# 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 June 30, 2023**

☐ **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**<br>(State or other jurisdiction of incorporation or organization) | **74-2095844**<br>(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 July 26, 2023 |
|---|---|
| Common Stock, $0.01 par value | 25,000,564 shares |

**DAWSON GEOPHYSICAL COMPANY**

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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)**

| | June 30, 2023 | December 31, 2022 (as adjusted) |
|---|---|---|
| | (unaudited) | (unaudited) |
| **Assets** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ 18,087 | $ 18,603 |
| Restricted cash | 5,000 | 5,000 |
| Short-term investments | 265 | 265 |
| Accounts receivable, net | 5,486 | 7,972 |
| Employee retention credit receivable | — | 3,035 |
| Prepaid expenses and other current assets | 10,672 | 8,951 |
| Total current assets | 39,510 | 43,826 |
| | | |
| **Property and equipment, net** | 17,409 | 20,468 |
| | | |
| **Right-of-use assets** | 3,784 | 4,010 |
| | | |
| **Intangibles, net** | 377 | 369 |
| | | |
| Total assets | $ 61,080 | $ 68,673 |
| | | |
| **Liabilities and Stockholders' Equity** | | |
| **Current liabilities:** | | |
| Accounts payable | $ 5,447 | $ 4,140 |
| Accrued liabilities: | | |
| Payroll costs and other taxes | 1,052 | 2,001 |
| Other | 1,129 | 1,280 |
| Deferred revenue | 9,099 | 7,380 |
| Current maturities of notes payable and finance leases | 566 | 275 |
| Convertible note payable to controlling shareholder | 9,880 | — |
| Current maturities of operating lease liabilities | 1,211 | 1,118 |
| Total current liabilities | 28,384 | 16,194 |
| | | |
| **Long-term liabilities:** | | |
| Notes payable and finance leases, net of current maturities | 762 | 207 |
| Operating lease liabilities, net of current maturities | 2,979 | 3,331 |
| Deferred tax liabilities, net | 15 | 137 |
| Total long-term liabilities | 3,756 | 3,675 |
| | | |
| **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, 25,000,564 and 23,812,329 shares issued, and 25,000,564 and 23,812,329 shares outstanding at June 30, 2023 and December 31, 2022, respectively | 250 | 238 |
| Additional paid-in capital | 146,856 | 155,413 |
| Accumulated deficit | (116,336) | (112,469) |
| Equity of Breckenridge prior to acquisition | — | 7,695 |
| Accumulated other comprehensive loss, net | (1,830) | (2,073) |
| Total stockholders' equity | 28,940 | 48,804 |
| | | |
| Total liabilities and stockholders' equity | $ 61,080 | $ 68,673 |

*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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2023** | **2022** (as adjusted) | **2023** | **2022** (as adjusted) |
| **Operating revenues** | $ 20,219 | $ 4,765 | $ 49,627 | $ 26,699 |
| **Operating costs:** | | | | |
| Operating expenses | 19,906 | 6,785 | 43,688 | 21,188 |
| General and administrative | 2,977 | 2,828 | 6,476 | 8,696 |
| Depreciation and amortization | 2,113 | 3,010 | 4,813 | 6,111 |
| | 24,996 | 12,623 | 54,977 | 35,995 |
| **Loss from operations** | (4,777) | (7,858) | (5,350) | (9,296) |
| **Other income (expense):** | | | | |
| Interest income | 136 | 30 | 244 | 56 |
| Interest expense | (14) | (9) | (31) | (20) |
| Other income (expense), net | 143 | 273 | 195 | 312 |
| **Loss before income tax** | (4,512) | (7,564) | (4,942) | (8,948) |
| **Income tax benefit (expense):** | 82 | (15) | 99 | (16) |
| **Net loss** | (4,430) | (7,579) | (4,843) | (8,964) |
| **Other comprehensive income (loss):** | | | | |
| Net unrealized income (loss) on foreign exchange rate translation | 249 | (439) | 243 | (672) |
| **Comprehensive loss** | $ (4,181) | $ (8,018) | $ (4,600) | $ (9,636) |
| **Basic loss per share of common stock** | $ (0.18) | $ (0.30) | $ (0.19) | $ (0.36) |
| **Diluted loss per share of common stock** | $ (0.18) | $ (0.30) | $ (0.19) | $ (0.36) |
| **Weighted average equivalent common shares outstanding** | 25,000,564 | 25,000,564 | 25,000,564 | 24,855,667 |
| **Weighted average equivalent common shares outstanding - assuming dilution** | 25,000,564 | 25,000,564 | 25,000,564 | 24,855,667 |

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

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

| | Six Months Ended June 30, 2023 | Six Months Ended June 30, 2022 (as adjusted) |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net loss | $ (4,843) | $ (8,964) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 4,813 | 6,111 |
| Operating lease cost | 521 | 499 |
| Non-cash compensation | — | 368 |
| Deferred income tax benefit | (121) | — |
| (Gain) loss on disposal of assets | (31) | 643 |
| Remeasurement and other | (2) | (20) |
| Change in operating assets and liabilities: | | |
| Decrease in accounts receivable | 1,495 | 4,926 |
| Decrease in employee retention credit receivable | 3,035 | — |
| (Increase) decrease in prepaid expenses and other assets | (1,280) | 88 |
| Increase (decrease) in accounts payable | 2,037 | (758) |
| Decrease in accrued liabilities | (1,037) | (223) |
| Decrease in operating lease liabilities | (554) | (496) |
| Increase (decrease) in deferred revenue | 1,718 | (440) |
| Net cash provided by operating activities | 5,751 | 1,734 |
| **Cash flows from investing activities:** | | |
| Capital expenditures, net of non-cash capital expenditures summarized below (if applicable) | (2,021) | (142) |
| Acquisition of short-term investments | (1,000) | — |
| Proceeds from disposal of assets | 31 | 242 |
| Net cash (used in) provided by investing activities | (2,990) | 100 |
| **Cash flows from financing activities:** | | |
| Principal payments on notes payable | (331) | (713) |
| Principal payments on finance leases | (68) | (18) |
| Tax withholdings related to stock-based compensation awards | — | (79) |
| Sale of treasury stock | — | 113 |
| Breckenridge cash (distributions) contributions prior to acquisition | (3,055) | 3,871 |
| Net cash (used in) provided by financing activities | (3,454) | 3,174 |
| Effect of exchange rate changes on cash and cash equivalents and restricted cash | 177 | (192) |
| Net (decrease) increase in cash and cash equivalents and restricted cash | (516) | 4,816 |
| **Cash and cash equivalents and restricted cash at beginning of period** | 23,603 | 30,376 |
| **Cash and cash equivalents and restricted cash at end of period** | $ 23,087 | $ 35,192 |
| **Supplemental cash flow information:** | | |
| Cash paid for interest | $ 32 | $ 20 |
| Cash received for income taxes | $ — | $ 7 |
| **Non-cash operating, investing and financing activities:** | | |
| Decrease in accrued purchases of property and equipment | $ (605) | $ — |
| Finance leases incurred | $ 800 | $ — |
| Increase in right-of-use assets and operating lease liabilities | $ 283 | $ 527 |
| Financed insurance premiums | $ 440 | $ 944 |
| Convertible note for asset purchase | $ 9,880 | $ — |
| Deemed distribution of Breckenridge net assets not acquired | $ 2,329 | $ — |
| Deemed contribution of Breckenridge net assets | $ — | $ (6,472) |
| Acquisition of net assets of Breckenridge | $ (1,335) | $ — |

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

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

| | Equity Attributable to Breckenridge Prior to Acquisition | Common Stock Number Of Shares | Common Stock Amount | Additional Paid-in Capital | Retained Earnings (Accumulated Deficit) | Accumulated Other Comprehensive Loss | Total |
|---|---|---|---|---|---|---|---|
| **Balance January 1, 2023 (as adjusted)** | $ 7,695 | 23,812,329 | $ 238 | $ 155,413 | $ (112,469) | $ (2,073) | $ 48,804 |
| Net (loss) income | (976) | | | | 563 | | (413) |
| Unrealized loss on foreign exchange rate translation | | | | | | (6) | (6) |
| Issuance of stock for Breckenridge acquisition | (1,335) | 1,188,235 | 12 | 2,008 | | | 685 |
| Excess of purchase price over net assets acquired | | | | (10,565) | | | (10,565) |
| Breckenridge cash distributions prior to acquisition | (3,055) | | | | | | (3,055) |
| Deemed distribution of Breckenridge net assets not acquired | (2,329) | | | | | | (2,329) |
| **Balance March 31, 2023** | — | 25,000,564 | 250 | 146,856 | (111,906) | (2,079) | 33,121 |
| Net loss | | | | | (4,430) | | (4,430) |
| Unrealized income on foreign exchange rate translation | | | | | | 249 | 249 |
| **Balance June 30, 2023** | $ — | 25,000,564 | $ 250 | $ 146,856 | $ (116,336) | $ (1,830) | $ 28,940 |

| | Equity Attributable to Breckenridge Prior to Acquisition | Common Stock Number Of Shares | Common Stock Amount | Additional Paid-in Capital | Retained Earnings (Accumulated Deficit) | Accumulated Other Comprehensive Loss | Total |
|---|---|---|---|---|---|---|---|
| **Balance January 1, 2022** | $ — | 23,692,379 | $ 237 | $ 155,268 | $ (92,018) | $ (1,010) | $ 62,477 |
| Net income (loss) | 1,006 | | | | (2,391) | | (1,385) |
| Unrealized loss on foreign exchange rate translation | | | | | | (233) | (233) |
| Issuance of common stock under stock compensation plans | | 155,000 | 1 | (1) | | | — |
| Stock-based compensation expense | | | | 279 | | | 279 |
| Shares exchanged for taxes on stock-based compensation | | (35,050) | — | (79) | | | (79) |
| Treasury stock sale | | | | 113 | | | 113 |
| Deemed contribution of Breckenridge net assets | 6,472 | | | | | | 6,472 |
| Breckenridge cash contributions prior to acquisition | 1,950 | | | | | | 1,950 |
| **Balance March 31, 2022 (as adjusted)** | 9,428 | 23,812,329 | 238 | 155,580 | (94,409) | (1,243) | 69,594 |
| Net income (loss) | 99 | | | | (7,678) | | (7,579) |
| Unrealized loss on foreign exchange rate translation | | | | | | (439) | (439) |
| Stock-based compensation expense | | | | 89 | | | 89 |
| Breckenridge cash contributions prior to acquisition | 1,921 | | | | | | 1,921 |
| **Balance June 30, 2022 (as adjusted)** | $ 11,448 | 23,812,329 | $ 238 | $ 155,669 | $ (102,087) | $ (1,682) | $ 63,586 |

*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, 2022.

*Asset Purchase Agreement.* On March 24, 2023, the Company entered into an Asset Purchase Agreement (the “Purchase Agreement”) with Wilks Brothers, LLC (“Wilks”) and Breckenridge Geophysical, LLC (“Breckenridge”), a wholly owned subsidiary of Wilks. Pursuant to the Purchase Agreement, the Company completed the purchase of substantially all of the Breckenridge assets related to seismic data acquisition services other than its multi-client data library, in exchange for a combination of equity consideration and a convertible note (the “Transaction”). While the Transaction was structured as an asset purchase, the Company’s financial presentation reflects combined results of the two companies as if the combination occurred on January 14, 2022, the date Wilks became the majority shareholder of the Company. This is due to the fact that both the Company and Breckenridge were under Wilks’ control from January 14, 2022 forward. The presentation is required as a combination of entities under common control. As part of the Purchase Agreement, in addition to the 1,188,235 shares of our common stock issued to Wilks at closing, we entered into a convertible note to deliver approximately 5.8 million shares of common stock to Wilks after the Company receives shareholder approval of the proposal to issue the shares upon conversion of the convertible note in accordance with NASDAQ Listing Rule 5635 (the “Convertible Note”). Until such approval, a convertible note payable amounting to approximately $9.9 million is included in liabilities on the Company’s Condensed Consolidated Balance Sheets based on its contractual maturity. The Company filed a preliminary proxy statement related to the acquisition with the SEC on June 27, 2023, and will file a definitive proxy statement and call a shareholder meeting to approve the conversion of the Convertible Note as soon as practicable.

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

### Significant Accounting Policies

*Principles of Consolidation.* The condensed consolidated financial statements for the three and six months ended June 30, 2023 include the accounts of the Company and its wholly-owned subsidiaries, Dawson Operating LLC, Dawson Seismic Services Holdings, Inc., Eagle Canada, Inc., Eagle Canada Seismic Services ULC, and Exploration Surveys, Inc. All significant intercompany balances and transactions have been eliminated in consolidation. Additionally, all transactions between the Company and Breckenridge for the year ended December 31, 2022 are retrospectively being eliminated on a combined, as pooled basis. For the year ended December 31, 2022, the Company recorded approximately $2,200,000 of related party revenue from Breckenridge. For the three and six months ended June 30, 2022, the Company recorded related party revenue from Breckenridge of approximately $206,000 and $1,532,000, respectively.

*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 June 30, 2023 and December 31, 2022.

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

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

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

*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**

None.

**3. FAIR VALUE OF FINANCIAL INSTRUMENTS**

At June 30, 2023 and December 31, 2022, 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 and Chief Executive Officer) 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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2023** | **2022 (as adjusted)** | **2023** | **2022 (as adjusted)** |
| Operating Revenues | | | | |
| United States | $ 20,116 | $ 4,266 | $ 38,912 | $ 15,024 |
| Canada | 103 | 499 | 10,715 | 11,675 |
| Total | $ 20,219 | $ 4,765 | $ 49,627 | $ 26,699 |

**Deferred Costs (in thousands)**

Deferred costs were $5,433 and $972 at January 1, 2023 and 2022, respectively. The Company’s prepaid expenses and other current assets at June 30, 2023 and 2022 included deferred costs incurred to fulfill contracts with customers of $7,226 and $382, respectively.

Deferred costs at June 30, 2023 compared to January 1, 2023 increased primarily as a result of new projects for clients with significant deferred fulfillment costs at June 30, 2023. Deferred costs at June 30, 2022 compared to January 1, 2022 decreased primarily as a result of the completion of several projects during that six month period that had deferred fulfillment costs at January 1, 2022.

The amount of total deferred costs amortized for the six months ended June 30, 2023 and 2022 was $17,559 and $1,669, respectively. There were no material impairment losses incurred during these periods.

**Deferred Revenue (in thousands)**

Deferred revenue was $7,380 and $1,344 at January 1, 2023 and 2022, respectively. The Company's deferred revenue at June 30, 2023 and 2022 was $9,099 and $1,472, respectively.

Deferred revenue at June 30, 2023 compared to January 1, 2023 increased primarily as a result of new projects for clients with large third party reimbursables where data had not yet been recorded. Deferred revenue at June 30, 2022 compared to January 1, 2022 remained fairly consistent.

Revenue recognized for the three and six months ended June 30, 2023 that was included in the contract liability balance at the beginning of 2023 was $3,846 and $0, respectively. Revenue recognized for the three and six months ended June 30, 2022 that was included in the contract liability balance at the beginning of 2022 was $0 and $936, 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 March 21, 2023, the Company entered into a Fourth Loan Modification Agreement (the "Fourth Modification") to the Loan and Security Agreement (as amended by (i) that certain Loan Modification Agreement dated as of September 30, 2020, (ii) that certain Second Loan Modification Agreement dated as of September 30, 2021, (iii) that certain Third Loan Modification Agreement dated as of September 30, 2022, and (iv) the Fourth Modification, the "Loan Agreement") for the purpose of (a) amending the principal amount under the Company's line of credit with Dominion Bank, and (b) obtaining Dominion Bank's consent with respect to the Company's consummation of the Transaction and related waivers with respect to implicated covenants. The Loan Agreement now provides for a secured revolving credit facility (the "Revolving Credit Facility") in an amount up to the lesser of (I) $5,000,000 or (II) a sum equal to (A) 80% of the Company's eligible accounts receivable plus (B) 100% of the amount on deposit with Dominion Bank in the Company's collateral account, including a certificate of deposit for $5,000,000 (the "Deposit"). Previously, Dominion Bank's commitment was for up to $10,000,000. The Company has received limited waivers and consents from Dominion Bank with respect to any non-compliance with applicable covenants under the Loan Agreement, including the current ratio, tangible net worth covenant and tangible net worth to debt covenant, in connection with the Purchase Agreement and the issuance of the common shares and the Convertible Note. As of June 30, 2023, the Company has not borrowed any amounts under the Revolving Credit Facility and has approximately $5,000,000 available for withdrawal.

Under the Revolving Credit Facility, interest will accrue at an annual rate equal to the lesser of (i) 7.75% and (ii) the greater of (a) the prime rate as published from time to time in The Wall Street Journal or (b) 4.75%. 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 not less than $38,000,000 and, to be tested as of the end of each calendar quarter, unencumbered liquid assets of not less than $5,000,000, 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, 2023.

**Dominion Letters of Credit**

As of June 30, 2023, Dominion Bank has issued one letter of credit in the amount of $265,000 to support the Company's workers compensation insurance. The letter of credit is secured by a certificate of deposit with Dominion Bank.

**Convertible Note**

As of June 30, 2023, the Company has a short-term convertible note payable of approximately $9,880,000 payable on or after June 30, 2024 to Wilks upon written demand in accordance with the terms and conditions set forth in the Convertible Note. With shareholder approval, this note will be converted to 5,811,765 shares of common stock at a conversion price equal to $1.70.

**Other Indebtedness**

As of June 30, 2023, the Company has two short-term notes payable to a finance company for various insurance premiums totaling $313,000.

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 June 30, 2023 includes finance leases of $1,014,000.

**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 June 30, 2023 and December 31, 2022:

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Notes payable to finance company for insurance | | |
| Aggregate principal amount outstanding | $ 313 | $ 205 |
| Interest rates range from 7.99% to 8.24% | | |

The aggregate maturities of finance leases as of June 30, 2023 are as follows (in thousands):

| | |
|---|---|
| July 2023 - June 2024 | $ 252 |
| July 2024 - June 2025 | 267 |
| July 2025 - June 2026 | 358 |
| July 2026 - June 2027 | 137 |
| Obligations under finance leases | $ 1,014 |

Interest rates on these leases are 4.85% to 7.66%.

## 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, Oklahoma City and Calgary, Alberta. There have been no material changes to our leases since the Company’s most recent Annual Report on Form 10-K that was filed with the SEC on March 13, 2023.

Maturities of lease liabilities as of June 30, 2023 are as follows (in thousands):

| | Operating Leases | Finance Leases |
|---|---|---|
| July 2023 - June 2024 | $ 1,400 | $ 305 |
| July 2024 - June 2025 | 1,213 | 305 |
| July 2025 - June 2026 | 1,082 | 376 |
| July 2026 - June 2027 | 849 | 141 |
| July 2027 - June 2028 | 58 | — |
| Thereafter | — | — |
| Total payments under lease agreements | 4,602 | 1,127 |
| Less imputed interest | (418) | (113) |
| Total lease liabilities | $ 4,184 | $ 1,014 |

## 7. COMMITMENTS AND CONTINGENCIES

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

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

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

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

**8. NET LOSS PER SHARE**

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

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 (as adjusted) | 2023 | 2022 (as adjusted) |
| Net loss | $ (4,430) | $ (7,579) | $ (4,843) | $ (8,964) |
| Weighted average common shares outstanding | | | | |
| Basic | 25,000,564 | 25,000,564 | 25,000,564 | 24,855,667 |
| Dilutive common stock options, restricted stock unit awards and restricted stock awards | — | — | — | — |
| Diluted | 25,000,564 | 25,000,564 | 25,000,564 | 24,855,667 |
| Basic loss per share of common stock | $ (0.18) | $ (0.30) | $ (0.19) | $ (0.36) |
| Diluted loss per share of common stock | $ (0.18) | $ (0.30) | $ (0.19) | $ (0.36) |

The Company had a net loss for the three and six months ended June 30, 2023 and 2022. 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 those periods. Basic and diluted weighted average shares outstanding for all periods reflect the issuance of 1,188,235 shares of our common stock to Wilks in relation to the Transaction as if such shares were issued on January 18, 2022.

The 5,811,765 shares issuable upon conversion of the Convertible Note have been excluded from the calculation of diluted loss per share of common stock, as their effect would be anti-dilutive.

**9. INCOME TAXES**

For the three and six months ended June 30, 2023, the Company's effective tax rates were 1.8% and 2.0%, respectively. The Company's effective tax rates were -0.2% for the second quarter and first six months of 2022. The Company's nominal or negative effective tax rate for the periods above was due to the presence of net operating loss carryovers and adjustments to the valuation allowance on deferred tax assets.

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

The income tax benefit for the three and six months ended June 30, 2023 does 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 and six months ended June 30, 2023 and 2022. In addition, due to the Company's recent operating losses and valuation allowances, the Company may recognize reduced or no tax benefits on future losses on the condensed consolidated financial statements. The amount of the valuation allowances considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased, or if objective negative evidence in the form of cumulative losses is no longer present and additional weight is given to subjective evidence such as projections for future growth.

## 10. SUPPLEMENTAL PURCHASE AGREEMENT TRANSACTION INFORMATION

Historical financial information for Breckenridge was derived from Breckenridge's unaudited financial statements. In the opinion of the Company's management, the financial information of Breckenridge reflects all adjustments, which are normal and recurring in nature, necessary for fair financial statement presentation. The non-cash items associated with the Purchase Agreement (unaudited and in thousands) shown on the Condensed Consolidated Statements of Cash Flows consist of "Deemed distribution (contribution)" and "Acquisition of Breckenridge net assets" and are derived as follows:

| **Deemed Distribution (Contribution)** | **Six Months Ended June 30,** | |
|---|---|---|
| | **2023** | **2022** |
| Deemed distribution (contribution) of short-term investments | $ 1,000 | $ — |
| Deemed distribution (contribution) of accounts receivable | 1,015 | (2,605) |
| Deemed distribution (contribution) of prepaids and other | 1 | (133) |
| Deemed distribution (contribution) of land and buildings | 514 | (4,726) |
| Deemed (distribution) contribution of accounts payable | (132) | 196 |
| Deemed (distribution) contribution of accrued liabilities | (69) | 228 |
| Deemed (distribution) contribution of deferred revenue | — | 568 |
| Deemed distribution of Breckenridge net assets not acquired | $ 2,329 | |
| Deemed contribution of Breckenridge net assets | | $ (6,472) |

| **Historical Carrying Value of Assets Acquired** | **March 24, 2023** |
|---|---|
| Accounts receivable, net | $ 67 |
| Prepaid expenses and other current assets | 56 |
| Property and equipment, net | 1,322 |
| Other accrued liabilities | (16) |
| Deferred revenue | (94) |
| Acquisition of Breckenridge net assets | $ 1,335 |

Total consideration for the asset purchase (in thousands) is as follows:

| **Consideration Paid** | **March 24, 2023** |
|---|---|
| Common stock issued | $ 2,020 |
| Note payable issued | 9,880 |
| Purchase price | $ 11,900 |

Because the Transaction constitutes a transaction among entities under common control, the excess purchase price over the historical carrying value of the net assets acquired was recorded as a charge to additional paid in capital. The excess purchase price over the historical carrying value of the assets at the acquisition date (unaudited and in thousands) is as follows:

| **Excess Purchase Price** | **March 24, 2023** |
|---|---|
| Purchase price | $ 11,900 |
| Historical carrying value of assets acquired | (1,335) |
| Excess purchase price | $ 10,565 |

The following table reconciles the previously reported Balance Sheet at December 31, 2022 to the current Balance Sheet for the same period:

| | December 31, 2022 | | |
|---|---|---|---|
| | Dawson Previously Reported | Breckenridge | Dawson As Adjusted |
| | | (unaudited) | (unaudited) |
| **Assets** | | | |
| **Current assets:** | | | |
| Cash and cash equivalents | $ 13,914 | $ 4,689 | $ 18,603 |
| Restricted cash | 5,000 | — | 5,000 |
| Short-term investments | 265 | — | 265 |
| Accounts receivable, net | 6,945 | 1,027 | 7,972 |
| Employee retention credit receivable | 3,035 | — | 3,035 |
| Prepaid expenses and other current assets | 8,876 | 75 | 8,951 |
| Total current assets | 38,035 | 5,791 | 43,826 |
| **Property and equipment, net** | 18,127 | 2,341 | 20,468 |
| **Right-of-use assets** | 4,010 | — | 4,010 |
| **Intangibles, net** | 369 | — | 369 |
| Total assets | $ 60,541 | $ 8,132 | $ 68,673 |
| **Liabilities and Stockholders' Equity** | | | |
| **Current liabilities:** | | | |
| Accounts payable | $ 4,015 | $ 125 | $ 4,140 |
| Accrued liabilities: | | | |
| Payroll costs and other taxes | 1,973 | 28 | 2,001 |
| Other | 1,178 | 102 | 1,280 |
| Deferred revenue | 7,199 | 181 | 7,380 |
| Current maturities of notes payable and finance leases | 275 | — | 275 |
| Current maturities of operating lease liabilities | 1,118 | — | 1,118 |
| Total current liabilities | 15,758 | 436 | 16,194 |
| **Long-term liabilities:** | | | |
| Notes payable and finance leases, net of current maturities | 207 | — | 207 |
| Operating lease liabilities, net of current maturities | 3,331 | — | 3,331 |
| Deferred tax liabilities, net | 136 | 1 | 137 |
| Total long-term liabilities | 3,674 | 1 | 3,675 |
| **Stockholders' equity:** | | | |
| Common stock | 238 | — | 238 |
| Additional paid-in capital | 155,413 | — | 155,413 |
| Accumulated deficit | (112,469) | — | (112,469) |
| Equity of Breckenridge prior to acquisition | — | 7,695 | 7,695 |
| Accumulated other comprehensive loss, net | (2,073) | — | (2,073) |
| Total stockholders' equity | 41,109 | 7,695 | 48,804 |
| Total liabilities and stockholders' equity | $ 60,541 | $ 8,132 | $ 68,673 |

The following tables reconcile the previously reported Statement of Operations for the three and six months ended June 30, 2022 to the current Statement of Operations for the same periods:

| | Three Months Ended June 30, 2022 | | | |
|---|---|---|---|---|
| | Dawson Previously Reported | Breckenridge | Eliminations and Other Adjustments | Dawson As Adjusted |
| **Operating revenues** | $ 921 | $ 4,050 | $ (206) | $ 4,765 |
| **Operating costs:** | | | | |
| Operating expenses | 4,013 | 2,978 | (206) | 6,785 |
| General and administrative | 2,415 | 413 | — | 2,828 |
| Depreciation and amortization | 2,451 | 559 | — | 3,010 |
| | 8,879 | 3,950 | (206) | 12,623 |
| **(Loss) income from operations** | (7,958) | 100 | — | (7,858) |
| **Other income (expense):** | | | | |
| Interest income | 29 | 1 | — | 30 |
| Interest expense | (9) | — | — | (9) |
| Other income (expense), net | 276 | (3) | — | 273 |
| **(Loss) income before income tax** | (7,662) | 98 | — | (7,564) |
| **Income tax (expense) benefit** | (16) | 1 | — | (15) |
| **Net (loss) income** | (7,678) | 99 | — | (7,579) |
| **Other comprehensive loss:** | | | | |
| Net unrealized loss on foreign exchange rate translation | (439) | — | — | (439) |
| **Comprehensive (loss) income** | $ (8,117) | $ 99 | $ — | $ (8,018) |
| **Basic loss per share of common stock** | $ (0.32) | $ — | $ 0.02 | $ (0.30) |
| **Diluted loss per share of common stock** | $ (0.32) | $ — | $ 0.02 | $ (0.30) |
| **Weighted average equivalent common shares outstanding** | 23,812,329 | — | 1,188,235 | 25,000,564 |
| **Weighted average equivalent common shares outstanding - assuming dilution** | 23,812,329 | — | 1,188,235 | 25,000,564 |

| | Six Months Ended June 30, 2022 | | | |
|---|---|---|---|---|
| | Dawson Previously Reported | Breckenridge | Eliminations and Other Adjustments | Dawson As Adjusted |
| **Operating revenues** | $ 19,280 | $ 8,951 | $ (1,532) | $ 26,699 |
| **Operating costs:** | | | | |
| Operating expenses | 16,651 | 6,069 | (1,532) | 21,188 |
| General and administrative | 7,946 | 750 | — | 8,696 |
| Depreciation and amortization | 5,085 | 1,026 | — | 6,111 |
| | 29,682 | 7,845 | (1,532) | 35,995 |
| **(Loss) income from operations** | (10,402) | 1,106 | — | (9,296) |
| **Other income (expense):** | | | | |
| Interest income | 54 | 2 | — | 56 |
| Interest expense | (20) | — | — | (20) |
| Other income (expense), net | 315 | (3) | — | 312 |
| **(Loss) income before income tax** | (10,053) | 1,105 | — | (8,948) |
| **Income tax expense** | (16) | — | — | (16) |
| **Net (loss) income** | (10,069) | 1,105 | — | (8,964) |
| **Other comprehensive loss:** | | | | |
| Net unrealized loss on foreign exchange rate translation | (672) | — | — | (672) |
| **Comprehensive (loss) income** | $ (10,741) | $ 1,105 | $ — | $ (9,636) |
| **Basic loss per share of common stock** | $ (0.42) | $ — | $ 0.06 | $ (0.36) |
| **Diluted loss per share of common stock** | $ (0.42) | $ — | $ 0.06 | $ (0.36) |
| **Weighted average equivalent common shares outstanding** | 23,752,775 | — | 1,102,892 | 24,855,667 |
| **Weighted average equivalent common shares outstanding - assuming dilution** | 23,752,775 | — | 1,102,892 | 24,855,667 |

The following table reconciles the previously reported Statement of Cash Flows for the six months ended June 30, 2022 to the current Statement of Cash Flows for the same period:

| | Six Months Ended June 30, 2022 | | |
|---|---|---|---|
| | Dawson Previously Reported | Breckenridge | Dawson As Adjusted |
| **Cash flows from operating activities:** | | | |
| Net (loss) income | $ (10,069) | $ 1,105 | $ (8,964) |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 5,085 | 1,026 | 6,111 |
| Operating lease cost | 499 | — | 499 |
| Non-cash compensation | 368 | — | 368 |
| Gain on disposal of assets | (142) | 785 | 643 |
| Remeasurement and other | (18) | (2) | (20) |
| Change in operating assets and liabilities: | | | |
| Decrease (increase) in accounts receivable | 6,696 | (1,770) | 4,926 |
| Decrease in prepaid expenses and other assets | 68 | 20 | 88 |
| (Decrease) increase in accounts payable | (1,508) | 750 | (758) |
| (Decrease) increase in accrued liabilities | (491) | 268 | (223) |
| Decrease in operating lease liabilities | (496) | — | (496) |
| Increase (decrease) in deferred revenue | 128 | (568) | (440) |
| Net cash provided by operating activities | 120 | 1,614 | 1,734 |
| **Cash flows from investing activities:** | | | |
| Capital expenditures | (95) | (47) | (142) |
| Proceeds from disposal of assets | 142 | 100 | 242 |
| Net cash provided by investing activities | 47 | 53 | 100 |
| **Cash flows from financing activities:** | | | |
| Principal payments on notes payable | (713) | — | (713) |
| Principal payments on finance leases | (18) | — | (18) |
| Tax withholdings related to stock-based compensation awards | (79) | — | (79) |
| Sale of treasury stock | 113 | — | 113 |
| Breckenridge cash contributions prior to acquisition | — | 3,871 | 3,871 |
| Net cash (used in) provided by financing activities | (697) | 3,871 | 3,174 |
| Effect of exchange rate changes on cash and cash equivalents and restricted cash | (192) | — | (192) |
| Net (decrease) increase in cash and cash equivalents and restricted cash | (722) | 5,538 | 4,816 |
| **Cash and cash equivalents and restricted cash at beginning of period** | 30,376 | — | 30,376 |
| **Cash and cash equivalents and restricted cash at end of period** | $ 29,654 | $ 5,538 | $ 35,192 |
| **Supplemental cash flow information:** | | | |
| Cash paid for interest | $ 20 | $ — | $ 20 |
| Cash received for income taxes | $ 7 | $ — | $ 7 |
| **Non-cash operating, investing and financing activities:** | | | |
| Increase in right-of-use assets and operating lease liabilities | $ 527 | $ — | $ 527 |
| Financed insurance premiums | $ 944 | $ — | $ 944 |
| Deemed contribution of Breckenridge net assets | $ — | $ (6,472) | $ (6,472) |

The following table details the standalone Breckenridge Statement of Operations for the three and six months ended June 30, 2023:

| | Three Months Ended June 30, 2023 | Six Months Ended June 30, 2023 |
|---|---|---|
| **Operating revenues** | $ — | $ 782 |
| **Operating costs:** | | |
| Operating expenses | — | 806 |
| General and administrative | — | 438 |
| Depreciation and amortization | — | 505 |
| | — | 1,749 |
| **Loss from operations** | — | (967) |
| **Other income (expense):** | | |
| Interest income | — | 2 |
| Interest expense | — | — |
| Other (expense) income, net | — | (11) |
| **Loss before income tax** | — | (976) |
| **Income tax benefit** | — | — |
| **Net loss** | — | $ (976) |

### 11. SUBSEQUENT EVENTS

None.

## 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, the Company's status as a controlled public company, which exempts the Company from certain corporate governance requirements; the limited market for the Company's shares, which could result in the delisting of the Company's shares from Nasdaq and the Company no longer being required to make filings with the SEC; the impact of general economic, industry, market or political conditions; dependence upon energy industry spending; changes in exploration and production spending by our customers and changes in the level of oil and natural gas exploration and development; the results of operations and financial condition of our customers, particularly during extended periods of low prices for crude oil and natural gas; the volatility of oil and natural gas prices; changes in economic conditions; the severity and duration of the COVID-19 pandemic, related economic repercussions and the resulting impact on demand for oil and gas; surplus in the supply of oil and the ability of the Organization of the Petroleum Exporting Countries and its allies, collectively known as OPEC+, to agree on and comply with supply limitations; the duration and magnitude of the unprecedented disruption in the oil and gas industry currently resulting from the impact of the foregoing factors, which is negatively impacting our business; the potential for contract delays; reductions or cancellations of service contracts; limited number of customers; credit risk related to our customers; reduced utilization; high fixed costs of operations and high capital requirements; operational challenges relating to the 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 the Company's crews such as weather interruptions and inability to obtain land access rights of way; whether the Company enters into turnkey or day rate contracts; crew productivity; the availability of capital resources; disruptions in the global economy, including export controls and financial and economic sanctions imposed on certain industry sectors and parties as a result of the developments in Ukraine and related activities; and whether or not a future transaction or other action occurs that causes the Company to be delisted from Nasdaq and no longer be required to make filings with the SEC. A discussion of these and other factors, including risks and uncertainties, is set forth in the Company's Annual Report on Form 10-K that was filed with the SEC on March 13, 2023 and any subsequent Quarterly Reports on Form 10-

Q filed with the SEC. The Company disclaims any intention or obligation to revise any forward-looking statements, whether as a result of new information, future events or otherwise.

**Overview**

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

We began the second quarter with two mid-sized channel count crews operating in the lower 48, dropping to one mid-size channel count crew during the quarter. Utilization of the second crew was negatively impacted by adverse weather conditions and job readiness delays. We continue to operate one crew with anticipation of a second crew being deployed in the mid to late third quarter. Increased utilization of the two crews is expected to continue into the first quarter of 2024 with overall channel count utilization increasing significantly in the fourth quarter of 2023. During the second quarter we completed several legacy Breckenridge projects acquired in the March asset acquisition, which improved overall utilization.

Capital spending levels by Exploration and Production (“E&P”) companies is improving but remains low compared to pre-pandemic levels. Many smaller, privately held companies, in an effort to protect inventory, have curtailed drilling activity. As a result, the number of active drilling rigs in the lower 48 has dropped from 800 at the start of the year to 675, with private drillers accounting for 70 percent of the declines as of July 15, 2023, according to TD Cowen. Despite the decline in drilling activity, operating conditions in the seismic sector have improved from year ago levels, with primary interest coming from publicly traded independent and major E&P companies as well as providers of multi-client data library companies. Our recent and near term activities are in multiple areas outside of the Permian Basin. Bid inquires across the lower 48 have improved from last year as E&P operators are finding greater value in seismic data to aid in the overall development and expansion of their drillable acreage positions.

Despite project readiness issues and unexpected weather delays, we generated significantly improved results from the same period a year ago. As noted above, we started the quarter with two mid-sized crews before dropping to one mid-sized crew during the quarter. We anticipate adding a second crew in the mid to late third quarter, and by the fourth quarter we expect full utilization of two large channel count crews through the end of the year and into the first quarter of 2024. Our order book remains improved and includes several large projects in West Texas and Eastern New Mexico. During the second quarter, we completed and successfully integrated the recently acquired Breckenridge assets. Their experienced personnel and client contacts helped improve utilization rates in the second quarter and further increased our ability to complete several of these projects.

Looking ahead, interest in our services from larger companies involved in carbon capture and sequestration is gaining momentum. We anticipate a significant increase in carbon capture related seismic activity in 2024 with several large projects in the works across multiple areas in the lower 48. We completed several small carbon capture related seismic projects in 2022 with limited activity so far in 2023.

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

**Results of Operations**

*Operating Revenues*. Operating revenues for the second quarter of 2023 increased 324.3% to $20,219,000 compared to $4,765,000 in the same period of 2022. Operating revenues increased 85.9% to $49,627,000 during the first six months of 2023 compared to $26,699,000 in the same period of 2022. The increased revenue during the second quarter and first six months of 2023 compared to the same periods of 2022 was primarily due to increased crew utilization during those periods of 2023.

*Operating Expenses*. Operating expenses for the second quarter of 2023 increased 193.4% to $19,906,000 compared to $6,785,000 in the same period of 2022. Operating expenses increased 106.2% to $43,688,000 during the first six months of 2023 compared to $21,188,000 in the same period of 2022. The increase in operating expenses during the second quarter and first six months of 2023 compared to the same periods of 2022 was primarily due to the increased crew utilization during those periods of 2023.

*General and Administrative Expenses*. General and administrative expenses were 14.7% and 13.0% of revenues in the second quarter and first six months of 2023, respectively, compared to 59.3% and 32.6% of revenues in the same periods of 2022. General and administrative expenses increased $149,000 or 5.3% to $2,977,000 during the second quarter of 2023 from $2,828,000 during the same period of 2022, and decreased $2,220,000 or 25.5% to $6,476,000 during the first six months of 2023 from $8,696,000 during the same period of 2022. The primary factor for the increase in general and administrative expenses during the second quarter of 2023 compared to the same period of 2022 was due to transaction charges related to the acquisition of Breckenridge. The primary factor for the decrease in general and administrative expenses during the first six months of 2023 compared to the same period of 2022 was due to transaction costs of $2,872,000 incurred related to the previously disclosed proposed merger with a subsidiary of Wilks Brothers, LLC during the first quarter of 2022.

*Depreciation and Amortization Expense*. Depreciation and amortization expense for the second quarter and first six months of 2023 totaled $2,113,000 and $4,813,000, respectively, compared to $3,010,000 and $6,111,000 for the same periods of 2022. Depreciation expense decreased in 2023 compared to 2022 as a result of multiple years of reduced capital expenditures. Our depreciation expense is expected to remain below that of 2022 for the remainder of 2023 due to the anticipated continuation of maintenance levels of capital expenditures to maintain our existing asset base.

Total operating costs for the second quarter of 2023 were $24,996,000, representing a 98.0% increase from the same period of 2022. The operating costs for the first six months of 2023 were $54,977,000, representing a 52.7% increase from the same period of 2022. The increase in operating costs for the second quarter and first six months of 2023 compared to 2022 was primarily due to the factors described above.

*Income Taxes*. Income tax benefit for the second quarter and first six months of 2023 was $82,000 and $99,000, respectively, compared to income tax expense of $15,000 and $16,000 for the same periods of 2022. These amounts represent effective tax rates of 1.8% and 2.0% for the second quarter and first six months of 2023, respectively, compared to -0.2% for the second quarter and first six months of 2022. The Company's nominal or negative effective tax rate for the periods above was due to the presence of net operating loss carryovers and adjustments to the valuation allowance on deferred tax assets.

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

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

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

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

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

The reconciliation of our EBITDA to net loss 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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 (as adjusted) | 2023 | 2022 (as adjusted) |
| Net loss | $ (4,430) | $ (7,579) | $ (4,843) | $ (8,964) |
| Depreciation and amortization | 2,113 | 3,010 | 4,813 | 6,111 |
| Interest (income) expense, net | (122) | (21) | (213) | (36) |
| Income tax (benefit) expense | (82) | 15 | (99) | 16 |
| EBITDA | $ (2,521) | $ (4,575) | $ (342) | $ (2,873) |

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 (as adjusted) | 2023 | 2022 (as adjusted) |
| Net cash provided by operating activities | $ 7,571 | $ 10,883 | $ 5,751 | $ 1,734 |
| Changes in working capital and other items | (9,825) | (15,125) | (5,572) | (3,740) |
| Non-cash adjustments to net loss | (267) | (333) | (521) | (867) |
| EBITDA | $ (2,521) | $ (4,575) | $ (342) | $ (2,873) |

**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 provided by operating activities was $5,751,000 for the six months ended June 30, 2023 compared to $1,734,000 for the same period of 2022. This increase was primarily due to cash received for an employee retention credit of $3,035,000 in 2023 along with various changes in the balances of our operating assets and liabilities.

Net cash used in investing activities was $2,990,000 for the six months ended June 30, 2023 and net cash provided by investing activities was $100,000 for the same period of 2022. The increase in cash used in investing activities between periods of $3,090,000 was primarily due to an increase in cash capital expenditures to $2,021,000 for the first six months of 2023 compared to capital expenditures of $142,000 for the same period of 2022 offset by $242,000 proceeds from disposal of assets. Additionally, in connection with the Transaction, Breckenridge acquired $1,000,000 of short-term investments that was a deemed distribution in the non-cash section of our Consolidated Statements of Cash Flows.

Net cash used in financing activities was $3,454,000 for the six months ended June 30, 2023 and was primarily comprised of principal payments of $331,000 and $68,000 under our notes payable and finance leases, respectively. Additionally, in connection with the Transaction, Breckenridge had cash distributions of $3,055,000. Net cash provided by financing activities for the six months ended June 30, 2022 was $3,174,000 and was primarily comprised of principal payments of $713,000 and $18,000 under our notes payable and finance leases, respectively and tax withholdings related to stock-based compensation awards. These amounts were offset by sales of our treasury stock of $113,000 and Breckenridge cash contributions of $3,871,000 in connection with the Transaction.

*Capital Expenditures*. The Board of Directors approved an initial 2023 capital budget in the amount of $5,000,000 for capital expenditures, which was limited to necessary maintenance capital requirements and incremental recording channel replacement or increase. For the six months ended June 30, 2023, we have spent $2,216,000 on capital expenditures, primarily for rolling stock and maintenance capital requirements. In recent years, we have funded most of our capital expenditures through cash flow from operations, cash reserves, equipment term loans and finance leases.

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

*Capital Resources*. Historically, we have primarily relied on cash generated from operations, cash reserves and borrowings from commercial banks to fund our working capital requirements and, to some extent, our capital expenditures. We have funded some of our capital expenditures through commercial bank borrowings, finance leases and equipment term loans. The amount of borrowings available to us under our existing credit facility are determined in part by the amount of our eligible accounts receivable.

**Loan Agreement**

*Dominion Credit Facility.* On September 30, 2019, we entered into a Loan and Security Agreement with Dominion Bank. On March 21, 2023, we entered into a Fourth Loan Modification Agreement to the Loan and Security Agreement (as amended by (i) that certain Loan Modification Agreement dated as of September 30, 2020, (ii) that certain Second Loan Modification Agreement dated as of September 30, 2021, (iii) that certain Third Loan Modification Agreement dated as of September 30, 2022, and (iv) the Fourth Modification, the "Loan Agreement") for the purpose of (a) amending the principal amount under our line of credit with Dominion Bank, and (b) obtaining Dominion Bank's consent with respect to our consummation of the Transaction and related waivers with respect to implicated covenants. The Loan Agreement now provides for a secured revolving credit facility in an amount up to the lesser of (I) $5,000,000 or (II) a sum equal to (A) 80% of our eligible accounts receivable plus (B) 100% of the amount on deposit with Dominion Bank in our collateral account, including a certificate of deposit for $5,000,000. Previously, Dominion Bank's commitment was for up to $10,000,000. The Company has received limited waivers and consents from Dominion Bank with respect to any non-compliance with applicable covenants under the Loan Agreement, including the current ratio, tangible net worth covenant and tangible net worth to debt covenant, in connection with the Purchase Agreement and the issuance of the common shares and the Convertible Note. As of June 30, 2023, we have not borrowed any amounts under the Revolving Credit Facility and have approximately $5,000,000 available for withdrawal.

Under the Revolving Credit Facility, interest will accrue at an annual rate equal to the lesser of (i) 7.75% and (ii) the greater of (a) the prime rate as published from time to time in The Wall Street Journal or (b) 4.75%. 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 not less than $38,000,000 and, to be tested as of the end of each calendar quarter, unencumbered liquid assets of not less than $5,000,000, 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, 2023.

*Dominion Letters of Credit.* As of June 30, 2023, Dominion Bank has issued one letter of credit in the amount of $265,000 to support our workers compensation insurance. The letter of credit is secured by a certificate of deposit with Dominion Bank.

**Convertible Note**

As of June 30, 2023, we have a short-term convertible note payable of approximately $9,880,000 payable on or after June 30, 2024 to Wilks upon written demand in accordance with the terms and conditions set forth in the Convertible Note. With shareholder approval, this Convertible Note will be converted to 5,811,765 shares of common stock at a conversion price equal to $1.70. The balance of the convertible note payable is included in current liabilities based on its contractual maturity. Pursuant to the terms of the Voting Agreement between the Company and Wilks, management does not expect that the settlement of the convertible note payable will require the outlay of cash.

**Other Indebtedness**

As of June 30, 2023, we have two short-term notes payable to a finance company for various insurance premiums totaling $313,000.

In addition, we lease certain seismic recording equipment and vehicles under leases classified as finance leases. Our Condensed Consolidated Balance Sheet as of June 30, 2023 includes finance leases of $1,014,000.

**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 June 30, 2023 and December 31, 2022:

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Notes payable to finance company for insurance | | |
| Aggregate principal amount outstanding | $ 313 | $ 205 |
| Interest rates range from 7.99% to 8.24% | | |

The aggregate maturities of finance leases as of June 30, 2023 are as follows (in thousands):

| | | |
|---|---|---|
| July 2023 - June 2024 | $ | 252 |
| July 2024 - June 2025 | | 267 |
| July 2025 - June 2026 | | 358 |
| July 2026 - June 2027 | | 137 |
| Obligations under finance leases | $ | 1,014 |

Interest rates range from 4.85% to 7.66%.

**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 2023 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, 2022.

**Recently Issued Accounting Pronouncements**

None.

**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 June 30, 2023. 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 June 30, 2023, cash, restricted cash and short term investments totaled $23,352,000.

## 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 June 30, 2023, 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 June 30, 2023 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

# PART II. OTHER INFORMATION

## ITEM 1. LEGAL PROCEEDINGS

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

## ITEM 1A. RISK FACTORS

In addition to the other information set forth in this Form 10-Q, you should carefully consider the risk factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022, which could materially affect our financial condition or results of operations.

## ITEM 6. EXHIBITS

| Number | Exhibit |
|---|---|
| 2.1++ | Asset Purchase Agreement, dated as of March 24, 2023, by and among Dawson Geophysical Company, Wilks Brothers, LLC and Breckenridge Geophysical, LLC, filed as Exhibit 2.1 to the Company's Current Report on Form 8-K, filed on March 24, 2023, and incorporated herein by reference. |
| 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. |
| 3.3 | Statement of Resolutions Establishing Series of Shares designated Series A Junior Participating Preferred Stock of Dawson Geophysical Company, filed on April 8, 2021 as Exhibit 3.1 to the Registrant's Current Report on Form 8-K, and incorporated herein by reference. |
| 10.1+ | Letter Agreement, dated February 14, 2023, by and between Stephen C. Jumper and the Company, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on February 21, 2023, and incorporated herein by reference. |
| 10.2 | Convertible Note, dated as of March 24, 2023, issued by Dawson Geophysical Company, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on March 24, 2023, and incorporated herein by reference. |
| 10.3 | Voting Agreement, dated as of March 24, 2023, by and between Dawson Geophysical Company and Wilks Brothers, LLC, filed as Exhibit 10.2 to the Company's Current Report on Form 8-K, filed on March 24, 2023, and incorporated herein by reference. |
| 10.4 | Fourth Loan Modification Agreement, dated as of March 21, 2023, by and between Dawson Geophysical Company and Dominion Bank, filed as Exhibit 10.3 to the Company's Current Report on Form 8-K, filed on March 24, 2023, and incorporated herein by reference. |
| 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 June 30, 2023, formatted in Inline XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Statements of Operations and Comprehensive Loss for the three and six months ended June 30, 2023 and 2022, (ii) Condensed Consolidated Balance Sheets at June 30, 2023 and December 31, 2022, (iii) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2023 and 2022, (iv) Condensed Consolidated Statements of Stockholders' Equity for the three and six months ended June 30, 2023 and 2022, 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.

++ This filing excludes certain schedules and exhibits pursuant to Item 601(a)(5) of Regulation S-K, which the registrant agrees to furnish supplementally to the Securities and Exchange Commission upon request by the Commission; provided, however, that the registrant may request confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended, for any schedules or exhibits so furnished. The omitted schedule contains certain performance metrics.

**SIGNATURES**

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

DAWSON GEOPHYSICAL COMPANY

| | |
|---|---|
| DATE: July 31, 2023 | By: /s/ Stephen C. Jumper<br>Stephen C. Jumper<br>President and Chief Executive Officer |
| DATE: July 31, 2023 | By: /s/ James K. Brata<br>James K. Brata<br>Executive Vice President, Chief Financial Officer, Secretary and Treasurer |

**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: July 31, 2023

/s/ Stephen C. Jumper
Stephen C. Jumper
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: July 31, 2023

/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 June 30, 2023, as filed with the Securities and Exchange Commission (the “Report”), I, Stephen C. Jumper, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

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

Dated: July 31, 2023

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

**Exhibit 32.2**

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

In connection with the quarterly report of Dawson Geophysical Company (the “Company”) on Form 10-Q for the period ended June 30, 2023, 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: July 31, 2023

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