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, 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 March 31, 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 March 31, 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

STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31		Six Months Ended March 31	
	2001	2000	2001	2000
Operating revenues	$ 10,071,000	$ 4,275,000	$ 16,420,000	$ 9,168,000
Operating costs:				
Operating expenses	8,368,000	5,104,000	15,424,000	10,634,000
General and administrative	469,000	668,000	916,000	1,431,000
Depreciation	2,338,000	2,473,000	4,669,000	4,936,000
	11,175,000	8,245,000	21,009,000	17,001,000
Loss from operations	(1,104,000)	(3,970,000)	(4,589,000)	(7,833,000)
Other income (expense):				
Interest income	216,000	235,000	404,000	463,000
Gain on disposal of assets	2,000	--	3,000	--
Other income	10,000	3,000	14,000	3,000
Loss before income tax	(876,000)	(3,732,000)	(4,168,000)	(7,367,000)
Income tax benefit	--	712,000	--	1,948,000
Net loss	$ (876,000)	$ (3,020,000)	$ (4,168,000)	$(5,419,000)
Net loss per common share	$ (.16)	$ (.56)	$ (.77)	$ (1.00)
Weighted average equivalent common shares outstanding	5,445,794	5,428,772	5,439,442	5,421,627

See accompanying notes to the financial statements.

DAWSON GEOPHYSICAL COMPANY

BALANCE SHEETS

	March 31, 2001 (unaudited)	September 30, 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,046,000	$ 509,000
Short-term investments	12,550,000	11,025,000
Accounts receivable,net of allowance for doubtful accounts of $121,000 and $300,000	5,966,000	6,567,000
Income taxes receivable	--	2,165,000
Prepaid expenses	195,000	200,000
Total current assets	20,757,000	20,466,000
Property, plant and equipment	73,449,000	73,132,000
Less accumulated depreciation	(48,403,000)	(43,817,000)
Net property, plant and equipment	25,046,000	29,315,000
	$ 45,803,000	$ 49,781,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,066,000	$ 1,038,000
Accrued liabilities:		
Payroll costs and other taxes	308,000	253,000
Other	37,000	22,000
Total current liabilities	1,411,000	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 issued and outstanding respectively	1,815,000	1,810,000
Additional paid-in capital	38,711,000	38,624,000
Retained earnings	3,866,000	8,034,000
Total stockholders' equity	44,392,000	48,468,000
Contingencies (See Note 2)		
	$ 45,803,000	$ 49,781,000

See accompanying notes to the financial statements.

DAWSON GEOPHYSICAL COMPANY

STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended March 31	
	2001	2000
Cash flows from operating activities:		
Net loss	$(4,168,000)	$(5,419,000)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	4,669,000	4,936,000
Gain on disposal of assets	(3,000)	--
Non-cash compensation	92,000	101,000
Deferred income taxes	--	(474,000)
Other	13,000	201,000
Change in current assets and liabilities:		
Decrease (increase) in accounts receivable	601,000	(346,000)
Decrease in prepaid expenses	5,000	280,000
Decrease in income taxes receivable	2,165,000	22,000
Increase (decrease) in accounts payable	28,000	(370,000)
Increase (decrease) in accrued liabilities	70,000	(322,000)
Net cash provided by (used in) operating activities	3,472,000	(1,391,000)
Cash flows from investing activities:		
Proceeds from disposal of assets	14,000	--
Capital expenditures	(411,000)	(130,000)
Proceeds from maturity of short-term investments	2,000,000	1,000,000
Investment in short-term investments	(3,538,000)	(998,000)
Net cash used in investing activities	(1,935,000)	(128,000)
Cash flows from financing activities:		
Proceeds from exercise of stock options	--	32,000
Net cash provided by financing activities	--	32,000
Net increase (decrease) in cash and cash equivalents	1,537,000	(1,487,000)
Cash and cash equivalents at beginning of period	509,000	4,993,000
Cash and cash equivalents at end of period	$ 2,046,000	$ 3,506,000

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 six months ended March 31, 2001, are not necessarily indicative of the results to be expected for the fiscal year.

2. CONTINGENCIES

The Company is 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 Orona, et al.) relating to a July 1995 accident involving a van owned by the Company which was used to transport employees to various job sites and a non-Company owned vehicle. The accident resulted in the deaths of four Company employees who were passengers in such van. The Company is one of several named defendants in such suits. Other named defendants include the estate of the deceased driver of such van, who was an employee of the Company, the driver of such non-Company owned vehicle, who was then an employee of the Company, the owner of such vehicle, and Ford Motor Company, the manufacturer of the Company van involved in such accident. In general, the claims against the Company include allegations of negligence, gross negligence and/or intentional tort as a result of, among other things, the Company's alleged failure to provide safe transportation for its employees and to properly select, train and supervise the deceased driver of such van. The plaintiffs in such suits are seeking actual damages from the defendants of $15.5 million, additional unspecified actual damages, prejudgment and post-judgment interest and costs of suit as well as exemplary and punitive damages in an amount not to exceed four times the amount of actual damages. A portion of the claims has been settled and the balance is subject to court approval of settlements agreed to by all of the remaining plaintiffs within the limits of liability insurance coverage applicable to the Company. If the court approves such settlements said litigation is expected to be dismissed.

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 March 31		Six Months Ended March 31	
	2001	2000	2001	2000
Numerator:				
Net loss and numerator for basic and diluted net income per common share-income available to common stockholders	$ (876,000)	$(3,020,000)	$(4,168,000)	$(5,419,000)
Denominator:				
Denominator for basic net loss per common share-weighted average common shares	5,445,794	5,428,772	5,439,442	5,421,627
Effect of dilutive securities-employee stock options	--	--	--	--
Denominator for diluted net loss per common share-adjusted weighted average common shares and assumed conversions	5,445,794	5,428,772	5,439,442	5,421,627
Net loss per common share	$ (.16)	$ (.56)	$ (.77)	$ (1.00)
Net loss per common share-assuming dilution	$ (.16)	$ (.56)	$ (.77)	$ (1.00)

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

The Company's results of operations improved significantly during the quarter ended March 31, 2001 as continued favorable prices of crude oil and natural gas have sustained increased exploration budgets among our petroleum industry clients. While capacity remains in the land-based seismic industry, moderate price recovery has positively impacted the Company's revenues in fiscal 2001. Conversely, unfavorable weather has been a mitigating factor during the period. 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 six months of fiscal 2001 increased 79.1% to $16,420,000 from $9,168,000 for the same period of fiscal 2000. For the three months ended March 31, 2001, operating revenues totaled $10,071,000 versus

$4,275,000 for the same period of fiscal 2000, a 135.6% increase. Demand for the Company's services has improved as compared to the same quarter of the prior year due to the continuing high prices for crude oil and natural gas. The Company is experiencing moderate success in securing improved bid prices as some of the land based seismic industry's excess capacity is being absorbed. The Company has operated five crews continually in fiscal 2001 as compared to four crews until a drop to two in March of the prior fiscal year.

Operating expenses for the six months ended March 31, 2001 totaled $15,424,000, an increase of 45.1% from the same period of fiscal 2000. For the quarter ended March 31, 2001, operating expenses totaled $8,368,000 versus $5,104,000 for the same period of fiscal 2000, a 64% increase. In January 2001 the Company restored salary reductions that had been enacted in January 1999. While unfavorable weather had a negative impact on revenues during the first six months of fiscal 2001, the impact was minimal to operating expenses.

General and administrative expenses for the six months ended March 31, 2001 totaled $916,000 as compared to $1,431,000 for the same period of fiscal 2000. For the quarter ended March 31, 2001, general and administrative expenses totaled $469,000, a decrease of $199,000 from the same period of fiscal 2000. The decrease primarily consists of a provision for doubtful accounts recognized at $60,000 per month during the six months ended March 31, 2000. The Company has not reserved 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 six months and the three months ended March 31, 2001 as compared to the same period of the prior year as a result of a suspension of capital expansion during fiscal 1999 and fiscal 2000 due to industry conditions.

Total operating costs for the first six months of fiscal 2001 were $21,009,000, an increase of 23.6%, from the same period of fiscal 2000 due to the factors described above. For the quarter ended March 31, 2001, total operating costs of $11,175,000 represent a 35.5% increase from the same period of the prior fiscal year. The 79.1% increase of revenues as compared to the 23.6% increase of total operating costs for the first six 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.

The Company has no income tax benefit 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 $3,472,000 for the six months ended March 31, 2001 primarily reflects changes in working capital components as depreciation more than offset the net loss for the period. 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 six months of fiscal 2001 represents management of short-term investments and limited capital expenditures. Proceeds from and investment in short-term investments at March 31, 2001 reflects 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 2001 are primarily replacements to maintain efficient field operations.

The cash flows provided by financing activities for the first six 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 is a defendant in two lawsuits relating to a July 1995 accident involving a van owned by the Company in which four Company employees died. A portion of the claims have been settled and the balance is subject to court approval of settlements agreed to by all of the remaining plaintiffs within the limits of liability insurance coverage applicable to the Company. If the court approves such settlements said litigation is expected to be dismissed.

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, 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.

Part II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits--None

(b) No reports on Form 8-K were filed by the Company during the quarter ended March 31, 2001.

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: April 20, 2001 .