FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

(Mark One)

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

For the quarterly period ended March 31, 2002

OR

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

For the transition period from ____________ to ____________

For Quarter Ended March 31, 2002   Commission File number 2-71058

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

TEXAS	75-0970548
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
508 West Wall, Suite 800, Midland, Texas	79701
(Address of principal executive offices)	(Zip Code)

(Registrant's telephone number, including area code) 915/684-3000

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

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

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

CLASS	Outstanding at March 31, 2002
Common Stock, $.33 1/3 par value	5,467,294 shares

DAWSON GEOPHYSICAL COMPANY

INDEX

	Page No.
Part I. Financial Information:	
Item 1. Financial Statements	
Statements of Operations -- Three Months and Six Months ended March 31, 2002 and 2001	3
Balance Sheets -- March 31, 2002 and September 30, 2001	4
Statements of Cash Flows --	

	Six Months Ended March 31, 2002 and 2001	5
	Notes to Financial Statements	6
Item 2.		
	Management's Discussion and Analysis of Financial Condition and Results of Operations	8
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	11
Part II.	Other Information	12

PART I. FINANCIAL INFORMATION

DAWSON GEOPHYSICAL COMPANY

STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31		Six Months Ended March 31	
	2002	2001	2002	2001
Operating revenues	$ 8,962,000	$10,071,000	$17,182,000	$16,420,000
Operating costs:				
Operating expenses	7,513,000	8,368,000	15,514,000	15,424,000
General and administrative	629,000	469,000	1,128,000	916,000
Depreciation	1,077,000	2,338,000	2,200,000	4,669,000
	9,219,000	11,175,000	18,842,000	21,009,000
Loss from operations	(257,000)	(1,104,000)	(1,660,000)	(4,589,000)
Other income (expense):				
Interest income	117,000	216,000	275,000	404,000
Gain on disposal of assets	5,000	2,000	5,000	3,000
Other income	1,000	10,000	73,000	14,000
Loss before income tax	(134,000)	(876,000)	(1,307,000)	(4,168,000)
Income tax benefit	-	-	-	-
Net loss	$ (134,000)	$ (876,000)	$(1,307,000)	$(4,168,000)
Net loss per common share	$(.02)	$(.16)	$(.24)	$(.77)
Weighted average equivalent common shares outstanding	5,467,272	5,445,794	5,458,555	5,439,442

See accompanying notes to the financial statements.

DAWSON GEOPHYSICAL COMPANY

BALANCE SHEETS

	March 31, 2002	September 30, 2001
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,070,000	$ 4,338,000
Short-term investments	16,051,000	10,952,000
Accounts receivable,net of allowance for doubtful accounts of $121,000 in each period	6,638,000	8,695,000
Prepaid expenses	496,000	173,000
Total current assets	24,255,000	24,158,000
Property, plant and equipment	73,938,000	73,656,000
Less accumulated depreciation	(54,599,000)	(52,433,000)
Net property, plant and equipment	19,339,000	21,223,000
	$ 43,594,000	$ 45,381,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 602,000	$ 1,181,000
Accrued liabilities:		
Payroll costs and other taxes	376,000	315,000
Other	182,000	303,000
Total current liabilities	1,160,000	1,799,000
Stockholders' equity:		
Preferred stock--par value $1.00 per share; 5,000,000 shares authorized, none outstanding	-	-
Common stock - par value $.33 1/3 per share; 10,000,000 shares authorized, 5,467,294 and 5,445,794 issued and outstanding respectively	1,822,000	1,815,000
Additional paid-in capital	38,863,000	38,711,000
Retained earnings	1,749,000	3,056,000
Total stockholders' equity	42,434,000	43,582,000
	$ 43,594,000	$ 45,381,000

See accompanying notes to the financial statements.

DAWSON GEOPHYSICAL COMPANY

STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended March 31	
	2002	2001
Cash flows from operating activities:		
Net loss	$ (1,307,000)	$ (4,168,000)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,200,000	4,669,000
Gain on disposal of assets	(5,000)	(3,000)
Non-cash compensation	178,000	92,000
Other	54,000	13,000
Change in current assets and liabilities:		
Decrease in accounts receivable	2,057,000	601,000
Decrease (increase) in prepaid expenses	(323,000)	5,000
Decrease in income taxes receivable	-	2,165,000
Increase (decrease) in accounts payable	(579,000)	28,000
Increase (decrease) in accrued liabilities	(60,000)	70,000
Net cash provided by operating activities	2,215,000	3,472,000
Cash flows from investing activities:		
Proceeds from disposal of assets	10,000	14,000
Capital expenditures	(333,000)	(411,000)
Proceeds from maturity of short-term investments	6,000,000	2,000,000
Investment in short-term investments	(11,160,000)	(3,538,000)
Net cash used in investing activities	(5,483,000)	(1,935,000)
Net increase (decrease) in cash and cash equivalents	(3,268,000)	1,537,000
Cash and cash equivalents at beginning of period	4,338,000	509,000
Cash and cash equivalents at end of period	$ 1,070,000	$ 2,046,000

See accompanying notes to the financial statements.

DAWSON GEOPHYSICAL COMPANY

NOTES TO FINANCIAL STATEMENTS

1. OPINION OF MANAGEMENT

Although the information furnished is unaudited, in the opinion of management of the Registrant, the accompanying financial statements reflect all adjustments, consisting only of normal recurring accruals and the change of estimate in the lives of certain assets (see Note 2), necessary for a fair presentation of the financial condition and results of operations for the periods presented. The results of operations for the three months and six months ended March 31, 2002 are not necessarily indicative of the results to be expected for the fiscal year.

2. PLANT, PROPERTY AND EQUIPMENT

Management of the Registrant has revised the estimated lives of certain assets based on the technology of certain seismic data recording equipment consisting of the central electronic components and of energy source units. Management believes that the central electronics components contained in the field recording units of the Company's six crews remain state of the art. Management believes that advancements in the foreseeable future will consist of upgrades that may require replacements of modules of the central electronics. Management does not believe that the current systems will become obsolete at the end of the original estimate and has revised the estimated life of these assets.

Management believes that the current fleet of energy source units will provide service beyond the life originally estimated due to actual performance of units in the past and to the redesign of the unit. Accordingly, the estimated life of this class of asset has been revised.

The change of estimate was made as of October 1, 2001. The effect to depreciation and to the net loss for the three months and the six months ended March 31, 2002 is:

	As Reported		Pro Forma (As if No Change)	
	Three Months	Six Months	Three Months	Six Months
Depreciation	$ 1,077,000	$ 2,200,000	$ 1,937,000	$ 3,936,000
Net loss	$ (134,000)	$ (1,307,000)	$ (994,000)	$ (3,043,000)
Net loss per share	$(.02)	$(.24)	$(.18)	$(.56)

3. NET INCOME PER COMMON SHARE

The following table sets forth the computation of basic and diluted net income per common share:

	Three Months Ended March 31		Six Months Ended March 31	
	2002	2001	2002	2001
NUMERATOR:				
Net loss and numerator for basic and diluted net income per common share-income available to common stockholders	$ (134,000)	$ (876,000)	$ (1,307,000)	$ (4,168,000)
ENOMINATOR:				
Denominator for basic net loss per common share-weighted average common shares	5,467,272	5,445,794	5,458,555	5,439,442
Effect of dilutive securities-employee stock options	-	-	-	-
Denominator for diluted net loss per common share-adjusted weighted average common shares and assumed conversions	5,467,272	5,445,794	5,458,555	5,439,442
Net loss per common share	$(.02)	$(.16)	$(.24)	$(.77)
Net loss per common share-assuming dilution	$(.02)	$(.16)	$(.24)	$(.77)

Employee stock options to purchase shares of common stock were outstanding during fiscal year 2002 and 2001 but were not included in the computation of diluted net loss per share because either (i) the employee stock options' exercise price was greater than the average market price of the common stock of the Company, or (ii) the Company had a net loss from continuing operations and, therefore, the effect would be antidilutive.

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

The following discussion should be read in conjunction with the Company's financial statements. In addition, in reviewing the Company's financial statements it should be noted that the Company's revenues relate to oil and gas exploration and production activity and fluctuations in the Company's results of operations may occur due to commodity prices, weather, land use permitting and other factors.

FORWARD LOOKING STATEMENTS

All statements other than statements of historical fact included in this report, including without limitation, statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations" regarding the Company's financial position, business strategy and plans and objectives of management of the Company for future operations, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. When used in this report, words such as "anticipate", "believe", "estimate", "expect", "intend", and similar expressions, as they relate to the Company or its management, identify forward-looking statements. Such forward-looking statements are based on the beliefs of the Company's management as well as assumptions made by and information currently available to the Company's management. Actual results could differ materially from those contemplated by the forward-looking statements as a result of certain factors, including but not limited to dependence upon energy industry spending, weather problems, inability to obtain land use permits, the volatility of oil and gas prices, and the availability of capital resources. Such statements reflect the current views of the Company with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the operations, results of operations, growth strategy and liquidity of the Company. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by this paragraph. The Company assumes no obligation to update any such forward-looking statements.

OVERVIEW

The Company has maintained improvement in pricing that has been gained over the last eighteen months even though excess capacity remains in the land-based seismic industry and price competition prevails. The Company's revenues were negatively impacted due to unfavorable weather and difficulty in obtaining permits for rights-of-way during the six months ended March 31, 2002 and to a lesser extent in 2001. Production increases obtainable with favorable weather and timely permits for rights-of-way will significantly improve the Company's operating results. Demand for the Company's services is related to crude oil and natural gas prices; however, there has been a delay in demand for geophysical services due to a period of intense drilling. The unusually warm winter of 2001-2002 depressed natural gas prices.

As discussed below in Results of Operations and in Note 2 of the "Notes to Financial Statements," depreciation expense was reduced for the three months and for the six months ended March 31, 2002 due to a change in the estimate of the lives of certain assets.

RESULTS OF OPERATIONS

The Company's operating revenues for the first six months of fiscal 2002 increased 4.6% to $17,182,000 from $16,420,000 for the same period of fiscal 2001. For the three months ended March 31, 2002, operating revenues totaled $8,962,000 versus $10,071,000 for the same period of fiscal 2001, an 11% decrease. The Company has continually operated four crews in fiscal 2002 as compared to five crews for the same period of fiscal 2001.

Operating expenses for the six months ended March 31, 2002 totaled $15,514,000, a slight increase from the same period of fiscal 2001. For the quarter ended March 31, 2002, operating expenses totaled $7,513,000 versus $8,368,000 for the same period of fiscal 2001, a 10.2% decrease. In January 2001 the Company restored salary reductions that had been enacted in January 1999.

General and administrative expenses for the six months ended March 31, 2002 totaled $1,128,000 as compared to $916,000 for the same period of fiscal 2001. For the quarter ended March 31, 2002, general and administrative expenses totaled $629,000, an increase of $160,000 from the same period of fiscal 2001. A significant factor of the increase consists of the Company's match to employees' contributions to the Company's 401(k) Plan that was implemented January 1, 2002.

Depreciation for the six months and for the quarter ended March 31, 2002 decreased approximately 53%. As discussed in Note 2 of the "Notes to Financial Statements," the Company revised the estimated lives of two classes of seismic equipment. The effect of the change is a reduction in depreciation expense and net loss of approximately $1,736,000 for the six month period and $860,000 for the quarter ended March 31, 2002. The decrease in depreciation expense includes a modest effect resulting from a suspension of capital expansion beginning in fiscal 1999 due to industry conditions.

Total operating costs for the first six months of fiscal 2002 were $18,842,000, a decrease of 10.3%, from the same period of fiscal 2001 due to the factors described above. For the quarter ended March 31, 2002, total operating costs of $9,219,000 represent a 17.5% decrease from the same period of the prior fiscal year. The 4.6% increase of revenues as compared to the 10.3% decrease of total operating costs for the first six months of fiscal 2002 reflects the high proportion of relatively fixed total operating costs (including personnel costs of active crews and depreciation costs) inherent in the Company's business and continued price competition in the bidding process for geophysical services due to the remaining over capacity in our industry.

No income tax expense was recorded for the three months or the six months ended March of fiscal 2002 or 2001 due to a pretax loss. The Company has no income tax benefit due to the establishment of a valuation allowance.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS

Net cash provided by operating activities of $2,215,000 for the six months ended March 31, 2002 primarily reflects the net loss for the quarter offset by depreciation and changes in working capital components.

Net cash provided by investing activities in the first six months of fiscal 2002 represents management of short-term investments and limited capital expenditures. Proceeds from and investment in short-term investments at March 31, 2002 reflect a timing difference between the purchase of a Treasury note and settlement of the maturing instrument it replaced in the portfolio. The Company's capital expenditures in fiscal 2002 consist primarily of vehicles to maintain efficient field operations.

There are no cash flows resulting from financing activities for the first six months of fiscal 2002 or 2001.

CAPITAL EXPENDITURES

The Company continually strives to supply market demand with technologically advanced 3-D data acquisition recording systems and leading edge data processing capabilities. The Company maintains equipment in and out of service in anticipation of increased future demand of the

Company's services. In addition the Company continues to monitor the development of the three component seismic approach. The Company believes that it is in position to respond to demand for this technological advancement of the seismic industry.

CAPITAL RESOURCES

The Company believes that its capital resources including its short-term investments and cash flow from operations are adequate to meet its current operational needs and finance capital needs as determined by market demand and technological developments. The Company is currently not subject to any financing arrangements; however, it believes that financing through traditional sources is available.

CRITICAL ACCOUNTING POLICIES

The following accounting policies require management assumptions and estimates which could result in materially different amounts to be reported if conditions or underlying circumstances were to change.

Allowance for Doubtful Accounts

Management prepares its allowance for doubtful accounts receivable based on its past experience of historical write-offs and review of past due accounts. The inherent volatility of the energy industry's business cycle can cause swift and unpredictable changes in the financial stability of the Company's customers.

Impairment of Long-lived Assets

Long-lived assets are reviewed for impairment when triggering events occur suggesting deterioration in the asset's recoverability or fair value. Recognition of an impairment is required if future expected net cash flows are insufficient to recover the carrying value of the amounts. Management's estimate of future cash flows is based on historical experience in the energy industry's volatile business cycle which is difficult to predict.

Depreciable Lives of Property, Plant and Equipment

Property, Plant and Equipment is capitalized at historical cost and 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. As described in Note 2 of the "Notes to Financial Statements," the Company has revised the estimated lives of two classes of seismic equipment. The effect of the change is a reduction of depreciation expense and net loss of approximately $860,000 for the three months and $1,736,000 for the six months ended March 31, 2002.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board (FASB) issued Statements of Financial Accounting Standards No. 141 "Business Combinations" and No. 142 "Goodwill and Other Intangible Assets". Statement 141 requires that all business combinations initiated after June 30, 2001 be accounted for under the purchase method and Statement 142 requires that goodwill no longer be amortized to earnings, but instead be reviewed for impairment. As of March 31, 2002 the Company expects no impact to the financial statements, upon adoption, as no business combinations have been entered into, thus the potential for associated goodwill does not currently exist

In June 2001, the FASB issued Statement No. 143 "Accounting for Asset Retirement

Obligations" which establishes requirements for the accounting of removal-type costs associated with asset retirements. The standard is effective for fiscal years beginning after June 15, 2002, with earlier application encouraged. As of March 31, 2002 the Company expects no impact to the financial statements, upon adoption, as we have not incurred any obligations associated with asset retirements.

On October 3, 2001, the FASB issued Statement No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets". This pronouncement supercedes FAS 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed" and eliminates the requirement of Statement 121 to allocate goodwill to long-lived assets to be tested for impairment. Statement 144 also describes a probability-weighted cash flow estimation approach to deal with situations in which alternative courses of action to recover the carrying amount of a long-lived asset are under consideration or a range is estimated for the amount of possible future cash flows. The statement also establishes a "primary-asset" approach to determine the cash flow estimation period for a group of assets and liabilities that represents the unit of accounting for a long-lived asset to be held and used. The provisions of this Statement are effective for financial statements issued for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years, with early adoption encouraged. The Company is currently assessing the impact to its financial statements.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

The primary sources of market risk include fluctuations in commodity prices which effect demand for and pricing of the Company's services and interest rate fluctuations. At March 31, 2002 the Company had no indebtedness. The Company's short-term investments were fixed-rate and the Company does not necessarily intend to hold them to maturity, and therefore, the short-term investments expose the Company to the risk of earnings or cash flow loss due to changes in market interest rates. As of March 31, 2002, the carrying value of the investments approximate fair value. The Company has not entered into any hedge arrangements, commodity swap agreements, commodity futures, options or other derivative financial instruments. The Company does not currently conduct business internationally so it is generally not subject to foreign currency exchange rate risk.

Part II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

No reports on Form 8-K were filed by the Company during the quarter ended March 31, 2002.

SIGNATURE

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

DAWSON GEOPHYSICAL COMPANY

(REGISTRANT)

By: /s/ L. Decker Dawson

L. Decker Dawson
Chairman of the Board of Directors
and Chief Executive Officer

/s/ Christina W. Hagan

Christina W. Hagan
Chief Financial Officer

DATE: April 23, 2002
