$ (1,858)	$ 5,831

	Three Months Ended March 31,	
	2021	**2020**
Net cash used in operating activities	$ (172)	$ (173)
Changes in working capital and other items	(1,323)	6,508
Noncash adjustments to net (loss) income	(363)	(504)
EBITDA	$ (1,858)	$ 5,831

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 and borrowings from commercial banks have been sufficient to fund our working capital requirements and, to some extent, our capital expenditures.

Cash Flows. Net cash used in operating activities was $172,000 for the three months ended March 31, 2021 compared to $173,000 for the same period of 2020. This was primarily due to changes in the balances of our operating assets and liabilities.

Net cash provided by investing activities was $94,000 for the three months ended March 31, 2021 compared to cash used in investing activities of $1,679,000 for the same period of 2020. The decrease in cash used in investing activities between periods of $1,773,000 was primarily due to no capital expenditures during the first quarter of 2021 compared to capital expenditures of $1,777,000 for the same period of 2020.

Net cash provided by financing activities was $448,000 for the three months ended March 31, 2021 and was comprised of proceeds from notes payable of $550,000, and principal payments of $89,000 and $13,000 under our notes payable and finance leases, respectively. Net cash used in financing activities for the three months ended March 31, 2020 was $1,432,000 and was comprised of principal payments of $707,000 and $725,000 under our notes payable and finance leases, respectively.

Capital Expenditures. The Board of Directors approved an initial 2021 capital budget in the amount of $1,000,000 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, 2021, there have been no capital expenditures. In recent years, we have funded most of our capital expenditures through cash flow from operations, cash reserves, equipment term loans and finance leases. In the past, we have also funded our capital expenditures and other financing needs through public equity offerings.

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. From time to time in the past, we have also funded our capital expenditures and other financing needs through public equity offerings. The amount of borrowings available to us under our existing credit facility are determined in part by the amount of our eligible accounts receivable, which have been declining in recent months.

Loan Agreement

Dominion Credit Facility. On September 30, 2019, we entered into a Loan and Security Agreement with Dominion Bank. On September 30, 2020 we entered into a Loan Modification Agreement to the Loan and Security Agreement (as amended by the Loan Modification Agreement, the “Loan Agreement”) for the purpose of amending and extending the maturity of our line of credit with Dominion Bank by one year. The Loan Agreement provides for a Revolving Credit Facility in an amount up to the lesser of (i) $15,000,000 or (ii) a sum equal to (a) 80% of our eligible accounts receivable plus 100% of the amount on deposit with Dominion Bank in our collateral account, consisting of a restricted CDARS account of $5,000,000. As of March 31, 2021, we have not borrowed any amounts under the Revolving Credit Facility.

Under the Revolving Credit Facility, interest will accrue at an annual rate equal to the lesser of (i) 6.00% and (ii) the greater of (a) the prime rate as published from time to time in The Wall Street Journal or (b) 3.50%. We will pay a commitment fee of 0.10% per annum on the difference of (a) $15,000,000 minus the Deposit minus (b) the daily average usage of the Revolving Credit Facility. The Loan Agreement contains customary covenants for credit facilities of this type, including limitations on disposition of assets. We are also obligated to meet certain financial covenants under the Loan Agreement, including maintaining a tangible net worth of $75,000,000 and specified ratios with respect to current assets and liabilities and debt to tangible net worth. Our obligations under the Loan Agreement are secured by a security interest in the collateral account (including the Deposit) with Dominion Bank and future accounts receivable and related collateral. The maturity date of the Loan Agreement is September 30, 2021.

We do not currently have any notes payable under the Revolving Credit Facility

Dominion Letters of Credit. As of March 31, 2021, Dominion Bank has issued one letter of credit in the amount of $583,000 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, 2021, we have one short-term note payable to a finance company for various insurance premiums totaling $501,000.

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, 2021 includes finance leases of $86,000.

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, 2021 and December 31, 2020:

	March 31, 2021	**December 31, 2020**
Notes payable to finance company for insurance		
Aggregate principal amount outstanding	$ 501	$ 40
Interest rate	4.99%	4.99%

The aggregate maturities of finance leases as of March 31, 2021 are as follows (in thousands):

April 2021 - March 2022	$	50
April 2022 - March 2023		36
Obligations under finance leases	$	86

Interest rates on these leases range from 4.65% to 5.37%.

Contractual Obligations. We believe that our capital resources, including our cash on hand, short-term investments, cash flow from operations, and funds available under our Revolving Credit Facility, will be adequate to meet our current operational needs. We believe that we will be able to finance our 2021 capital expenditures through cash flow from operations, borrowings from commercial lenders, and the funds available under our Revolving Credit Facility. 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, 2020.

Recently Issued Accounting Pronouncements

In October 2020, the FASB issued ASU No. 2020-10, Codification Improvements, which clarifies the Codification or corrects unintended application of guidance by improving the consistency of the codification for disclosure on multiple topics. They are not expected to change current practice. This ASU is effective for the annual period beginning after December 15, 2020, including interim periods within that annual period and should be applied on a retrospective basis for all periods presented. We adopted this guidance in the first quarter of 2021 and it did not have a material impact on our consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes (“Topic 740”): Simplifying the Accounting for Income Taxes, which simplifies the accounting for income taxes by eliminating certain exceptions to the general principles in Topic 740 and by clarifying and amending existing guidance to improve consistent application. This ASU is effective for the annual period beginning after December 15, 2020, including interim periods within that annual period. Certain amendments within this ASU are required to be applied on a retrospective basis for all periods presented; others are to be applied using a modified retrospective approach with a cumulative-effect adjustment to retained earnings, if any, as of the beginning of the first reporting period in which the guidance is adopted; and yet others are to be applied using either basis. All other amendments not specified in the ASU should be applied on a prospective basis. We adopted this guidance in the first quarter of 2021 prospectively as it relates to currency translation adjustments in other comprehensive income and it did not have a material impact on our consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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.

Concentration of Credit Risk. Our principal market risks include fluctuations in commodity prices, which affect demand for and pricing of our services, and the risk related to the concentration of our clients in the oil and natural gas industry. Since all of our clients are involved in the oil and natural gas industry, there may be a positive or negative effect on our exposure to credit risk because our clients may be similarly affected by changes in economic and industry conditions. As an example, changes to existing regulations or the adoption of new regulations may unfavorably impact us, our suppliers or our clients. In the normal course of business, we provide credit terms to our clients. Accordingly, we perform ongoing credit evaluations of our clients and maintain allowances for possible losses. Our historical experience supports our allowance for doubtful accounts of $250,000 at March 31, 2021. This does not necessarily indicate that it would be adequate to cover a payment default by one large or several smaller clients.

We generally provide services to certain key clients that account for a significant percentage of our accounts receivable at any given time. Our key clients vary over time. We extend credit to various companies in the oil and natural gas industry, including our key clients, for the acquisition of seismic data, which results in a concentration of credit risk. This concentration of credit risk may be affected by changes in the economic or other conditions of our key clients and may accordingly impact our overall credit risk. If any of these significant clients were to terminate their contracts or fail to contract for our services in the future because they are acquired, alter their exploration or development strategy, or for any other reason, our results of operations could be affected. Because of the nature of our contracts and clients' projects, our largest clients can change from year to year, and the largest clients in any year may not be indicative of the largest clients in any subsequent year.

Interest Rate Risk. From time to time, we are exposed to the impact of interest rate changes on the outstanding indebtedness under our Revolving Credit Facility which has variable interest rates.

We generally have cash in the bank which exceeds federally insured limits. Historically, we have not experienced any losses in such accounts; however, volatility in financial markets may impact our credit risk on cash and short-term investments. At March 31, 2021, cash, restricted cash and short term investments totaled $46,954,000.

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 Executive Vice President, Chief Financial Officer, Secretary and Treasurer concluded that, as of March 31, 2021, our disclosure controls and procedures were effective, in all material respects, with regard to the recording, processing, summarizing and reporting, within the time periods specified in the SEC's rules and forms, for information required to be disclosed by us in the reports that we file or submit under the Exchange Act. Our disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our President and Chief Executive Officer and our Executive Vice President, Chief Financial Officer, Secretary and Treasurer, 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, 2021 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 – Operating 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, 2020, which could materially affect our financial condition or results of operations.

There have been no material changes in our risk factors from those disclosed in our 2020 Annual Report on Form 10-K.

ITEM 6. EXHIBITS

Number	Exhibit
3.1	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.
3.2	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.
10.1*	Amended and Restated Dawson Geophysical Company 2016 Stock and Performance Incentive Plan, effective as of April 24, 2020.
31.1*	Certification of Chief Executive Officer of Dawson Geophysical Company pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
31.2*	Certification of Chief Financial Officer of Dawson Geophysical Company pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
32.1*	Certification of Chief Executive Officer of Dawson Geophysical Company pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code.
32.2*	Certification of Chief Financial Officer of Dawson Geophysical Company pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code.
101*	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2021, formatted in Inline XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Statements of Operations and Comprehensive Loss for the three months ended March 31, 2021 and 2020, (ii) Condensed Consolidated Balance Sheets at March 31, 2021 and December 31, 2020, (iii) Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2021 and 2020, (iv) Condensed Consolidated Statements of Stockholders' Equity for the three months ended March 31, 2021 and 2020, 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.

\+ Management contract or compensatory plan or arrangement.

SIGNATURES

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

DAWSON GEOPHYSICAL COMPANY

DATE: May 14, 2021	By: /s/ Stephen C. Jumper Stephen C. Jumper Chairman of the Board of Directors, President and Chief Executive Officer
DATE: May 14, 2021	By: /s/ James K. Brata James K. Brata Executive Vice President, Chief Financial Officer, Secretary and Treasurer

Exhibit 10.1

AMENDED AND RESTATED
DAWSON GEOPHYSICAL COMPANY
2016 STOCK AND PERFORMANCE INCENTIVE PLAN

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ARTICLE I
INTRODUCTION

Effective as of March 1, 2016, the Board of Directors (the "Board") of Dawson Geophysical Company, a Texas corporation (the "Company") originally adopted the Dawson Geophysical Company 2016 Stock and Performance Incentive Plan (the "Original Plan") in order to reward certain corporate employees, consultants and nonemployee directors of the Company and its Subsidiaries by providing for certain cash benefits and by enabling such persons to acquire shares of Common Stock of the Company. The Original Plan is hereby amended and restated as follows (as the "Plan") and adopted by the Board effective as of April 24,2020.

ARTICLE II
OBJECTIVES

The purpose of the Plan is to further the interests of the Company, its Subsidiaries and its shareholders by providing incentives in the form of Awards to certain employees, consultants and nonemployee directors who can contribute materially to the success of the Company and its Subsidiaries. Such Awards are intended to recognize and reward outstanding performance and individual contributions and give Participants in the Plan an interest in the Company that is intended to be parallel to that of the shareholders in order to enhance the proprietary and personal interest of such Participants in the Company's success and progress. The Plan is also intended to enable the Company and its Subsidiaries to attract and retain such employees, consultants and nonemployee directors.

ARTICLE III
DEFINITIONS

Section 3.1 *Definitions*. As used herein, the terms set forth below shall have the following meanings:

"*Award*" means an Employee Award, a Director Award or a Consultant Award.

"*Award Agreement*" means one or more Employee Award Agreement, Director Award Agreement or Consultant Award Agreement.

"*Board*" means the Board of Directors of the Company.

"*Cash Award*" means an Award denominated in cash.

"*Change of Control*" means, except as otherwise reflected in an Award Agreement, one or more of the following events, under which:

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

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

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

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

Notwithstanding the paragraph above or the definition contained in an Award Agreement, in the event an Award is or becomes subject to section 409A of the Code, if the payment associated with such Award is permitted upon the occurrence of a Change of Control, the events that constitute a Change of Control shall be limited to the extent necessary to comply with the requirements of section 409A of the Code.

"*Code*" means the Internal Revenue Code of 1986, as amended from time to time.

"*Committee*" means the Compensation Committee of the Board or such other committee of the Board as is designated by the Board to administer the Plan; provided that, unless otherwise determined by the Board, the Committee shall consist solely of two (2) or more Directors, each of whom shall be a "nonemployee director" within the meaning of Rule 16b-3(b)(3) under section 16 of the Exchange Act.

"*Common Stock*" means Dawson Geophysical Company common stock, par value $0.01 per share.

"*Company*" means Dawson Geophysical Company, a Texas corporation.

"*Consultant*" means a person other than an Employee or a Nonemployee Director providing bona fide services to the Company or any of its Subsidiaries in a consultant, advisor, or similar capacity, as applicable; provided that, such person is a natural person and that such services are not in connection with the offer or sale of securities in a capital-raising transaction and do not directly or indirectly promote or maintain a market for any securities of the Company.

"*Consultant Award*" means the grant of any Nonqualified Stock Option, SAR, Stock Award, Cash Award or Performance Award, whether granted singly, in combination, or in tandem, to a Consultant pursuant to such applicable terms, conditions and limitations as may be established in order to fulfill the objectives of the Plan.

"*Consultant Award Agreement*" means one or more agreements between the Company and a Consultant setting forth the terms, conditions and limitations applicable to a Consultant Award.

"*Director*" means an individual serving as a member of the Board.

"*Director Award*" means the grant of any Nonqualified Stock Option, SAR, Stock Award, Cash Award, or Performance Award, whether granted singly, in combination, or in tandem, to a Participant who is a Nonemployee Director pursuant to such applicable terms, conditions and limitations as may be established in order to fulfill the objectives of the Plan.

"*Director Award Agreement*" means one or more agreements between the Company and a Nonemployee Director setting forth the terms, conditions and limitations applicable to a Director Award.

"*Dividend Equivalents*" means, with respect to a Restricted Stock Unit Award, a right to receive with respect to each share of Common Stock subject to the Award an amount in cash, shares of Common Stock and/or Restricted Stock Units, as determined by the Committee in its sole discretion, equal in value to the dividends and other distributions made by the Company with respect to a share of Common Stock during the period such Award is outstanding.

"*Effective Date*" means the date in 2020 on which the shareholders of the Company approve of the Plan.

"*Employee*" means (a) an employee of the Company or any of its Subsidiaries; and (b) an individual who has agreed to become such an employee of the Company or any of its Subsidiaries and is expected to become such an employee within the following six (6) months.

"*Employee Award*" means the grant of any Option, SAR, Stock Award, Cash Award or Performance Award, whether granted singly, in combination, or in tandem, to an Employee pursuant to such applicable terms, conditions and limitations (including treatment as a Performance Award) as may be established in order to fulfill the objectives of the Plan.

"*Employee Award Agreement*" means one or more agreements between the Company and an Employee setting forth the terms, conditions and limitations applicable to an Employee Award.

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

"*Fair Market Value*" of a share of Common Stock means, as of a particular date:

(a) if shares of Common Stock are listed on a national securities exchange, the mean between the highest and lowest sales price per share of the Common Stock on the consolidated transaction reporting system for the principal national securities exchange on which shares of Common Stock are listed on that date, or, if there shall have been no such sale so reported on that date, on the last preceding date on which such a sale was so reported, or, at the discretion of the Committee, the price prevailing on the exchange at the time of exercise or other relevant time (as determined under procedures established by the Committee);

(b) if shares of Common Stock are not so listed but are quoted by The Nasdaq Stock Market, Inc., the mean between the highest and lowest sales price per share of Common Stock reported on the consolidated transaction reporting system for The Nasdaq Stock Market, Inc., or, if there shall have been no such sale so reported on that date, on the last preceding date on which such a sale was so reported, or, at the discretion of the Committee, the price prevailing as quoted by The Nasdaq Stock Market, Inc. at the time of exercise;

(c) if the Common Stock is not so listed or quoted, the mean between the closing bid and asked price on that date, or, if there are no quotations available for such date, on the last preceding date on which such quotations shall be available, as reported by The Nasdaq Stock Market, Inc., or, if not reported by The Nasdaq Stock Market, Inc., by the National Quotation Bureau Incorporated; or

(d) if shares of Common Stock are not publicly traded, the amount determined by the Committee in its discretion in such manner as it deems appropriate, taking into account all factors the Committee deems appropriate including, without limitation, the applicable reasonable valuation requirements under section 409A of the Code.

"*Grant Date*" means the date an Award is granted to a Participant pursuant to the Plan. The Grant Date for a substituted Award is the grant date of the original Award.

"*Grant Price*" means the price at which a Participant may exercise his or her right to receive cash or Common Stock, as applicable, under the terms of an Option or SAR Award.

"*Incentive Stock Option*" means an Option that is intended to comply with the requirements set forth in section 422 of the Code.

"*Nonemployee Director*" means an individual serving as a member of the Board who is not an Employee.

"*Nonqualified Stock Option*" means an Option that is not an Incentive Stock Option.

"*Option*" means a right to purchase a specified number of shares of Common Stock at the specified Grant Price with respect to such shares, which right may be an Incentive Stock Option or a Nonqualified Stock Option.

"*Participant*" means an Employee, Director or Consultant to whom an Award has been granted under the Plan.

"*Performance Award*" means an Award made pursuant to the Plan that is subject to the attainment of one or more Performance Goals.

"*Performance Goal*" means one or more organizational or individual standards under Section 7.1(f) below.

"*Plan*" means the Amended and Restated Dawson Geophysical Company 2016 Stock and Performance Incentive Plan, as such Plan may be amended from time to time.

"*Reload*" means the automatic grant of a new Option or SAR upon the exercise of an existing Option or SAR.

"*Restricted Stock*" means any shares of Common Stock that are restricted or subject to forfeiture provisions.

"*Restricted Stock Unit*" means a Stock Unit that is restricted or subject to forfeiture provisions.

"*Restricted Stock Unit Award*" means an award of Restricted Stock Units.

"*Restriction Period*" means a period of time beginning as of the Grant Date of an Award of Restricted Stock or Restricted Stock Units and ending as of the date upon which the Common Stock subject to such Award is no longer restricted or subject to forfeiture provisions.

"*Stock Appreciation Right*" or "*SAR*" means a right to receive a payment, in cash or in Common Stock (as determined by the Committee), equal to the excess of the Fair Market Value of a specified number of shares of Common Stock on the date the right is exercised over the Grant Price with respect to such shares.

"*Stock Award*" means an Award in the form of shares of Common Stock or Stock Units, including an award of Restricted Stock or Restricted Stock Units.

"*Stock Based Award Limitations*" means the limitations set forth in Section 7.2(a) and Section 7.2(b) below.

"*Stock Dividend*" means that certain 5% stock dividend (or 0.05 share for each share outstanding) on the outstanding shares of Common Stock approved by the Board on May 1, 2018.

"*Stock Unit*" means a unit evidencing the right to receive in specified circumstances one share of Common Stock or equivalent value (as determined by the Committee).

"*Subsidiary*" means in the case of a corporation, any corporation of which the Company directly or indirectly owns shares representing fifty percent (50%) or more of the combined voting power of the shares of all classes or series of capital stock of such corporation which have the right to vote generally on matters submitted to a vote of the shareholders of such corporation, in the case of a partnership or other business entity not organized as a corporation, any such business entity of which the Company directly or indirectly owns fifty percent (50%) or more of the voting, capital or profits interests (whether in the form of partnership interests, membership interests or otherwise), and any other corporation, partnership or other entity that is a "subsidiary" of the Company within the meaning of Rule 405 promulgated by the Securities and Exchange Commission under the Securities Act of 1933, as amended.

ARTICLE IV
ELIGIBILITY

Section 4.1 *Employees*. All Employees are eligible for the grant of Employee Awards under the Plan in the discretion of the Committee.

Section 4.2 *Directors*. All Nonemployee Directors are eligible for the grant of Director Awards under the Plan in the discretion of the Board.

Section 4.3 *Consultants*. All Consultants are eligible for the grant of Consultant Awards under the Plan in the discretion of the Committee.

ARTICLE V
COMMON STOCK AVAILABLE FOR AWARDS

Section 5.1 *Award Limitations*. Subject to the provisions of ARTICLE XVI hereof, the total number of shares of Common Stock reserved and available for issuance in connection with Awards under the Plan shall be

2,050,000 shares, all of which may be available for the issuance of Awards of Incentive Stock Options (it being understood that the Stock Dividend has been deemed to apply to all shares under all Awards that were granted under the Original Plan prior to the Stock Dividend for purposes of maintaining records of the remaining shares of Common Stock for issuance hereunder). No Award shall be granted if it shall result in the aggregate number of shares of Common Stock issued under the Plan plus the number of shares of Common Stock covered by or subject to Awards then outstanding under the Plan (after giving effect to the grant of the Award in question) to exceed the number of shares described in the preceding sentence. The shares of Common Stock to be delivered under the Plan shall be made available from (a) authorized but unissued shares of Common Stock; (b) shares of Common Stock held in the treasury of the Company; or (c) previously issued shares of Common Stock reacquired by the Company, including Common Stock purchased on the open market.

Section 5.2 *Unissued Awards*.

(a) The number of shares of Common Stock that are the subject of Awards under the Plan that are forfeited or terminated, expire unexercised, are settled in cash in lieu of Common Stock or in a manner such that all or some of the shares covered by an Award are not issued to a Participant or are exchanged for Awards that do not involve Common Stock, shall again immediately become available for Awards hereunder. If the Grant Price or other purchase price of any Option or other Award granted under the Plan is satisfied by tendering shares of Common Stock to the Company, or if the tax withholding obligation resulting from the settlement of any such Option, SAR or other Award is satisfied by tendering or withholding shares of Common Stock, only the number of shares of Common Stock issued net of the shares of Common Stock tendered or withheld shall be deemed delivered for purposes of determining usage of shares against the maximum number of shares of Common Stock available for delivery under the Plan or any sublimit set forth above.

(b) Shares of Common Stock delivered under the Plan as an Award or in settlement of an Award issued or made: (i) upon the assumption, substitution, conversion or replacement of outstanding awards under a plan or arrangement of an entity acquired in a merger or other acquisition; or (ii) as a post-transaction grant under such a plan or arrangement of an acquired entity, shall, in each case, not reduce or be counted against the maximum number of shares of Common Stock available for delivery under the Plan, to the extent that the exemption for transactions in connection with mergers and acquisitions from the shareholder approval requirements of the Nasdaq National Market for equity compensation plans applies.

(c) The Committee may from time to time adopt and observe such rules and procedures concerning the counting of shares against the Plan maximum or any sublimit as it may deem appropriate, including rules more restrictive than those set forth above to the extent necessary to satisfy the requirements of any national stock exchange on which the Common Stock is listed or any applicable regulatory requirement or shareholder service recommendation deemed appropriate by the Committee. The Board and the appropriate officers of the Company are authorized to take from time to time whatever actions are necessary, and to file any required documents with governmental authorities, stock exchanges and transaction reporting systems to ensure that shares of Common Stock are available for issuance pursuant to Awards.

ARTICLE VI
ADMINISTRATION

Section 6.1 *Administration by the Committee*.

(a) The Plan shall be administered by the Committee, except as otherwise provided herein. Subject to the provisions hereof, the Committee shall have full and exclusive power and authority to administer the Plan and to take all actions that are specifically contemplated hereby or are necessary or appropriate in connection with the administration hereof. In this regard, the Committee shall have full and exclusive power to (i) interpret and construe the Plan and the Award Agreements thereunder; (ii) adopt, amend and rescind such rules, regulations and guidelines for carrying out the Plan, as it may deem necessary or proper; (iii) determine the Employees and Consultants to whom, and the time or times at which, Employee Awards and Consultant Awards shall be granted; (iv) determine the amount of cash and/or the number of shares of

Common Stock, as applicable, that shall be the subject of each Employee Award or Consultant Award; (v) determine the terms and provisions of each Award Agreement (which need not be identical), including provisions defining or otherwise relating to (A) the term and the period or periods of Employee Awards and Consultant Awards and the extent of exercisability of Options and SARs, (B) the extent to which the transferability of Common Stock issued or transferred pursuant to any Employee Award or Consultant Award is restricted, (C) except as otherwise provided herein, the effect of termination of employment, or the service relationship with the Company, of a Participant on the Award, and (D) the effect of approved leaves of absence (consistent with any applicable regulations of the Internal Revenue Service); (vi) make determinations of Fair Market Value pursuant to the Plan; and (vii) make all other determinations, perform all other acts, and exercise all other powers and authority necessary or advisable for administering the Plan, including the delegation of those ministerial acts and responsibilities as the Committee deems appropriate. Subject to Rule 16b-3 under the Exchange Act, the Committee may correct any defect, supply any omission, or reconcile any inconsistency in the Plan, in any Employee Award or Consultant Award, or in any Award Agreement in the manner and to the extent it deems necessary or appropriate to carry the Plan into effect. Any decision of the Committee in the interpretation, construction and administration of the Plan and the Award Agreements thereunder shall lie within its sole and absolute discretion and shall be final, conclusive and binding on all parties concerned.

(b) The Committee, in its discretion, may also (i) provide for the extension of the exercisability of an Employee Award or Consultant Award; (ii) accelerate the vesting or exercisability of an Employee Award or Consultant Award; (iii) eliminate or make less restrictive any restrictions applicable to an Employee Award or Consultant Award; and (iv) waive any restriction or other provision of the Plan (insofar as such provision relates to Employee Awards or to Consultant Awards) or an Employee Award or Consultant Award, otherwise amend or modify an Employee Award or Consultant Award in any manner; provided that, the Committee may do the preceding actions in any manner that is either (A) not materially adverse to the Participant to whom such Employee Award or Consultant Award was granted, or (B) consented to by such Participant; provided further, that such actions are permissible in accordance with the requirements of applicable law, including but not limited to the compliance or exemption requirements, as applicable, of section 409A of the Code.

Section 6.2 *Liability of the Committee*. No member of the Committee shall be liable for anything done or omitted to be done by him or her, by any member of the Committee or by any officer or employee of the Company in connection with the performance of any duties under the Plan, except for his or her own willful misconduct or as expressly provided by statute.

Section 6.3 *Authority of the Board*. The Board shall have the same rights, powers, duties, and authority in connection with the administration of the Plan with respect to Director Awards as the Committee retains with respect to Employee Awards and Consultant Awards.

Section 6.4 *Delegation of Authority*. The Committee may delegate its duties under the Plan (including, but not limited to, the authority to grant Awards) to such officers or employees of the Company or its Subsidiaries or such other agents as it may appoint from time to time; provided that, the Committee may not delegate its duties where such delegation would violate state corporate law, or with respect to making Awards to, or otherwise with respect to Awards granted to, individuals who are subject to section 16(b) of the Exchange Act.

ARTICLE VII
EMPLOYEE AWARDS AND CONSULTANT AWARDS

Section 7.1 *Employee Awards*. The Committee shall determine the type or types of Employee Awards to be made under the Plan and shall designate from time to time the Employees who are to be the recipients of such Awards. Each Employee Award may, in the discretion of the Committee, be embodied in an Employee Award Agreement, which shall contain such terms, conditions and limitations as shall be determined by the Committee in its sole discretion and, if required by the Committee, shall be signed by the Participant to whom the Employee Award is granted and/or signed for and on behalf of the Company. Employee Awards may consist of those Awards listed in this ARTICLE VII and may be granted singly, in combination or in tandem. Employee Awards may also be granted in combination or in tandem with, in replacement of (subject to the last sentence of ARTICLE XIV), or as alternatives to, grants or rights under the Plan or any other employee plan of the Company or any of its Subsidiaries, including the plan of any acquired entity. All or part of an Employee Award may be subject to conditions established by the Committee, which may include, but are not limited to, continuous service with the Company and its Subsidiaries, achievement of specific business objectives, items referenced in Section 7.1(e)(ii)(B) below, and other comparable measurements of performance. Upon the termination of employment by a Participant who is an Employee, any unexercised, deferred, unvested, or unpaid Employee Awards shall be treated as set forth in the applicable Employee Award Agreement or as otherwise specified by the Committee.

(a) Options. An Employee Award may be in the form of an Option, which may be an Incentive Stock Option or a Nonqualified Stock Option. The Grant Price of an Option shall be not less than the Fair Market Value of the Common Stock subject to such Option on the Grant Date (or in the case of an Incentive Stock Option granted to an individual who owns units possessing more than ten percent (10%) of the total combined voting power of all classes of shares of the Company or its parent or any Subsidiary, one hundred ten percent (110%) of the Fair Market Value of the Common Stock subject to such Option on the Grant Date). The term of the Option shall extend no more than ten (10) years after the Grant Date. Options may not include provisions that Reload the Option upon exercise. Similarly, Options may not be repriced or otherwise modified in any way that would constitute a reduction in the Grant Price associated with such Options, except in connection with an event described in ARTICLE XVI. Subject to the foregoing provisions, the terms, conditions and limitations applicable to any Options awarded to Employees pursuant to the Plan, including the Grant Price, the term of the Options, the number of shares subject to the Options and the date or dates upon which they become exercisable, shall be determined by the Committee.

The terms of any Incentive Stock Option granted under the Plan shall comply in all respects with the provisions of section 422 of the Code. Only Employees described in clause (a) of the definition of "Employee" may receive grants of Incentive Stock Options. Incentive Stock Options shall not be granted more than ten (10) years after the earlier of the adoption of the Plan or the approval of the Plan by the Company's shareholders. Notwithstanding the foregoing, the Fair Market Value of the Common Stock subject to an Incentive Stock Option and the aggregate Fair Market Value of the common stock of any parent or subsidiary company (within the meaning of sections 424(e) and (f) of the Code) subject to any other Incentive Stock Option of the Company or any such parent or subsidiary company that first becomes purchasable by a Participant in any calendar year may not (with respect to such Participant) exceed $100,000, or such other amount as may be prescribed under section 422 of the Code or applicable regulations or rulings from time to time. As used in the previous sentence, Fair Market Value shall be determined as of the date the Incentive Stock Options are granted. Failure to comply with this provision shall not impair the enforceability or exercisability of any Incentive Stock Option, but shall cause the excess amount of the Common Stock to be reclassified in accordance with the Code.

(b) Stock Appreciation Rights. An Employee Award may be in the form of an SAR. On the Grant Date, the Grant Price of an SAR shall be not less than the Fair Market Value of the Common Stock subject to such SAR. The holder of a tandem SAR may elect to exercise either the Option or the SAR, but not both. The exercise period for an SAR shall extend no more than ten (10) years after the Grant Date. SARs may not include provisions that Reload the SAR upon exercise. Similarly, SARs may not be repriced or otherwise modified in any way that would constitute a reduction in the Grant Price associated with such SARs, except in connection with an event described in ARTICLE XVI. Subject to the foregoing provisions, the terms, conditions and limitations applicable to any SARs awarded to Employees pursuant to the Plan, including the Grant Price, the term of any SARs, and the date or dates upon which they become exercisable, shall be determined by the Committee.

(c) Stock Awards. An Employee Award may be in the form of a Stock Award. The terms, conditions and limitations applicable to any Stock Awards granted pursuant to the Plan shall be determined by the Committee, subject to the limitations set forth below.

(d) Cash Awards. An Employee Award may be in the form of a Cash Award. The terms, conditions and limitations applicable to any Cash Awards granted pursuant to the Plan shall be determined by the Committee.

(e) Performance Awards. Any Employee Award may be in the form of a Performance Award. The terms, conditions and limitations applicable to any Performance Awards granted pursuant to the Plan shall be determined by the Committee, subject to the limitations set forth below. Any Stock Award granted as an Employee Award which is a Performance Award shall have a minimum Restriction Period of twelve (12) months from the Grant Date; provided that, the Committee may provide for earlier vesting upon a termination of employment by reason of death, disability, layoff, retirement or Change of Control. The Committee shall set Performance Goals in its discretion which, depending on the extent to which they are met, will determine the value and/or amount that will be paid out to the Participant under a Performance Award and/or the portion of a Performance Award that may be exercised.

(f) Performance Goals. Performance Awards shall be based on achievement of Performance Goals and be subject to such terms, conditions and restrictions as the Committee or its delegate shall determine. A Performance Goal may include one or more of the following:

1. Increased revenue;
2. Net income measures (including but not limited to income after capital costs and income before or after taxes);
3. Stock price measures (including but not limited to growth measures);
4. Market share;
5. Earnings per share (actual or targeted growth);
6. Earnings before interest, taxes, depreciation, and amortization (“EBITDA”);
7. Economic value added (“EVA”);
8. Cash flow measures (including but not limited to net cash flow and net cash flow before financing activities);
9. Return measures (including but not limited to return on equity, return on average assets, return on capital, risk-adjusted return on capital, return on investors’ capital and return on average equity);
10. Operating measures (including operating income, funds from operations, cash from operations, after-tax operating income, sales volumes, production volumes, and production efficiency);
11. Expense measures (including but not limited to finding and development costs, overhead cost and general and administrative expense);
12. Margins;
13. Shareholder value;
14. Total shareholder return;
15. Proceeds from dispositions;
16. Production volumes;
17. Total market value; and
18. Corporate values measures (including ethics compliance, environmental, and safety).

Unless otherwise stated, a Performance Goal need not be based upon an increase or positive result under a particular business criterion and could include, for example, maintaining the status quo or limiting economic losses (measured, in each case, by reference to specific business criteria).

Section 7.2 *Limitations*. Notwithstanding anything to the contrary contained in the Plan, the following limitations shall apply to any Employee Awards made hereunder:

(a) no Participant may be granted, during any calendar year, Employee Awards consisting of Options or SARs (including Options or SARs that are granted as Performance Awards) that are exercisable for more than 100,000 shares of Common Stock);

(b) no Participant may be granted, during any calendar year, Stock Awards (including Stock Awards that are granted as Performance Awards) having a value determined on the Grant Date in excess of $750,000; and

(c) no Participant may be granted, during any calendar year, Cash Awards or other Awards that may be settled solely in cash having a value determined on the Grant Date in excess of $750,000.

Section 7.3 *Consultant Awards*. Subject to the limitations described in this ARTICLE VII, the Committee shall have the sole responsibility and authority to determine the type or types of Consultant Awards to be made under the Plan and the terms, conditions and limitations applicable to such Awards.

ARTICLE VIII
DIRECTOR AWARDS

Section 8.1 *Grant of Director Awards*. The Board may grant Director Awards to Nonemployee Directors from time to time in accordance with this ARTICLE VIII. Director Awards may consist of those Awards listed in this ARTICLE VIII and may be granted singly, in combination, or in tandem. Each Director Award may, in the discretion of the Board, be embodied in a Director Award Agreement, which shall contain such terms, conditions and limitations as shall be determined by the Board in its sole discretion and, if required by the Board, shall be signed by the Participant to whom the Director Award is granted and/or signed for and on behalf of the Company.

Section 8.2 *Options*. A Director Award may be in the form of an Option; provided that, Options granted as Director Awards shall not be Incentive Stock Options. The Grant Price of an Option shall be not less than the Fair Market Value of the Common Stock subject to such Option on the Grant Date. In no event shall the term of the Option extend more than ten (10) years after the Grant Date. Options may not include provisions that Reload the Option upon exercise. Similarly, Options may not be repriced or otherwise modified in any way that would constitute a reduction in the Grant Price associated with such Options, except in connection with an event described in ARTICLE XVI. Subject to the foregoing provisions, the terms, conditions and limitations applicable to any Options awarded to Nonemployee Directors pursuant to this ARTICLE VIII, including the Grant Price, the term of the Options, the number of shares subject to the Option and the date or dates upon which they become exercisable, shall be determined by the Board.

Section 8.3 *Stock Appreciation Rights*. A Director Award may be in the form of an SAR. On the Grant Date, the Grant Price of an SAR shall be not less than the Fair Market Value of the Common Stock subject to such SAR. The holder of a tandem SAR may elect to exercise either the Option or the SAR, but not both. The exercise period for an SAR shall extend no more than ten (10) years after the Grant Date. SARs may not include provisions that Reload the SAR upon exercise. Similarly, SARs may not be repriced or otherwise modified in any way that would constitute a reduction in the Grant Price associated with such SARs, except in connection with an event described in ARTICLE XVI. Subject to the foregoing provisions, the terms, conditions and limitations applicable to any SARs awarded to Nonemployee Directors pursuant to the Plan, including the Grant Price, the term of any SARs, and the date or dates upon which they become exercisable, shall be determined by the Board.

Section 8.4 *Stock Awards*. A Director Award may be in the form of a Stock Award. Any terms, conditions and limitations applicable to any Stock Awards granted to a Nonemployee Director pursuant to the Plan, including but not limited to rights to Dividend Equivalents, shall be determined by the Board.

Section 8.5 *Cash Awards*. A Director Award may be in the form of a Cash Award. Any terms, conditions and limitations applicable to any Cash Awards granted to a Nonemployee Director pursuant to the Plan shall be determined by the Board.

Section 8.6 *Performance Awards*. Without limiting the type or number of Director Awards that may be made under the other provisions of the Plan, a Director Award may be in the form of a Performance Award. Any additional terms, conditions and limitations applicable to any Performance Awards granted to a Nonemployee Director pursuant to the Plan shall be determined by the Board. The Board shall set Performance Goals in its discretion which, depending on the extent to which they are met, will determine the value and/or amount of Performance Awards that will be paid out to the Nonemployee Director.

Section 8.7 *Limitations*. Notwithstanding anything to the contrary contained in the Plan the following limitations shall apply to any Director Awards made hereunder:

(a) no Participant may be granted, during any fiscal year, Director Awards consisting of Options or SARs (including Options or SARs that are granted as Performance Awards) that are exercisable for more than 100,000 shares of Common Stock;

(b) no Participant may be granted, during any fiscal year, Director Awards consisting of Stock Awards (including Stock Awards that are granted as Performance Awards) having a value determined on the Grant Date in excess of $750,000; and

(c) no Participant may be granted, during any calendar year, Cash Awards or other Awards that may be settled solely in cash having a value determined on the Grant Date in excess of $750,000.

ARTICLE IX
CHANGE OF CONTROL

Section 9.1 *Acceleration of Vesting*. Upon a Change of Control and except as otherwise provided in an Award Agreement, the Committee, acting in its sole discretion without the consent or approval of any Participant, shall affect one or more of the following alternatives, which may vary among individual Participants and which may vary among Awards held by any individual Participant:

(a) provide for the substitution of a new Award or other arrangement (which, if applicable, may be exercisable for such property or stock as the Committee determines) for an Award or the assumption of the Award, regardless of whether in a transaction to which section 424(a) of the Code applies;

(b) provide for acceleration of the vesting and exercisability of, or lapse of restrictions, in whole or in part, with respect to, the Award and, if the transaction is a cash merger, provide for the termination of any portion of the Award that remains unexercised at the time of such transaction; or

(c) cancel any such Award and deliver to the Participant cash in an amount that the Committee shall determine in its sole discretion is equal to the fair market value of such Award on the date of such event, which in the case of Options or Stock Appreciation Rights shall be the excess of the Fair Market Value of Shares on such date over the Grant Price of such Award.

Section 9.2 *Exercise Period for Options and SARs*. In the event of a Change of Control, outstanding Options and SARs shall remain exercisable under clause (b) of Section 9.1 until the earlier of (a) the expiration of the term of the Award; or (b) if the Participant should die before the expiration of the term of the Award, until the earlier of (i) the expiration of the term of the Award or (ii) two (2) years following the date of the Participant's death.

ARTICLE X
NON-UNITED STATES PARTICIPANTS

The Committee may grant Awards to persons outside the United States under such terms and conditions as, in the judgment of the Committee, may be necessary or advisable to comply with the laws of the applicable foreign jurisdictions and, to that end, may establish sub-plans, modified Option exercise procedures and other terms and procedures. Notwithstanding the above, no actions may be taken by the Committee, and no Awards shall be granted, that would violate the Exchange Act, the Code, any securities law, any governing statute, or any other applicable law.

ARTICLE XI
PAYMENT OF AWARDS

Section 11.1 *General*. Payment made to a Participant pursuant to an Award may be made in the form of cash or Common Stock, or a combination thereof.

Section 11.2 *Dividends; Dividend Equivalents*. Rights to dividends or Dividend Equivalents may, as applicable, be extended to and made part of any Stock Award, subject to such terms, conditions and restrictions as the Committee may establish, including such terms, conditions and restrictions as may be necessary to ensure that the Stock Awards do not provide for the deferral of compensation within the meaning of, or otherwise violate, section 409A of the Code; provided that, no such dividends or Dividend Equivalents shall be paid with respect to unvested Performance Awards. The Committee may also establish rules and procedures for the crediting of interest on deferred cash payments, dividends or Dividend Equivalents. Dividends and/or Dividend Equivalents shall not be made part of any Options or SARs.

Section 11.3 *Cash-out of Awards*. At the discretion of the Committee, an Award that is an Option or SAR may be settled by a cash payment equal to the difference between the Fair Market Value per share of Common Stock on the date of exercise and the Grant Price of the Award, multiplied by the number of shares with respect to which the Award is exercised. With respect to all Awards other than Options or SARs, at the discretion of the Board or the Committee, as applicable, such Awards may be settled by a cash payment in an amount that the Board or the Committee, as applicable, shall determine in its sole discretion is equal to the fair market value of such Awards.

ARTICLE XII
OPTION EXERCISE

The price at which shares of Common Stock may be purchased under an Option shall be paid in full at the time of exercise in cash or, if permitted by the Committee and elected by the Participant, the Participant may purchase such shares by means of the Company withholding shares of Common Stock otherwise deliverable on exercise of the Award or tendering Common Stock or surrendering another Award, including Restricted Stock, valued at Fair Market Value on the date of exercise, or any combination thereof. The Committee, in its sole discretion, shall determine acceptable methods for Participants to tender Common Stock or other Awards. The Committee may provide for procedures to permit the exercise or purchase of such Awards by use of the proceeds to be received from the sale of Common Stock issuable pursuant to an Award (including cashless exercise procedures approved by the Committee involving a broker or dealer approved by the Committee). Unless otherwise provided in the applicable Award Agreement, in the event shares of Restricted Stock are tendered as consideration for the exercise of an Option, a number of the shares issued upon the exercise of the Option, equal to the number of shares of Restricted Stock used as consideration therefore, shall be subject to the same restrictions as the Restricted Stock so submitted as well as any additional restrictions that may be imposed by the Committee. The Committee may adopt additional rules and procedures regarding the exercise of Options from time to time; provided that, such rules and procedures are not inconsistent with the provisions of this ARTICLE XII.

ARTICLE XIII
TAXES

The Company or its designated third party administrator shall have the right to deduct applicable taxes from any Award payment and withhold, at the time of delivery or vesting of cash or shares of Common Stock under the Plan, an appropriate amount of cash or number of shares of Common Stock or a combination thereof for payment of taxes or other amounts required by law or to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for withholding of such taxes. The Committee may also permit withholding to be satisfied by the transfer to the Company of shares of Common Stock theretofore owned by the holder of the Employee Award with respect to which withholding is required. If shares of Common Stock are used to satisfy tax withholding, such shares shall be valued based on the Fair Market Value when the tax withholding is required to be made. The Committee may provide for loans, to the extent not otherwise prohibited by law, on either a short-term or demand basis, from the Company to a Participant who is an Employee or Consultant to permit the payment of taxes subject to and required by law.

ARTICLE XIV
AMENDMENT, MODIFICATION, SUSPENSION, OR TERMINATION OF THE PLAN

The Board may amend, modify, suspend, or terminate the Plan for the purpose of meeting or addressing any changes in legal requirements or for any other purpose permitted by law, except that: (a) no amendment or alteration that would materially and adversely affect the rights of any Participant under any Award previously granted to such Participant shall be made without the consent of such Participant; and (b) no amendment or alteration shall be effective prior to its approval by the shareholders of the Company to the extent such approval is required by applicable legal requirements or the applicable requirements of the securities exchange on which the Company's Common Stock is listed.

ARTICLE XV
ASSIGNABILITY

Unless otherwise determined by the Committee and provided in the Award Agreement or the terms of the Award, no Award or any other benefit under the Plan shall be assignable or otherwise transferable except by will, by beneficiary designation, or by the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder. In the event that a beneficiary designation conflicts with an assignment by will or the laws of descent and distribution, the beneficiary designation will prevail. The Committee may prescribe and include in applicable Award Agreements or the terms of the Awards other restrictions on transfer. Any attempted assignment of an Award or any other benefit under the Plan in violation of this ARTICLE XV shall be null and void.

ARTICLE XVI
ADJUSTMENTS

Section 16.1 *Adjustments in General*. The existence of outstanding Awards shall not affect in any manner the right or power of the Company or its shareholders to make or authorize any or all adjustments, recapitalizations, reorganizations, or other changes in the capital stock of the Company or its business or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or prior preference stock (whether or not such issue is prior to, on a parity with or junior to the existing Common Stock) or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding of any kind, whether or not of a character similar to that of the acts or proceedings enumerated above.

Section 16.2 *Proportionate Adjustments*.

(a) In the event of any subdivision or consolidation of outstanding shares of Common Stock, declaration of a dividend payable in shares of Common Stock or other stock split, then (i) the number of shares of Common Stock reserved under the Plan; (ii) the number of shares of Common Stock available under the Plan for Incentive Stock Options and Stock Awards; (iii) the number of shares of Common Stock covered by outstanding Awards in the form of Common Stock or units denominated in Common Stock; (iv) the exercise or other price in respect of such Awards; (v) the Stock Based Award Limitations; and (vi) the appropriate Fair Market Value and other price determinations for such Awards shall each be proportionately adjusted by the Committee to reflect such transaction. In the event of any other recapitalization or capital reorganization of the Company, any consolidation or merger of the Company with another corporation or entity, the adoption by the Company of any plan of exchange affecting the Common Stock or any distribution to holders of Common Stock of securities or property (other than normal cash dividends or dividends payable in Common Stock), the Committee shall make appropriate adjustments to (A) the number of shares of Common Stock covered by Awards in the form of Common Stock or units denominated in Common Stock, (B) the exercise or other price in respect of such Awards, (C) the appropriate Fair Market Value and other price determinations for such Awards, (D) the number of shares of Common Stock available under the Plan for Incentive Stock Options and Stock Awards, and (E) the Stock Based Award Limitations to give effect to such transaction; provided that, such adjustments shall only be such as are necessary to maintain the proportionate interest of the holders of the Awards and preserve, without exceeding, the value of such Awards.

(b) In the event of a corporate merger, consolidation, acquisition of property or stock, separation, reorganization or liquidation, the Committee may make such adjustments to Awards or other provisions for the disposition of Awards as it deems equitable, and shall be authorized, in its discretion, to (i) provide for the substitution of a new Award or other arrangement (which, if applicable, may be exercisable for such property or stock as the Committee determines) for an Award or the assumption of the Award (and for awards not granted under the Plan), regardless of whether in a transaction to which section 424(a) of the Code applies; (ii) provide, prior to the transaction, for the acceleration of the vesting and exercisability of, or lapse of restrictions with respect to, the Award and, if the transaction is a cash merger, provide for the termination of any portion of the Award that remains unexercised at the time of such transaction; (iii) provide for the acceleration of the vesting and exercisability of an Award and the cancellation thereof in exchange for such payment as the Committee, in its sole discretion, determines is a reasonable approximation of the value thereof; (iv) cancel any Awards and direct the Company to deliver to the Participants who are the holders of such Awards cash in an amount that the Committee shall determine in its sole discretion is equal to the Fair Market Value of such Awards as of the date of such event, which, in the case of any Option, shall be on a per share basis, the amount equal to the excess of the Fair Market Value of a share as of such date over the per-share exercise price for such Option (for the avoidance of doubt, if such exercise price is less than such Fair Market Value, the Option may be canceled for no consideration); or (v) cancel Awards that are Options and give the Participants who are the holders of such Awards notice and opportunity to exercise prior to such cancellation.

ARTICLE XVII
RESTRICTIONS

No Common Stock or other form of payment shall be issued with respect to any Award unless the Company shall be satisfied based on the advice of its counsel that such issuance will be in compliance with applicable federal and state securities laws. Certificates evidencing shares of Common Stock delivered under the Plan (to the extent that such shares are so evidenced) may be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any securities exchange or transaction reporting system upon which the Common Stock is then listed or to which it is admitted for quotation and any applicable federal or state securities law. The Committee may cause a legend or legends to be placed upon such certificates (if any) to make appropriate reference to such restrictions.

ARTICLE XVIII
UNFUNDED PLAN

The Plan shall be unfunded. Although bookkeeping accounts may be established with respect to Participants under the Plan, any such accounts shall be used merely as a bookkeeping convenience, including bookkeeping accounts established by a third party administrator retained by the Company to administer the Plan. The Company shall not be required to segregate any assets for purposes of the Plan or Awards hereunder, nor shall the Company, the Board or the Committee be deemed to be a trustee of any benefit to be granted under the Plan. Any liability or obligation of the Company to any Participant with respect to an Award under the Plan shall be based solely upon any contractual obligations that may be created by the Plan and any Award Agreement or the terms of the Award, and no such liability or obligation of the Company shall be deemed to be secured by any pledge or other encumbrance on any property of the Company. Neither the Company nor the Board nor the Committee shall be required to give any security or bond for the performance of any obligation that may be created by the Plan.

ARTICLE XIX
RIGHT TO EMPLOYMENT OR SERVICE

Nothing in the Plan or an Award Agreement shall interfere with or limit in any way the right of the Company or its Subsidiaries to terminate any Participant’s employment or other service relationship at any time, or confer upon any Participant any right to continue in the capacity in which he or she is employed or otherwise serves the Company or its Subsidiaries.

ARTICLE XX
SUCCESSORS

All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

ARTICLE XXI
GOVERNING LAW

The Plan and all determinations made and actions taken pursuant hereto, to the extent not otherwise governed by mandatory provisions of the Code or the securities laws of the United States, shall be governed by and construed in accordance with the laws of the State of Texas.

ARTICLE XXII
HEADINGS AND USAGE

The headings in the Plan are inserted for convenience of reference only and shall not affect the meaning or interpretation of the Plan. Words used in the Plan in the singular shall include the plural and vice versa, and words of one gender shall be construed to include the other gender and the neuter, in each case as the context requires.

ARTICLE XXIII
SEVERABILITY

If any provision of the Plan is held to be illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining provisions hereof, but such provision shall be fully severable and the Plan shall be construed and enforced as if the illegal or invalid provision had never been included herein. If any of the terms or provisions of the Plan or any Award Agreement conflict with the requirements of Rule 16b-3 under the Exchange Act (as those terms or provisions are applied to Participants who are subject to section 16(b) of the Exchange Act) or section 422 of the Code (with respect to Incentive Stock Options), then those conflicting terms or provisions shall be deemed inoperative to the extent they so conflict with the requirements of Rule 16b-3 (unless the Board or the Committee, as appropriate, has expressly determined that the Plan or such Award should not comply with Rule 16b-3) or section 422 of the Code. With respect to Incentive Stock Options, if the Plan does not contain any provision required to be included herein under section 422 of the Code, that provision shall be deemed to be incorporated herein with the same force and effect as if that provision had been set out at length herein; provided that, to the extent any Option that is intended to qualify as an Incentive Stock Option cannot so qualify, that Option (to that extent) shall be deemed as a Nonqualified Stock Option not subject to section 422 of the Code for all purposes of the Plan.

ARTICLE XXIV
CLAWBACK

Notwithstanding any other provisions in the Plan, any Award shall be subject to recovery or clawback by the Company under any clawback policy adopted by the Company whether before or after the date of grant of the Award.

ARTICLE XXV
SECTION 409A

Awards made under the Plan are intended to comply with or be exempt from section 409A of the Code, and ambiguous provisions hereof, if any, shall be construed and interpreted in a manner consistent with such intent.

Unless the Committee provides otherwise in an Award Agreement, each Restricted Stock Unit Award or Cash Award (or portion thereof if the Award is subject to a vesting schedule) shall be settled no later than the 15th day of the third month after the end of the first calendar year in which the Award (or such portion thereof) is no longer subject to a "substantial risk of forfeiture" within the meaning of section 409A of the Code. If the Committee determines that a

Restricted Stock Unit Award or Cash Award is intended to be subject to section 409A of the Code, the applicable Award Agreement shall include terms that are designed to satisfy the requirements of section 409A of the Code.

If a Participant is identified by the Company as a “specified employee” within the meaning of section 409A(a)(2)(B)(i) of the Code on the date on which the Participant has a “separation from service” (other than due to death) within the meaning of Treasury Regulation § 1.409A 1(h), any Award payable or settled on account of a separation from service that is deferred compensation subject to section 409A of the Code shall be paid or settled on the earliest of (a) the first business day following the expiration of six (6) months from the Participant’s separation from service; (b) the date of the Participant’s death; or (c) such earlier date as complies with the requirements of section 409A of the Code.

ARTICLE XXVI
EFFECTIVENESS AND TERM

The Plan, as approved by the Board on April 24, 2020, shall be effective as of the Effective Date. The Plan shall continue in effect for a term of ten (10) years commencing on the Effective Date, unless earlier terminated by action of the Board, and no further Awards may be granted under the Plan after the tenth (10^{th}) anniversary of the Effective Date or, if earlier, termination by action of the Board, except as to Awards then outstanding under the Plan. Such outstanding Awards shall remain in effect until they have been exercised or terminated, or have expired.

Notwithstanding the foregoing, the adoption of the Plan is expressly conditioned upon the approval by the holders of a majority of shares of Common Stock present, or represented, and entitled to vote at a meeting of the Company’s shareholders at the Company’s 2020 annual shareholders’ meeting to be held on June 9, 2020, or any adjournment or postponement thereof. If the shareholders of the Company should fail to so approve the Plan on such date, the Plan shall not be of any force or effect.

The Plan is the successor to the Amended and Restated Dawson Geophysical Company 2006 Stock and Performance Incentive Plan, effective as of February 11, 2015 (the “Legacy Dawson Plan”) and the Amended and Restated 2006 Stock Awards Plan of Dawson Geophysical Company (formerly known as the 2006 Stock Awards Plan of TGC Industries, Inc.), effective as of February 11, 2015 (the “Legacy TGC Plan”). As of May 5, 2016 (i.e., the date on which the shareholders of the Company approved of the Original Plan), no new Awards have been or may be granted under the Legacy Dawson Plan or the Legacy TGC Plan. Awards granted pursuant to the Legacy Dawson Plan and the Legacy TGC Plan shall continue to be administered in accordance with the terms of the Legacy Dawson Plan and the Legacy TGC Plan, as applicable, provided that the Committee or its delegates responsible for administering this Plan shall constitute the Committee or its delegates under the Legacy Dawson Plan and the Legacy TGC Plan, as applicable.

Exhibit 31.1

CERTIFICATION

I, Stephen C. Jumper, certify that:

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

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

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

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

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

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

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

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (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, 2021

/s/ Stephen C. Jumper
Stephen C. Jumper
Chairman of the Board of Directors, President and
Chief Executive Officer
(principal executive officer)

Exhibit 31.2

CERTIFICATION

I, James K. Brata, 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, 2021

/s/ James K. Brata
James K. Brata
Executive Vice President,
Chief Financial Officer, Secretary and Treasurer
(principal financial and accounting officer)

Exhibit 32.1

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

In connection with the quarterly report of Dawson Geophysical Company (the “Company”) on Form 10-Q for the period ended March 31, 2021, as filed with the Securities and Exchange Commission (the “Report”), I, Stephen C. Jumper, President, Chairman 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, 2021

/s/ Stephen C. Jumper
Stephen C. Jumper
Chairman of the Board of Directors, President and
Chief Executive Officer
(principal executive officer)

Exhibit 32.2

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

In connection with the quarterly report of Dawson Geophysical Company (the “Company”) on Form 10-Q for the period ended March 31, 2021, as filed with the Securities and Exchange Commission (the “Report”), I, James K. Brata, Executive Vice President, Chief Financial Officer, Secretary and Treasurer 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, 2021

/s/ James K. Brata
James K. Brata
Executive Vice President,
Chief Financial Officer, Secretary and Treasurer
(principal financial and accounting officer)