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 June 30, 2001

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 June 30, 2001 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 June 30, 2001
Common Stock, $.33 1/3 par value	5,445,794 shares

DAWSON GEOPHYSICAL COMPANY

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PART I. FINANCIAL INFORMATION

DAWSON GEOPHYSICAL COMPANY

Item 1. Financial Statements

STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended June 30		Nine Months Ended June 30	
	2001	2000	2001	2000
Operating revenues	$ 12,051,000	$ 2,712,000	$ 28,471,000	$ 11,880,000
Operating costs:				
Operating expenses	9,216,000	4,192,000	24,640,000	14,826,000
General and administrative	439,000	508,000	1,355,000	1,939,000
Depreciation	2,071,000	2,189,000	6,740,000	7,125,000
	11,726,000	6,889,000	32,735,000	23,890,000
Income (loss) from operations	325,000	(4,177,000)	(4,264,000)	(12,010,000)
Other income (expense):				
Interest income	169,000			

291,000
573,000
754,000 Gain
(loss) on
disposal of
assets 5,000
(9,000) 8,000
(9,000) Other
income 1,000
38,000 15,000
41,000 ------
------ ------
------ ------
------ ------
------ Income
(loss) before
income tax
500,000
(3,857,000)
(3,668,000)
(11,224,000)
Income tax
benefit --
689,000 --
2,637,000 ---
--------- ---
--------- ---
--------- ---
--------- Net
income (loss)
$ 500,000 $
(3,168,000) $
(3,668,000) $
(8,587,000)
============
============
============
============
Net income
(loss) per
common share
$ .09 $ (.58)
$ (.67) $
(1.58)
============
============
============
============
Net income
(loss) per
common share-
- assuming
dilution $
.09 $ (.58) $
(.67) $
(1.58)
============
============
============
============
Weighted
average
equivalent
common shares
outstanding
5,445,794
5,428,794
5,441,513
5,424,008
============
============
============
============
Weighted
average
equivalent
common shares
outstanding--
assuming
dilution
5,516,671

5,428,794
5,441,513
5,424,008
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See accompanying notes to the financial statements.

DAWSON GEOPHYSICAL COMPANY

BALANCE SHEETS

	June 30, 2001	September 30, 2000
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 658,000	$ 509,000
Short-term investments	12,967,000	11,025,000
Accounts receivable, net of allowance for doubtful accounts of $121,000 and $553,000	9,622,000	6,567,000
Income taxes receivable	--	2,165,000
Prepaid expenses	314,000	200,000
Total current assets	23,561,000	20,466,000
Property, plant and equipment	73,560,000	73,132,000
Less accumulated depreciation	(50,396,000)	(43,817,000)
Net property, plant and equipment	23,164,000	29,315,000
	$ 46,725,000	$ 49,781,000

LIABILITIES AND

STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	$ 1,258,000	$ 1,038,000
Accrued liabilities:		
Payroll costs and other taxes	450,000	253,000
Other	125,000	22,000
Total current liabilities	1,833,000	1,313,000
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, 5,445,794 and 5,428,794 shares issued and outstanding respectively	1,815,000	1,810,000
Additional paid-in capital	38,711,000	38,624,000
Retained earnings	4,366,000	8,034,000
Total stockholders' equity	44,892,000	48,468,000
	$ 46,725,000	$ 49,781,000

Contingencies (See Note 2)

See accompanying notes to the financial statements.

DAWSON GEOPHYSICAL COMPANY

STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended June 30	
	2001	2000
Cash flows from operating activities:		
Net loss	$(3,668,000)	$(8,587,000)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	6,740,000	7,125,000
Loss (gain) on disposal of assets	(8,000)	9,000
Non-cash compensation	92,000	101,000
Deferred income taxes	--	(645,000)
Other	31,000	207,000
Change in current assets and liabilities:		
Decrease (increase) in accounts receivable	(3,055,000)	3,245,000
Decrease (increase) in prepaid expenses	(114,000)	223,000
Decrease (increase) in income taxes receivable	2,165,000	(497,000)
Increase in accounts payable	220,000	39,000
Increase (decrease) in accrued		

liabilities
300,000
(313,000) -

Net cash
provided by
operating
activities
2,703,000
907,000 ---
-------- --

Cash flows
from
investing
activities:
Proceeds
from
disposal of
assets
49,000
110,000
Capital
expenditures
(629,000)
(251,000)
Proceeds
from
maturity of
short-term
investments
3,500,000
2,501,000
Investment
in short-
term
investments
(5,474,000)
(2,499,000)

Net cash
used in
investing
activities
(2,554,000)
(139,000) -

Cash flows
from
financing
activities:
Proceeds
from
exercise of
stock
options --
32,000 ----
------- ---

Net cash
provided by
financing
activities
-- 32,000 -

Net
increase in
cash and
cash
equivalents
149,000
800,000
Cash and
cash
equivalents
at
beginning

of period
509,000
4,993,000 -

Cash and
cash
equivalents
at end of
period $
658,000 $
5,793,000
===========
===========

See accompanying notes to the financial statements.

DAWSON GEOPHYSICAL COMPANY

NOTES TO FINANCIAL STATEMENTS

1. OPINION OF MANAGEMENT

Although the information furnished is unaudited, in the opinion of management of the Registrant, the accompanying financial statements reflect all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the financial condition and results of operations for the periods presented. The results of operations for the three months and the nine months ended June 30, 2001, are not necessarily indicative of the results to be expected for the fiscal year.

2. CONTINGENCIES

The Company was a defendant in two lawsuits pending in the 112th and 83rd District Courts of Pecos County, Texas (respectively, Cause No. 8812, Ernestine Bernal, et al. Vs. Javier Antonio Orona, et al.; and Cause No. P5565-83-CV, Carla Jaquez, et al. Vs. Javier Antonio, et al.) relating to a July 1995 accident. This litigation has been settled and terminated within the limits of the Company's insurance coverage with no direct expense to the Company.

The Company is party to other legal actions arising in the ordinary course of its business, none of which management believes will result in a material adverse effect on the Company's financial position or results of operation, as the Company believes it is adequately insured.

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 June 30		Nine Months Ended June 30	
	2001	2000	2001	2000
Numerator:				
Net income (loss) and numerator for basic and diluted net income per common share-income available to common stockholders	$ 500,000	$(3,168,000)	$(3,668,000)	$(8,587,000)
Denominator:				
Denominator for basic				

net income
(loss) per
common
share-
weighted
average
common
shares
5,445,794
5,428,794
5,441,513
5,424,008
Effect of
dilutive
securities-
employee
stock
options
70,877 -- -
- -- ------
----- -----
------ ----
------- ---

Denominator
for diluted
net income
(loss) per
common
share-
adjusted
weighted
average
common
shares and
assumed
conversions
5,516,671
5,428,794
5,441,513
5,424,008 -

Net income
(loss) per
common
share $ .09
$ (.58) $
(.67) $
(1.58)
===========
===========
===========
===========
Net income
(loss) per
common
share-
assuming
dilution $
.09 $ (.58)
$ (.67) $
(1.58)
===========
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===========
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Employee stock options to purchase shares of common stock were outstanding during fiscal year 2001 and 2000 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

Continued favorable prices of crude oil and natural gas have sustained increased exploration budgets among our petroleum industry clients, and the Company's results of operations improved significantly as net income was reported for the quarter ended June 30, 2001. While excess capacity remains in the land-based seismic industry, moderate price recovery has positively impacted the Company's revenues in fiscal 2001. The Company's order book is sufficient to sustain five of its six data acquisition crews for several months.

RESULTS OF OPERATIONS

The Company's operating revenues for the first nine months of fiscal 2001 increased 139.7% to $28,471,000 from $11,880,000 for the same period of fiscal 2000. For the three months ended June 30, 2001, operating revenues totaled $12,051,000 versus

$2,712,000 for the same period of fiscal 2000. Demand for the Company's services has improved as compared to the prior year due continuing increases in crude oil and natural gas exploration activity. The Company has experienced moderate success in securing improved bid prices as some of the land based seismic industry's excess capacity has been absorbed over the last year. The Company began fiscal 2000 operating four crews, dropped to two in March, and expanded from June to August to end the fiscal year operating five crews. The Company has operated five crews continually in fiscal 2001.

Operating expenses for the nine months ended June 30, 2001 totaled $24,640,000, an increase of 66.2% from the same period of fiscal 2000. For the quarter ended June 30, 2001, operating expenses totaled $9,216,000 versus $4,192,000 for the same period of fiscal 2000. For fiscal 2001, the increases in operating expenses appear moderate as compared to the increases in operating revenues due to the relatively fixed nature of certain operating expenses. In January 2001 the Company restored salary reductions that had been enacted in January 1999.

General and administrative expenses for the nine months ended June 30, 2001 totaled $1,355,000 as compared to $1,939,000 for the same period of fiscal 2000. For the quarter ended June 30, 2001, general and administrative expenses totaled $439,000, as compared to $508,000 for the same period of fiscal 2000. The decrease primarily consists of a decrease in the provision for doubtful accounts from the prior year. The Company has not made a provision for bad debts in fiscal 2001 as favorable prices for crude oil and natural gas have correlated to collectibility of accounts receivable.

Depreciation decreased slightly, about 5%, for the nine months and the three months ended June 30, 2001 as compared to the same periods of the prior year as a result of a suspension of capital expansion during fiscal 1999 and fiscal 2001 due to industry conditions. In fiscal 2000 the Company purchased additional data acquisition channels that became available late in the year as a result of the idle capacity that exists in our industry.

Total operating costs for the first nine months of fiscal 2001 were $32,735,000, an increase of 37%, from the same period of fiscal 2000 due to the factors described above. For the quarter ended June 30, 2001, total operating costs of $11,726,000 represent a 70.2% increase from the same period of the prior fiscal year. The 139.7% increase of revenues as compared to the 37% increase of total operating costs for the first nine months of fiscal 2001 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.

No income tax expense was recorded for the three months ended June 30, 2001 due to the pretax loss for the nine months and the loss position anticipated at the end of fiscal year 2001. The Company has no income tax benefit for the nine months due to the establishment of a valuation allowance offset by an increase in pretax loss.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Net cash provided by operating activities of $2,703,000 for the nine months ended June

30, 2001 primarily reflects the net loss offset by depreciation and of changes in working capital components. The decrease in deferred income taxes in fiscal 2000 is a result of the reversal of temporary differences due to depreciation and recognition of net operating loss carryback. The decrease in income taxes receivable reflects the proceeds received as a result of the carryback generated by the net operating loss for fiscal 2000.

Net cash used in investing activities in the first nine months of fiscal 2001 represents management of short-term investments and limited capital expenditures. Proceeds from and investment in short-term investments at June 30, 2001 reflects a timing difference between the purchase of certificates of deposit and settlement of the maturing instrument being replaced in the portfolio. The Company's capital expenditures in fiscal 2001 are primarily replacements to maintain efficient field operations.

The cash flows provided by financing activities for the first nine months of fiscal 2000 represent the proceeds from the exercise of a stock option.

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. Depreciation increased each fiscal year through 1999 as a new crew as well as additions and replacements of cables and geophones, vehicles, and other data acquisition peripheral equipment had been placed into service each year for the past several years. Depreciation for fiscal 2001 is expected to be less than in fiscal 2000. The Company will maintain 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, which employs two modes of shear wave energy in addition to the conventional compression wave energy. 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, cash flow from operations, and relationships with financial entities, are adequate to meet its current operational needs and finance capital needs as determined by market demand and technological developments.

LITIGATION

The Company was a defendant in two lawsuits relating to a July 1995 accident involving a van owned by the Company in which four Company employees died. This litigation has been settled and terminated within the limits of the Company's insurance coverage with no direct expense to the Company.

RECENTLY ANNOUNCED ACCOUNTING PRONOUNCEMENTS

In July 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 June 30, 2001 there is no impact to the Company's financial statements as no business combinations have been entered into, thus the potential for associated goodwill has not been acquired.

Also, the FASB has voted to issue 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 June 30, 2001, there is no impact to the Company's financial statements as we have not incurred any obligations associated with asset retirements.

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 June 30, 2001 the Company had no indebtedness and in addition the Company's short-term investments were fixed-rate and, therefore, do not expose the Company to significant risk of earnings or cash flow loss due to changes in market interest rate. 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.

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
Chief Executive Officer

/s/ Christina W. Hagan

Christina W. Hagan
Chief Financial Officer

DATE: July 31, 2001

Part II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

The information required by this Item 6(a) is set forth in the Index to Exhibits accompanying this quarterly report and is incorporated herein by reference.

(b) No reports on Form 8-K were filed by the Company during the quarter ended June 30, 2001.