

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended September 30, 2003

Commission File No. 0-10144

DAWSON GEOPHYSICAL COMPANY

Incorporated in the State of Texas

75-0970548  
(I.R.S. Employer  
Identification No.)

508 West Wall, Suite 800, Midland, Texas 79701  
(Principal Executive office)  
Telephone Number: 432-684-3000

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Title of Each Class	Name of each Exchange on which Registered
Common Stock, \$.33 1/3 par value	The NASDAQ Stock Market

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 12 preceding months, and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the Common Stock of the Registrant based upon the mean between the closing high and low price of the Common Stock as of November 28, 2003 (as reported by NASDAQ), held by non-affiliates was approximately \$39,801,491 (See Item 12). On that date, there were 5,487,794 shares of Dawson Geophysical Company Common Stock, \$.33 1/3 par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Items 4, 10, 11 and 12 of Parts I and III hereof is incorporated by reference to the Registrant's definitive proxy statement filed or to be filed with the Commission no later than 120 days after the end of the fiscal year covered by this Form 10-K.

DAWSON GEOPHYSICAL COMPANY  
ANNUAL REPORT ON FORM 10-K

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Part I.

ITEM 1. BUSINESS  
GENERAL

Founded in 1952, Dawson Geophysical Company acquires and processes 2-D, 3-D and multi-component seismic data used in the exploration for, and development and field management of oil and natural gas reserves. The Company's operations consist of six 3-D seismic data acquisition crews and a seismic data processing center. In addition, the Company supports its data acquisition crews with offices in Houston, Denver and Oklahoma City. As a result of an increase in industry-wide demand for 3-D seismic surveys and the Company's competitive position, the Company has experienced increased market share for its 3-D seismic services. During fiscal 2003, substantially all of the Company's revenues were derived from 3-D seismic operations. Since 1999, the Company has steadily increased its acquisition and processing of multi-component seismic data.

The Company's land-based data acquisition crews operate throughout the lower 48 states. Data processing is performed by Company geophysicists at the Company's computer center located in Midland, Texas. The Company also provides data processing services through its Houston office. The Company acquires and processes data for its clients, ranging from major oil and gas companies to independent oil and gas operators, who retain exclusive rights to the information obtained.

The Company believes that it maintains a competitive advantage in the industry by (i) acquiring equipment to expand capacity in response to client demand, (ii) updating its equipment base to take advantage of advances in geophysical technology, (iii) maintaining skilled and experienced personnel for its data acquisition and processing operations, (iv) focusing its operations on the domestic onshore seismic industry, and (v) providing integrated in-house operations necessary to complete all phases of 3-D seismic data acquisition and processing, including project design, permitting and surveying.

GEOPHYSICAL SERVICES

GENERAL. Technological advances in equipment and computers have allowed the seismic industry to economically acquire and process immense volumes of seismic data which produce more precise images of the earth's subsurface. The industry refers to this process of data acquisition, processing and subsequent interpretation of the processed data as the 3-D seismic method. Geophysicists use computer workstations to interpret 3-D data volumes, identify subsurface anomalies and generate a geologic model of subsurface features.

3-D seismic data are used in the exploration for new reserves and enable oil and gas companies to better delineate existing fields and to augment their reservoir management techniques. Benefits of incorporating 3-D seismic technology into exploration and development programs include reducing drilling risk, decreasing oil and gas finding costs and increasing the efficiencies of reservoir location, delineation and management. In order to meet the requirements necessary to fully recognize the benefits of 3-D seismic data, there is an ever-increasing demand for improved data quality with greater subsurface resolution. The Company is prepared to meet such demands with the implementation of improved techniques and evolving technology. One such technique is the integration of energy source distribution and an increase in the number of recording channels with high-end data processing routines through proper survey design. Company geophysicists perform these design tasks.

The Company is positioned to offer four-dimensional seismic surveys, which add the element of time to 3-D surveys. By surveying the same site at successive times, geophysicists compare data volumes and may be able to determine the progress of enhanced recovery programs in existing petroleum reservoirs, and thereby aid in extracting remaining reserves. Such projects could, over time, benefit reservoir management, thereby providing future opportunities for the Company.

The Company continues to investigate the use of even more sophisticated technologies. The Company is involved in several projects that involve the use of three-component (3-C) and converted wave (C-wave) seismic data. Both 3-C and C-wave seismic data utilize shear wave information in some form. The Company's equipment includes energy sources and geophones capable of generating and/or recording shear waves. The Company has designed and recorded two 3-D/3-C (9-C) surveys in the lower 48 states as well as several 3-D/C-wave surveys.

DATA ACQUISITION. The seismic survey begins at the time a client requests the Company to formulate a proposal to acquire seismic data on its behalf. The Company's geophysicists then assist the client in designing the specifications of the proposed 3-D survey. If the client accepts the Company's proposal, a Company permit agent then obtains access from the landowner to the site where the survey is to be conducted.

Utilizing electronic surveying equipment, the Company's survey personnel precisely locate the energy source and receiver positions from which the seismic data are collected. The Company utilizes the satellite global positioning system, known as GPS, to properly locate the seismic survey grid.

The Company owns equipment for seven land-based crews gathering 3-D seismic data. The Company primarily uses vibrator energy sources, each of which weighs 50,000 to 62,000 pounds, but on occasion detonates dynamite charges placed in drill holes below the earth's surface to generate seismic energy. The Company has 53 vibrator energy source units and a capacity of 26,400 recording channels, any of which are configured to meet the demands of specific survey designs. Each crew consists of approximately 50 technicians, 25 associated vehicles with off-road capabilities, 50,000 to 100,000 geophones, a seismic recording system, energy sources, electronic cables and a variety of other equipment. The Company operates six I/O System Two recording systems, two with RSR radio capability, and four MRX cable recording systems.

Since 1994, the Company has grown from four seismic data acquisition crews with an aggregate recording capacity of 4,532 channels and 22 vibrator energy source units. Demand for more recording channels continues to increase from client companies as the industry strives for improved data quality. The Company's current average of 4,400 channels per crew is above the industry average. The comparatively large number of recording channels gives the Company a competitive edge with the versatility and productivity to improve data quality at a lower cost per unit of data to the client.

**DATA PROCESSING.** The Company currently operates a computer center located in Midland, Texas and provides data processing services through the Houston office. Such processing primarily involves the enhancement of the data by improving reflected signal resolution, removing ambient noise and establishing proper spatial relationships of geological features. The data are then arranged in such a manner that computer graphic technology may be employed for examination and interpretation of the data by the user.

The processing center operates 24 hours daily utilizing high-speed computers. The Company continues to improve data processing efficiency and accuracy with the addition of improved processing software and highspeed computer technology. The Company purchases, develops or leases, under non-exclusive licensing arrangements, seismic data processing software.

The Company's computer center processes seismic data collected by its crews, as well as by other geophysical contractors. In addition, the Company reprocesses previously recorded seismic data using current technology to enhance the data quality. The Company's processing contracts may be awarded jointly with, or independently from, data acquisition services.

**INTEGRATED SERVICES.** The Company maintains integrated in-house operations necessary to the development and completion of 3-D seismic surveys. Experienced Company personnel conduct and supervise the 3-D seismic survey design, permitting, surveying and data acquisition and processing functions for each seismic program. In-house support operations include facilities for automotive repair, automotive paint, electronics repair, electrical engineering and software development, thereby enabling better quality control and improved efficiency. The Company's clients generally undertake to provide their own interpretation of the seismic data provided by the Company, although from time to time the Company's geophysicists may assist its clients in this process.

#### EQUIPMENT ACQUISITION

The Company believes it is essential to monitor and evaluate advances in geophysical technology and to commit capital funds to purchase equipment it deems most promising. Purchasing new assets and continually upgrading capital assets involves a continuing commitment to capital spending. For fiscal years 2001 through 2003, The Company made capital expenditures of \$8,950,000 and has an approved budget of \$2,500,000 for fiscal 2004.

#### CLIENTS

The Company's services are marketed by supervisory and executive personnel who contact clients to determine geophysical needs and respond to client inquiries regarding the availability of crews or processing schedules. These contacts are based principally upon professional relationships developed over a number of years.

The Company's clients range from major oil companies to small independent oil and gas operators. The services provided by the Company vary according to the size and needs of the client. The Company presently believes that the loss of any one of its clients would not have a material impact on its business.

#### CONTRACTS

The Company's seismic services are conducted under master contracts with clients. Contracts are either "turnkey" contracts that provide for a fixed fee to be paid to the Company for each unit of data acquired, or "term" contracts that provide for a fixed hourly, daily or monthly fee during the term of the project. Turnkey contracts generally provide more profit potential for the Company, but involve more risks because of the potential downtime for weather and other types of delays. The majority of the Company's contracts with its clients are turnkey. A supplemental agreement setting forth the terms of a specific project, which may be cancelled by either party, is entered into for every project.

The results of the Company's services belong to the contracting party. To avoid conflicts of interest, the Company does not acquire any data for its own account. All of the client's information is maintained in strictest confidence.

## COMPETITION AND MARKETS

The acquisition and processing of 3-D seismic data for the oil and gas industry is a highly competitive business in the United States. Contracts for such services generally are awarded on the basis of price quotations, crew experience and availability of crews to perform in a timely manner, although factors other than price, such as technological expertise and reputation, are sometimes determinative. The Company's competitors include companies with financial resources that are significantly greater than those of the Company as well as companies of comparable and smaller size.

Historically, the demand for geophysical services has been directly related to the level of spending by oil and gas companies for exploration, production, development and field management activities that depend in part on the level of oil and gas prices. Because geophysical services are among the first operations involved in the exploration for oil and gas, the level of such services, in the past, has declined prior to a decline in oil and gas exploration activities. In recent years, however, the improved subsurface resolution obtainable from 3-D seismic data has enhanced the exploration for new reserves and enabled oil and gas companies to utilize 3-D surveys to better delineate existing fields and to augment their reservoir management techniques. See "Industry Conditions".

## EMPLOYEES

The Company employs approximately 448 persons, of which 393 are engaged in providing energy sources and acquiring data, 9 are engaged in data processing, 8 are administrative personnel, 30 are engaged in equipment maintenance and 8 are executive officers. Of the employees listed above, 10 are geophysicists. The Company's employees are not represented by a labor union. The Company believes it has good relations with its employees.

## OPERATING HAZARDS AND INSURANCE

The Company's activities are often conducted in remote areas under extreme weather and other dangerous conditions. These operations are subject to risks of injury to personnel and equipment. The Company's crews are mobile, and the equipment and personnel are subject to vehicular accidents. The Company uses diesel fuel which is classified by the U.S. Department of Transportation as a hazardous material.

The Company carries insurance in amounts which it considers adequate on the principal items of its equipment. The Company does not carry insurance against certain risks, including business interruption resulting from equipment losses or weather delays. The Company obtains insurance against certain property and personal casualty risks when such insurance is available and when management considers it advisable to do so. Such coverage is not always available however, and when available, is subject to unilateral cancellation by the insuring companies on very short notice. The Company insures seismic data for amounts considered acceptable by management. Accordingly, damage to such data should not have a material adverse effect upon the Company.

## INDUSTRY CONDITIONS

Demand for the Company's services depends upon the level of spending by oil and gas companies for exploration, production, development and field management activities, which activities depend in part on oil and gas prices. Beginning in 1998, a sharp decline in oil and gas prices led to a worldwide reduction in oil and gas activities. This decline resulted in a significant reduction in the overall demand for seismic services. Since reaching a recent high in 1998, the number of land-based seismic crews operating worldwide and the number of companies providing seismic services declined dramatically. Although demand for 3-D seismic data acquisition services has increased since the low of 1999, it has not yet returned to the levels experienced prior to 1998. Overcapacity in the industry continues to suppress pricing. Decreases in oil and gas activities have adversely affected the demand for the Company's services and the Company's results of operations. In addition, a decrease in oil and gas expenditures in the United States could result from such factors as unfavorable tax and other legislation or uncertainty concerning national energy policy. Any significant decline in oil and gas prices could cause the Company to alter its capital spending plans.

## WEATHER

The Company's seismic data acquisition operations could be adversely affected by inclement weather conditions. Delays associated with weather conditions could negatively affect the Company's results of operations.

## PERMITS

The Company's seismic data acquisition operations could be adversely affected by the inability of the Company to obtain right of way usage from land or mineral owners. Delays associated with permitting could negatively affect the Company's results of operations.

## OPERATING RISKS

The Company's activities are subject to general risks inherent in land-based seismic data acquisition activities. To date, the Company has not suffered any material losses of equipment, but there can be no assurance that it will not experience such losses in the future. Because of the high fixed costs associated with the Company's 3-D equipment, any significant downtime or low productivity caused by reduced demand, weather interruptions, equipment failures, permit delays or other causes could adversely affect its results of operations.

## LIQUIDITY AND WORKING CAPITAL REQUIREMENTS

The Company's sources of working capital are limited. The Company has funded its working capital requirements with cash generated from operations, cash reserves and borrowings from commercial banks. The Company's working capital requirements increased significantly during the last ten years, primarily due to the development of its 3-D land seismic data acquisition infrastructure. If the Company were to expand its operations at a rate exceeding operating cash flow, or if the current demand, or if pricing of geophysical services were to decrease substantially, additional financing could be required. There is no assurance that additional financing could or would occur. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources".

## RELIANCE ON KEY SUPPLIER

The Company's primary supplier for seismic data acquisition systems is Input/Output, Inc. Although the Company believes it will be able to obtain data acquisition systems and/or replacement parts from Input/Output, Inc. or another source for such systems or parts in the future, should it be unable to do so, the Company's anticipated revenues could be reduced and the amount of cash needed for capital expenditures could be increased. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Capital Expenditures" and "Business - Equipment Acquisition".

## DEPENDENCE ON KEY PERSONNEL

The Company's success may be dependent upon, among other things, the services of certain key personnel. The loss of services of any one or more of the executive officers of the Company could have a material adverse effect on or result in a disruption of normal business operations.

## COMPETITION

The acquisition and processing of 3-D geophysical data for the oil and gas industry is a highly competitive business in the United States. The Company's competitors include companies with financial resources that are significantly greater than those of the Company as well as companies of comparable and smaller size.

## TECHNICAL OBSOLESCENCE

Seismic data acquisition and data processing technology have progressed rapidly over the past several years, and the Company expects this progression to continue. The Company's strategy is to regularly upgrade its data acquisition and processing equipment to maintain its competitive position. However, due to the rapid advances in technology and the related costs associated with such technological advances, no assurance can be given that the Company will be able to fulfill its strategy, thus possibly affecting the Company's ability to compete.

## GOVERNMENTAL REGULATIONS

The Company's operations are subject to a variety of federal, state and local laws and regulations, including laws and regulations relating to the protection of the environment and archeological sites. The Company is required to expend financial and managerial resources to comply with such laws and related permit requirements in its operations, and anticipates that it will continue to be required to do so in the future. Although such expenditures historically have not been material to the Company, the fact that such laws or regulations change frequently make it impossible for the Company to predict the cost or impact of such laws and regulations on its future operations. The adoption of laws and regulations that have the effect of reducing or curtailing exploration and production activities by energy companies could also adversely affect the Company's operations by reducing the demand for its services.

## NO DIVIDENDS

The Company has not paid cash dividends on its Common Stock since becoming a public company and has no plans to do so in the foreseeable future.

## DISCLOSURE REGARDING 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" and "Business" regarding technological advancements and 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 and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). When used in this Form 10-K, 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 strategies 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.

## ITEM 2. PROPERTIES

The principal facilities of the Registrant are summarized in the table below.

Location -----	Fee or Leased -----	Purpose -----	Building Area Square Feet -----
Midland, TX	Leased	Executive offices and data processing	18,400
Midland, TX	Fee	Field office Equipment fabrication Maintenance and repairs	53,000

The Company leases office space for operations in Houston, Denver and Oklahoma City.

The Company's operations are limited to one industry segment and the United States.

## ITEM 3. LEGAL PROCEEDINGS

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

## ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter has been submitted during the fourth quarter of the 2003 fiscal year to a vote of security holders, through the solicitation of proxies or otherwise. However, please refer to the Registrant's Proxy Statement dated November 28, 2003, filed or to be filed with the Commission no later than 120 days after the end of the fiscal year covered by this Form 10-K, notifying as to the election of Directors, approval of the proposed Dawson Geophysical Company 2004 Incentive Stock Plan and selection of KPMG LLP as independent certified public accountants of the Company (requiring an affirmative vote of a majority of shares present or represented by proxy), at the Annual Meeting to be held on January 27, 2004.

Part II.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Common Stock Information

The Company's common stock trades on the Nasdaq Stock Market(R) under the symbol DWSN.

The table below represents the high and low sales prices for the period shown.

Quarter Ended	High	Low
December 31, 2001	\$8.950	\$6.890
March 31, 2002	\$8.300	\$7.160
June 30, 2002	\$8.200	\$7.010
September 30, 2002	\$7.371	\$4.800
December 31, 2002	\$7.180	\$4.950
March 31, 2003	\$7.230	\$5.200
June 30, 2003	\$8.530	\$6.340
September 30, 2003	\$8.400	\$6.560

As of November 28, 2003, the Company had 244 common stockholders of record as reported by the Company's transfer agent.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and Dawson Geophysical Company's financial statements and related notes included in "Item 8. Financial Statements and Supplementary Data".

Years Ended September 30

(in thousands, except per share amounts)	2003	2002	2001	2000	1999
Operating revenues	\$ 51,592	\$ 36,078	\$ 37,878	\$ 18,469	\$ 24,198
Net loss	\$ (899)	\$ (2,292)	\$ (4,978)	\$ (11,135)	\$ (6,430)
Net loss per common share	\$ (.16)	\$ (.42)	\$ (.91)	\$ (2.05)	\$ (1.19)
Weighted average equivalent common shares outstanding	5,485	5,463	5,443	5,425	5,398
Total assets	\$ 42,792	\$ 44,291	\$ 45,381	\$ 49,781	\$ 61,418
Long term debt-less current maturities	\$ --	\$ --	\$ --	\$ --	\$ --
Stockholders' equity	\$ 40,662	\$ 41,586	\$ 43,582	\$ 48,468	\$ 59,468



ITEM 7. 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 fluctuate in response to activity levels in the oil and gas exploration and production sector and additionally 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

During fiscal 2003, the Company acted on opportunities for growth and technical depth. The Company expanded operations in its Houston and Denver offices and added an office in Oklahoma City. The technical expertise of additional staff in each office has coincided with increased demand for high-resolution 3-D seismic surveys and other leading edge products such as ExxonMobil-licensed High Fidelity Vibratory Seismic (HFVS) and 9-component 3-D employing both compression and shear wave energy sources. The Company has been able to satisfy client demand for increased channel count by responding to opportunities to acquire equipment from the open market at reduced prices. In addition, the Company has performed services in thirteen states during fiscal 2003-representing a return to some areas that the Company has not been in for more than a decade.

Adverse weather conditions significantly impacted the Company's revenue for the quarter ended June 30, 2003. Even though demand for the Company's services is related to crude oil and natural gas prices, production results are enhanced by favorable weather and timely permits for rights-of-way.

FISCAL YEAR ENDED SEPTEMBER 30, 2003 VERSUS FISCAL YEAR ENDED SEPTEMBER 30, 2002

The Company's operating revenues increased 43% from \$36,078,000 to \$51,592,000 in fiscal year 2003. The Company began fiscal 2003 with five crews and increased to six operating crews in November. During the months of May, June and July, the Company's production potential was severely impaired by rain and the Company operated five crews during this time. During fiscal 2003, the Company sustained slight price improvements for its services in addition to the stability of pricing improvements gained in fiscal 2002.

Operating expenses increased 39% in fiscal 2003 as compared to fiscal 2002 due to the start up expenses associated with activating a crew, the Company's expanded operations geographically within the contiguous United States, an increased demand for shot-hole energy sources which require an expensive drilling component, and an increase in the use of helicopters to achieve efficient operations. Certain reimbursed out-of-pocket expenses relating to drilling, surveying and the use of helicopters are reported in revenue and expense.

General and administrative expenses were 4.7% of revenues in fiscal 2003 as compared to 5.6% in fiscal 2002. The Company made a \$60,000 provision for bad debts in fiscal 2003 as a conservative measure in response to working for new clients in new areas. However, relatively favorable prices for crude oil and natural gas have correlated to collectibility of accounts receivable.

Depreciation for fiscal 2003 totaled \$4,404,000, an increase of 4% from fiscal 2002. The increase is the effect of the increase in capital expenditures during fiscal 2003 and 2002. The increase reflects depreciation attributable to the recording equipment purchased in 2003 and in 2002 that had become available on the used market.

Total operating costs for fiscal 2003 totaled \$52,976,000, an increase of 34.3% from fiscal 2002 primarily due to the factors described above. The increase in revenues of 43% as compared to the increase of operating expenses of 39% in fiscal year 2003 as compared to fiscal 2002 reflects the high proportion of relatively fixed total operating expenses, including personnel costs of active crews, inherent in the Company's business.

The Company recorded a deferred tax expense due to an increase in the

income tax valuation allowance, and the tax expense is related to the tax effect of the unrealized loss on investments recorded in other comprehensive income.

The Company's operating revenues decreased 4.7% from \$37,878,000 to \$36,078,000 in fiscal year 2002 as compared to fiscal 2001. The Company began fiscal 2002 with five crews operating and operated four or five crews throughout most of the year depending on weather conditions and the ability to obtain permits for rights-of-way. There was a brief period when three crews were operating due to these conditions. During fiscal 2002, the Company sustained slight price improvements for its services despite idle capacity in the industry.

Operating expenses in fiscal 2002 remained relatively flat as compared to fiscal 2001 as the Company maintained staffing for five crews throughout the year.

General and administrative expenses for fiscal 2002 totaled \$2,006,000, an increase of \$187,000 from fiscal 2001. Insurance premiums, salary reclassification as compared to fiscal 2001, and additional promotional expense in celebration of the Company's 50th anniversary primarily account for this increase. The Company did not make a provision for bad debts in fiscal 2002 as relatively favorable prices for crude oil and natural gas have correlated to collectibility of accounts receivable.

Depreciation for fiscal 2002 totaled \$4,233,000, a decrease of 52% from fiscal 2001. The Company revised the estimated lives of two classes of seismic equipment in October 2001. The effect of the change is a reduction in depreciation expense and net loss of approximately \$3,283,000. 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 fiscal 2002 totaled \$39,444,000, a decrease of 9.6% from fiscal 2001 primarily due to the decrease in depreciation expense and the other factors described above. The decrease in revenues as compared to the slight increase of operating expenses, which excludes depreciation, for fiscal 2002 reflects the high proportion of relatively fixed total operating expenses, including personnel costs of active crews, inherent in the Company's business.

The Company recorded an income tax benefit in the current year of approximately \$471,000. Due to income tax law changes in 2002, the Company filed for a refund of alternative minimum tax paid in prior years of approximately \$400,000 which was recorded in receivables at September 30, 2002. The remaining benefit was due to a decrease in the income tax valuation allowance and is related to the tax effect of the unrealized gain on investments recorded in other comprehensive income.

#### LIQUIDITY AND CAPITAL RESOURCES

**CASH FLOWS.** Net cash provided by operating activities of \$1,244,000 for the fiscal year ended September 30, 2003 primarily reflects the net loss offset by depreciation and changes in working capital components.

Net cash provided by investing activities in fiscal 2003 represents management of short-term investments and use of proceeds for capital expenditures and working capital.

There were no financing activities impacting cash flows for any of the fiscal years presented.

**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. Capital expenditures for fiscal 2003 primarily consisted of data acquisition channels that became available as a result of idle capacity in our industry. 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 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.

**REVENUE RECOGNITION.** The Company recognizes revenues when services are performed. The Company also receives reimbursements for certain out-of-pocket expenses under the terms of its master contracts. Amounts billed to clients are recorded in revenue at the gross amount including out-of-pocket expenses which will be reimbursed by the client.

**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 forecast of future cash flow used to perform impairment analysis includes estimates of future revenues and future gross margins. If the Company is unable to achieve these cash flows, management's estimates would be revised potentially resulting in an impairment charge in the period of revision.

**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.

**STOCK-BASED COMPENSATION.** In accordance with the Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, no compensation is recorded for stock options or other stock-based awards that are granted to employees or non-employee directors with an exercise price equal to or above the common stock price on the grant date.

#### RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In July 2002, the FASB issued Statement No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". The standard requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Statement 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. There has been no impact to its financial statements as the Company does not anticipate exiting or disposing of any of its activities.

SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure, amends SFAS No. 123, Accounting for Stock-Based Compensation". SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. The statement also amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The statement is required to be adopted for fiscal years ending after December 15, 2002.

The Company currently accounts for stock-based compensation in accordance with APB Opinion No. 25 which allows the Company to recognize compensation expense only to the extent that the fair market value is greater than the option price.

On April 22, 2003 the FASB announced its decision to require all companies to expense the value of employee stock options. Companies will be required to measure the cost according to the fair value of the options. The new guidelines have not been released but are expected to be finalized and to become effective in 2004. When final rules are announced, the Company will assess the impact to its financial statements.

FIN No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others". FIN No. 45 requires that a liability be recorded in the guarantor's balance sheet upon issuance of certain guarantees. Initial recognition and measurement of the liability will be applied on a prospective basis to guarantees issued or modified after December 31, 2002. FIN No. 45 also requires disclosures about guarantees in financial statements for interim or annual periods ending after December 15, 2002. The adoption of FIN No. 45 has had no impact on the Company's financial statements.

FIN No. 46, "Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51". FIN No. 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without financial support from other parties. The adoption of FIN No. 46 has had no impact on the Company's financial statements.

In May 2003, the FASB issued Statement No. 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This statement establishes standards for how an issuer classified and measures certain financial instruments with characteristics of both liabilities and equity. This statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of FAS 150 has had no impact on the Company's financial statements.

ITEM 7A. 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 September 30, 2003 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 September 30, 2003, 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.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this item appears on pages F-1 through F-13 hereof and are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None

ITEM 9a. CONTROLS AND PROCEDURES

Within the 90 day period prior to the filing date of this report on Form 10-K, the Company, under the supervision, and with the participation, of its management, including its principal executive officer and principal financial officer, performed an evaluation of the design and operation of the Company's disclosure controls and procedures (as defined in Securities and Exchange Act Rule 13a-14 (c)). Based on that evaluation, the Company's principal executive officer and principal financial officer concluded that such disclosure controls and procedures are effective to ensure that material information relating to the Company is accumulated and communicated to the Company's management and made known to the principal executive officer and principal financial officer, particularly during the period for which this report was being prepared.

No significant changes were made in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date the controls were evaluated as discussed above.

Part III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item 10 with respect to Directors and Executive Officers is hereby incorporated by reference to the Registrant's Proxy Statement dated November 28, 2003 (page 2), filed or to be filed by the Registrant with the Securities and Exchange Commission pursuant to Regulation 14A of the Securities and Exchange Act of 1934 within 120 days after the end of the fiscal year covered by this Form 10-K. The Registrant's Code of Ethics as defined in Item 406 of SEC Regulation S-K is expected to be adopted by the Board of Directors at their next meeting to be held January 27, 2004.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 is hereby incorporated by reference to the Registrant's Proxy Statement (page 4) referred to above in Item 10.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item 12 with respect to security ownership of certain beneficial owners is hereby incorporated by reference to the Registrant's Proxy Statement (page 7, "SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT") referred to above in Item 10.

On July 13, 1999, the Board of Directors of the Company authorized and declared a dividend to the holders of record on July 23, 1999 of one Right (a "Right") for each outstanding share of the Company's common stock. When exercisable, each Right will entitle the holder to purchase one one-hundredth of a share of Series A Junior Participating Preferred Stock, par value \$1.00 per share, of the Company (the "Preferred Shares") at an exercise price of \$50.00 per Right. The rights are not currently exercisable and will become exercisable only if a person or group acquires beneficial ownership of 20% or more of the Company's outstanding common stock or announces a tender offer or exchange offer, the consummating of which would result in attaining the triggering percentage. The Rights are subject to redemption by the Company for \$.01 per Right at any time prior to the tenth day after the first public announcement of a triggering acquisition.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information concerning principal accountant fees and services appears in the proxy statement under the heading "Report of Audit Committee" and is incorporated herein by reference.

Part IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

See Index to Financial Statements on Page F-1.

(a) Exhibits

The exhibits and financial statement schedules filed as a part of this report are listed below according to the number assigned to it in the exhibit table of Item 601 of Regulation S-K:

- (3) Restated Articles of Incorporation and Bylaws.
- (4) Instruments defining the rights of security holders, including indentures.
- (9) Voting Trust Agreement -- None; consequently, omitted.
- (10) Material Contracts.
- (11) Statement re: computation of per share earnings -- Not Applicable.
- (12) Statement re: Computation of ratios -- Not Applicable.
- (18) Letter re: change in accounting principles -- Not Applicable.
- (19) Previously unfiled documents -- No documents have been executed or in effect during the reporting period which should have been filed; consequently, this exhibit has been omitted.
- (22) Subsidiaries of the Registrant -- There are no subsidiaries of the Registrant; consequently, this exhibit has been omitted.
- (23) Published report regarding matters submitted to vote of security holders -- None; consequently, omitted.
- (24) Consent of experts and counsel -- Not applicable.
- (25) Power of Attorney -- There are no signatures contained within this report pursuant to a power of attorney; consequently, this exhibit has been omitted.
- (b) Reports on Form 8-K -- None.
- (28) Additional Exhibits -- None.
- (29) Information from reports furnished to state insurance regulatory authorities -- None.
- (31.1) Certification of Chief Executive Officer pursuant to Section 302.
- (31.2) Certification of Chief Financial Officer pursuant to Section 302.
- (32.1) Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- (32.2) Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

## EXHIBIT INDEX

Number	Exhibit	Page
(1)	*	
(2)	*	
(3)	Articles of Incorporation and Bylaws	E-2
(4)	Instruments defining the rights of security holders, including indentures--Shareholder Rights Plan	E-3
(5)	*	
(6)	*	
(7)	*	
(8)	*	
(9)	Voting Trust Agreement	Omit
(10)	Material Contracts	E-4
(11)	Statement re: computation of per share earnings	Omit
(12)	Statement re: computation of ratios	Omit
(13)	2003 Annual Report to Stockholders-Cover Page to Form 10-K Annual Report	E-1
(14)	*	
(15)	*	
(16)	*	
(17)	*	
(18)	Letter re: change in accounting principles	Omit
(19)	Previously unfiled documents	Omit
(20)	*	
(21)	*	
(22)	Subsidiaries of the Registrant	Omit
(23)	Published report regarding matters submitted to vote of security holders	Omit
(24)	Consent of experts	Omit
(25)	Power of Attorney	Omit
(26)	*	
(27)	*	
(28)	Additional Exhibits	Omit
(29)	Information from reports furnished to state insurance regulatory authorities	Omit
(31.1)	Certification of Chief Executive Officer pursuant to Section 302.	
(31.2)	Certification of Chief Financial Officer pursuant to Section 302.	
(32.1)	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	
(32.2)	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	

\* This exhibit is not required to be filed in accordance with Item 601 of Regulation S-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, in the City of Midland, and the State of Texas, on the 28th day of November, 2003.

DAWSON GEOPHYSICAL COMPANY

By: /s/ L. Decker Dawson  
-----  
L. Decker Dawson, Chairman of the Board  
Of Directors and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons in the capacities and on the date indicated.

Signature	Title	Date
/s/ L. Decker Dawson ----- L. Decker Dawson	Chairman of the Board of Directors and Chief Executive Officer	11-28-03
/s/ Stephen C. Jumper ----- Stephen C. Jumper	President, Chief Operating Officer and Director	11-28-03
/s/ Howell W. Pardue ----- Howell W. Pardue	Executive Vice President and Director	11-28-03
/s/ C. Ray Tobias ----- C. Ray Tobias	Executive Vice President and Director	11-28-03
/s/ Paul H. Brown ----- Paul H. Brown	Director	11-28-03
/s/ Calvin J. Clements ----- Calvin J. Clements	Director	11-28-03
/s/ Matthew P. Murphy ----- Matthew P. Murphy	Director	11-28-03
/s/ Tim C. Thompson ----- Tim C. Thompson	Director	11-28-03
/s/ Christina W. Hagan ----- Christina W. Hagan	Senior Vice President, Secretary and Chief Financial Officer	11-28-03



INDEX TO FINANCIAL STATEMENTS

Financial Statements of Dawson Geophysical Company	Page
Independent Auditors' Report	F-2
Balance Sheets as of September 30, 2003 and 2002	F-3
Statements of Operations for the years ended September 30, 2003, 2002 and 2001	F-4
Statements of Changes in Stockholders' Equity for the years ended September 30, 2003, 2002 and 2001	F-5
Statements of Cash Flows for the years ended September 30, 2003, 2002 and 2001	F-6
Notes to Financial Statements	F-7

All schedules are omitted, as the required information is inapplicable or the information is presented in the financial statements or related notes.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
Dawson Geophysical Company:

We have audited the accompanying balance sheets of Dawson Geophysical Company as of September 30, 2003 and 2002, and the related statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended September 30, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dawson Geophysical Company as of September 30, 2003 and 2002, and the results of its operations and its cash flows for each of the years in the three-year period ended September 30, 2003, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Midland, Texas  
November 3, 2003

DAWSON GEOPHYSICAL COMPANY  
BALANCE SHEETS

		September 30,	
		2003	2002
		-----	-----
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		\$ 3,389,000	\$ 1,309,000
Short-term investments		8,623,000	15,716,000
Accounts receivable, net of allowance for doubtful accounts of \$127,000 in 2003 and \$71,000 in 2002		9,713,000	7,613,000
Income taxes receivable -		400,000	
Prepaid expenses		287,000	220,000
		-----	-----
Total current assets		22,012,000	25,258,000
		-----	-----
PROPERTY, PLANT AND EQUIPMENT		81,585,000	75,649,000
Less accumulated depreciation		(60,805,000)	(56,616,000)
		-----	-----
Net property, plant and equipment		20,780,000	19,033,000
		-----	-----
		\$ 42,792,000	\$ 44,291,000
		=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Accounts payable		\$ 1,237,000	\$ 2,066,000
Accrued liabilities:			
Payroll costs and other taxes		478,000	342,000
Other		415,000	297,000
		-----	-----
Total current liabilities		2,130,000	2,705,000
		-----	-----
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, 5,487,794 and 5,467,294 shares issued and outstanding in 2003 and 2002, respectively		1,829,000	1,822,000
Additional paid-in capital		38,931,000	38,863,000
Other comprehensive income, net of tax		37,000	137,000
Retained earnings (deficit)		(135,000)	764,000
		-----	-----
Total stockholders' equity		40,662,000	41,586,000
		-----	-----
		\$ 42,792,000	\$ 44,291,000
		=====	=====

See accompanying notes to the financial statements.

DAWSON GEOPHYSICAL COMPANY  
STATEMENTS OF OPERATIONS

	Years Ended September 30,		
	2003	2002	2001
Operating revenues	\$ 51,592,000	\$ 36,078,000	\$ 37,878,000
Operating costs:			
Operating expenses	46,151,000	33,205,000	33,033,000
General and administrative	2,421,000	2,006,000	1,819,000
Depreciation	4,404,000	4,233,000	8,802,000
	52,976,000	39,444,000	43,654,000
Loss from operations	(1,384,000)	(3,366,000)	(5,776,000)
Other income:			
Interest income	328,000	507,000	754,000
Other	209,000	96,000	44,000
Loss before income tax	(847,000)	(2,763,000)	(4,978,000)
Income tax benefit (expense):			
Current	--	400,000	--
Deferred	(52,000)	71,000	--
	(52,000)	471,000	--
Net loss	\$ (899,000)	\$ (2,292,000)	\$ (4,978,000)
Net loss per common share	\$ (.16)	\$ (.42)	\$ (.91)
Net loss per common share-assuming dilution	\$ (.16)	\$ (.42)	\$ (.91)
Weighted average equivalent common shares outstanding	5,484,593	5,462,936	5,442,627
Weighted average equivalent common shares outstanding-assuming dilution	5,484,593	5,462,936	5,442,627

See accompanying notes to the financial statements.

DAWSON GEOPHYSICAL COMPANY  
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME	RETAINED EARNINGS (DEFICIT)	TOTAL
	NUMBER OF SHARES	AMOUNT				
BALANCE, SEPTEMBER 30, 2000	5,428,794	\$ 1,810,000	\$ 38,624,000		\$ 8,034,000	\$ 48,468,000
Net loss					(4,978,000)	(4,978,000)
Issuance of common stock as compensation	17,000	5,000	87,000			92,000
BALANCE, SEPTEMBER 30, 2001	5,445,794	1,815,000	38,711,000		3,056,000	43,582,000
Net loss				(2,292,000)	(2,292,000)	(2,292,000)
Other comprehensive income net of tax:						
Unrealized gain on securities:						
Unrealized holding gains arising during period				208,000		
Income tax benefit				(71,000)		
Other comprehensive income				137,000		137,000
Comprehensive income						41,427,000
Issuance of common stock as compensation	21,500	7,000	152,000			159,000
BALANCE, SEPTEMBER 30, 2002	5,467,294	1,822,000	38,863,000		764,000	41,586,000
Net loss				(899,000)	(899,000)	(899,000)
Other comprehensive income net of tax:						
Unrealized loss on securities:						
Unrealized holding losses arising during period				(145,000)		
Less: Reclassification adjustment for gain included in net income				(7,000)		
Income tax expense				(152,000)		
Other comprehensive income				52,000		
Other comprehensive income				(100,000)		(100,000)
Comprehensive income						40,587,000
Issuance of common stock as compensation	20,500	7,000	68,000			75,000
BALANCE, SEPTEMBER 30, 2003	5,487,794	\$ 1,829,000	\$ 38,931,000	\$ 37,000	\$ (135,000)	\$ 40,662,000

See accompanying notes to the financial statements.

DAWSON GEOPHYSICAL COMPANY  
STATEMENTS OF CASH FLOWS

Years Ended September 30,

	2003	2002	2001
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net loss	\$ (899,000)	\$ (2,292,000)	\$ (4,978,000)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation	4,404,000	4,233,000	8,802,000
Non-cash compensation	75,000	159,000	92,000
Deferred income tax expense (benefit)	52,000	(71,000)	--
Other	(46,000)	58,000	38,000
Change in current assets and liabilities:			
Decrease (increase) in accounts receivable	(2,100,000)	1,082,000	(2,128,000)
Decrease (increase) in prepaid expenses	(67,000)	(47,000)	27,000
Decrease (increase) in income taxes receivable	400,000	(400,000)	2,165,000
Increase (decrease) in accounts payable	(829,000)	885,000	143,000
Increase in accrued liabilities	254,000	21,000	343,000
Net cash provided by operating activities	1,244,000	3,628,000	4,504,000
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Proceeds from disposal of assets	27,000	10,000	49,000
Capital expenditures	(6,153,000)	(2,047,000)	(750,000)
Proceeds from sale of short-term investments	5,964,000	--	--
Proceeds from maturity of short-term investments	4,000,000	10,598,000	5,500,000
Acquisition of short-term investments	(3,002,000)	(15,218,000)	(5,474,000)
Net cash provided by (used in) investing activities	836,000	(675,000)	--
Net increase (decrease) in cash and cash equivalents	2,080,000	(3,029,000)	3,829,000
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,309,000	4,338,000	509,000
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 3,389,000	\$ 1,309,000	\$ 4,338,000
<b>NON CASH INVESTING ACTIVITIES:</b>			
UNREALIZED GAIN (LOSS) ON INVESTMENTS	\$ (145,000)	\$ 208,000	\$ --

See accompanying notes to the financial statements.

DAWSON GEOPHYSICAL COMPANY  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND NATURE OF OPERATIONS

Dawson Geophysical Company (the "Company"), which was incorporated in Texas in 1952, has been listed and traded on the NASDAQ National Market System ("NMS") under the symbol "DWSN" since 1981.

The Company acquires and processes 3-D seismic data for major and intermediate-sized oil and gas companies and independent oil operators who retain exclusive rights to the information obtained. The Company's land-based acquisition crews operate throughout the lower 48 states, and data processing is performed by geophysicists in Midland and Houston, Texas.

CASH EQUIVALENTS

For purposes of the statements of cash flows, the Company considers demand deposits, certificates of deposit and all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents.

SHORT-TERM INVESTMENTS

The Company accounts for its short-term investments in accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (Statement 115). In accordance with Statement 115, the Company has classified its investment portfolio consisting of U.S. Treasury Securities as "available-for-sale" and records the net unrealized holding gains and losses as accumulated comprehensive income in stockholders' equity. The cost of short-term investments sold is based on the specific identification method.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts for cash and cash equivalents, accounts receivable, other current assets, accounts payable and other current liabilities approximate their fair values based on their short-term nature. The fair value of investments are based on quoted market prices.

CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially expose the Company to concentrations of credit risk, as defined by Statement of Financial Accounting Standards No. 105, consist primarily of trade accounts receivable and short-term investments. The Company's sales are to clients whose activities relate to oil and gas exploration and production. However, accounts receivable are well diversified among many clients, and a significant portion of the receivables are from major oil companies, which management believes minimizes potential credit risk. The Company generally extends unsecured credit to these clients; therefore, collection of receivables may be affected by the economy surrounding the oil and gas industry. The Company closely monitors extensions of credit and initiated an allowance for doubtful accounts in fiscal 1999 as a result of the downturn in oil prices which occurred during the year and negatively impacted the Company's clients. The Company invests primarily in short-term U.S. Treasury Securities which are a low risk investment.

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.

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 accounts, 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 a 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 forecast of future cash flow used to perform impairment analysis includes estimates of future revenues and future gross margins. If the Company is unable to achieve these cash flows, management's estimates would be revised, potentially resulting in an impairment charge in the period of revision. No provision was recorded in the Statement of Operations for the years ended September 30, 2003, 2002 and 2001.

REVENUE RECOGNITION

Contracts for service are provided for under cancelable contracts. The Company recognizes revenues when services are performed. In the case of a cancelled contract, revenue is recognized and the customer is billed for services performed up to the date of cancellation. The Company also receives reimbursements for certain out-of-pocket expenses under the terms of its master contracts. Amounts billed to clients are recorded in revenue at the gross amount including out-of-pocket expenses which will be reimbursed by the client.





## 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 clients.

## INCOME TAXES

The Company accounts for state and federal income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (Statement 109). Under the asset and liability method of Statement 109, deferred income taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under Statement 109, the effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

## USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

Preparation of the accompanying financial statements in conformity with generally accepted accounting principles 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. Actual results could differ from those estimates.

## STOCK-BASED COMPENSATION

In accordance with the Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), no compensation is recorded for stock options or other stock-based awards that are granted to employees or non-employee directors with an exercise price equal to or above the common stock price on the grant date.

The Company accounts for stock-based compensation utilizing the intrinsic value method prescribed by "APB 25" and related interpretations. The following pro forma information, as required by Statement of Financial Accounting Standards No. 123 "Accounting for Stock-Based Compensation" ("SFAS 123"), as amended by Statement of Financial Accounting Standards No. 148 ("SFAS 148"), presents net income and earnings per share information as if the stock options or other stock-based awards issued since September 30, 1997 were accounted for using the fair value method. The fair value of stock options issued for each year was estimated at the date of grant using the Black-Scholes option pricing model.

The SFAS 123 pro forma information for the fiscal years ended September 30, 2003, 2002 and 2001 is as follows:

	September 30,		
	2003	2002	2001
Net loss, as reported	\$ (899,000)	\$ (2,292,000)	\$ (4,978,000)
Add: Stock-based employee compensation expense included in net loss, net of tax	75,000	159,000	92,000
Deduct: Stock-based employee compensation expense determined under fair value based method (SFAS 123), net of tax	(434,000)	(516,000)	(402,000)
Net loss, pro forma	\$ (1,258,000)	\$ (2,649,000)	\$ (5,288,000)
Basic:			
Net loss per common share, as reported	\$ (0.16)	\$ (0.42)	\$ (0.91)
Net loss per common share, pro forma	\$ (0.23)	\$ (0.48)	\$ (0.97)
Diluted;			
Net loss per common share, as reported	\$ (0.16)	\$ (0.42)	\$ (0.91)
Net loss per common share, pro forma	\$ (0.23)	\$ (0.48)	\$ (0.97)

## 2. SHORT-TERM INVESTMENTS

Investment in securities consists primarily of U.S. Treasury Securities. At September 30, 2003, the Company reported an unrealized loss on short-term investments of \$145,000, which was \$93,000 net of the tax effect of \$52,000. The \$93,000 net unrealized loss is included in "Other comprehensive income, net of tax" of \$37,000.

Short-term investments held at September 30, 2003 consisting of U.S. Treasury Securities have contractual maturities from December, 2003 through September, 2004.

### 3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, together with annual depreciation rates, consist of the following:

	September 30,		Rates
	2003	2002	
Land, building and improvements	\$ 1,334,000	\$ 1,303,000	3 to 12.5 percent
Machinery and equipment	79,213,000	73,583,000	7 to 20 percent
Equipment in process (a)	1,038,000	763,000	--
	<u>\$ 81,585,000</u>	<u>\$ 75,649,000</u>	

(a) Equipment in process has not been placed into service and accordingly has not been subject to depreciation.

Effective October 1, 2001, the Company 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. The Company believes that advancements in the foreseeable future will consist of upgrades that may require replacements of modules of the central electronics. The Company 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.

The Company 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 on depreciation and the net loss for the fiscal years ended September 30, 2003 and 2002 is:

	Year Ended September 30,			
	2003		2002	
	As Reported	Pro Forma	As Reported	Pro Forma
Depreciation	\$ 4,404,000	\$ 6,672,000	\$ 4,233,000	\$ 7,516,000
Net loss	\$ (889,000)	\$(3,157,000)	\$(2,292,000)	\$(5,575,000)
Net loss per share	\$ (.16)	\$ (.58)	\$ (.42)	\$ (1.02)

### 4. STOCK OPTIONS

The Company adopted the 2000 Incentive Stock Plan during fiscal 1999, which provides options to purchase 500,000 shares of authorized but unissued common stock of the Company. The option price is the market value of the Company's common stock at date of grant. Options are exercisable 25% annually from the date of the grant and the options expire five years from date of grant. The 2000 Plan provides that 50,000 of the 500,000 shares of authorized but unissued common stock may be awarded to officers, directors and employees of the Company for the purpose of additional compensation.

The transactions under the Plans are summarized as follows:

	Weighted Average Price	Number of Optioned Shares
Balance as of September 30, 2001	\$ 8.86	251,000
Granted	\$ 7.41	98,000
Cancelled or expired	\$ 21.19	(30,000)
Balance as of September 30, 2002	\$ 7.25	319,000
Granted	\$ 5.21	105,000
Cancelled or expired	\$ 7.02	(17,000)
Balance as of September 30, 2003	\$ 6.72	407,000

Options for 204,750, 130,750 and 103,000 shares were exercisable with weighted average exercise prices of \$6.94, \$6.79 and \$10.78 as of September 30, 2003, 2002 and 2001, respectively.

Outstanding options at September 30, 2003 expire between February, 2004 and November, 2007 and have exercise prices ranging from \$5.21 to \$8.65.



Options for 105,000 shares were granted in fiscal year 2003. The expected life of the options granted is five years. The weighted average fair value of options granted during 2003 is \$3.48. The fair value of each option grant is estimated on the date of grant, using the Black-Scholes options-pricing model.

The model assumed expected volatility of .5% and risk-free interest rate of 3.14% for grants in 2003. As the Company has not declared dividends since it became a public entity, no dividend yield was used. Actual value realized, if any, is dependent on the future performance of the Company's common stock and overall stock market conditions. There is no assurance the value realized by an optionee will be at or near the value estimated by the Black-Scholes model.

#### 5. EMPLOYEE BENEFIT PLANS

The Company had an employee stock purchase plan to invest in the Company's common stock for the benefit of eligible employees. Participants were entitled to contribute a percentage, not to exceed 5%, of their bi-weekly salary to the plan. On a bi-weekly basis, the Company matched the participants' contributions and directed the purchase of shares of the Company's common stock. There were no vesting requirements for the participants. The Company contributed \$56,116 and \$223,360 to the plan during 2002 and 2001, respectively. The Company discontinued the Plan effective January 1, 2002.

Effective January 1, 2002, the Company initiated a 401(k) plan as part of its employee benefits package in order to retain quality personnel. During 2003 and 2002, the Company elected to match 100% of employee contributions up to a maximum of 5% of the participant's gross salary. The Company's matching contributions for fiscal 2003 and 2002 were approximately \$373,000 and \$259,000, respectively.

#### 6. INCOME TAXES

The Company recorded an income tax expense in the current year of approximately \$52,000. The expense is due to an increase in the income tax valuation allowance and is related to the tax effect of the unrealized loss on investments recorded in other comprehensive income.

Income tax expense (benefit) attributable to income before extraordinary item consists of:

	Year Ended September 30,		
	2003	2002	2001
Current: U.S. Federal	\$ --	\$ (400,000)	\$ --
Deferred: U. S. Federal	52,000	(71,000)	--
Total	\$ 52,000	\$ (471,000)	\$ --

Income tax expense varies from the amount computed by multiplying income before taxes by the statutory income tax rate. The reason for these differences and the related tax effects are as follows:

	Year Ended September 30,		
	2003	2002	2001
Expense computed at statutory rates	\$ (287,000)	\$ (939,000)	\$(1,690,000)
Effect of:			
Change in valuation allowance	297,000	428,000	1,659,000
Other	42,000	40,000	31,000
Income tax expense (benefit)	\$ 52,000	\$ (471,000)	\$ --

September 30,

	2003	2002
Deferred tax assets:		
Net operating loss carryforwards	\$ 6,687,000	\$ 5,997,000
Alternative minimum tax credit carryforwards	413,000	413,000
Receivables	45,000	24,000
Other	116,000	109,000
	-----	-----
Total deferred tax assets	7,261,000	6,543,000
Less valuation allowance	(4,232,000)	(3,935,000)
	-----	-----
Total gross deferred tax assets	3,029,000	2,608,000
Deferred tax liabilities:		
Other property and equipment	(2,938,000)	(2,533,000)
Investments	(21,000)	(71,000)
Other	(70,000)	(4,000)
	-----	-----
Total gross deferred tax liabilities	(3,029,000)	(2,608,000)
	-----	-----
Net deferred tax asset (liability)	\$ --	\$ --
	=====	=====

A valuation allowance is provided when it is more likely than not that some portion of the deferred tax assets will not be realized. Based on expectations for the future, management has determined that taxable income of the Company will likely not be sufficient to fully utilize available carryforwards prior to their ultimate expiration. As such, the Company has recorded a valuation allowance of \$4,232,000 to reflect the realizability of its net deferred tax assets. The amount of the valuation allowance could be reduced if estimates of future taxable income during the carryforward period are increased.

As of September 30, 2003, the Company had a net operating loss carryforward for U.S. federal income tax purposes of approximately \$19,090,000, which is available to offset future regular taxable income, if any. Net operating loss carryforward will begin to expire in 2022. The Company has alternative minimum tax credit carryforwards totaling \$413,000 to offset regular income tax, which have no scheduled expiration date.

7. NET LOSS PER COMMON SHARE

The Company accounts for earnings per share in accordance with Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("Statement 128"). Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options, warrants and convertible securities

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

	2003	2002	2001
	-----	-----	-----
Numerator:			
Net loss and numerator for basic and diluted net loss per common share-income available to common stockholders	\$ (899,000)	\$ (2,292,000)	\$ (4,978,000)
	=====	=====	=====
Denominator:			
Denominator for basic net loss per common share-weighted average common shares	5,484,593	5,462,936	5,442,627
Effect of dilutive securities-employee stock options	--	--	--
	-----	-----	-----
Denominator for diluted net loss per common share-adjusted weighted average common shares and assumed conversions	5,484,593	5,462,936	5,442,627
	=====	=====	=====
Net loss per common share	\$ (.16)	\$ (.42)	\$ (.91)
	=====	=====	=====
Net loss per common share-assuming dilution	\$ (.16)	\$ (.42)	\$ (.91)
	=====	=====	=====

Employee stock options to purchase shares of common stock were outstanding during fiscal year 2003 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.

## 8. MAJOR CUSTOMERS

The Company operates in only one business segment, contract seismic data acquisition and processing services. During 2003 and 2002, sales to only one client, which was not the same client in each year, exceeded 10% of operating revenue. During 2001, sales to no client exceeded 10% of operating revenue.

## 9. CONTINGENCIES

The Company is party to various 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.

On February 18, 1998 the Company entered into a five year, non-cancellable operating lease for office space. On June 30, 2003, the lease was amended to extend the term of the lease for five years beginning July 1, 2003 and ending June 30, 2008. Future minimum lease commitments under the lease at September 30 of each year are \$142,716 through 2007, and \$107,037 in fiscal year 2008.

## 10. RIGHTS AGREEMENT

On July 13, 1999, the Board of Directors of the Company authorized and declared a dividend to the holders of record on July 23, 1999 of one Right (a "Right") for each outstanding share of the Company's common stock. When exercisable, each Right will entitle the holder to purchase one one-hundredth of a share of a Series A Junior Participating Preferred Stock, par value \$1.00 per share, of the Company (the "Preferred Shares") at an exercise price of \$50.00 per Right. The rights are not currently exercisable and will become exercisable only if a person or group acquires beneficial ownership of 20% or more of the Company's outstanding common stock or announces a tender offer or exchange offer, the consummating of which would result in attaining the triggering percentage. The Rights are subject to redemption by the Company for \$.01 per Right at any time prior to the tenth day after the first public announcement of a triggering acquisition.

If the Company is acquired in a merger or other business combination transaction after a person has acquired beneficial ownership of 20% or more of the Company's common stock, each Right will entitle its holder to purchase, at the Right's then current exercise price, a number of the acquired Company's shares of common stock having a market value of two times such price. In addition, if a person or group acquires beneficial ownership of 20% or more of the Company's common stock, each Right will entitle its holder (other than the acquiring person or group) to purchase, at the Right's then current exercise price, a number of the Company's shares of common stock having a market value of two times the exercise price.

Subsequent to the acquisition by a person or group of beneficial ownership of 20% or more of the Company's common stock and prior to the acquisition of beneficial ownership of 50% or more of the Company's common stock, the Board of Directors of the Company may exchange the Rights (other than Rights owned by such acquiring person or group, which will have become null and void and nontransferable), in whole or in part, at an exchange ratio of one share of the Company's common stock (or one one-hundredth of a Preferred Share) per Right.

The Rights dividend distribution was made on July 23, 1999, payable to shareholders of record at the close of business on that date. The Rights will expire on July 23, 2009.

## 11. RECENTLY ANNOUNCED ACCOUNTING PRONOUNCEMENTS

In July 2002, the FASB issued Statement No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". The standard requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Statement 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. There has been no impact on the Company's financial statements.

SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure, amends SFAS No. 123, Accounting for Stock-Based Compensation". SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. The statement also amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The statement is required to be adopted for fiscal years ending after December 15, 2002.

The Company currently accounts for stock-based compensation in accordance with APB Opinion No. 25 which allows the Company to recognize compensation expense only to the extent that the fair market value is greater than the option price.

On April 22, 2003 the FASB announced its decision to require all companies to expense the value of employee stock options. Companies will be required to measure the cost according to the fair value of the options. The new guidelines have not been released but are expected to be finalized and to become effective in 2004. When final rules are announced, the Company will assess the impact to its financial statements.

FIN No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others". FIN No. 45 requires that a liability be recorded in the guarantor's balance sheet upon issuance of certain guarantees. Initial recognition and measurement of the liability will be applied on a prospective basis to guarantees issued or modified after December 31, 2002. FIN No. 45 also requires disclosures about guarantees in financial statements for interim or annual periods ending after December 15, 2002. The adoption of FIN No. 45 has had no impact on the Company's financial statements.

FIN No. 46, "Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51". FIN No. 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without financial support from other parties. The adoption of FIN No. 46 has had no impact on the Company's financial statements.

In May 2003, the FASB issued Statement No. 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This statement establishes standards for how an issuer classified and measures certain financial instruments with characteristics of both liabilities and equity. This statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of FAS 150 has had no impact on the Company's financial statements.

## 12. Quarterly Financial Data (Unaudited)

	Quarter Ended			
	December 31	March 31	June 30	September 30
<b>Fiscal 2003:</b>				
Operating revenues	\$ 11,410,000	\$ 14,196,000	\$ 11,291,000	\$ 14,695,000
Income (loss) from operations	\$ (1,007,000)	\$ 579,000	\$ (1,483,000)	\$ 527,000
Net income (loss)	\$ (893,000)	\$ 844,000	\$ (1,407,000)	\$ 557,000
Net income (loss) per common share	\$ (.16)	\$ .15	\$ (.26)	\$ .10
Net income (loss) per common share assuming dilution	\$ (.16)	\$ .15	\$ (.26)	\$ .10
<b>Fiscal 2002:</b>				
Operating revenues	\$ 8,220,000	\$ 8,962,000	\$ 9,096,000	\$ 9,800,000
Loss from operations	\$ (1,403,000)	\$ (257,000)	\$ (550,000)	\$ (1,156,000)
Net loss	\$ (1,173,000)	\$ (134,000)	\$ (428,000)	\$ (557,000)
Net loss per common share	\$ (.22)	\$ (.02)	\$ (.08)	\$ (.10)
Net loss per common share assuming dilution	\$ (.22)	\$ (.02)	\$ (.08)	\$ (.10)

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## DAWSON GEOPHYSICAL COMPANY

## BYLAWS

## ARTICLE I

## OFFICES

Section 1. The principal office of the Corporation shall be in the City of Midland, County of Midland, State of Texas, and the resident agent in charge thereof is L. Decker Dawson.

Section 2. The Corporation may also have offices at such other places both within and without the State of Texas as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II  
MEETINGS OF STOCKHOLDERS

Section 1. All meetings of the stockholders for the election of directors shall be held at the offices of the Corporation in Midland, Texas, unless otherwise provided by resolution by the Board of Directors. Meetings of stockholders for any other purpose may be held at such time and place, within or without the State of Texas, as shall be stated in the Notice of Meeting or in a duly executed waiver of notice thereof.

Section 2. An Annual Meeting of Stockholders shall be held on the fourth Tuesday of January at 10:00 a.m. in each year if not a legal holiday, and if a legal holiday, then on the next secular day following, at which time they shall elect a Board of Directors and transact such other business as may be properly brought before the meeting.

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Section 3. Written notice of the Annual Meeting shall be served upon or mailed to each stockholder entitled to vote thereat at such address as appears on the books of the Corporation, at least ten days prior to the meeting.

Section 4. At least ten days before every election of Directors, a complete list of the stockholders entitled to vote at said election, arranged in alphabetical order with the residence of each and the number of voting shares held by each, shall be prepared by the Secretary. Such list shall be open at the principal office of the Corporation for said ten days to the examination of any stockholder, and shall be produced and kept at the time and place of election during the whole time thereof, and subject to the inspection of any stockholder who may be present.

Section 5. Special meetings of the stockholders, for any purpose or purposes, and unless otherwise prescribed by statute or by the certificate of incorporation, may be called by the President or Secretary at the request in writing of stockholders owning twenty-five percent (25%) or more in amount of the entire capital stock of the Corporation issued and outstanding and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting.

Section 6. Written notice of a special meeting of stockholders, stating the time and place and object thereof, shall be served upon or mailed to each stockholder entitled to vote thereat at such address as appears on the books of the Corporation, at least ten (10) days before such meeting.

Section 7. Business transacted at all special meetings shall be confined to the objects stated in the call.

Section 8. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall be requisite and shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise

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provided by statute, by the Certificate of Incorporation or by these Bylaws. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 9. When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which by express provision of the statutes or of the Certificate of Incorporation or of these Bylaws, a different vote is required in which case such express provision shall govern and control the decision of such question.

Section 10. At any meeting of the stockholders, every stockholder having the right to vote shall be entitled to vote in person, or by proxy appointed by an instrument in writing subscribed by such stockholder and bearing a date not more than eleven months prior to said meeting, unless said instrument provides for a longer period. Each stockholder shall have one vote for each share of stock having voting power, registered in the stockholder's name on the books of the Corporation. Each outstanding share having voting power shall be entitled to one vote for each Director to be elected. Except where the transfer books of the Corporation shall have closed or a date shall have been fixed as a record date for the determination of its stockholders entitled to vote, no share of stock shall be voted on at any election for Directors

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which shall have been transferred on the books of the Corporation within twenty days next preceding such election of Directors.

Section 11. Meetings of the Stockholders shall be presided over by the Chairman of the Board of Directors, if one shall be elected, or in the absence of a Chairman of the Board of Directors, by the Vice Chairman, if one shall be elected, the Chief Executive Officer, the President or by any Vice President, or, in the absence of any such officers, by a chairman to be chosen by a majority of the Stockholders entitled to vote at the meeting who are present in person or by proxy. The Secretary, or, in the Secretary's absence, any Assistant Secretary or any person appointed by the individual presiding over the meeting, shall act as secretary at meetings of the Stockholders.

Section 12. Whenever the vote of stockholders at a meeting thereof is required or permitted to be taken in connection with any corporate action by any provisions of the statutes or of the Certificate of Incorporation or of these Bylaws, the meeting and vote of stockholders may be dispensed with, if all the stockholders who would have been entitled to vote upon the action if such meeting were held shall consent in writing to such corporate action being taken.

Section 13. Nomination of Directors. Subject to the rights of holders of any class or series of stock having a preference over common stock of the Corporation as to dividends or upon liquidation and to elect Directors under specified circumstances, nominations of persons for election to the Board of Directors may be made only (a) by the Board of Directors or a committee appointed by the Board of Directors or (b) by any shareholder who is a shareholder of record at the time of giving the shareholders' notice provided for in this Section 13, who shall be entitled to vote at such meeting and who complies with the notice procedures set forth in this Section 13. A shareholder wishing to nominate one or more individuals to stand for election in

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the election of members of the Board of Directors at any annual or special meeting must provide written notice thereof to the Board of Directors not less than 80 days in advance of such meeting; provided, however, that in the event that the date of the meeting was not publicly announced by the Corporation by a mailing to shareholders, a press release or a filing with the Securities and Exchange Commission pursuant to Section 13(a) or 14(a) of the Securities and Exchange Act of 1934 more than 90 days prior to the meeting, such notice, to be timely, must be delivered to the Board of Directors not later than the close of business on the tenth day following the day on which the date of the meeting was publicly announced. A shareholder's notice shall set forth (i) the name and address, as they appear on the Corporation's books, of the shareholder making the nomination or nominations; (ii) such information regarding the nominee(s) proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had the nominee(s) been nominated or intended to be nominated by the Board of Directors; (iii) a representation of the shareholder as to the class and number of shares of stock of the Corporation that are beneficially owned by such shareholder, and the shareholder's intent to appear in person or by proxy at the meeting to propose such nomination; and (iv) the written consent of the nominee(s) to serve as a member of the Board of Directors if so elected. No shareholder nomination shall be effective unless made in accordance with the procedures set forth in this Section 13. The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a shareholder nomination was not made in accordance with the provisions of these bylaws, and if the Chairman should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

Section 14. Proposals of Shareholders. At any meeting of shareholders, there shall be conducted only such business as shall have been brought before the meeting (a) by or at the

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direction of the Board of Directors or (b) by any shareholder of the Corporation who is a shareholder of record at the time of giving of the shareholders' notice provided for in this Section 14, who shall be entitled to vote at such meeting and who complies with the notice procedure set forth in this Section 14. For business to be properly brought before a meeting of shareholders by a shareholder, the shareholder shall have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a shareholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation not less than 80 days in advance of such meeting; provided, however, that in the event that the date of the meeting was not publicly announced by the Corporation by a mailing to shareholders, a press release or a filing with the Securities and Exchange Commission pursuant to Section 13(a) or 14(a) of the Securities and Exchange Act of 1934 more than 90 days prior to the meeting, such notice, to be timely, must be delivered to the Board of Directors not later than the close of business on the tenth day following the day on which the date of the meeting was first so publicly announced. A shareholder's notice shall set forth as to each matter proposed to be brought before the meeting: (1) a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and, in the event that such business includes a proposal regarding the amendment of either the Articles of Incorporation of the Corporation or these Bylaws, the language of the proposed amendment; (2) the name and address, as they appear on the Corporation's books, of the shareholder proposing such business; (3) a representation of the shareholder as to the class and number of shares of capital stock of the Corporation that are beneficially owned by such shareholder, and the shareholder's intent to appear in person or by proxy at the meeting to propose such business; and (4) any material interest of such shareholder in such proposal or business. Notwithstanding anything in these bylaws to the contrary, no

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business shall be conducted at a shareholders meeting unless brought before the meeting in accordance with the procedure set forth in this Section 14. The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting and in accordance with the provisions of these Bylaws, and if the Chairman should so determine, the Chairman shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

### ARTICLE III DIRECTORS

Section 1. The number of Directors which shall constitute the whole Board shall not be less than five nor more than fifteen. Within the limits above specified, the number of Directors shall be determined by resolution of the Board of Directors or by the stockholders at the Annual Meeting. The Directors shall be elected at the Annual Meeting of the Stockholders, except as provided in Section 2 of this Article, and each Director elected shall hold office until his successor shall be elected and shall qualify. Directors need not be stockholders.

Section 2. If any vacancies occur in the Board of Directors caused by death, resignation, retirement, disqualification, or removal from office of any Directors or otherwise, or any new directorship is created by an increase in the authorized number of Directors, a majority of the Directors then in office though less than a quorum may choose a successor or successors, or fill the newly created directorship and the Directors so chosen shall hold office until the next annual election of Directors and until their successors shall be duly elected and qualified, unless sooner displaced.

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Section 3. The property and business of the Corporation shall be managed by its Board of Directors which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these Bylaws directed or required to be exercised or done by the stockholders.

#### MEETINGS OF THE BOARD

Section 4. The Directors of the Corporation may hold their meetings, both regular and special, either within or without the State of Texas.

Section 5. The first meeting of each newly elected Board shall be held at such time and place as shall be fixed by the vote of the stockholders at the Annual Meeting and no notice of such meeting shall be necessary to the newly elected Directors in order to legally constitute the meeting provided a quorum shall be present, or they may meet at such place and time as shall be fixed by the consent in writing of all the Directors.

Section 6. Regular meetings of the Board may be held without notice at such time and place as shall, from time to time, be determined by the Board.

Section 7. Special meetings of the Board may be called by the President on five days' notice to each Director, either personally or by mail or by telegram; special meetings shall be called by the President or Secretary in like manner and on like notice on the written request of two Directors.

Section 8. At all meetings of the Board the presence of a majority of the Directors shall be necessary and sufficient to constitute a quorum for the transaction of business and the act of a majority of the Directors present at any meetings at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute or by the Certificate of Incorporation or by these Bylaws. If a quorum shall not be present at any meeting

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of Directors, the Directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 9. Unless otherwise restricted by law, the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if prior to such action all members of the Board of Directors or of such committee, as the case may be, consent thereto in writing and writing or writings are filed with the minutes of proceedings of the Board of Directors or the committee. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, members of the Board of Directors or of any committee thereof may participate in a meeting of such Board of Directors or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other and participation in a meeting in such manner shall constitute presence in person at such meeting.

#### COMMITTEES OF DIRECTORS

Section 10. The Board of Directors, by resolution passed by a majority of the whole Board, may designate one or more committees, each committee to consist of two or more of the Directors of the Corporation, which, to the extent provided in said resolution, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation, and may have power to authorize the seal of the Corporation to be affixed to all papers which may require it. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors.

Section 11. The committees shall keep regular minutes of their proceedings and report the same to the Board when required.

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## COMPENSATION OF DIRECTORS

Section 12. Directors, as such, shall not receive any stated salary for their services, but, by resolution of the Board, a fixed sum and expenses of attendance, if any, may be allowed for attendance at each regular or special meeting of the Board; provided that nothing herein contained shall be construed to preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

### ARTICLE IV NOTICES

Section 1. Whenever under the provisions of the statutes or of the Certificate of Incorporation or of these Bylaws, notice is required to be given to any Director or stockholder, it shall not be construed to mean personal notice, but such notice may be given in writing, by mail, addressed to such Director or stockholder at such address as appears on the books of the Corporation, and such notice shall be deemed to be given at the time when the same shall be thus mailed.

Section 2. Whenever any notice is required to be given under the provisions of the statutes or of the Certificate of Incorporation or of these Bylaws, a waiver thereof in writing signed by the person or persons entitled to said notice, whether before or after the time stated thereon, shall be deemed equivalent thereto.

### ARTICLE V OFFICERS

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Section 1. The officers of the Corporation shall be chosen by the Directors and shall be a President, a Vice President, a Secretary and a Treasurer. The Board of Directors may also choose (i) a Chairman of the Board, who must be a member of the Board of Directors; (ii) if a Chairman of the Board is chosen, the Board of Directors may also choose a Vice Chairman, who must be a member of the Board of Directors; (iii) a Chief Executive Officer, who need not be a member of the Board of Directors; and (iv) additional Vice Presidents, and one or more Assistant Secretaries and Assistant Treasurers. Two or more offices may be held by the same person, except that the offices of President and Secretary shall not be held by the same person.

Section 2. So far as is practicable, all elected officers shall be elected by the Board of Directors at the annual meeting of the Board of Directors in each year, and except as otherwise provided in this Article V, shall hold office until the next such meeting of the Board of Directors in the subsequent year and until their respective successors are elected and qualified or until their earlier death, resignation or removal. All appointed officers shall hold office at the pleasure of the Board of Directors. If any vacancy shall occur in any office, the Board of Directors may elect or appoint a successor to fill such vacancy for the remainder of the term.

Section 3. The Board may appoint such other offices and agents as it shall deem necessary, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board.

Section 4. The salaries of all officers and agents of the Corporation shall be fixed by the Board of Directors.

Section 5. The officers of the Corporation shall hold office until their successors are chosen and qualify in their stead. Any officer elected or appointed by the Board of Directors

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may be removed at any time by the affirmative vote of a majority of the whole Board of Directors. If the office of any officer becomes vacant for any reason, the vacancy shall be filled by the Board of Directors.

#### THE CHAIRMAN OF THE BOARD

Section 6. The Chairman of the Board, if one shall be elected, shall preside at all meetings of the Stockholders and Board of Directors and shall be ex officio a member of all standing committees of the Corporation. In addition, the Chairman of the Board shall perform whatever duties and shall exercise all powers that are given by the Board of Directors. Unless otherwise designated by the Board of Directors, the Chairman of the Board, if one shall be elected, shall also be the Chief Executive Officer of the Corporation. In the absence of the Chairman, such of the Chairman's duties shall be performed and authority exercised by either the Vice Chairman, if one shall be elected, or the Chief Executive Officer, if one shall be elected, as may be designated by the Chairman with the right reserved to the Board of Directors to designate or supersede any designation so made.

#### THE PRESIDENT

Section 7. The President shall, in the absence of the Chairman of the Board and the Vice Chairman, if one shall be appointed, preside at meetings of the Stockholders and Board of Directors, shall implement the general directives, plans and policies formulated by the Board of Directors; and shall further have the duties, responsibilities and authorities as may be assigned by the Board of Directors. The President may sign, with any other proper officer, certificates for shares of the Corporation and any deeds, bonds, mortgages, contracts and other documents which the Board of Directors has authorized to be executed, except where required by law to be otherwise signed and executed and except where the signing and execution thereof shall be

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expressly delegated by the Board of Directors or these Bylaws, to some other officer or agent of the Corporation. In the absence of the President, the duties of the President shall be performed and the President's authority may be exercised by a Vice President of the Corporation as may have been designated by the President with the right reserved to the Board of Directors to designate or supercede any designation so made.

#### VICE PRESIDENTS

Section 8. The Vice Presidents in the order of their seniority shall, in the absence or disability of the President, perform the duties and exercise the powers of the President, and shall perform such other duties as the Board of Directors shall prescribe.

#### THE SECRETARY AND ASSISTANT SECRETARIES

Section 9. The Secretary shall attend all sessions of the Board and all meetings of the stockholders and record all votes and the minutes of all proceedings in a book to be kept for that purpose and shall perform like duties for the standing committees when required. The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or President, under whose supervision the Secretary shall be. The Secretary shall keep in safe custody the seal of the Corporation and, when authorized by the Board, affix the same to any instrument requiring it and, when so fixed, it shall be attested by the Secretary's signature or by the signature of the Treasurer or an Assistant Secretary.

Section 10. The Assistant Secretaries in order of their seniority shall, in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary and shall perform such other duties as the Board of Directors shall prescribe.

#### THE TREASURER AND ASSISTANT TREASURERS

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Section 11. The Treasurer shall have the custody of corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors.

Section 12. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board, taking proper vouchers for such disbursements, and shall render to the President and Directors, at the regular meetings of the Board, or whenever they may require it, an account of all the Treasurer's transactions as Treasurer and of the financial condition of the Corporation.

Section 13. If required by the Board of Directors, the Treasurer shall give the Corporation a bond (which shall be renewed every six years) in such sum and with such surety or sureties as shall be satisfactory to the Board for the faithful performance of the duties of the Treasurer's office and for the restoration to the Corporation, in case of the Treasurer's death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in the Treasurer's possession or under the Treasurer's control, belonging to the Corporation.

Section 14. The Assistant Treasurers in order of their seniority shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer and shall perform such other duties as the Board of Directors shall prescribe.

ARTICLE VI  
CERTIFICATES OF STOCK

Section 1. The certificates of stock of the Corporation shall be numbered and shall be entered in the books of the Corporation as they are issued. They shall exhibit the holder's name

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and number of shares and shall be signed by the President or Vice President and the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary. The designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations, or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificates which the Corporation shall issue to represent such class or series of stock. If any stock certificate is signed by (1) a transfer agent or an assistant transfer agent, or (2) a transfer clerk acting on behalf of the Corporation and a Registrar, the signature of any such office may be facsimile.

#### LOST CERTIFICATES

Section 2. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate or stock to be lost or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors, in its discretion and as a condition precedent to the issuance thereof, may require the owner of such lost or destroyed certificate or certificates, or the owner's legal representatives, to advertise the same in such manner as it shall require and/or give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost or destroyed.

#### TRANSFER OF STOCK

Section 3. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the Corporation to issue a new

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certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

#### CLOSING OF TRANSFER BOOKS

Section 4. The Board of Directors may close the stock transfer books of the Corporation for a period of not less than ten days nor more than sixty days preceding the date of any meeting of stockholders or the date for payment of any dividend or the date for the allotment of rights or the date when any change or conversion or exchange of capital stock shall go into effect or for a period of not less than ten days nor more than sixty days in connection with obtaining the consent of stockholders for any purpose. In lieu of closing the stock transfer books as aforesaid, the Board of Directors may fix in advance a date, not less than ten days nor more than sixty days preceding the date of any meeting of stockholders, or the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect, or a date in connection with obtaining such consent, as a record date for the determination of the stockholders entitled to notice of, and to vote at, any such meeting, and any adjournment thereof, or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any change, conversion or exchange of capital stock, or to give such consent, and in such case such stockholders and only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to such notice of, and to vote at, such meeting and any adjournment thereof, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights, or to give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the Corporation after any such record date fixed as aforesaid.

#### REGISTERED STOCKHOLDERS

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Section 5. The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof, and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Texas.

ARTICLE VII  
GENERAL PROVISIONS  
DIVIDENDS

Section 1. Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation.

Section 2. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Directors from time to time, in their absolute discretion, think proper as a reserve fund to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purpose as the Directors shall think conducive to the interest of the Corporation, and the Directors may modify or abolish any such reserve in the manner in which it was created.

ANNUAL STATEMENT

Section 3. The Board of Directors shall present at each Annual Meeting and when called for by vote of the stockholders at any special meeting of the stockholders, a full and clear statement of the business and conditions of the Corporation.

CHECKS

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Section 4. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

#### FISCAL YEAR

Section 5. The fiscal year of the Corporation shall begin on the first day of October of each year and end on the last day of September of each year.

#### SEAL

Section 6. The corporate seal shall have inscribed thereon the name of the Corporation and the words "Corporate Seal" so as to make an impression similar to that on the margin hereof. Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

#### ARTICLE VIII AMENDMENTS

Section 1. These Bylaws may be altered or repealed at any regular meeting of the stockholders or at any special meeting of the stockholders at which a quorum is present or represented, provided notice of the proposed alteration or repeal be contained in the notice of such special meeting, by the affirmative vote of a majority of the stock entitled to vote at such meeting and present or represented thereat, or by the affirmative vote of a majority of the Board of Directors at any regular meeting of the Board or at any special meeting of the Board if notice of the board proposed alteration or repeal be contained in the notice of such special meeting; provided, however, that no change of the time or place of the meeting for the election of Directors shall be made within sixty days next before the day on which such meeting is to be held, and that in case of any change of such time or place, notice thereof shall be given to each

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stockholder in person or by letter mailed to the stockholder's last known post office address at least twenty days before the meeting is held.

ARTICLE IX  
INDEMNIFICATION OF DIRECTORS, OFFICERS AND EMPLOYEES

To the extent permitted by Texas Business Corporation Act Article 2.02-1, the Corporation shall indemnify any present or former Director, officer, employee or agent of the Corporation against judgments, penalties (including excise and similar taxes), fines, settlements, and reasonable expenses actually incurred by the person in connection with a proceeding in which the person was, is, or is threatened to be made a named defendant or respondent because the person is or was a Director, officer, employee or agent of the Corporation.

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DAWSON GEOPHYSICAL COMPANY

and

CHASEMELLON SHAREHOLDER SERVICES, L.L.C.  
Rights Agent

RIGHTS AGREEMENT

Dated as of July 13, 1999

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AGREEMENT

This AGREEMENT, dated as of July 13, 1999 (the "Agreement"), between DAWSON GEOPHYSICAL COMPANY, a Texas corporation (the "Company"), and CHASEMELLON SHAREHOLDER SERVICES, L.L.C., a New Jersey limited liability company, as Rights Agent (the "Rights Agent"),

W I T N E S S E T H:

WHEREAS, the Board of Directors of the Company has authorized and declared a dividend of one Right for each share of Common Stock, par value \$.331/3 per share, of the Company (the "Common Stock") outstanding at the close of business on July 23, 1999 (the "Record Date"), and has authorized the issuance of one Right (as such number may hereafter be adjusted pursuant to the provisions of this Agreement) with respect to each share of Common Stock that shall become outstanding between the Record Date and the earliest of the Distribution Date, the Redemption Date and the Final Expiration Date; provided, however, that Rights may be issued with respect to shares of Common Stock that shall become outstanding after the Distribution Date and prior to the earlier of the Redemption Date and the Final Expiration Date in accordance with the provisions of Section 22 of this Agreement. Each Right shall initially represent the right to purchase one one-hundredth of a share of Series A Junior Participating Preferred Stock, par value \$1.00 per share, of the Company (the "Preferred Shares"), having the powers, rights and preferences set forth in the Statement of Resolution attached to this Agreement as Exhibit A;

NOW THEREFORE, in consideration of the premises and the mutual agreements herein set forth, the parties hereby agree as follows:

Section 1. Certain Definitions. For purposes of this Agreement, the following terms have the meanings indicated, whether their use precedes or follows the definition thereof in this Agreement:

"Acquiring Person" shall mean any Person who or which, together with all Affiliates and Associates of such Person, shall be the Beneficial Owner of 20 percent or more of the Common Shares of the Company then outstanding, but shall not include the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company, or any entity holding Common Shares of the Company for or pursuant to the terms of any such plan. Notwithstanding the foregoing, no Person shall become an Acquiring Person as the result of an acquisition of Common Shares of the Company by the Company which, by reducing the number of such shares outstanding, increases the proportionate number of shares beneficially owned by such Person to 20 percent or more of the Common Shares of the Company then outstanding; provided, however, that if a Person shall become the Beneficial Owner of 20 percent or more of the Common Shares of the Company then outstanding by reason of share purchases by the Company and shall, after such share purchases by the Company, become the Beneficial Owner of any additional Common Shares of the Company, then such Person shall be deemed to be an Acquiring Person. Notwithstanding the foregoing, if the Board of Directors of the Company, within ten (10) days after the first date on which the Company shall become aware that any Person, together with all Affiliates and Associates of such Person, is the Beneficial Owner of shares of Common Stock of the Company such that such person (but for this sentence) would be an Acquiring Person, determines in good faith that such Person has inadvertently exceeded

the thresholds set forth in this definition of Acquiring Person, and such Person divests as promptly as practicable a sufficient number of Common Shares of the Company so that such Person would no longer be an Acquiring Person, as defined pursuant to the foregoing provisions of this definition, then such Person shall not be deemed to be an Acquiring Person for any purposes of this Agreement.

"Adjustment Shares" shall have the meaning set forth in Section 11(a)(ii) hereof.

"Affiliate" and "Associate," when used with reference to any Person, shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Exchange Act, as in effect on the date of this Agreement.

A Person shall be deemed the "Beneficial Owner" of, and shall be deemed to "beneficially own," and shall be deemed to have "Beneficial Ownership" of, any securities:

(i) which such Person or any of such Person's Affiliates or Associates beneficially owns, directly or indirectly;

(ii) which such Person or any of such Person's Affiliates or Associates has (A) the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities), or upon the exercise of conversion rights, exchange rights, rights (other than the Rights), warrants or options, or otherwise; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, securities tendered pursuant to a tender or exchange offer made by or on behalf of such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for purchase or exchange; or (B) the right to vote pursuant to any agreement, arrangement or understanding; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, any security if the agreement, arrangement or understanding to vote such security (1) arises solely from a revocable proxy or consent given to such Person in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations promulgated under the Exchange Act and (2) is not also then reportable on Schedule 13D under the Exchange Act (or any comparable or successor report); or

(iii) which are beneficially owned, directly or indirectly, by any other Person with which such Person or any of such Person's Affiliates or Associates has any agreement, arrangement or understanding (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities) for the purpose of acquiring, holding, voting (except to the extent contemplated by the proviso in clause (ii)(B) of this definition) or disposing of any securities of the Company.

Notwithstanding anything in this definition of Beneficial Ownership to the contrary, the phrase "then outstanding," when used with reference to a Person's Beneficial Ownership of securities of the Company, shall mean the number of such securities then issued and outstanding together with the number of such securities not then actually issued and outstanding which such Person would be deemed to own beneficially hereunder.

"Business Day" shall mean any day other than a Saturday, a Sunday or a day on which banking institutions in The City of Dallas in the State of Texas or in the city in which the office of the Rights Agent is located are authorized or obligated by law or executive order to close.

"Close of business" on any given date shall mean 5:00 P.M., Dallas, Texas time, on such date; provided, however, that if such date is not a Business Day it shall mean 5:00 P.M., Dallas, Texas time, on the next succeeding Business Day.

"Common Shares" when used with reference to the Company shall mean the shares of Common Stock of the Company. "Common Shares" when used with reference to any Person other than the Company shall mean the capital stock (or equity interest) with the greatest voting power of such other Person or, if such other Person is a Subsidiary of another Person, the Person or Persons which ultimately control such first-mentioned Person.

"Common share equivalents" shall have the meaning set forth in Section 11(a)(iii) hereof.

"Common Stock" shall have the meaning set forth in the introductory paragraph of this Agreement.

"Distribution Date" shall have the meaning set forth in Section 3(b) hereof.

"Equivalent preferred shares" shall have the meaning set forth in Section 11(b) hereof.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as in effect on the date in question, unless otherwise specifically provided.

"Exchange Ratio" shall have the meaning set forth in Section 24(a) hereof.

"Final Expiration Date" shall have the meaning set forth in Section 7(a) hereof.

"Flip-In Event" shall have the meaning set forth in Section 11(a)(ii) hereof.

"Flip-In Trigger Date" shall have the meaning set forth in Section 11(a)(iii) hereof.

"Flip-Over Event" shall have the meaning set forth in Section 13(a) hereof.

"Person" shall mean any individual, firm, corporation or other entity, and shall include any successor (by merger or otherwise) of such entity.

"Preferred Shares" shall have the meaning set forth in the introductory paragraph of this Agreement. Any reference in this Agreement to Preferred Shares shall be deemed to include any authorized fraction of a Preferred Share, unless the context otherwise requires.

"Principal Party" shall have the meaning set forth in Section 13(b) hereof.

"Purchase Price" with respect to each Right shall mean \$50.00, as such amount may from time to time be adjusted as provided herein, and shall be payable in lawful money of the United States of America. All references herein to the Purchase Price shall mean the Purchase Price as in effect at the time in question.

"Record Date" shall have the meaning set forth in the introductory paragraph of this Agreement.

"Redemption Date" shall have the meaning set forth in Section 7(a) hereof.

"Redemption Price" shall have the meaning set forth in Section 23 hereof.

"Right Certificate" shall mean a certificate evidencing a Right in substantially the form attached to this Agreement as Exhibit B.

"Rights" shall mean the rights to purchase Preferred Shares (or other securities) as provided in this Agreement.

"Securities Act" shall mean the Securities Act of 1933, as in effect on the date in question, unless otherwise specifically provided.

"Shares Acquisition Date" shall mean the first date of public announcement by the Company or an Acquiring Person that an Acquiring Person has become such.

"Statement of Resolution" shall mean the Statement of Resolution Establishing a Series of Shares of the Company setting forth the powers, preferences, rights, qualifications, limitations and restrictions of Series A Junior Participating Preferred Stock of the Company, a copy of the form of which is attached to this Agreement as Exhibit A.

"Subsidiary" of any Person shall mean any corporation or other entity of which a majority of the voting power of the voting equity securities or equity interest is owned, directly or indirectly, by such Person.

"Substitution Period" shall have the meaning set forth in Section 11(a)(iii) hereof.

"Trading Day" shall have the meaning set forth in Section 11(d)(i) hereof.

Section 2. Appointment of Rights Agent. The Company hereby appoints the Rights Agent to act as agent for the Company in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. The Company may from time to time appoint such co-Rights Agents as it may deem necessary or desirable. The Rights Agent shall have no duty to supervise, and in no event shall be liable for, the acts or omissions of any such co-Rights Agent.

Section 3. Issue of Rights and Right Certificates.



(a) One Right shall be associated with each Common Share outstanding on the Record Date, each additional Common Share that shall become outstanding between the Record Date and the earliest of the Distribution Date, the Redemption Date and the Final Expiration Date, and each additional Common Share with which Rights are issued after the Distribution Date and prior to the earlier of the Redemption Date and the Final Expiration Date as provided in Section 22 hereof; provided, however, that, if the number of outstanding Rights are combined into a smaller number of outstanding Rights pursuant to Section 11 hereof, the appropriate fractional Right determined pursuant to such Section shall thereafter be associated with each such Common Share.

(b) Until the earlier of (i) the tenth day after the Shares Acquisition Date and (ii) the tenth Business Day (or such later date as may be determined by action of the Board of Directors of the Company prior to such time as any Person becomes an Acquiring Person) after the date of the commencement by any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company, or any entity holding Common Shares of the Company for or pursuant to the terms of any such plan) of, or of the first public announcement of the intention of any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company, or any entity holding Common Shares of the Company for or pursuant to the terms of any such plan) to commence, a tender or exchange offer the consummation of which would result in any Person becoming the Beneficial Owner of Common Shares aggregating 20 percent or more of the then outstanding Common Shares (including any such date which is after the date of this Agreement and prior to the issuance of the Rights; the earlier of such dates being herein referred to as the "Distribution Date"), (x) the Rights will be evidenced (subject to the provisions of Section 3(c) hereof) by the certificates for Common Shares registered in the names of the holders thereof (which certificates shall also be deemed to be Right Certificates) and not by separate Right Certificates, and (y) the Rights, including the right to receive Right Certificates, will be transferable only in connection with the transfer of Common Shares. As soon as practicable after the Distribution Date, the Company will prepare and execute, the Rights Agent will countersign, and the Company will send or cause to be sent (and the Rights Agent will, if requested and provided with all necessary information, send) by first-class, insured, postage-prepaid mail, to each record holder of Common Shares as of the close of business on the Distribution Date, at the address of such holder shown on the records of the Company, a Right Certificate evidencing one whole Right for each Common Share (or for the number of Common Shares with which one whole Right is then associated if the number of Rights per Common Share held by such record holder has been adjusted in accordance with the provision in Section 3(a) hereof) so held. If the number of Rights associated with each Common Share has been adjusted in accordance with the proviso in Section 3(a) hereof, at the time of distribution of the Right Certificates, the Company may make any necessary and appropriate rounding adjustments so that Right Certificates representing only whole numbers of Rights are distributed and cash is paid in lieu of any fractional Right in accordance with Section 14 hereof. As of and after the Distribution Date, the Rights will be evidenced solely by such Right Certificates.

(c) On the Record Date, or as soon as practicable thereafter, the Company will send a copy of a Summary of Rights to Purchase Preferred Shares, in substantially the form attached to this Agreement as Exhibit C (the "Summary of Rights"), by first-class, postage-prepaid mail, to each record holder of Common Shares as of the close of business on the Record Date, at the address of such holder shown on the records of the Company. With respect to any certificate for Common

Shares outstanding as of the Record Date, until the earliest of the Distribution Date, the Redemption Date and the Final Expiration Date, the Rights will be evidenced by such certificates registered in the names of the holders thereof together with a copy of the Summary of Rights attached thereto. Until the earliest of the Distribution Date, the Redemption Date and the Final Expiration Date, the surrender for transfer of any certificate for Common Shares outstanding on the Record Date, with or without a copy of the Summary of Rights attached thereto, shall also constitute the transfer of the Rights associated with the Common Shares represented thereby.

(d) Certificates issued for Common Shares after the Record Date, but prior to the earliest of the Distribution Date, the Redemption Date and the Final Expiration Date, shall have impressed on, printed on, written on or otherwise affixed to them the following legend:

THIS CERTIFICATE ALSO EVIDENCES AND ENTITLES THE HOLDER HEREOF TO CERTAIN RIGHTS AS SET FORTH IN A RIGHTS AGREEMENT DATED AS OF JULY 13, 1999, AS IT MAY BE AMENDED FROM TIME TO TIME (THE "RIGHTS AGREEMENT"), BETWEEN DAWSON GEOPHYSICAL COMPANY AND CHASEMELLON SHAREHOLDER SERVICES, L.L.C., AS RIGHTS AGENT, THE TERMS OF WHICH ARE HEREBY INCORPORATED HEREIN BY REFERENCE AND A COPY OF WHICH IS ON FILE AT THE PRINCIPAL EXECUTIVE OFFICES OF DAWSON GEOPHYSICAL COMPANY UNDER CERTAIN CIRCUMSTANCES, AS SET FORTH IN THE RIGHTS AGREEMENT, SUCH RIGHTS WILL BE EVIDENCED BY SEPARATE CERTIFICATES AND WILL NO LONGER BE EVIDENCED BY THIS CERTIFICATE. DAWSON GEOPHYSICAL COMPANY WILL MAIL TO THE HOLDER OF THIS CERTIFICATE A COPY OF THE RIGHTS AGREEMENT WITHOUT CHARGE AFTER RECEIPT OF A WRITTEN REQUEST THEREFOR. UNDER CERTAIN CIRCUMSTANCES, AS SET FORTH IN THE RIGHTS AGREEMENT, RIGHTS BENEFICIALLY OWNED BY AN ACQUIRING PERSON OR ITS AFFILIATES OR ASSOCIATES (AS SUCH TERMS ARE DEFINED IN THE RIGHTS AGREEMENT) AND BY ANY SUBSEQUENT HOLDER OF SUCH RIGHTS ARE NULL AND VOID AND NONTRANSFERABLE.

With respect to such certificates containing the foregoing legend, until the earliest of the Distribution Date, the Redemption Date and the Final Expiration Date, the Rights associated with the Common Shares represented by such certificates shall be evidenced by such certificates alone, and the surrender for transfer of any such certificate shall also constitute the transfer of the Rights associated with the Common Shares represented thereby. In the event that the Company purchases or acquires any Common Shares after the Record Date but prior to the Distribution Date, any Rights associated with such Common Shares shall be deemed canceled and retired so that the Company shall not be entitled to exercise any Rights associated with the Common Shares which are no longer outstanding.

Section 4. Form of Right Certificates. The Right Certificates (and the form of election to purchase and form of assignment to be printed on the reverse side thereof) shall be in substantially the form attached to this Agreement as Exhibit B and may have such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Company may deem appropriate, which do not affect the duties or responsibilities of the Rights Agent and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any applicable law or with any rule or regulation made pursuant thereto or with any rule or regulation of any securities exchange on which the Rights may from time to time be listed or of any automated quotations system of a national securities association on which the Rights may from time to time be registered or quoted, or to conform to usage. Subject to the provisions of Section 22 hereof, the Right

Certificates, whenever issued, on their face shall entitle the holders thereof to purchase such number of one one-hundredths of a Preferred Share as shall be set forth therein for the Purchase Price per one one-hundredth of a Preferred Share, subject to adjustment from time to time as herein provided.

Section 5. Execution, Countersignature and Registration.

(a) The Right Certificates shall be executed on behalf of the Company by its Chairman of the Board, its President, its Chief Executive Officer, or any of its Vice Presidents, or its Treasurer, either manually or by facsimile signature, shall have affixed thereto the Company's seal or a facsimile thereof, and shall be attested by the Secretary or an Assistant Secretary of the Company, either manually or by facsimile signature. The Right Certificates shall be countersigned manually or by facsimile signature by the Rights Agent and shall not be valid or obligatory for any purpose unless countersigned. In case any officer of the Company who shall have signed any of the Right Certificates shall cease to be such an officer of the Company before countersignature by the Rights Agent and issuance and delivery by the Company, such Right Certificates, nevertheless, may be countersigned by the Rights Agent and issued and delivered by the Company with the same force and effect as though the person who signed such Right Certificates had not ceased to be such an officer of the Company; and any Right Certificate may be signed on behalf of the Company by any person who, at the actual date of the execution of such Right Certificate, shall be a proper officer of the Company to sign such Right Certificate, although at the date of the execution of this Agreement any such person was not such an officer.

(b) Following the Distribution Date and receipt by the Rights Agent of all necessary information, the Rights Agent will keep or cause to be kept, at its principal office, books for registration and transfer of the Right Certificates issued hereunder. Such books shall show the names and addresses of the respective holders of the Right Certificates, the number of Rights evidenced on its face by each of the Right Certificates, the certificate number of each of the Right Certificates and the date of each of the Right Certificates.

Section 6. Transfer, Split-up, Combination and Exchange of Right Certificates; Mutilated, Destroyed, Lost or Stolen Right Certificates.

(a) Subject to the provisions of Sections 7(e) and 14 hereof, at any time after the close of business on the Distribution Date, and at or prior to the close of business on the earlier of the Redemption Date and the Final Expiration Date, any Right Certificate or Right Certificates (except for Right Certificates representing Rights that have become null and void and nontransferable pursuant to Section 7(e) hereof or that have been exchanged pursuant to Section 24 hereof or as otherwise provided herein) may be transferred, split-up, combined or exchanged for another Right Certificate or Right Certificates representing, in the aggregate, the same number of Rights as the Right Certificate or Right Certificates surrendered then represented. Any registered holder desiring to transfer, split-up, combine or exchange any Right Certificate or Right Certificates shall make such request in writing delivered to the Rights Agent, and shall surrender the Right Certificate or Right Certificates to be transferred, split-up, combined or exchanged at the principal office or offices of the Rights Agent designated for such purpose; provided, however, that neither the Rights Agent nor the Company shall be obligated to take any action whatsoever with respect to the transfer of any Right Certificate surrendered for transfer until the registered holder shall have completed and signed the certification

of status contained in the form of assignment on the reverse side of such Right Certificate and shall have provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliates or Associates thereof as the Company shall reasonably request. Thereupon the Rights Agent shall, subject to Sections 7(e) and 14 hereof, countersign and deliver to the Person entitled thereto a Right Certificate or Right Certificates, as the case may be, as so requested. The Company may require payment of a sum sufficient to cover any tax or charge that may be imposed in connection with any transfer, split-up, combination or exchange of Right Certificates. The Rights Agent shall have no duty or obligation under this Section unless and until it is satisfied that all such taxes and/or charges have been paid.

(b) Upon receipt by the Company and the Rights Agent of evidence reasonably satisfactory to them of the loss, theft, destruction or mutilation of a Right Certificate, and, in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to them, and, at the Company's request, reimbursement to the Company and the Rights Agent of all reasonable expenses incidental thereto, and upon surrender to the Rights Agent and cancellation of the Right Certificate if mutilated, the Company will make a new Right Certificate of like tenor and deliver such new Right Certificate to the Rights Agent for delivery to the registered holder in lieu of the Right Certificate so lost, stolen, destroyed or mutilated.

#### Section 7. Exercise of Rights; Expiration Date of Rights.

(a) Subject to Section 7(e) hereof and except as otherwise provided herein (including Section 24 hereof), each Right shall entitle the registered holder thereof, upon exercise thereof as provided herein, to purchase for the Purchase Price, at any time after the Distribution Date and at or prior to the earliest of (i) the close of business on July 23, 2009 (the "Final Expiration Date"), (ii) the time at which the Rights are redeemed as provided in Section 23 hereof (the "Redemption Date") and (iii) the time at which such Rights are exchanged as provided in Section 24 hereof, one one-hundredth of a Preferred Share, subject to adjustment from time to time as provided in Section 11 or 13 hereof.

(b) The registered holder of any Right Certificate may exercise the Rights evidenced thereby (except as otherwise provided herein) in whole or in part at any time after the Distribution Date, upon surrender of the Right Certificate, with the form of election to purchase on the reverse side thereof duly executed, to the Rights Agent at the office or offices of the Rights Agent designated for such purpose, together with payment of the Purchase Price for each one one-hundredth of a Preferred Share as to which the Rights are exercised, at or prior to the earliest of (i) the Final Expiration Date, (ii) the Redemption Date and (iii) the time at which such Rights are exchanged as provided in Section 24 hereof.

(c) Upon receipt of a Right Certificate representing exercisable Rights, with the form of election to purchase duly executed, accompanied by payment of the Purchase Price for the Preferred Shares (or other securities) to be purchased and an amount equal to any applicable tax or charge required to be paid by the holder of such Right Certificate in accordance with Section 9 hereof, in lawful money of the United States of America, in cash or by certified check, cashier's check or money order payable to the order of the Company, the Rights Agent shall thereupon (i) either (A) promptly requisition from any transfer agent of the Preferred Shares (or make available, if the Rights Agent is a transfer agent for such shares) certificates for the number of Preferred Shares to be purchased, and

the Company hereby irrevocably authorizes its transfer agent to comply with all such requests, or (B) if the Company shall have elected to deposit the Preferred Shares with a depository agent under a depository arrangement, promptly requisition from the depository agent depository receipts representing the number of one one-hundredths of a Preferred Share to be purchased (in which case certificates for the Preferred Shares represented by such receipts shall be deposited by the transfer agent with the depository agent), and the Company will direct the depository agent to comply with all such requests, (ii) when appropriate, promptly requisition from the Company the amount of cash to be paid in lieu of issuance of fractional shares in accordance with Section 14 hereof, (iii) promptly after receipt of such certificates or depository receipts, cause the same to be delivered to or upon the order of the registered holder of such Right Certificate, registered in such name or names as may be designated by such holder, and (iv) when appropriate, after receipt, promptly deliver such cash to or upon the order of the registered holder of such Right Certificate.

(d) In case the registered holder of any Right Certificate shall exercise fewer than all the Rights evidenced thereby, a new Right Certificate evidencing Rights equivalent to the Rights remaining unexercised shall be issued by the Rights Agent and delivered to the registered holder of such Right Certificate or to his duly authorized assigns, subject to the provisions of Section 14 hereof.

(e) Notwithstanding anything in this Agreement to the contrary, any Rights that are at any time beneficially owned by an Acquiring Person or any Affiliate or Associate of an Acquiring Person shall be null and void and nontransferable, and any holder of any such Right (including any purported transferee or subsequent holder) shall not have any right to exercise or transfer any such Right.

(f) Notwithstanding anything in this Agreement to the contrary, neither the Rights Agent nor the Company shall be obligated to undertake any action with respect to a registered holder of any Right Certificate upon the occurrence of any purported exercise unless such registered holder shall have (i) completed and signed the certification of status contained in the form of election to purchase set forth on the reverse side of the Right Certificate surrendered for such exercise and (ii) provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliates or Associates thereof as the Company or the Rights Agent shall reasonably request.

(g) The Company may temporarily suspend, for a period of time not to exceed 90 calendar days after the Distribution Date, the exercisability of the Rights in order to prepare and file a Registration Statement under the Securities Act, on appropriate form, with respect to the Preferred Shares purchasable upon exercise of the Rights and permit such Registration Statement to become effective; provided, however, that no such suspension shall remain effective after, and the Rights shall without any further action by the Company or any other Person become exercisable immediately upon, the effectiveness of such Registration Statement. Upon any such suspension, the Company shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended and shall issue a further public announcement at such time as the suspension is no longer in effect. Notwithstanding any provision herein to the contrary, the Rights shall not be exercisable in any jurisdiction if the requisite qualification under the Blue Sky or securities laws of such jurisdiction shall not have been obtained or the exercise of the Rights shall not be permitted under applicable law.

Section 8. Cancellation and Destruction of Right Certificates. All Right Certificates surrendered for the purpose of exercise, transfer, split-up, combination or exchange shall, and any

Right Certificate representing Rights that have become null and void and nontransferable pursuant to Section 7(e) hereof surrendered or presented for any purpose shall, if surrendered or presented to the Company or to any of its agents, be delivered to the Rights Agent for cancellation or in canceled form, or, if surrendered or presented to the Rights Agent, shall be canceled by it, and no Right Certificates shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Agreement. The Company shall deliver to the Rights Agent for cancellation and retirement, and the Rights Agent shall so cancel and retire, any Right Certificate purchased or acquired by the Company. The Rights Agent shall deliver all canceled Right Certificates to the Company, or shall, at the written request of the Company, destroy such canceled Right Certificates, and in either such case shall deliver a certificate of destruction thereof or a certificate of cancellation thereof, as may be appropriate, to the Company.

#### Section 9. Reservation and Availability of Capital Stock.

(a) The Company covenants and agrees that it will cause to be reserved and kept available out of its authorized and unissued Preferred Shares, free from preemptive rights or any right of first refusal, a number of Preferred Shares sufficient to permit the exercise in full of all outstanding Rights in accordance with Section 7 hereof.

(b) In the event that there shall not be sufficient Preferred Shares authorized but unissued to permit the exercise or exchange of Rights in accordance with Section 11 or 24 hereof, as the case may be, the Company covenants and agrees that it will take all such action as may be necessary to authorize additional Preferred Shares for issuance upon the exercise or exchange of Rights pursuant to Section 11 or 24 hereof, as the case may be; provided, however, that if the Company is unable to cause the authorization of additional Preferred Shares, then the Company shall, or in lieu of seeking any such authorization, the Company may, to the extent necessary and permitted by applicable law and any agreements or instruments in effect prior to the Distribution Date to which it is a party, (i) upon surrender of a Right, pay cash equal to the Purchase Price in lieu of issuing Preferred Shares and requiring payment therefor, (ii) upon due exercise of a Right and payment of the Purchase Price for each Preferred Share as to which such Right is exercised, issue equity securities having a value equal to the value of the Preferred Shares which otherwise would have been issuable pursuant to Section 11 or 24 hereof, which value shall be determined by a nationally recognized investment banking firm selected by the Board of Directors of the Company, or (iii) upon due exercise of a Right and payment of the Purchase Price for each Preferred Share as to which such Right is exercised, distribute a combination of Preferred Shares, cash and/or other equity and/or debt securities having an aggregate value equal to the value of the Preferred Shares which otherwise would have been issuable pursuant to Section 11 or 24 hereof, which value shall be determined by a nationally recognized investment banking firm selected by the Board of Directors of the Company. To the extent that any legal or contractual restrictions (pursuant to agreements or instruments in effect prior to the Distribution Date to which it is a party) prevent the Company from paying the full amount payable in accordance with the foregoing sentence, the Company shall pay to holders of the Rights as to which such payments are being made all amounts which are not then restricted on a pro rata basis as such payments become permissible under such legal or contractual restrictions until such payments have been paid in full.

(c) The Company covenants and agrees that it will take all such action as may be necessary to ensure that all Preferred Shares delivered upon exercise or exchange of Rights shall, at the time of

delivery of the certificates for such Preferred Shares (subject to payment of the Purchase Price), be duly and validly authorized and issued and fully paid and nonassessable.

(d) So long as the Preferred Shares issuable upon the exercise or exchange of Rights may be listed on any national securities exchange or automated quotations system of a registered national securities association on which the Preferred Shares may from time to time be listed, traded or quoted, the Company covenants and agrees that it will use reasonable efforts to cause, from and after such time as the Rights become exercisable or exchangeable, all Preferred Shares reserved for such issuance to be listed on such exchange or approved for quotation in such quotation system, upon official notice of issuance upon such exercise.

(e) The Company further covenants and agrees, subject to the provisions of this Agreement, that it will pay when due and payable any and all taxes and charges which may be payable in respect of the issuance or delivery of Right Certificates or of any Preferred Shares or Common Shares or other securities upon the exercise or exchange of the Rights. The Company shall not, however, be required to pay any tax or charge which may be payable in respect of any transfer or delivery of Right Certificates to a Person other than, or in respect of the issuance or delivery of certificates for Preferred Shares or Common Shares or other securities, as the case may be, in a name other than that of, the registered holder of the Right Certificate evidencing Rights surrendered for exercise or exchange or to issue or deliver any certificates for Preferred Shares or Common Shares or other securities, as the case may be, upon the exercise or exchange of any Rights until such tax or charge shall have been paid (any such tax or charge being payable by the holder of such Right Certificate at the time of surrender) or until it has been established to the Company's satisfaction that no such tax or charge is due.

Section 10. Preferred Shares Record Date. Each Person in whose name any certificate for Preferred Shares or Common Shares or other securities is issued upon the exercise or exchange of Rights shall for all purposes be deemed to have become the holder of record of the Preferred Shares or Common Shares or other securities, as the case may be, represented thereby on, and such certificate shall be dated, the date upon which the Right Certificate evidencing such Rights was duly surrendered and payment of any Purchase Price (and any applicable taxes or charges) was made; provided, however, that, if the date of such surrender and payment is a date upon which the transfer books of the Company for the Preferred Shares or Common Shares or other securities, as the case may be, are closed, such Person shall be deemed to have become the record holder of such Preferred Shares or Common Shares or other securities, as the case may be, on, and such certificate shall be dated, the next succeeding Business Day on which the transfer books of the Company for the Preferred Shares or Common Shares or other securities, as the case may be, are open. Prior to the exercise of the Rights evidenced thereby, the holder of a Right Certificate shall not be entitled to any rights of a stockholder of the Company with respect to shares for which the Rights shall be exercisable, including, without limitation, the right to vote, to receive dividends or other distributions or to exercise any preemptive rights, and shall not be entitled to receive any notice of any proceedings of the Company, except as provided herein.

Section 11. Adjustment of Purchase Price, Number of Shares or Number of Rights. The Purchase Price, the number of Preferred Shares covered by each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 11.

(a)(i) In the event the Company shall at any time after the date of this Agreement (A) declare a dividend on the Preferred Shares payable in Preferred Shares, (B) subdivide the outstanding Preferred Shares, (C) combine the outstanding Preferred Shares into a smaller number of Preferred Shares or (D) issue any shares of its capital stock in a reclassification of the Preferred Shares (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), except as otherwise provided in this Section 11(a), the Purchase Price in effect at the time of the record date for such dividend or of the effective date of such subdivision, combination or reclassification, and the number and kind of shares of capital stock issuable on such date, shall be proportionately adjusted so that the holder of any Right exercised after such time shall be entitled to receive the aggregate number and kind of shares of capital stock which, if such Right had been exercised immediately prior to such date and at a time when the transfer books of the Company for the Preferred Shares were open, he would have owned upon such exercise and been entitled to receive by virtue of such dividend, subdivision, combination or reclassification; provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company issuable upon exercise of one Right. If an event occurs that would require an adjustment under both this Section 11(a)(i) and Section 11(a)(ii) hereof, the adjustment provided for in this Section 11(a)(i) shall be in addition to, and shall be made prior to, any adjustment required pursuant to Section 11(a)(ii) hereof.

(ii) Subject to Section 24 of this Agreement and the last sentence of Section 23(a) of this Agreement, in the event any Person becomes an Acquiring Person (a "Flip-In Event"), each holder of a Right, except as provided in Section 7(e) hereof, shall thereafter have a right to receive, upon exercise thereof at a price equal to the then current Purchase Price multiplied times the number of one one-hundredths of a Preferred Share for which a Right is then exercisable, in accordance with the terms of this Agreement and in lieu of Preferred Shares, such number of Common Shares of the Company (such number of Common Shares being referred to herein as the "Adjustment Shares") as shall equal the result obtained by (x) multiplying the then current Purchase Price times the number of one one-hundredths of a Preferred Share for which a Right is then exercisable and dividing that product by (y) 50 percent of the then current per share market price of the Company's Common Shares (determined pursuant to Section 11(d) hereof) on the date of the occurrence of such event. In the event that any Person shall become an Acquiring Person and the Rights shall then be outstanding, the Company shall not take any action which would eliminate or diminish the benefits intended to be afforded by the Rights.

(iii) In the event that there shall not be sufficient Common Shares authorized but unissued to permit the exercise in full of the Rights in accordance with Section 11(a)(ii) hereof, the Company shall, to the extent permitted by applicable law and regulation: (A) determine the excess of (1) the value of the Adjustment Shares issuable upon the exercise of a Right (the "Current Value") over (2) the Purchase Price (such excess to be referred to hereinafter as the "Spread"), and (B) with respect to each Right, make adequate provision to substitute for the Adjustment Shares, upon payment of the applicable Purchase Price, (1) cash, (2) a reduction in the Purchase Price, (3) other equity securities of the Company (including, without limitation, shares, or units of shares, of preferred stock which the Board of Directors of the Company has



deemed to have the same value as the Common Shares (such shares of preferred stock being referred to herein as "common share equivalents")), (4) debt securities of the Company, (5) other assets or (6) any combination of the foregoing, having an aggregate value equal to the Current Value as determined by the Board of Directors of the Company; provided, however, that if the Company shall not have made adequate provision to deliver value pursuant to clause (B) above within 30 days following the first occurrence of a Flip-In Event (the "Flip-In Trigger Date"), then the Company shall be obligated to deliver, upon the surrender for exercise of a Right and without requiring payment of the Purchase Price, Common Shares (to the extent available) and then, if necessary, cash, which shares and/or cash have an aggregate value equal to the Spread. If the Board of Directors of the Company determines in good faith that it is likely that sufficient additional Common Shares could be authorized for issuance upon exercise in full of the Rights, the 30-day period set forth above may be extended to the extent necessary, but not to more than 120 days after the Flip-In Trigger Date, in order that the Company may seek stockholder approval for the authorization of such additional shares (such period, as it may be extended, the "Substitution Period"). To the extent the Company determines that some action need be taken pursuant to the first and/or second sentences of this Section 11(a)(iii), the Company (x) shall provide, subject to Section 7(e) hereof, that such action shall apply uniformly to all outstanding Rights, and (y) may suspend the exercisability of the Rights until the expiration of the Substitution Period in order to seek any authorization of additional shares and/or to decide the appropriate form of distribution to be made pursuant to such first sentence and to determine the value thereof. In the event of any such suspension, the Company shall deliver a notice to the Rights Agent and issue a public announcement stating that the exercisability of the Rights has been temporarily suspended, as well as a notice to the Rights Agent and a public announcement at such time as the suspension is no longer in effect. For purposes of this Section 11(a)(iii), the value of the Common Shares shall be the current per share market price (as determined pursuant to Section 11(d) hereof) of the Common Shares on the Flip-In Trigger Date, and the value of any common share equivalent shall be deemed to have the same value as the Common Shares on such date.

(b) In case the Company shall fix a record date for the issuance of rights, options or warrants to all holders of Preferred Shares entitling them (for a period expiring within 45 calendar days after such record date) to subscribe for or purchase Preferred Shares (or shares having the same rights, privileges and preferences as the Preferred Shares ("equivalent preferred shares")) or securities convertible into Preferred Shares or equivalent preferred shares at a price per Preferred Share or equivalent preferred share (or having a conversion price per share, if a security convertible into Preferred Shares or equivalent preferred shares) less than the then current per share market price of the Preferred Shares (as defined in Section 11(d) hereof) on such record date, the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date times a fraction, the numerator of which shall be the number of Preferred Shares outstanding on such record date plus the number of Preferred Shares which the aggregate offering price of the total number of Preferred Shares and/or equivalent preferred shares so to be offered (and/or the aggregate initial conversion price of the convertible securities so to be offered) would purchase at such current market price and the denominator of which shall be the number of Preferred Shares outstanding on such record date plus the number of additional Preferred Shares and/or equivalent preferred shares to be offered for subscription or purchase (or into which the convertible securities so to be offered are initially convertible); provided, however, that in no event

shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company issuable upon exercise of one Right. In case such subscription price may be paid in consideration part or all of which may be in a form other than cash, the value of such consideration shall be as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent. Preferred Shares owned by or held for the account of the Company shall not be deemed outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed; and in the event that such rights, options or warrants are not so issued, the Purchase Price shall be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(c) In case the Company shall fix a record date for the making of a distribution to all holders of the Preferred Shares (including any such distribution made in connection with a consolidation or merger in which the Company is the continuing or surviving corporation) of evidences of indebtedness or assets (other than a regular quarterly cash dividend or a dividend payable in Preferred Shares) or subscription rights or warrants (excluding those referred to in Section 11(b) hereof), the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date times a fraction, the numerator of which shall be the then current per share market price of the Preferred Shares on such record date, less the fair market value (as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent) of the portion of the assets or evidences of indebtedness so to be distributed or of such subscription rights or warrants applicable to one Preferred Share and the denominator of which shall be such current per share market price of the Preferred Shares; provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company to be issued upon exercise of one Right. Such adjustments shall be made successively whenever such a record date is fixed; and in the event that such distribution is not so made, the Purchase Price shall again be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(d)(i) For the purpose of any computation hereunder, other than computations made pursuant to Section 11(a)(iii) hereof, the "current per share market price" of any security (a "Security" for the purpose of this Section 11(d)(i)) on any date shall be deemed to be the average of the daily closing prices per share of such Security for the 30 consecutive Trading Days (as such term is hereinafter defined) immediately prior to but not including such date, and for purposes of computations made pursuant to Section 11(a)(iii) hereof, the "current per share market price" of a Security on any date shall be deemed to be the average of the daily closing prices per share of such Security for the 10 consecutive Trading Days immediately following such date; provided, however, that in the event that the current per share market price of the Security is determined during a period following the announcement by the issuer of such Security of (A) a dividend or distribution on such Security payable in shares of such Security or securities convertible into shares of such Security (other than the Rights), or (B) any subdivision, combination or reclassification of such Security, and the ex-dividend date for such dividend or distribution, or the record date for such subdivision, combination or reclassification, shall not have occurred prior to the commencement of the requisite 30 Trading Day or 10 Trading Day period, as set forth above, then, and in each such case, the "current per

share market price" shall be appropriately adjusted to reflect the current market price per share equivalent of such Security. The closing price for each day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Security is not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Security is listed or admitted to trading or, if the Security is not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotations System ("NASDAQ") or such other system then in use, or, if on any such date the Security is not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Security selected by the Board of Directors of the Company. The term "Trading Day" shall mean a day on which the principal national securities exchange on which the Security is listed or admitted to trading is open for the transaction of business or, if the Security is not listed or admitted to trading on any national securities exchange, a Business Day.

(ii) For the purpose of any computation hereunder, the "current per share market price" of the Preferred Shares shall be determined in accordance with the method set forth in Section 11(d)(i) hereof. If the Preferred Shares are not publicly traded, the "current per share market price" of the Preferred Shares shall be conclusively deemed to be the current per share market price of the Common Shares, as determined pursuant to Section 11(d)(i) hereof (appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof), multiplied times 100. If neither the Common Shares nor the Preferred Shares are publicly held or so listed or traded, "current per share market price" shall mean the fair value per share as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent and shall be conclusive for all purposes.

(e) Except as hereinafter provided, no adjustment in the Purchase Price shall be required unless such adjustment would require an increase or decrease of at least one percent in the Purchase Price; provided, however, that any adjustments which by reason of this Section 11(e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 11 shall be made to the nearest cent or to the nearest one one-millionth of a Preferred Share or one ten-thousandth of any other share or security, as the case may be. Notwithstanding the first sentence of this Section 11(e), any adjustment required by this Section 11 shall be made no later than the earlier of (i) three years from the date of the transaction which requires such adjustment and (ii) the date of the expiration of the right to exercise any Rights.

(f) If as a result of an adjustment made pursuant to Section 11(a) hereof, the holder of any Right thereafter exercised shall become entitled to receive any shares of capital stock of the Company other than Preferred Shares, thereafter the number of such other shares so receivable upon exercise of any Right shall be subject to adjustment from time to time in a manner and on terms as nearly

equivalent as practicable to the provisions with respect to the Preferred Shares contained in Section 11(a) through (c) hereof, inclusive, and the provisions of Sections 7, 9, 10 and 13 hereof with respect to the Preferred Shares shall apply on like terms to any such other shares.

(g) All Rights originally issued by the Company subsequent to any adjustment made to the Purchase Price hereunder shall evidence the right to purchase, at the adjusted Purchase Price, the number of one one-hundredths of a Preferred Share purchasable from time to time hereunder upon exercise of the Rights, all subject to further adjustment as provided herein.

(h) Unless the Company shall have exercised its election as provided in Section 11(i) hereof, upon each adjustment of the Purchase Price as a result of the calculations made in Sections 11(b) and (c) hereof, each Right outstanding immediately prior to the making of such adjustment shall thereafter evidence the right to purchase, at the adjusted Purchase Price, that number of one one-hundredths of a Preferred Share (calculated to the nearest one one-millionth of a Preferred Share) obtained by (i) multiplying (x) the number of one one-hundredths of a share covered by a Right immediately prior to this adjustment times (y) the Purchase Price in effect immediately prior to such adjustment of the Purchase Price, and (ii) dividing the product so obtained by the Purchase Price in effect immediately after such adjustment of the Purchase Price.

(i) The Company may elect on or after the date of any adjustment of the Purchase Price to adjust the number of Rights, in substitution for any adjustment in the number of one one-hundredths of a Preferred Share purchasable upon the exercise of a Right. Each of the Rights outstanding after such adjustment of the number of Rights shall be exercisable for the number of one one-hundredths of a Preferred Share for which a Right was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment of the number of Rights shall become that number of Rights (calculated to the nearest one ten-thousandth) obtained by dividing the Purchase Price in effect immediately prior to adjustment of the Purchase Price by the Purchase Price in effect immediately after adjustment of the Purchase Price. The Company shall make a public announcement of its election to adjust the number of Rights, indicating the record date for the adjustment, and, if known at the time, the amount of the adjustment to be made with prompt notice thereof to the Rights Agent. This record date may be the date on which the Purchase Price is adjusted or any day thereafter, but, if the Right Certificates have been issued, shall be at least 10 days later than the date of the public announcement. If Right Certificates have been issued, upon each adjustment of the number of Rights pursuant to this Section 11(i), the Company shall, as promptly as practicable, cause to be distributed to holders of record of Right Certificates on such record date Right Certificates evidencing, subject to Section 14 hereof, the additional Rights to which such holders shall be entitled as a result of such adjustment, or, at the option of the Company, shall cause to be distributed to such holders of record in substitution and replacement for the Right Certificates held by such holders prior to the date of adjustment, and upon surrender thereof, if required by the Company, new Right Certificates evidencing all the Rights to which such holders shall be entitled after such adjustment. Right Certificates so to be distributed shall be issued, executed and countersigned in the manner provided for herein and shall be registered in the names of the holders of record of Right Certificates on the record date specified in the public announcement.

(j) Irrespective of any adjustment or change in the Purchase Price or the number of one one-hundredths of a Preferred Share issuable upon the exercise of the Rights, the Right Certificates

theretofore and thereafter issued may continue to express the Purchase Price and the number of one one-hundredths of a Preferred Share which were expressed in the initial Right Certificates issued hereunder.

(k) Before taking any action that would cause an adjustment reducing the Purchase Price below one one-hundredth of the then par value, if any, of the Preferred Shares issuable upon exercise of the Rights, the Company shall take any corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue fully paid and nonassessable Preferred Shares at such adjusted Purchase Price.

(l) In any case in which this Section 11 shall require that an adjustment in the Purchase Price be made effective as of a record date for a specified event, the Company may elect to defer with prompt thereof to the Rights Agent until the occurrence of such event the issuing to the holder of any Right exercised after such record date of the Preferred Shares and other capital stock or securities of the Company, if any, issuable upon such exercise over and above the Preferred Shares and other capital stock or securities of the Company, if any, issuable upon such exercise on the basis of the Purchase Price in effect prior to such adjustment; provided, however, that the Company shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional shares or securities upon the occurrence of the event requiring such adjustment.

(m) Anything in this Section 11 to the contrary notwithstanding, the Company shall be entitled to make such reductions in the Purchase Price, in addition to those adjustments expressly required by this Section 11, as and to the extent that it in its sole discretion shall determine to be advisable in order that any (i) consolidation or subdivision of the Preferred Shares, (ii) issuance wholly for cash of any Preferred Shares at less than the current market price, (iii) issuance wholly for cash of Preferred Shares or securities which by their terms are convertible into or exchangeable for Preferred Shares, (iv) dividends on Preferred Shares payable in Preferred Shares, or (v) issuance of rights, options or warrants referred to hereinabove in Section 11(b), hereafter made by the Company to holders of its Preferred Shares, shall not be taxable to such stockholders.

(n) Anything in this Agreement to the contrary notwithstanding, in the event that at any time after the date of this Agreement and prior to the Distribution Date, the Company shall (i) declare or pay any dividend on the Common Shares payable in Common Shares or (ii) effect a subdivision, combination or consolidation of the Common Shares (by reclassification or otherwise than by payment of dividends in Common Shares) into a greater or lesser number of Common Shares, then in any such case (A) the number of one one-hundredths of a Preferred Share purchasable after such event upon proper exercise of each Right shall be determined by multiplying the number of one one-hundredths of a Preferred Share so purchasable immediately prior to such event times a fraction, the numerator of which is the number of Common Shares outstanding immediately before such event and the denominator of which is the number of Common Shares outstanding immediately after such event, and (B) each Common Share outstanding immediately after such event shall have issued with respect to it that number of Rights which each Common Share outstanding immediately prior to such event had issued with respect to it. The adjustments provided for in this Section 11(n) shall be made successively whenever such a dividend is declared or paid or such a subdivision, combination or consolidation is effected.

Section 12. Certificate of Adjustment. Whenever an adjustment is made as provided in Section 11 or 13 hereof, the Company shall (a) promptly prepare a certificate setting forth such adjustment and a brief statement of the facts and computations accounting for such adjustment, (b) promptly file with the Rights Agent and with each transfer agent for the Common Shares or the Preferred Shares a copy of such certificate and mail a brief summary thereof to each holder of a Right Certificate (or, prior to the Distribution Date, of the Common Shares) in accordance with Section 26 hereof. The Rights Agent shall be fully protected in relying on any such certificate and on any adjustment therein contained and shall have no duty with respect to and shall not be deemed to have knowledge of any such adjustments unless and until it shall have received such certificate.

Section 13. Consolidation, Merger, or Sale or Transfer of Assets or Earning Power.

(a) In the event, directly or indirectly, at any time after a Person has become an Acquiring Person, (i) the Company shall consolidate with, or merge with and into, any other Person, (ii) any Person shall consolidate with the Company, or merge with and into the Company and the Company shall be the continuing or surviving corporation of such merger and, in connection with such merger, all or part of the Common Shares shall be changed into or exchanged for capital stock or other securities of any other Person (or the Company) or cash or any other property, or (iii) the Company shall sell or otherwise transfer (or one or more of its Subsidiaries shall sell or otherwise transfer), in one or more transactions, assets or earning power aggregating 50 percent or more of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to any other Person other than the Company or one or more of its wholly-owned Subsidiaries (any such event described in clauses (i), (ii) or (iii) being referred to herein as a "Flip-Over Event"), then, and in each such case, proper provision shall be made so that (A) each holder of a Right (except as otherwise provided herein) shall thereafter have the right to receive, upon the exercise thereof at a price equal to the then current Purchase Price multiplied times the number of one one-hundredths of a Preferred Share for which a Right is then exercisable, in accordance with the terms of this Agreement and in lieu of Preferred Shares, such number of validly authorized and issued, fully paid, nonassessable and freely tradable Common Shares of the Principal Party (as such term is hereinafter defined), free and clear of liens, encumbrances or other adverse claims, as shall equal the result obtained by (1) multiplying the then current Purchase Price times the number of one one-hundredths of a Preferred Share for which a Right is exercisable immediately prior to the first occurrence of a Flip-Over Event (or, if a Flip-In Event has occurred prior to the first occurrence of a Flip-Over Event, multiplying the number of such one one-hundredths of a share for which a Right was exercisable immediately prior to the first occurrence of a Flip-In Event times the Purchase Price in effect immediately prior to such first occurrence), and dividing that product (which, following the first occurrence of a Flip-Over Event, shall be referred to as the "Purchase Price" for each Right and for all purposes of this Agreement) by (2) 50 percent of the then current per share market price of the Common Shares of such Principal Party (determined pursuant to Section 11(d) hereof) on the date of consummation of such consolidation, merger, sale or transfer; (B) such Principal Party shall thereafter be liable for, and shall assume, by virtue of such consolidation, merger, sale or transfer, all the obligations and duties of the Company pursuant to this Agreement; (C) the term "Company" shall thereafter be deemed to refer to such Principal Party, it being specifically intended that the provisions of Section 11 hereof shall apply only to such Principal Party following the first occurrence of a Flip-Over Event; (D) such Principal Party shall take such steps (including, but not limited to, the reservation of a sufficient number of its Common Shares in accordance with Section 9 hereof) in connection with such consummation as may be necessary to

assure that the provisions hereof shall thereafter be applicable, as nearly as reasonably may be, in relation to the Common Shares thereafter deliverable upon the exercise of the Rights; and (E) the provisions of Section 11(a)(ii) hereof shall be of no effect following the first occurrence of any Flip- Over Event. The Company shall not consummate any such consolidation, merger, sale or transfer unless prior thereto the Company and such Principal Party shall have executed and delivered to the Rights Agent a supplemental agreement so providing. The Company shall not enter into any transaction of the kind referred to in this Section 13 if at the time of such transaction there are any rights, warrants, instruments or securities outstanding or any agreements or arrangements which, as a result of the consummation of such transaction, would eliminate or substantially diminish the benefits intended to be afforded by the Rights. The provisions of this Section 13 shall similarly apply to successive mergers or consolidations or sales or other transfers.

(b) "Principal Party" shall mean

(i) in the case of any transaction described in clause (i) or (ii) of the first sentence of Section 13(a) hereof, the Person that is the issuer of any securities into which Common Shares of the Company are converted in such transaction, or if there is more than one issuer, the issuer of Common Shares with the greatest aggregate market value, and if no securities are so issued, the Person that is the other party to such transaction, or if there is more than one such Person, the Person having Common Shares with the greatest aggregate market value; and

(ii) in the case of any transaction described in clause (iii) of the first sentence of Section 13(a) hereof, the Person that is the party receiving the greatest portion of the assets or earning power transferred pursuant to such transaction or transactions;

provided, however, that in any such case, (1) if the Common Shares of such Person are not at such time and have not been continuously over the preceding twelve-month period registered under Section 12 of the Exchange Act, and such Person is a direct or indirect Subsidiary of any Person the Common Shares of which are and have been so registered, "Principal Party" shall refer to such other Person; and (2) in case such Person is a Subsidiary, directly or indirectly, of more than one Person, the Common Shares of two or more of which are and have been so registered, "Principal Party" shall refer to whichever of such Persons is the issuer of the Common Shares having the greatest aggregate market value.

Section 14. Fractional Rights and Fractional Shares.

(a) The Company may, but shall not be required to, issue fractions of Rights or distribute Right Certificates which evidence fractional Rights. In lieu of such fractional Rights, the Company may pay to the registered holders of the Right Certificates with regard to which such fractional Rights would otherwise be issuable an amount in cash equal to the same fraction of the current market value of a whole Right. For purposes of this Section 14(a), the current market value of a whole Right shall be the closing price of the Rights for the Trading Day immediately prior to the date on which such fractional Rights would have been otherwise issuable. The closing price for any day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock

Exchange or, if the Rights are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the principal national securities exchange on which the Rights are listed or admitted to trading or, if the Rights are not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by NASDAQ or such other system then in use or, if on any such date the Rights are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Rights selected by the Board of Directors of the Company. If on any such date no such market maker is making a market in the Rights, the fair value of the Rights on such date as determined in good faith by the Board of Directors of the Company shall be used.

(b) The Company may, but shall not be required to, issue fractions of Preferred Shares upon exercise of the Rights or distribute certificates which evidence fractional Preferred Shares. In lieu of fractional Preferred Shares, the Company may elect to (i) utilize a depository arrangement as provided by the terms of the Preferred Shares or (ii) in the case of a fraction of a Preferred Share (other than one one-hundredth of a Preferred Share or any integral multiple thereof), pay to the registered holders of Right Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the same fraction of the current market value of a whole Preferred Share, if any are outstanding and publicly traded (or the Formula Number (as such term is defined in Section 2 of the Statement of Resolutions) then in effect times the current market value of a whole Common Share if the Preferred Shares are not outstanding and publicly traded). For purposes of this Section 14(b), the current market value of a Preferred Share (or Common Share) shall be the closing price of a Preferred Share (or Common Share) (as determined pursuant to the second sentence of Section 11(d)(i) hereof) for the Trading Day immediately prior to the date of such exercise. If, as a result of an adjustment made pursuant to Section 11 hereof, the holder of any Right thereafter exercised shall become entitled to receive any securities other than Preferred Shares, the provisions of this Section 14(b) shall apply, as nearly as reasonably may be, on like terms to such other securities.

(c) The holder of a Right by the acceptance of the Right expressly waives his right to receive any fractional Rights or any fractional shares upon exercise or exchange of a Right except as provided in this Section 14.

Section 15. Rights of Action. All rights of action in respect of this Agreement, excepting the rights of action given to the Rights Agent under this Agreement, are vested in the respective registered holders of the Right Certificates (and, prior to the Distribution Date, the registered holders of the Common Shares); and any registered holder of any Right Certificate (or, prior to the Distribution Date, of the Common Shares), without the consent of the Rights Agent or of the holder of any other Right Certificate (or, prior to the Distribution Date, of the Common Shares), may, in his own behalf and for his own benefit, enforce, and may institute and maintain any suit, action or proceeding against the Company to enforce, or otherwise act in respect of, his right to exercise the Rights evidenced by such Right Certificate in the manner provided in such Right Certificate and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and will be entitled to specific performance of the obligations hereunder,



and injunctive relief against actual or threatened violations of the obligations of any Person subject to, this Agreement.

Section 16. Agreement of Right Holders. Every holder of a Right, by accepting the same, consents and agrees with the Company and the Rights Agent and with every other holder of a Right that:

(a) prior to the Distribution Date, the Rights will be transferable only in connection with the transfer of the Common Shares;

(b) after the Distribution Date, the Right Certificates will be transferable, subject to Section 7(e) hereof, only on the registry books of the Rights Agent if surrendered at the principal office of the Rights Agent, duly endorsed or accompanied by a proper instrument of transfer;

(c) the Company and the Rights Agent may deem and treat the person in whose name the Right Certificate (or, prior to the Distribution Date, the associated Common Shares certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on the Right Certificate or the associated Common Shares certificate made by anyone other than the Company or the Rights Agent) for all purposes whatsoever, and neither the Company nor the Rights Agent shall be affected by any notice to the contrary; and

(d) notwithstanding anything in this Agreement to the contrary, neither the Company nor the Rights Agent shall have any liability to any holder of a Right or other person as a result of its inability to perform any of its obligations under this Agreement by reason of any preliminary or permanent injunction or other order, decree or ruling issued by a court of competent jurisdiction or by a governmental, regulatory or administrative agency or commission or any statute, rule, regulation or executive order promulgated or enacted by any governmental authority, prohibiting or otherwise restraining performance of such obligations; provided, however, the Company must use reasonable efforts to have any such order, decree or ruling lifted or otherwise overturned as soon as reasonably practicable.

Section 17. Right Certificate Holder Not Deemed a Stockholder. No holder, as such, of any Right Certificate shall be entitled to vote or receive dividends or be deemed, for any purpose, the holder of the Preferred Shares or any other securities of the Company which may at any time be issuable on the exercise of the Rights represented thereby, nor shall anything contained herein or in any Right Certificate be construed to confer upon the holder of any Right Certificate, as such, any of the rights of a stockholder of the Company, including, without limitation, any right to vote for the election of directors or upon any other matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders (except as provided in Section 25 hereof), or to receive dividends or other distributions or subscription rights, or otherwise, until the Right or Rights evidenced by such Right Certificate shall have been exercised in accordance with the provisions hereof.

Section 18. Concerning the Rights Agent.

(a) The Company agrees to pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and other disbursements incurred in the administration, preparation, delivery, amendment and execution of this Agreement and the exercise and performance of its duties hereunder.

(b) The Rights Agent shall be authorized and protected and shall incur no liability for, or in respect of any action taken, suffered or omitted by it in connection with, its administration of this Agreement in reliance upon any Right Certificate or certificate for the Preferred Shares or Common Shares or for other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement, or other paper or document believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper person or persons, or otherwise upon the advice of counsel as set forth in Section 20 hereof.

Section 19. Merger or Consolidation or Change of Name of Rights Agent.

(a) Any Person into which the Rights Agent or any successor Rights Agent may be merged or with which it may be consolidated, or any Person resulting from any merger or consolidation to which the Rights Agent or any successor Rights Agent shall be a party, or any corporation succeeding to the shareholder services business of the Rights Agent or any successor Rights Agent, shall be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto; provided, that such Person would be eligible for appointment as a successor Rights Agent under the provisions of Section 21 hereof. In case, at the time such successor Rights Agent shall succeed to the agency created by this Agreement, any of the Right Certificates shall have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Right Certificates so countersigned; and in case at that time any of the Right Certificates shall not have been countersigned, any successor Rights Agent may countersign such Right Certificates either in the name of the predecessor Rights Agent or in the name of the successor Rights Agent; and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

(b) In case at any time the name of the Rights Agent shall be changed and at such time any of the Right Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Right Certificates so countersigned; and in case at that time any of the Right Certificates shall not have been countersigned, the Rights Agent may countersign such Right Certificates either in its prior name or in its changed name; and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

Section 20. Duties of Rights Agent. The Rights Agent undertakes only the duties and obligations expressly imposed by this Agreement upon the following terms and conditions, by all of which the Company and the holders of Right Certificates (or, prior to the Distribution Date, of the Common Shares), by their acceptance thereof, shall be bound:

(a) The Rights Agent may consult with legal counsel (who may be legal counsel for the Company), and the advice or opinion of such counsel shall be full and complete authorization and protection to the Rights Agent as to any action taken, suffered or omitted by it in good faith and in accordance with such advice or opinion.

(b) Whenever in the performance of its duties under this Agreement the Rights Agent shall deem it necessary or desirable that any fact or matter (including without limitation, the identity of any Acquiring Person and the determination of the current per share market price) be proved or established by the Company prior to taking, suffering or omitting any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by any one of the Chairman of the Board, the Chief Executive Officer, the President, any Vice President, the Treasurer or the Secretary of the Company and delivered to the Rights Agent; and such certificate shall be full authorization and protection to the Rights Agent and the Rights Agent shall incur no liability for or in respect of any action taken, suffered or omitted in good faith by it under the provisions of this Agreement in reliance upon such certificate.

(c) The Rights Agent shall be liable hereunder to the Company and any other Person only for its own gross negligence, bad faith or willful misconduct as determined by a court of competent jurisdiction.

(d) The Rights Agent shall not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the Right Certificates (except its countersignature thereof) or be required to verify the same, but all such statements and recitals are and shall be deemed to have been made by the Company only.

(e) The Rights Agent shall not be under any liability or responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due execution hereof by the Rights Agent) or in respect of the validity or execution of any Right Certificate (except its countersignature thereof); nor shall it be liable or responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Right Certificate; nor shall it be liable or responsible for any change in the exercisability of the Rights (including the Rights becoming null and void and nontransferable pursuant to Section 7(e) hereof) or any adjustment in the terms of the Rights (including the manner, method or amount thereof) provided for in Section 3, 11, 13, 23 or 24 hereof, or the ascertaining of the existence of facts that would require any such change or adjustment (except with respect to the exercise of Rights evidenced by Right Certificates after actual notice that such change or adjustment is required); nor shall it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any Preferred Shares or Common Shares to be issued pursuant to this Agreement or any Right Certificate or as to whether any Preferred Shares or Common Shares will, when so issued, be validly authorized and issued, fully paid and nonassessable.

(f) The Company agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.

(g) The Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from any one of the Chairman of the Board, the Chief Executive Officer, the President, any Vice President, the Secretary or the Treasurer of the Company, and to apply to such officers for advice or instructions in connection with its duties, and it shall not be liable for any action taken, suffered or omitted by it in good faith in accordance with instructions of any such officer or for any delay in acting while waiting for those instructions. Any application by the Rights Agent for written instructions from the Company may, at the option of the Rights Agent, set forth in writing any action proposed to be taken, suffered or omitted by the Rights Agent under this Agreement and the date on and/or after which such action shall be taken or suffered or such omission shall be effective. The Rights Agent shall not be liable for any action taken or suffered by, or omission of, the Rights Agent in accordance with a proposal included in any such application on or after the date specified in such application (which date shall not be less than five Business Days after the date any officer of the Company actually receives such application unless any such officer shall have consented in writing to an earlier date) unless, prior to taking any such action (or the effective date in the case of an omission), the Rights Agent shall have received written instructions in response to such application specifying the action to be taken, suffered or omitted.

(h) The Rights Agent and any stockholder, director, affiliate, officer or employee of the Rights Agent may buy, sell or deal in any of the Rights or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Rights Agent under this Agreement. Nothing in this Agreement shall preclude the Rights Agent from acting in any other capacity for the Company or for any other Person.

(i) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent shall not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Company resulting from any such act, default, neglect or misconduct absent gross negligence, bad faith or willful misconduct (as determined by a court of competent jurisdiction) in the selection and continued employment thereof.

(j) The Company agrees to indemnify the Rights Agent for, and to hold the Rights Agent harmless against any loss, liability, damage, judgment, fine, penalty, claim, demand, settlement, cost or expense, incurred without gross negligence, bad faith or willful misconduct on the part of the Rights Agent, for any action taken, suffered or omitted by the Rights Agent in connection with the acceptance and administration of this Agreement, including without limitation the costs and expenses of defending against any claim of liability arising therefrom, directly or indirectly. The Company shall be entitled to participate at its own expense in the defense of any action, proceeding, suit or claim brought against the Rights Agent, and, if the Company so elects, the Company shall assume the defense of any such action, proceeding, suit or claim. In the event that the Company assumes such defense, the Company shall not thereafter be liable for the fees and expenses of any additional counsel retained by the Rights Agent unless there exists a conflict of interest between the Company and the Rights Agent which could impair such joint representation and so long as the Company shall retain counsel satisfactory to the Rights Agent, in the exercise of its reasonable judgment, to defend such action, proceeding, suit or claim. The Rights Agent agrees not to settle any litigation in connection with any action, proceeding, suit or claim with respect to which it may seek indemnification from the Company

without the prior written consent of the Company so long as such consent is not unreasonably withheld. The indemnity provided herein shall survive the termination of this Agreement and the termination and the expiration of the Rights. The costs and expenses incurred in enforcing this right of indemnification shall be paid by the Company. Anything contrary notwithstanding, in no event shall the Rights Agent be liable for special, punitive, indirect, consequential or incidental loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Rights Agent has been advised of the likelihood of such loss or damage. Any liability of the Rights Agent under this Rights Agreement will be limited to the amount of fees paid by the Company to the Rights Agent.

(k) No provision of this Agreement shall require the Rights Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of its rights if it believes that repayment of such funds or adequate indemnification against such risk or liability is not reasonably assured to it.

(l) If, with respect to any Rights Certificate surrendered to the Rights Agent for exercise or transfer, the certificate contained in the form of assignment or the form of election to purchase set forth on the reverse side thereof, as the case may be, has not been completed to certify the holder is not an Acquiring Person (or an Affiliate or Associate thereof), the Rights Agent shall not take any further action with respect to such requested exercise or transfer without first consulting with the Company.

Section 21. Change of Rights Agent. The Rights Agent or any successor Rights Agent may resign and be discharged from its duties under this Agreement upon 30 days' notice in writing mailed to the Company and to each transfer agent of the Common Shares or Preferred Shares by registered or certified mail, and to the holders of the Right Certificates (or, prior to the Distribution Date, of the Common Shares) by first-class mail. The Company may remove the Rights Agent or any successor Rights Agent upon 30 days' notice in writing, mailed to the Rights Agent or successor Rights Agent, as the case may be, and to each transfer agent of the Common Shares or Preferred Shares by registered or certified mail, and to the holders of the Right Certificates (or, prior to the Distribution Date, of the Common Shares) by first-class mail. If the Rights Agent shall resign or be removed or shall otherwise become incapable of acting, the Company shall appoint a successor to the Rights Agent. If the Company shall fail to make such appointment within a period of 30 days after giving notice of such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of a Right Certificate (or, prior to the Distribution Date, of the Common Shares) (who shall, with such notice, submit his Right Certificate or, prior to the Distribution Date, the certificate representing his Common Shares, for inspection by the Company), then the registered holder of any Right Certificate (or, prior to the Distribution Date, of the Common Shares) or the Rights Agent may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Company or by such a court, shall be a Person organized and doing business under the laws of the United States or of the State of New York or of any other state of the United States, in good standing, which is authorized to do business under such laws and is subject to supervision or examination by federal or state authority and which has at the time of its appointment as Rights Agent a combined capital and surplus of at least \$50 million. After appointment, the successor Rights Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent shall deliver and transfer to the successor Rights

Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment, the Company shall file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Common Shares or Preferred Shares, and mail a notice thereof in writing to the registered holder of the Right Certificates (or, prior to the Distribution Date, of the Common Shares). Failure to give any notice provided for in this Section 21, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

Section 22. Issuance of New Right Certificates and Additional Rights. Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, the Company may, at its option, issue new Right Certificates evidencing Rights in such form as may be approved by its Board of Directors of the Company to reflect any adjustment or change made in accordance with the provisions of this Agreement. In addition, in connection with the issuance or sale of Common Shares following the Distribution Date and prior to the earlier of the Redemption Date and the Final Expiration Date, the Company (i) shall, with respect to Common Shares so issued or sold pursuant to the exercise of stock options or under any employee plan or arrangement, or upon the exercise, conversion or exchange of securities, notes or debentures issued by the Company, and (ii) may, in any other case, if deemed necessary or appropriate by the Board of Directors of the Company, issue Right Certificates representing the appropriate number of Rights in connection with such issuance or sale; provided, however, that no such Right Certificate shall be issued if, and to the extent that, the Company shall be advised by counsel that such issuance would create a significant risk of material adverse tax consequences to the Company or the Person to whom such Right Certificate would be issued, and no such Right Certificate shall be issued if, and to the extent that, appropriate adjustment shall otherwise have been made in lieu of the issuance thereof.

#### Section 23. Redemption.

(a) A majority of the Board of Directors of the Company may, at its option, at any time prior to the earlier of (i) the close of business on the tenth day following the Shares Acquisition Date (or, if the Shares Acquisition Date shall have occurred prior to the Record Date, the close of business on the tenth day following the Record Date) and (ii) the Final Expiration Date, redeem all but not less than all the then outstanding Rights at a redemption price of \$.01 per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such redemption price being hereinafter referred to as the "Redemption Price"). The redemption of the Rights by the Board of Directors of the Company may be made effective at such time, on such basis and with such conditions as the Board of Directors of the Company in its sole discretion may establish. Notwithstanding anything contained in this Agreement to the contrary, the Rights shall not be exercisable pursuant to Section 11(a)(ii) prior to the expiration of the Company's right of redemption hereunder.

(b) Immediately upon the action of the Board of Directors of the Company ordering the redemption of the Rights pursuant to paragraph (a) of this Section 23, and without any further action and without any notice, the right to exercise the Rights will terminate and the only right thereafter of the holders of Rights shall be to receive the Redemption Price. Within 10 Business Days after the action of the Board of Directors of the Company ordering the redemption of the Rights, the Company

shall give notice of such redemption to the Rights Agent and the holders of the then outstanding Rights by mailing such notice to all such holders at their last addresses as they appear upon the registry books of the Rights Agent or, prior to the Distribution Date, on the registry books of the transfer agent for the Common Shares. Each such notice of redemption will state the method by which payment of the Redemption Price will be made. The notice, if mailed in the manner herein provided, shall be conclusively presumed to have been duly given, whether or not the holder of Rights receives such notice. In any case, failure to give such notice by mail, or any defect in the notice, to any particular holder of Rights shall not affect the sufficiency of notice to other holders of Rights. Neither the Company nor any of its Affiliates or Associates may redeem, acquire or purchase for value any Rights at any time in any manner other than that specifically set forth in this Section 23 or in Section 24 hereof, and other than in connection with the purchase of Common Shares prior to the Distribution Date.

#### Section 24. Exchange.

(a) The Board of Directors of the Company may, at its option, at any time after any Person becomes an Acquiring Person, mandatorily exchange all or part of the then outstanding and exercisable Rights (which shall not include Rights that shall have become null and void and nontransferable pursuant to the provisions of Section 7(e) hereof) for Common Shares at an exchange ratio of one Common Share per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such exchange ratio being hereinafter referred to as the "Exchange Ratio"). Notwithstanding the foregoing, the Board of Directors of the Company shall not be empowered to effect such exchange at any time after any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any such Subsidiary, or any entity holding Common Shares of the Company for or pursuant to the terms of any such plan), together with all Affiliates and Associates of such Person, becomes the Beneficial Owner of 50 percent or more of the Common Shares then outstanding.

(b) Immediately upon the action of the Board of Directors of the Company ordering the exchange of any Rights pursuant to paragraph (a) of this Section 24, and without any further action and without any notice, the right to exercise such Rights shall terminate and the only right thereafter of a holder of such Rights shall be to receive that number of Common Shares equal to the number of such Rights held by such holder multiplied times the Exchange Ratio. The Company shall promptly give public notice of any such exchange with prompt notice thereof to the Rights Agent; provided, however, that the failure to give, or any defect in, such notice shall not affect the validity of such exchange. The Company promptly shall mail a notice of any such exchange to all the holders of such Rights at their last addresses as they appear upon the registry books of the Rights Agent. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of exchange will state the method by which the exchange of the Common Shares for Rights will be effected and, in the event of any partial exchange, the number of Rights which will be exchanged. Any partial exchange shall be effected pro rata based on the number of Rights (other than Rights which have become null and void and nontransferable pursuant to the provisions of Section 7(e) hereof) held by each holder of Rights.

(c) In any exchange pursuant to this Section 24, the Company, at its option, may substitute Preferred Shares (or equivalent preferred shares) for Common Shares exchangeable for Rights, at the

initial rate of one one-hundredth of a Preferred Share (or equivalent preferred share) for each Common Share, as appropriately adjusted to reflect adjustments in the voting rights of the Preferred Shares pursuant to the terms thereof, so that the fraction of a Preferred Share delivered in lieu of each Common Share shall have the same voting rights as one Common Share.

(d) In the event that the number of Common Shares or Preferred Shares which are authorized but unissued are not sufficient to permit any exchange of Rights as contemplated in accordance with this Section 24, the Company may, at its option, take all such action as may be necessary to authorize additional Common Shares or Preferred Shares.

(e) The Company may, but shall not be required to, issue fractions of Common Shares upon exchange of Rights pursuant to this Section 24 or distribute certificates which evidence fractional Common Shares. In lieu of such fractional Common Shares, the Company may pay to the registered holders of the Right Certificates with regard to which such fractional Common Shares would otherwise be issuable an amount in cash equal to the same fraction of the current market value of a whole Common Share for the Trading Day immediately prior to the date of exchange pursuant to this Section 24. For purposes of this paragraph (e), the current market value of a whole Common Share shall be the closing price of a Common Share (as determined pursuant to the second sentence of Section 11(d)(i) hereof).

#### Section 25. Notice of Certain Events.

(a) In case the Company shall propose (i) to pay any dividend payable in capital stock of any class to the holders of its Preferred Shares or to make any other distribution to the holders of its Preferred Shares (other than a regular quarterly cash dividend), (ii) to offer to the holders of its Preferred Shares rights or warrants to subscribe for or to purchase any additional Preferred Shares or shares of capital stock of any class or any other securities, rights or options, (iii) to effect any reclassification of its Preferred Shares (other than a reclassification involving only the subdivision of outstanding Preferred Shares), (iv) to effect any consolidation or merger into or with, or to effect any sale or other transfer (or to permit one or more of its Subsidiaries to effect any sale or other transfer), in one or more transactions, of 50 percent or more of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to, any other Person, (v) to effect the liquidation, dissolution or winding up of the Company, or (vi) to declare or pay any dividend on the Common Shares payable in Common Shares or to effect a subdivision, combination or consolidation of the Common Shares (by reclassification or otherwise than by payment of dividends in Common Shares), then, in each such case, the Company shall give to each holder of a Right Certificate (or, prior to the Distribution Date, of the Common Shares) and the Rights Agent, in accordance with Section 26 hereof, a notice of such proposed action, which shall specify the record date for the purposes of such stock dividend or distribution of rights or warrants, or the date on which such reclassification, consolidation, merger, sale, transfer, liquidation, dissolution, or winding up is to take place and the date of participation therein by the holders of the Common Shares and/or Preferred Shares, if any such date is to be fixed, and such notice shall be so given in the case of any action covered by clause (i) or (ii) above at least 10 days prior to the record date for determining holders of the Preferred Shares for purposes of such action, and in the case of any such other action, at least 10 days prior to the date of the taking of such proposed action or the date of participation therein by the holders of the Common Shares and/or Preferred Shares, whichever shall be the earlier.



(b) In case a Flip-In Event shall occur, then the Company shall as soon as practicable thereafter give to each holder of a Right Certificate (or, prior to the Distribution Date, of Common Shares) and the Rights Agent, in accordance with Section 26 hereof, a notice of the occurrence of such event, which notice shall describe such event and the consequences of such event to holders of Rights under Section 11(a)(ii) hereof.

Section 26. Notices. Notices or demands authorized by this Agreement to be given or made by the Rights Agent or by the holder of any Right Certificate to or on the Company shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Rights Agent) as follows:

Dawson Geophysical Company  
508 West Wall, Ste 800  
Midland, TX 79701-5010  
Attention: L. Decker Dawson, President

Subject to the provisions of Section 21 hereof, any notice or demand authorized by this Agreement to be given or made by the Company or by the holder of any Right Certificate to or on the Rights Agent shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Company) as follows:

ChaseMellon Shareholder Services, L.L.C.  
2323 Bryan Street, Suite 2300  
Dallas, TX 75201  
Attention: David M. Cary

Notices or demands authorized by this Agreement to be given or made by the Company or the Rights Agent to the holder of any Right Certificate shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed to such holder at the address of such holder as shown on the registry books of the Company.

Section 27. Supplements and Amendments. At any time prior to the Distribution Date and subject to the last sentence of this Section 27, the Company may by action of its Board of Directors, and the Rights Agent shall if the Company so directs, supplement or amend any provision of this Agreement (including, without limitation, the date upon which the Distribution Date shall occur, the time during which the Rights may be redeemed pursuant to Section 23 or any provision of the Statement of Resolutions) in any manner without the approval of any holder of the Rights. From and after the Distribution Date and subject to applicable law, the Company may by action of its Board of Directors, and the Rights Agent shall if the Company so directs, from time to time supplement or amend this Agreement without the approval of any holders of Right Certificates in order (i) to cure any ambiguity or to correct or supplement any provision contained in this Agreement which may be defective or inconsistent with any other provision of this Agreement or (ii) to make any other provisions in regard to matters or questions arising hereunder which the Company may deem necessary or desirable and which shall not adversely affect the interests of the holders of the Rights or Right Certificates (other than an Acquiring Person or any Affiliate or Associate of an Acquiring Person). Any supplement or amendment adopted during any period after any Person has become an Acquiring

Person but prior to the Distribution Date shall be null and void unless such supplement or amendment could have been adopted under the preceding sentence from and after the Distribution Date. Without limiting the foregoing, the Company may at any time prior to the Distribution Date amend this Agreement to lower the thresholds set forth in the definition of Acquiring Person in Section 1 hereof and in Section 3(b) hereof to not less than the greater of (i) the sum of 0.001 percent and the largest percentage of the outstanding Common Shares then known by the Company to be beneficially owned by any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company, or any entity holding Common Shares of the Company for or pursuant to the terms of any such plan) and (ii) 10 percent. Upon the delivery of a certificate from an appropriate officer of the Company which states that the proposed supplement or amendment is in compliance with the terms of this Section 27, the Rights Agent shall execute such supplement or amendment; provided, however, that the Rights Agent may, but shall not be obligated to, enter into any such supplement or amendment which affects its own rights, duties, obligations, liabilities or immunities under this Agreement. Prior to the Distribution Date, the interests of the holders of Rights shall be deemed coincident with the interests of the holders of the Common Shares of the Company. In addition, notwithstanding anything to the contrary contained in this Agreement, no supplement or amendment to this Agreement shall be made which (i) reduces the Redemption Price (except as required hereunder by appropriate adjustment to reflect any stock split, stock dividend or similar transaction occurring after the date of this Agreement) or (ii) provides for an earlier Final Expiration Date.

Section 28. Successors. All the covenants and provisions of this Agreement by or for the benefit of the Company or the Rights Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

Section 29. Benefits of this Agreement. Nothing in this Agreement shall be construed to give to any Person other than the Company, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, of the Common Shares) any legal or equitable right, remedy or claim under this Agreement; but this Agreement shall be for the sole and exclusive benefit of the Company, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, of the Common Shares).

Section 30. Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

Section 31. GOVERNING LAW. THIS AGREEMENT AND EACH RIGHT CERTIFICATE ISSUED HEREUNDER SHALL BE DEEMED TO BE A CONTRACT MADE UNDER LAWS OF THE STATE OF TEXAS AND FOR ALL PURPOSES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF SUCH STATE APPLICABLE TO CONTRACTS TO BE MADE AND PERFORMED ENTIRELY WITHIN SUCH STATE; PROVIDED, HOWEVER, THAT ALL PROVISIONS REGARDING THE RIGHTS, DUTIES AND OBLIGATIONS OF THE RIGHTS AGENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE

STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE.

Section 32. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

Section 33. Descriptive Headings. Descriptive headings of the several Sections of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and attested, all as of the day and year first above written.

DAWSON GEOPHYSICAL COMPANY

Attest:

By: /s/ CHRISTINA W. HAGAN  
-----  
Name: Christina W. Hagan  
-----  
Title: Chief Financial Officer  
-----

By: /s/ L. DECKER DAUSON  
-----  
Name: L. Decker Dauson  
-----  
Title: President  
-----

CHASEMELLON SHAREHOLDER SERVICES, L.L.C., as Rights Agent

Attest:

By: /s/ BARBARA J. ROBBINS  
-----  
Name: Barbara J. Robbins  
-----  
Title: Vice President  
-----

By: /s/ DAVID M. CARY  
-----  
Name: David M. Cary  
-----  
Title: Assistant Vice President  
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STATEMENT OF RESOLUTION  
ESTABLISHING A SERIES OF SHARES

OF

SERIES A JUNIOR PARTICIPATING PREFERRED STOCK

OF

DAWSON GEOPHYSICAL COMPANY

To the Secretary of State  
of the State of Texas

Pursuant to Article 2.13 of the Texas Business Corporation Act ("TBCA"), and pursuant to Article Four of its Restated Articles of Incorporation, as amended (the "Articles of Incorporation"), the undersigned, Dawson Geophysical Company, a corporation organized and existing under the TBCA (the "Corporation"), hereby submits the following statement for the purpose of establishing and designating a series of shares and fixing and determining the relative rights and preferences thereof:

1. The name of the corporation is Dawson Geophysical Company.
2. The following resolution establishing and designating a series of shares and fixing and determining the relative rights and preferences thereof was duly adopted by the Board of Directors of the Corporation as of July 13, 1999:

RESOLVED, that, pursuant to the authority vested in the Board of Directors of the Corporation in accordance with the provisions of the Articles of Incorporation, a series of Preferred Stock, par value \$1.00 per share, of the Corporation is hereby established and created, and that the designation and number of shares thereof and the voting and other powers, preferences and relative, participating, optional and other special rights of the shares of such series, and the qualifications, limitations and restrictions thereof, are as follows:

## SERIES A JUNIOR PARTICIPATING PREFERRED STOCK

Section 1. Designation and Amount. The shares of such series shall be designated as "Series A Junior Participating Preferred Stock" (the "Series A Preferred Stock"). The number of shares initially constituting the Series A Preferred Stock shall be 100,000; provided, however, that if more than a total of 100,000 shares of Series A Preferred Stock shall be issuable upon the exercise of Rights (the "Rights") issued pursuant to the Rights Agreement dated as of July 13, 1999 between the Corporation and ChaseMellon Shareholder Services, L.L.C., as Rights Agent (the "Rights Agreement"), the Board of Directors of the Corporation shall direct by resolution or resolutions that a certificate be properly executed, acknowledged, filed and recorded providing for the total number of shares of Series A Preferred Stock authorized to be issued to be increased (to the extent that the Articles of Incorporation then permits) to the largest number of whole shares (rounded up to the nearest whole share) issuable upon exercise of such Rights.

### Section 2. Dividends and Distributions.

(a) Subject to the prior and superior rights of the holders of shares of any other series of Preferred Stock or other class of stock of the Corporation ranking prior and superior to the Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors, out of the assets of the Corporation legally available therefor, (i) quarterly dividends payable in cash on the last day of each fiscal quarter in each year, or such other dates as the Board of Directors of the Corporation shall approve (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or a fraction of a share of Series A Preferred Stock, in the amount of \$.01 per whole share (rounded to the nearest cent) less the amount of all cash dividends declared on the Series A Preferred Stock pursuant to the following clause (ii) since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock (the total of which shall not, in any event, be less than zero) and (ii) dividends payable in cash on the payment date for each cash dividend declared on the Common Stock in an amount per whole share (rounded to the nearest cent) equal to the Formula Number (as hereinafter defined) then in effect multiplied times the cash dividends then to be paid on each share of Common Stock. In addition, if the Corporation shall pay any dividend or make any distribution on the Common Stock payable in assets, securities or other forms of noncash consideration (other than dividends or distributions solely in shares of Common Stock), then, in each such case, the Corporation shall simultaneously pay or make on each outstanding whole share of Series A Preferred Stock a dividend or distribution in like kind equal to the Formula Number then in effect multiplied times such dividend or distribution on each share of the Common Stock. As used herein, the "Formula Number" shall be 100; provided, however, that, if at any time after July 23, 1999, the Corporation shall (x) declare or pay any dividend on the Common Stock payable in shares of Common Stock or make any distribution on the Common Stock in shares of Common Stock, (y) subdivide (by a stock split or otherwise) the outstanding shares of Common Stock into a larger number of shares of Common Stock or (z) combine (by a reverse stock split or otherwise) the outstanding shares of Common Stock into a smaller number of shares of Common Stock, then in each

such event the Formula Number shall be adjusted to a number determined by multiplying the Formula Number in effect immediately prior to such event by a fraction, the numerator of which is the number of shares of Common Stock that are outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that are outstanding immediately prior to such event (and rounding the result to the nearest whole number); and provided further, that, if at any time after July 23, 1999, the Corporation shall issue any shares of its stock in a merger, reclassification, or change of the outstanding shares of Common Stock, then in each such event the Formula Number shall be appropriately adjusted to reflect such merger, reclassification or change so that each share of Series A Preferred Stock continues to be the economic equivalent of a Formula Number of shares of Common Stock prior to such merger, reclassification or change.

(b) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (a) of this Section immediately prior to or at the same time it declares a dividend or distribution on the Common Stock (other than a dividend or distribution solely in shares of Common Stock); provided, however, that, in the event no dividend or distribution (other than a dividend or distribution solely in shares of Common Stock) shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$.01 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

(c) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from and after the Quarterly Dividend Payment Date next preceding the date of original issue of such shares of Series A Preferred Stock; provided, however, that dividends on such shares which are originally issued after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and on or prior to the next succeeding Quarterly Dividend Payment Date shall begin to accrue and be cumulative from and after such Quarterly Dividend Payment Date. Notwithstanding the foregoing, dividends on shares of Series A Preferred Stock which are originally issued prior to the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend on the first Quarterly Dividend Payment Date shall be calculated as if cumulative from and after the last day of the fiscal quarter next preceding the date of original issuance of such shares. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding.

(d) So long as any shares of the Series A Preferred Stock are outstanding, no dividends or other distributions shall be declared, paid or distributed, or set aside for payment or distribution, on the Common Stock unless, in each case, the dividend required by this Section 2 to be declared on the Series A Preferred Stock shall have been declared.

(e) The holders of the shares of Series A Preferred Stock shall not be entitled to receive any dividends or other distributions except as provided herein.

Section 3. Voting Rights. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(a) Each holder of Series A Preferred Stock shall be entitled to a number of votes equal to the Formula Number then in effect, for each share of Series A Preferred Stock held of record on each matter on which holders of the Common Stock or shareholders generally are entitled to vote, multiplied times the maximum number of votes per share which any holder of the Common Stock or shareholders generally then have with respect to such matter (assuming any holding period or other requirement to vote a greater number of shares is satisfied).

(b) Except as otherwise provided herein or by applicable law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock shall vote together as one class for the election of directors of the Corporation and on all other matters submitted to a vote of shareholders of the Corporation.

(c) If, at the time of any annual meeting of shareholders for the election of directors, the equivalent of six quarterly dividends (whether or not consecutive) payable on any share or shares of Series A Preferred Stock are in default, the number of directors constituting the Board of Directors of the Corporation shall be increased by two. In addition to voting together with the holders of Common Stock for the election of other directors of the Corporation, the holders of record of the Series A Preferred Stock, voting separately as a class to the exclusion of the holders of Common Stock, shall be entitled at said meeting of shareholders (and at any subsequent annual meeting of shareholders), unless all dividends in arrears have been paid or declared and set apart for payment prior thereto, to vote for the election of two directors of the Corporation, the holders of any Series A Preferred Stock being entitled to cast a number of votes per share of Series A Preferred Stock equal to the Formula Number. Until the default in payments of all dividends which permitted the election of said directors shall cease to exist, any director who shall have been so elected pursuant to the next preceding sentence may be removed at any time, either with or without cause, only by the affirmative vote of the holders of the shares of Series A Preferred Stock at the time entitled to cast a majority of the votes entitled to be cast for the election of any such director at a special meeting of such holders called for that purpose, and any vacancy thereby created may be filled by the vote of such holders. If and when such default shall cease to exist, the holders of the Series A Preferred Stock shall be divested of the foregoing special voting rights, subject to reversion in the event of each and every subsequent like default in payments of dividends. Upon the termination of the foregoing special voting rights, the terms of office of all persons who have been elected directors pursuant to said special voting rights shall forthwith terminate, and the number of directors constituting the Board of Directors shall be reduced by two. The voting rights granted by this Section 3(c) shall be in addition to any other voting rights granted to the holders of the Series A Preferred Stock in this Section 3.



(d) Except as provided in this Section 3, in Section 11 or by applicable law, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for authorizing or taking any corporate action.

Section 4. Certain Restrictions.

(a) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock; provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Preferred Stock; or

(iv) purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of stock ranking on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(b) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (a) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled upon

the acquisition thereof in accordance with the TBCA. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock, without designation as to series, and may thereafter be issued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein, in the Certificate of Incorporation, or in any other Certificate of Designations creating a series of Preferred Stock or any similar stock of the Corporation or as otherwise required by law.

Section 6. Liquidation, Dissolution or Winding Up. Upon the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, no distribution shall be made (i) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, plus an amount equal to the greater of (x) \$1.00 per whole share and (y) an aggregate amount per share equal to the Formula Number then in effect multiplied times the aggregate amount to be distributed per share to holders of Common Stock, or (ii) to the holders of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except distributions made ratably on the Series A Preferred Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash or any other property, or any combination thereof, then in any such case the then outstanding shares of Series A Preferred Stock shall at the same time be similarly exchanged for or changed into an amount per share equal to the Formula Number then in effect multiplied times the aggregate amount of stock, securities, cash or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is exchanged or changed. In the event both this Section 7 and Section 2 appear to apply to a transaction, this Section 7 shall control.

Section 8. No Redemption; No Sinking Fund.

(a) The shares of Series A Preferred Stock shall not be subject to redemption by the Corporation; provided, however, that the Corporation may purchase or otherwise acquire outstanding shares of Series A Preferred Stock in the open market or by offer to any holder or holders of shares of Series A Preferred Stock.

(b) The shares of Series A Preferred Stock shall not be subject to or entitled to the operation of a retirement or sinking fund.

Section 9. Ranking. The Series A Preferred Stock shall rank, with respect to the payment of dividends and as to distributions of assets upon liquidation, dissolution or winding up of the Corporation, junior to all other series of Preferred Stock of the Corporation, unless the Board of Directors shall specifically determine otherwise in fixing the powers, preferences and relative,

participating, optional and other special rights of the shares of any such other series and the qualifications, limitations and restrictions thereof.

Section 10. Fractional Shares. The Series A Preferred Stock shall be issuable upon exercise of the Rights issued pursuant to the Rights Agreement in whole shares or in any fraction of a share that is one one-hundredth of a share or any integral multiple of such fraction which shall entitle the holder, in proportion to such holder's fractional shares, to receive dividends, exercise voting rights, participate in distributions and to have the benefit of all other rights of holders of Series A Preferred Stock. In lieu of fractional shares, the Corporation, prior to the first issuance of a share or a fraction of a share of Series A Preferred Stock, may elect (i) to make a cash payment as provided in the Rights Agreement for fractions of a share other than one one-hundredth of a share or any integral multiple thereof or (ii) to issue depository receipts evidencing such authorized fraction of a share of Series A Preferred Stock pursuant to an appropriate agreement between the Corporation and a depository selected by the Corporation; provided that such agreement shall provide that the holders of such depository receipts shall have all the rights, privileges and preferences to which they are entitled as holders of the Series A Preferred Stock.

Section 11. Amendment. None of the powers, preferences or relative, participating, optional or other special rights of the Series A Preferred Stock as provided herein or in the Articles of Incorporation shall be amended in any manner that would alter or change the powers, preferences, rights or privileges of the holders of Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least 66-2/3 percent of the outstanding shares of Series A Preferred Stock, voting as a separate class.

IN WITNESS WHEREOF, the Corporation has caused this Statement of Resolution to be duly executed in its corporate name on this \_\_\_ day of July, 1999.

DAWSON GEOPHYSICAL COMPANY

By

-----  
L. Decker Dawson, President

## [Form of Right Certificate]

Certificate No. R- \_\_\_\_\_ Rights

NOT EXERCISABLE AFTER JULY 23, 2009, OR EARLIER IF REDEEMED BY THE COMPANY. THE RIGHTS ARE SUBJECT TO REDEMPTION, AT THE OPTION OF THE COMPANY, AT \$.01 PER RIGHT ON THE TERMS SET FORTH IN THE RIGHTS AGREEMENT. RIGHTS BENEFICIALLY OWNED BY AN ACQUIRING PERSON OR AN AFFILIATE OR ASSOCIATE OF AN ACQUIRING PERSON (AS SUCH TERMS ARE DEFINED IN THE RIGHTS AGREEMENT) AND BY ANY SUBSEQUENT HOLDER OF SUCH RIGHTS ARE NULL AND VOID AND NONTRANSFERABLE.

## Right Certificate

DAWSON GEOPHYSICAL COMPANY

This certifies that \_\_\_\_\_, or registered assigns, is the registered owner of the number of Rights set forth above, each of which entitles the owner thereof, subject to the terms, provisions and conditions of the Rights Agreement, dated as of July \_\_, 1999 (the "Rights Agreement"), between Dawson Geophysical Company, a Texas corporation (the "Company"), and ChaseMellon Shareholder Services, L.L.C., a New Jersey limited liability company as Rights Agent (the "Rights Agent"), unless the Rights evidenced hereby have been previously redeemed by the Company, to purchase from the Company at any time after the Distribution Date (as defined in the Rights Agreement) and prior to 5:00 P.M., Dallas, Texas time, on July 23, 2009 (the "Final Expiration Date"), at the office or agency of the Rights Agent designated for such purpose, or its successors as Rights Agent, one one-hundredth of a fully paid, nonassessable share of Series A Junior Participating Preferred Stock, par value \$1.00 per share, of the Company (the "Preferred Shares"), at a purchase price per one one-hundredth of a share equal to \$\_\_\_\_\_ (the "Purchase Price"), upon presentation and surrender of this Right Certificate with the Form of Election to Purchase duly executed.

The Purchase Price and the number and kind of shares that may be purchased upon exercise of each Right evidenced by this Right Certificate, as set forth above, are the Purchase Price and the number and kind of shares that may be purchased as of \_\_\_\_\_, 19\_\_\_\_. As provided in the Rights Agreement, the Purchase Price and the number and kind of shares that may be purchased upon the exercise of each Right evidenced by this Right Certificate are subject to modification and adjustment upon the happening of certain events.

This Right Certificate is subject to all the terms, provisions and conditions of the Rights Agreement, which terms, provisions and conditions are hereby incorporated herein by reference and made a part hereof and to which reference to the Rights Agreement is hereby made for a full

description of the rights, limitations of rights, obligations, duties and immunities hereunder of the Rights Agent, the Company and the holders of the Right Certificates. Copies of the Rights Agreement are on file at the above-mentioned office and agency of the Rights Agent and are also available from the Company upon request.

If the Rights evidenced by this Right Certificate are at any time beneficially owned by an Acquiring Person or an Associate or Affiliate of an Acquiring Person (as such terms are defined in the Rights Agreement), such Rights shall be null and void and nontransferable and the holder of any such Right (including any purported transferee or subsequent holder) shall not have any right to exercise or transfer any such Right.

This Right Certificate, with or without other Right Certificates, upon surrender at the office of the Rights Agent, may be exchanged for another Right Certificate or Right Certificates of like tenor and date evidencing Rights entitling the holder to purchase a like aggregate number and kind of shares as the Rights evidenced by the Right Certificate or Right Certificates surrendered shall have entitled such holder to purchase. If this Right Certificate shall be exercised in part, the holder shall be entitled to receive upon surrender hereof another Right Certificate or Right Certificates for the number of whole Rights not exercised.

Subject to the provisions of the Rights Agreement, the Rights evidenced by this Right Certificate may be redeemed by the Company at its option at a redemption price (in cash or shares of Common Stock or other securities of the Company deemed by the Board of Directors of the Company to be at least equivalent in value) of \$.01 per Right (which amount may be subject to adjustment as provided in the Rights Agreement) at any time prior to the earlier of (i) the close of business on the tenth day following the first date of public announcement by the Company or an Acquiring Person that an Acquiring Person has become such and (ii) the Final Expiration Date.

The Company may, but shall not be required to, issue fractions of a Preferred Share (other than one one-hundredth of a Preferred Share or any integral multiple thereof) or distribute certificates which evidence fractions of a Preferred Share upon the exercise of any Right or Rights evidenced hereby. In lieu of issuing fractional shares, the Company may elect to make a cash payment as provided in the Rights Agreement for fractions of a share other than one one-hundredth of a share or any integral multiple thereof or to issue certificates or utilize a depository arrangement as provided in the terms of the Rights Agreement and the Preferred Shares.

No holder of this Right Certificate, as such, shall be entitled to vote or receive dividends or be deemed, for any purpose, the holder of the Preferred Shares or any other securities of the Company which may at any time be issuable on the exercise hereof, nor shall anything contained in the Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the rights of a stockholder of the Company, including, without limitation, any right to vote for the election of directors or upon any other matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders (except as provided in the Rights Agreement), or to receive dividends or other distributions or subscription rights, or otherwise, until the Right or Rights evidenced by this Right

Certificate shall have been exercised as provided in accordance with the provisions of the Rights Agreement.

This Right Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officers of the Company and its corporate seal.

Dated as of:

[CORPORATE SEAL]

ATTEST: DAWSON GEOPHYSICAL COMPANY

By

-----  
Name: L. Decker Dawson, President  
Title:

Countersigned:

CHASEMELLON SHAREHOLDERS SERVICES, L.L.C., as Rights Agent

By  
-----  
Authorized Signature

[On Reverse Side of Right Certificate]

FORM OF ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer the Right Certificate.)

FOR VALUE RECEIVED \_\_\_\_\_ hereby sells, assigns and transfers unto \_\_\_\_\_  
(Please print name and address of transferee)

this Right Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint \_\_\_\_\_ Attorney-in-Fact, to transfer the within Right Certificate on the books of the within-named Company, with full power of substitution.

Dated: \_\_\_\_\_  
\_\_\_\_\_ Signature

Signature Guaranteed:

Signatures must be guaranteed by a participant in a Securities Transfer Association recognized signature program.

CERTIFICATION OF STATUS

The undersigned hereby certifies by checking the appropriate boxes that:

(1) this Right Certificate [ ] is [ ] is not being sold, assigned or transferred by or on behalf of a Person who is or was an Acquiring Person or an Affiliate or Associate thereof (as such terms are defined in the Rights Agreement); and

(2) after due inquiry and to the best knowledge of the undersigned, it [ ] did [ ] did not acquire the Rights evidenced by this Right Certificate from any person who is, was or subsequently became an Acquiring Person or an Affiliate or Associate thereof (as such terms are defined in the Rights Agreement).

\_\_\_\_\_  
Signature

Dated: \_\_\_\_\_

[On Reverse Side of Right Certificate -- continued]

FORM OF ELECTION TO PURCHASE

(To be executed by the registered holder if such holder desires to exercise the Rights represented by the Right Certificate.)

To: DAWSON GEOPHYSICAL COMPANY

The undersigned hereby irrevocably elects to exercise \_\_\_\_\_ Rights represented by this Right Certificate to purchase the Preferred Shares (or other shares) issuable upon the exercise of such Rights and requests that certificates for such shares be issued in the name of:

Please insert social security or other identifying number \_\_\_\_\_

\_\_\_\_\_  
(Please print name and address)

If such number of Rights shall not be all the Rights evidenced by this Right Certificate, a new Right Certificate for the balance remaining of such Rights shall be registered in the name of and delivered to:

Please insert social security or other identifying number \_\_\_\_\_

\_\_\_\_\_  
(Please print name and address)

Dated: \_\_\_\_\_

-----  
Signature



[On Reverse Side of Right Certificate -- continued]

Signature Guaranteed:

Signatures must be guaranteed by a participant in a Securities Transfer Association recognized signature program.

CERTIFICATION OF STATUS

The undersigned hereby certifies by checking the appropriate boxes that:

(1) this Right Certificate [ ] is [ ] is not being exercised by or on behalf of a Person who is or was an Acquiring Person or an Affiliate or Associate thereof (as such terms are defined in the Rights Agreement); and

(2) after due inquiry and to the best knowledge of the undersigned, it [ ] did [ ] did not acquire the Rights evidenced by this Right Certificate from any person who is, was or subsequently became an Acquiring Person or an Affiliate or Associate thereof (as such terms are defined in the Rights Agreement).

-----  
Signature

Dated: -----

NOTICE

The signature in the Form of Assignment or Form of Election to Purchase, as the case may be, must conform to the name as written upon the face of this Right Certificate in every particular, without alteration or enlargement or any change whatsoever.

In the event the Certification of Status set forth above in the Form of Assignment or the Form of Election to Purchase, as the case may be, is not completed, the Company and the Rights Agent will deem the beneficial owner of the Rights evidenced by this Right Certificate to be an Acquiring Person or an Affiliate or Associate thereof (as such terms are defined in the Rights Agreement) and such Assignment or Election to Purchase will not be honored.

SUMMARY OF RIGHTS TO PURCHASE  
PREFERRED SHARES

On July 13, 1999, the Board of Directors of Dawson Geophysical Company (the "Company") authorized and declared a dividend of one Right (a "Right") for each outstanding share of Common Stock, par value \$.331/3 per share ("Common Stock"), of the Company (the "Common Shares"). The dividend is payable on July 23, 1999 (the "Record Date") to the holders of record of the Common Shares at the close of business on that date. In addition, the Company has authorized the issuance of one Right with respect to each share of Common Stock that shall become outstanding between the Record Date and the earliest of the Distribution Date, the Redemption Date and the Final Expiration Date (as such terms are hereinafter defined). When exercisable each Right entitles the registered holder to purchase from the Company one one-hundredth of a share of Series A Junior Participating Preferred Stock, par value \$1.00 per share, of the Company (the "Preferred Shares"), at a price of \$50.00 per one one-hundredth of a Preferred Share (the "Purchase Price"), subject to adjustment. The description and terms of the Rights are set forth in a Rights Agreement (the "Rights Agreement") between the Company and ChaseMellon Shareholder Services, L.L.C., as Rights Agent (the "Rights Agent").

Until the earlier to occur of (i) ten (10) days following a public announcement that a person or group of affiliated or associated persons (an "Acquiring Person") has acquired beneficial ownership of 20 percent or more of the outstanding Common Shares and (ii) ten business days (or such later date as may be determined by action of the Board of Directors of the Company prior to such time as any person or group of affiliated or associated persons becomes an Acquiring Person) following the commencement of, or first public announcement of an intention to commence, a tender offer or exchange offer the consummation of which would result in the beneficial ownership by a person or group of affiliated or associated persons of 20 percent or more of the outstanding Common Shares (the earlier of such dates being herein referred to as the "Distribution Date"), the Rights will be evidenced, with respect to any of the Common Share certificates outstanding as of the Record Date, by such Common Share certificate with a copy of this Summary of Rights attached thereto.

The Rights Agreement provides that, until the Distribution Date (or earlier redemption or expiration of the Rights), the Rights will be transferred with and only with the Common Shares. Until the Distribution Date (or earlier redemption or expiration of the Rights), new Common Share certificates issued after the Record Date, upon transfer or new issuance of Common Shares, will contain a notation incorporating the Rights Agreement by reference. Until the Distribution Date (or earlier redemption or expiration of the Rights), the surrender for transfer of any certificates for Common Shares outstanding on or after the Record Date, even without such notation or a copy of this Summary of Rights being attached thereto, will also constitute the transfer of the Rights associated with the Common Shares represented by such certificate. As soon as practicable following the Distribution Date, separate certificates evidencing the Rights ("Right Certificates") will be mailed to holders of record of the Common Shares as of the close of business on the Distribution Date and such separate Right Certificates alone will evidence the Rights.

The Rights are not exercisable until the Distribution Date. The Rights will expire on July 23, 2009 (the "Final Expiration Date"), unless the Final Expiration Date is extended or unless the Rights are earlier redeemed or exchanged by the Company, in each case, as described below.

The Purchase Price payable, and the number of Preferred Shares or other securities or property issuable, upon exercise of the Rights are subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Preferred Shares, (ii) upon the grant to holders of the Preferred Shares of certain rights or warrants to subscribe for or purchase Preferred Shares at a price, or securities convertible into Preferred Shares with a conversion price, less than the then current market price of the Preferred Shares or (iii) upon the distribution to holders of the Preferred Shares of evidences of indebtedness or assets (excluding regular periodic cash dividends paid out of earnings or retained earnings or dividends payable in Preferred Shares) or of subscription rights or warrants (other than those referred to above).

The number of outstanding Rights and the number of one one-hundredths of a Preferred Share issuable upon exercise of each Right are also subject to adjustment in the event of a stock split of the Common Shares or a stock dividend on the Common Shares payable in Common Shares or subdivisions, consolidations or combinations of the Common Shares occurring, in any such case, prior to the Distribution Date.

Preferred Shares purchasable upon exercise of the Rights will not be subject to redemption by the Company. Each Preferred Share will be entitled to a minimum preferential quarterly dividend payment of \$.01 per share but will be entitled to an aggregate dividend of 100 multiplied times the dividend declared per Common Share. In the event of liquidation, the holder of the Preferred Shares will be entitled to a minimum preferential liquidation payment of \$1.00 per share but will be entitled to an aggregate payment of 100 multiplied times the payment made per Common Share. Each Preferred Share will have 100 votes, voting together with the Common Shares. Finally, in the event of any merger, consolidation or other transaction in which Common Shares are exchanged, each Preferred Share will be entitled to receive 100 multiplied times the amount received per Common Share. These rights are protected by customary antidilution provisions.

Because of the nature of the Preferred Shares' dividend, liquidation and voting rights, the value of the one one-hundredth interest in a Preferred Share purchasable upon exercise of each Right should approximate the value of one Common Share.

In the event that any person or group of affiliated or associated persons becomes an Acquiring Person, proper provision shall be made so that each holder of a Right, other than Rights beneficially owned by the Acquiring Person (which will thereafter be null and void and nontransferable), will thereafter have the right to receive upon exercise that number of Common Shares of the Company having a market value of two times the exercise price of the Right. In the event that the Company is acquired in a merger or other business combination transaction or 50 percent or more of its consolidated assets or earning power are sold after a person or group of affiliated or associated persons has become an Acquiring Person, proper provision will be made so that each holder of a Right will thereafter have the right to receive, upon the exercise thereof at the then current exercise

price of the Right, that number of shares of common stock of the acquiring company which at the time of such transaction will have a market value of two times the exercise price of the Right.

At any time after any person or group of affiliated or associated persons becomes an Acquiring Person and prior to the acquisition by such person or group of 50 percent or more of the outstanding Common Shares, the Board of Directors of the Company may exchange the Rights (other than Rights owned by such person or group which will have become null and void and nontransferable), in whole or in part, at an exchange ratio of one Common Share, or one one-hundredth of a Preferred Share (or of a share of a class or series of the Company's preferred stock having equivalent rights, preferences and privileges), per Right (subject to adjustment).

With certain exceptions, no adjustment in the Purchase Price will be required until cumulative adjustments require an adjustment of at least one percent in such Purchase Price. The Company may, but shall not be required to, issue fractions of a Preferred Share (other than one one-hundredth of a Preferred Share or any integral multiple thereof, which may, at the election of the Company, be evidenced by depositary receipts) and in lieu thereof, an adjustment in cash will be made based on the market price of the Preferred Shares on the last trading day prior to the date of exercise.

At any time prior to the close of business on the tenth day following a public announcement that an Acquiring Person has become such an Acquiring Person, the Board of Directors of the Company may redeem the Rights in whole, but not in part, at a price of \$.01 per Right (the "Redemption Price"). The redemption of the Rights may be made effective at such time, on such basis and with such conditions as the Board of Directors in its sole discretion may establish. The time at which the Rights are redeemed by the Company is herein referred to as the "Redemption Date." Immediately upon any redemption of the Rights, the right to exercise the Rights will terminate and the only right thereafter of the holders of Rights will be to receive the Redemption Price.

At any time prior to the Distribution Date and subject to the last sentence of this paragraph, the terms of the Rights may be amended by the Board of Directors of the Company without the consent of the holders of the Rights, including without limitation an amendment to lower certain thresholds described above to not less than the greater of (i) the sum of 0.001 percent and the largest percentage of the outstanding Common Shares then known by the Company to be beneficially owned by any person or group of affiliated or associated persons and (ii) ten percent. From and after the Distribution Date and subject to applicable law, the terms of the Rights may be amended by the Board of Directors of the Company without the consent of the holders of the Rights to, among other things, make any other provisions in regard to matters under the Rights Agreement that the Company may deem necessary or desirable and that shall not adversely affect the interests of the holders of the Rights (other than an Acquiring Person or an affiliate or associate of an Acquiring Person). The terms of the Rights may not be amended to (i) reduce the Redemption Price (except as required by antidilution provisions) or (ii) provide for an earlier Final Expiration Date.

Until a Right is exercised, the holder thereof, as such, will have no rights as a stockholder of the Company, including, without limitation, the right to vote or to receive dividends.

The Preferred Shares shall rank, with respect to the payment of dividends and as to distributions of assets upon liquidation, dissolution or winding up of the Company, junior to all other series of preferred stock of the Company, unless the Board of Directors of the Company shall specifically determine otherwise in fixing the powers, preferences and relative, participating, optional and other special rights of the shares of any such other series and the qualifications, limitations and restrictions thereof.

A copy of the Rights Agreement has been filed with the Securities and Exchange Commission as an Exhibit to a Registration Statement on Form 8-A dated July , 1999. A copy of the Rights Agreement is available free of charge from the Company. This summary description of the Rights does not purport to be complete and is qualified in its entirety by reference to the Rights Agreement, which is hereby incorporated herein by reference.

MASTER GEOPHYSICAL  
DATA ACQUISITION AGREEMENT

Between

-----  
("Company")

And

DAWSON GEOPHYSICAL COMPANY  
("Contractor")

Dated: \_\_\_\_\_

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MASTER GEOPHYSICAL  
DATA ACQUISITION AGREEMENT

This MASTER GEOPHYSICAL DATA ACQUISITION AGREEMENT (the "MASTER AGREEMENT" or "AGREEMENT") is entered into this -- day of \_\_, 2003; between \_\_\_\_, having an office located in \_\_, \_\_ (hereinafter called "COMPANY") and Dawson Geophysical Company, a Texas corporation having offices in Midland, Texas (hereinafter called "CONTRACTOR"). Company and Contractor may each be referred to herein as "PARTY" or collectively as "PARTIES".

For and in consideration of the mutual covenants and promises of the Parties herein set forth, the Parties do hereby agree as follows:

1. NATURE OF WORK

1.1 Contractor shall conduct, for the benefit of Company, field geophysical data acquisition surveys (the "SURVEYS" or the "WORK") and related services in search of subsurface geological formations and structures favorable to the accumulation of oil, gas and mineral deposits underlying those land areas designated, from time to time, by Company and accepted by Contractor, all in accordance with the terms and conditions of this Agreement, and the applicable Supplemental Agreement. Contractor shall also provide data processing and/or interpretation services of and for the field data (the "Data") so acquired.

1.2 Such Survey(s) shall be conducted by one or more geophysical crews, as may be agreed upon by Contractor and Company, in such a manner and subject to the terms and conditions as set forth herein and in the applicable Supplemental Agreement. The data processing shall be done in Contractor's data processing center in Midland, Texas.

1.3 Nothing herein shall require Company to contract with Contractor or Contractor to accept assignments from Company to conduct Survey(s), except as may be agreed upon, from time to time, in an appropriate Supplemental Agreement.

2. SUPPLEMENTAL AGREEMENTS

2.1 (General) Whenever Company requests, and Contractor agrees, to conduct a Survey on behalf of Company, Contractor and Company shall enter into separate Supplemental Agreements for each separate Survey so undertaken, which Supplemental Agreements shall be consecutively numbered for identification and shall provide the following:

- (a) The area(s) (state, county/parish, etc.) where the Survey(s) will be conducted (the "AREA OF OPERATIONS").
- (b) The approximate commencement date, if applicable, of the Survey(s) (the "COMMENCEMENT DATE").
- (c) The approximate period of time or number of miles (or square miles), if applicable, that will be required to complete the Survey(s).
- (d) The type of Survey(s) to be conducted. The equipment, instruments, personnel and other items (the "CREW") which will be required for the Survey(s).
- (e) The parameters and other technical aspects of the Survey(s) and/or the processing of the Data acquired thereby.
- (f) The compensation to be paid Contractor for conducting the Survey(s) (the "COMPENSATION").
- (g) Any other matters of a business, operational or technical nature as may be agreed by the Parties.

2.2 (Crew Availability) It is recognized that difficulties in scheduling the activities of Contractor's geophysical crews may result in overlap or conflicts which prevent Contractor from providing geophysical Crews to conduct a particular Survey designated by Company at the time desired. Contractor shall make every reasonable

effort to avoid such overlaps or conflicts in furnishing Company a geophysical Crew for any designated Survey. In the event of any such conflict, however, Contractor shall notify Company promptly after such Survey has been requested by Company that Contractor will be unable to conduct the Survey pursuant to Company's time schedule. There shall then be, if feasible, at the election of Company, an agreed alternate date between Company and Contractor that shall be a firm date for commencement of the Survey by Contractor. If no such alternate date can be agreed upon, then Contractor shall thereafter have no obligations hereunder in connection with not conducting said Survey.

2.3 (Incorporation by Reference) Each Supplemental Agreement shall be incorporated herein by reference, and all terms and provisions of this Agreement shall apply to each Supplemental Agreement unless, in any particular Supplemental Agreement, any of the terms and conditions hereof are eliminated or modified for purposes of that Supplemental Agreement by specific reference to those terms and conditions hereof to be eliminated or modified. Any Supplemental Agreement incorporated herein and subject, thereby, to the terms and conditions hereof shall hereinafter be referred to as "SUPPLEMENTAL AGREEMENT" or "SUPPLEMENT." This Master Agreement and any applicable Supplemental Agreements may collectively be referred to as "this Agreement."

2.4 (Conflicting Terms) In the event of a conflict between any of the terms and conditions of this Master Agreement and those of any Supplemental Agreement, the appropriate terms of this Agreement shall govern and control, unless specifically provided to the contrary in any Supplemental Agreement, as provided above, or where a provision herein states that it is subject to or otherwise anticipates contrary terms of a Supplement. The fact that additional terms or provisions appear in one or the other document shall not, in and of itself, create a conflict.

### 3. PERSONNEL, EQUIPMENT AND SUPPLIES

3.1 (General) The Contractor shall furnish, place in service and maintain, at its sole cost and expense, for the performance of Survey(s) hereunder, the Crew more particularly described in Supplemental Agreements annexed hereto.

3.2 (Additional/Different Personnel or Equipment) Changing operating conditions may require the Crew personnel and equipment set forth in said Supplemental Agreements to be increased, reduced or changed or the Area of Operations or the parameters of the Survey changed. Accordingly, Contractor shall, when authorized by Company, furnish such auxiliary or additional personnel, equipment, supplies and services or make such other changes as may be required in connection therewith all as more particularly set forth and described in the Supplemental Agreements or amendments thereto, which shall clearly set forth the additional compensation, if any, to be paid to the Contractor as a result of such changes.

### 4. CONDUCT OF OPERATIONS

4.1 (Conduct of Operations by Contractor) In conducting operations hereunder, Contractor shall use its best efforts to conduct all operations hereunder in accordance with the terms and specifications of this Agreement (and those of the applicable Supplemental Agreement) and in conformance with generally accepted practices of the geophysical data acquisition industry. In particular, Contractor agrees that, in conducting operations under the terms hereof it will:

- (a) Enter upon no lands in respect of which all necessary Land Entry Permits shall not have been first obtained, as provided in Clause 5 below.
- (b) Equip its Crew with instruments and equipment as specified in the Supplemental Agreement and maintain such equipment in good operating condition and provide its Crew with qualified and experienced personnel.
- (c) Perform all Survey(s) hereunder in an orderly, efficient and workmanlike manner in compliance with the terms of this Agreement and each Supplemental Agreement and all applicable laws, ordinances, rules and regulations for the time being in force in every state and locality wherein the Survey(s) hereunder is to be performed.
- (d) Comply fully with the provisions of all worker's compensation legislation, ordinances, rules and regulations in force in every state wherein the Survey(s) is (are) to be performed.



- (e) Initiate all energy source units at a safe distance from water wells, buildings and other structures owned by third parties for the purpose of avoiding, as far as reasonably possible and consistent with prudent geophysical operations, damage to such wells, buildings and other structures.
- (f) Attempt to minimize disturbance to the surface of the land and all crops and other vegetation thereon. Liability for any subsequent requirements for erosional or pollution repair or prevention which has not been caused by the negligence or other fault of Contractor shall rest solely with Company under Clause 8.2 below, which liability shall survive the termination of this Agreement.

4.2 (Company's Obligations) Company agrees with Contractor that it will:

- (a) Not require Contractor to do any matter, act or thing in the performance of the Survey(s) hereunder that is contrary to or in violation of any law, ordinance, rule or regulation governing the subject matter of this Agreement.
- (b) In the event Company is responsible, under the terms of any Supplemental Agreement, for obtaining Land Entry Permits (Clause 5 below) and/or the surveying, shot-hole drilling or other components of a Survey (whether such services will be provided by Company or other contractors of Company), cause such services to be provided in a timely and competent manner and shall be responsible, to the extent provided herein and in the Supplemental Agreement, and indemnify, save and hold Contractor harmless for all costs, losses and liabilities related thereto.
- (c) Designate, sufficiently in advance to permit orderly planning of the Survey by Contractor, each area to be surveyed and shall furnish Contractor with all land and base maps, subsurface well data and all other information that may be necessary or helpful to the conduct of the Survey(s), all of which shall be considered the property of Company to be held by Contractor confidential as provided in Clause 7 below.

4.3 (Work Time) Normal hours and days of work, time off and holidays to be observed shall be as provided in the applicable Supplemental Agreements hereto or as otherwise agreed by the Parties.

4.4 (Progress of the Work) Contractor shall keep Company fully informed on a timely basis of the progress of operations and results obtained during the course of the Work hereunder and shall consult with Company's Representative(s) concerning planning of the Work and the seismic data collected. Progress reports shall be furnished by Contractor as provided in Clause 6 below.

4.5 (No Liens)

4.5.1 Contractor shall not allow any mechanic's or materialmen's liens or encumbrances to become attached to any property of Company resulting from the Work performed by Contractor hereunder; provided, however, that Contractor itself may file mechanic's, materialman's or other liens as may be appropriate to secure payment by the Company to Contractor under this Agreement. Likewise, Contractor shall be solely responsible for, and shall promptly pay, when due, all obligations for labor and material supplied by third parties for Work to be performed hereunder and shall indemnify and save Company harmless from and against any and all claims, liens, security interests or other encumbrances on or against Company property on account of labor performed or materials furnished to Contractor by its subcontractors, suppliers and vendors for such Work; provided, however, that Contractor shall not be required to make payment of any such claim where a bona fide dispute with regard thereto exists between Contractor and its vendors or suppliers. Contractor shall provide Company with recordable Releases for all such claims and liens so satisfied.

4.5.2 Company may, if it so elects, pay or discharge any such lien or encumbrance and may thereupon deduct the amount or amount so paid by Company from any sums been due or which thereafter shall become due to Contractor under the terms hereof; provided, however, that prior to discharging any such lien or encumbrance, Company will consult with Contractor in order to determine whether or not there is a bona fide dispute between Contractor and its supplier or subcontractor concerning the claim underlying the lien or encumbrance. If such a bona fide dispute does exist, Company shall delay discharging the affected lien or encumbrance until the matter is resolved.

4.6 (Title to Data) Except as provided elsewhere in this Agreement or in any Supplemental Agreement, title to all Data shall pass to Company when acquired by Contractor and subject to payment by the Company to Contractor of all of Contractor's obligations hereunder, and Contractor shall deliver all Data to Company retaining no copies thereof; provided, however, that Contractor shall deliver to Company all records, maps, reports or other information which has been produced by the work performed hereunder upon termination of this Agreement, if so required in writing by the Company.

4.7 (Waiver of Mineral Interest) Unless otherwise specifically provided for in this Agreement or any Supplemental Agreement hereto, Contractor, for itself and its subcontractors and the officers, directors and employees thereof, hereby waives any right, title or interest it may have in, and to any discovery of, hydrocarbon or other mineral deposits which may be made by reason for the Work performed under the terms of this Agreement.

## 5. PERMITS

5.1. (General) Unless Company assumes the permitting responsibility under Clause 5.3 below, Contractor shall, at Company's request and expense, obtain such permits, licenses and clearances (the "LAND ENTRY PERMITS"). Company's cost shall include entry fees and damage payments as well as payments to governmental agents, their per diem, if any, needed to secure such Land Entry Permits. Contractor will use its reasonable efforts to secure written Land Entry Permits from the person or persons representing themselves to be owners or lessees of the areas involved. Contractor will not enter upon lands where Land Entry Permits have not been obtained by it (or represented by Company as having been obtained by it) unless otherwise directed, in writing with full indemnification in favor of Contractor, at Company's sole risk, by Company to do so.

5.2 (Permit Fees) In the event it becomes necessary to pay for permission to enter upon any area connected with the Survey, Contractor will notify Company of such area involved and the fees required in order to obtain the Land Entry Permits and will proceed with the consent of Company's Representative. Company will reimburse Contractor the cost of all such Permits unless otherwise provided in the applicable Supplemental Agreement.

5.3 (Permits Obtained by Company) In the event Company assumes the responsibility for obtaining or supervising the obtaining of all or some Land Entry Permits from land owners, mineral owners, appropriate governmental agencies, lessees, tenants, and all other persons having permissible interests in the land or its subsurface minerals, in the Area of Operations, as may be required in connection with all such Survey(s) to be performed by Contractor under this Agreement, either by utilizing Company personnel or those of third party contractors (whether individuals, corporate or otherwise), Company shall have the obligations set forth in Clause 8.6 below and Contractor shall not be responsible for any delays in its operations caused by (i) the inability of Company to acquire any Permit on a timely basis or (ii) onerous provisions contained in such Permits which impede or adversely affect the operations of Contractor hereunder. Contractor shall be compensated during any such delays at the standby rate set forth in the applicable Supplement. If Company acquires Land Entry Permits, it will provide copies thereof to Contractor sufficiently in advance of operations in order for Contractor to properly plan its operations.

## 6. REPORTS

6.1 (Required Reports) During the course of the Survey(s), Contractor shall furnish Company with such periodic production and progress reports as provided in the applicable Supplemental Agreement or, if not so provided, as Company shall reasonably require, including (subject to Clause 7.2 below) such reports as may be required by the various agencies of the federal, state and local authorities where the Survey is being performed.

6.2 (Completion Report) As soon as possible upon completion of each Survey, Contractor shall furnish Company with reports and data as follows:

- (a) A final report consisting of a written description of the Survey(s) performed and the results thereof accompanied by maps on a base supplied by Company of all data considered necessary by Company.
- (b) All field data sheets, computation sheets, seismograph records, weathering data, and engineering data as may have been generated in the performance of the Survey(s), which reports and materials shall be permanent property of Company but accessible to Contractor for technical examination any time prior to the expiration of this Agreement.

- (c) Any other reports or data as may be provided for in the applicable Supplemental Agreement.

Contractor shall not be required to include in reports prepared for, or information or data supplied to Company hereunder, any data or information proprietary to Contractor, including, but not limited to, that pertaining to its instruments, equipment, methods or expertise.

6.3 (Use of Reports) The results stated and the conclusions drawn from all reports furnished by Contractor to Company hereunder shall represent the best opinion, efforts and judgment of the Contractor; however, Contractor cannot and does not warrant or guarantee the accuracy or correctness thereof. Any action which Company (or those associated with Company) may take as a result of or based on such reports and the Data to which it refers shall be its own responsibility and Contractor shall not be liable or responsible for any loss, cost, damages or expenses whatsoever, including incidental or consequential damages, incurred or sustained by Company resulting therefrom for which Company hereby releases Contractor; provided that all such reports, data and information, as well as the basic data upon which they are based, are acquired, compiled and prepared, as the case may be, in accordance with the terms of this Agreement.

6.4 (Access to Data) Company shall at all times have complete access to all geophysical records and such other data of Contractor relating to the Work and all such data and records shall, at the conclusion of the Work, belong exclusively to Company, but shall be retained by the Contractor pending instructions to be issued by Company with regard to the deposition thereof, subject to the terms and conditions of clauses 5 above and 13.6 below.

## 7. CONFIDENTIALITY

7.1 (Confidentiality of Data) Contractor shall use its best efforts to safeguard (i) geophysical Data acquired from the Work performed hereunder, (ii) information relating to the location of the Surveys and the type of Work performed and (iii) information supplied by Company to Contractor which is not otherwise proprietary to Contractor. Contractor shall not divulge to anyone, other than Company, its designated agents or employees, any such Data or information unless previously authorized by Company in writing. Contractor shall further use its best efforts to cause its employees, agents and subcontractors to comply with this obligation of secrecy. Reciprocally, Company shall observe the above secrecy obligation, insofar as it has access to and knowledge of the equipment, instruments, programs, procedures, and the design and operation thereof, which are proprietary to Contractor.

7.2 (Confidentiality Exceptions) The obligations of confidentiality and limited use contained in this Agreement shall not apply to information subject to this Agreement which:

7.2.1 At the time of disclosure to the receiving Party, was in the public domain as evidenced by written publications;

7.2.2 After disclosure to the receiving Party, became part of the public domain by written publication through no fault of the receiving Party;

7.2.3 At the time of disclosure to the receiving Party, was already in the possession of the receiving Party as evidenced by written records, and was not acquired directly or indirectly from the disclosing Party;

7.2.4 After disclosure to the receiving Party, the receiving Party acquired the information from a third party having the right to convey the same, provided the receiving Party is not obligated to hold such information in confidence by such third party;

7.2.5 Is furnished to a third party by the disclosing Party without any restriction on the third party's rights to disclose such information; or

7.2.6 Is authorized in writing by the disclosing Party to be released from the confidentiality and limited use obligations herein.

7.2.7 Is covered by Clause 7.3 below.

7.3 (Government Reporting) It is understood that it is the responsibility of Company and Contractor to comply with applicable laws, regulations, rules, court or government agency order or stock exchange regulation or rule regarding the making of reports and disclosures to appropriate governmental agencies of Data and information relating to the Work and Contractor shall promptly refer to Company for appropriate action, including the seeking, at its sole cost, such protective action as it deems appropriate, any inquiry or request received by it from any governmental agency respecting Data and information obtained under the terms thereof, and if Company shall instruct Contractor not to comply with to any such inquiry or request, Company shall defend and indemnify Contractor against any loss, damage, fine or penalty or other sanction received, incurred or suffered by Contractor in consequence of complying with such instruction.

## 8. INDEMNITY

8.1 (General) In order to allocate the respective responsibilities of Company and Contractor for liabilities arising out of personal injury or property damage related to the Work, it is agreed as between Company and Contractor that certain responsibilities and liabilities for personal injuries and property damage arising out of the performance of this Agreement should be allocated between them in order to avoid protracted litigation between Company and Contractor, along with the associated legal expenses and so that insurance or self-insurance may be arranged by each Party as necessary to protect them against these exposures to loss. The following sets out the specifics of the agreements between Company and Contractor as to the allocation of such responsibilities and liabilities.

8.2 (Contractors Responsibility) Contractor will protect, defend, indemnify and hold Company, its officers and directors, harmless from and against any and all claims, loss, expense, or damages (including costs of defense associated therewith) arising from any cause whatsoever, out of the Work to be performed under this Agreement, provided that the claim arises from Contractor's or its sub-contractors negligence and Contractor shall defend Company at Contractor's sole expense in any litigation involving the same.

8.3 (Company's Responsibility) Company will protect, defend, indemnify and hold Contractor, its officers and directors, harmless from and against any and all claims, loss, expense, or damages (including costs of defense associated therewith) arising from any cause whatsoever, out of the Work to be performed under this Agreement, provided that Contractor has fully discharged Contractor's obligations under this Agreement and Company shall defend Contractor at Company's sole expense in any litigation involving the same, excepting only claims made by employees of Contractor, for which Contractor shall indemnify and hold Company harmless in the manner provided above.

8.4 (Routine Land Damage) Notwithstanding the foregoing to the contrary, Company shall be solely responsible for and shall protect, indemnify, defend and save Contractor and its subcontractors harmless from and against any and all claims, liabilities, demands, causes of action, judgments and settlements (including associated costs and reasonable attorneys' fees) arising out of claimed damages to the land on which Contractor has performed Work, as well as the crops, trees, grass and other flora and fauna thereon, water and irrigation wells, houses and other structures thereon (collectively the "Land Damages") where such claimed Land Damages result from the non-negligent operations of Contractor or its subcontractors in the performance of the Work subject to this Agreement and the applicable Supplement. The foregoing obligations of defense and indemnity of Company shall not, however, be applicable in the event and to the extent any such claimed Land Damages result from the negligent operations of Contractor or its subcontractors or which are otherwise not in accordance with the terms of this Agreement or the applicable Supplement.

8.5 (Liability Insurance) The indemnity obligation of the respective Parties, as set forth in Clauses 8.2, 8.3 and 8.4 above, shall be supported by liability insurance provided by each Party in the amount of the lesser of (i) \$1,000,000 or (ii) the minimum amount required by applicable law.

8.6 (Permit Liability) Company shall protect, defend, indemnify and save Contractor harmless from and against any claim by the owner or lessee of land and/or of a mineral interest in land on which Work is performed hereunder, which claim is based upon any theory that (i) the operations of Contractor hereunder have depreciated the value of the minerals underlying such land, (ii) mineral trespass, (iii) the wrongful taking, conversion or deprivation of subsurface and/or mineral information or (iv) any similar theory of recovery (collectively "TRESPASS CLAIMS"). However, the foregoing indemnification of Company shall not apply and Company shall not be responsible for any Trespass Claims in any case and to the extent where Contractor negligently fails to observe conditions or restrictions contained in any such Permits, provided that same have been provided by Company to Contractor sufficiently in advance of operations across the lands covered thereby.

8.7 (Tape Responsibility) Contractor shall be responsible for the safekeeping of field tapes while such tapes are in the custody of Contractor until such time as Contractor delivers said tapes to a representative of Company or places them in the possession of a carrier designated by Company (or if Company does not so designate a carrier, any reputable carrier selected by Contractor) for delivery to Company or a third party designated by Company. In the event of loss of or damage to any tapes for which Contractor is responsible, as provided herein, Contractor's sole and only responsibility to Company shall be, at the option of Company, either (i) reacquire the Data affected by such loss or damage or to (ii) refund (or grant credit) to Company for all Compensation paid (or payable) to Contractor with respect to such Data so affected. Notwithstanding the foregoing, Contractor's obligations herein shall be fully satisfied in the event Contractor or Company has duplicate, undamaged copies of the affected Data and, if Contractor has such duplicate tape, it promptly provides same to Company subject to clause 4 above.

8.8 (Wages/Benefits) Contractor shall be solely liable for the payment of (i) all wages and salaries earned by and payable to its employees as well as for withholding and/or payment of all Social Security taxes, retirement pensions, benefits and annuities, now, or hereafter imposed by the government of the U.S.A. or by any state or other political subdivision thereof and (ii) for benefits which are now or hereafter offered by Contractor to its employees. Contractor shall indemnify and save Company, its officers and directors, harmless from any claims, demands or liability for such wages, salaries or benefits, as well as for any withholding or Social Security taxes, contributions or other benefits related thereto.

#### 8.9 (Handling of Claims)

8.9.1 (General) In the event either Party hereto learns of any claim, liability, demand or cause of action relating to this Agreement or the performance of it, said Party shall give notice thereof as promptly as possible to the other Party. If indemnification is required by any of the terms of this Agreement, the responsible Party shall defend the other and pay all settlements, judgments, costs, including reasonable attorneys fees, and other expenses, whether related or unrelated, similar or dissimilar to the foregoing, incident thereto. Each Party, if requested, agrees to cooperate with the other in any such defense, and the responsible Party shall reimburse the other for all reasonable expenses incurred in connection therewith.

8.9.2 (Control of Defense) The Party hereto providing indemnity to the other Party shall have the right to control the defense of any such claim or lawsuit with attorneys selected by such Party or its insurers. However, the other Party shall have the right, at its sole expense, to participate in the defense of such claim or lawsuit with legal counsel of its own selection.

8.10 (Company's Co-Venturers) In the event Company is in association with, is operator for or has some other contractual relationship with other companies, individuals or others in connection with the Work to be performed hereunder, the above indemnifications extended by Contractor to Company shall also extend to those parties, and their officers, directors and employees, to which Company is contractually related.

8.11 (Consequential Damages) Neither Party hereto shall, notwithstanding the foregoing, be liable to the other Party for any special, incidental, consequential or punitive damages arising, in any event, from the conduct of the Parties under the terms hereof, including without limitation, loss of revenue or profits. Furthermore each Party hereby forever releases and indemnifies the other from and against any and all claims, liabilities, damages and expenses arising therefrom.

9. INSURANCE

9.1 (General)

The Contractor shall, at its sole cost, maintain, so long as this Agreement remains in force, and cause its subcontractors to maintain, with one or more reputable insurance companies, the following insurance:

9.1.1 Worker's compensation and/or employer's liability insurance in compliance with the laws of all states in which Survey(s) is/are to be performed or where Contractor's personnel are hired covering all employees engaged by Contractor (or its subcontractors) in such Survey(s).

9.1.2 Automobile public liability insurance covering all vehicles performing Survey(s) hereunder, with limits of One Million Dollars (\$1,000,000) for one or more persons injured or killed, or property damage incurred per occurrence, combined single limit.

9.1.3 Comprehensive public liability insurance covering all operations hereunder with limits of One Million Dollars (\$1,000,000) for one or more persons injured or killed in any one accident, and with property damage limits of One Million Dollars (\$1,000,000) per occurrence, combined single limit.

9.1.4 If aircraft are used in the operations hereunder, Aviation Liability Insurance covering all airplanes and helicopters, whether non-owned, chartered, or hired and furnished by Contractor (or its subcontractors) and used in the operations hereunder in an amount of not less than One Million Dollars (\$1,000,000) per occurrence combined single limit.

9.1.5 If waterborne vessels are used in operations hereunder, hull and machinery insurance shall be maintained in an amount at least equal to the market value of each vessel owned by Contractor and used in operations hereunder. In the event the vessel is time-chartered by Contractor, then Contractor shall require the owner of the vessel to procure such insurance.

9.2 (Insurance Certificates) Before any Survey(s) are commenced by Contractor hereunder, Contractor shall furnish to Company certificates attesting the above insurance coverages to be in force and providing that Company will be given at least ten (10) days written notice prior to cancellation, termination or significant modification thereof.

9.3 (Miscellaneous) It is understood and agreed that Contractor's insurance coverage as detailed in the foregoing sections shall afford Company protection and coverage with respect to those matters covered by specific indemnity agreements extended by Contractor elsewhere provided herein and, except for workers compensation insurance, Company shall be named an additional insured Party under said policies but only to the extent of the liabilities assumed by Contractor under the terms hereof. All insurance policies required by this Agreement to be maintained by Contractor shall be endorsed whereby Contractor's insurers shall waive their rights of subrogation against Company, entities affiliated with Company and their respective insurers to the extent of the liabilities assumed herein by Contractor. Any and all deductibles or retentions applicable to Contractor's insurance coverages shall be assumed by Contractor at its sole expense. Unless prohibited or limited by applicable law, insurance provided by the Parties in support of their respective indemnity obligations set forth in Clause 8 above shall in no way serve to limit each such Party's indemnity obligations.

9.4 (Subcontractors) Contractor shall require, to the extent possible, that each of its subcontractors, if any, performing Work hereunder maintain such insurance coverages as are required of Contractor.

10. COMPLIANCE WITH LAWS/HES

10.1 (Laws) Contractor shall comply with all applicable laws, rules and regulations, both federal, state and local, applicable to any Survey performed by Contractor hereunder, and shall also comply with, observe and abide by the Health, Environment and Safety standards of any applicable governmental agency.

10.2 (Health, Environment and Safety) Contractor will perform the Survey(s) applying the most current edition of either the IAGC Land Geophysical Operations Safety Manual or the IAGC Marine Geophysical Operations Safety

Manual, as applicable, as a minimum set of standards supplemented by both Contractor and Company HES rules and work procedures. The more stringent of Company's or Contractor's policy and standards shall apply. Company reserves the right to intervene and consult with Contractor in development of solutions for hazards identified in execution of the Work. Contractor will equally apply HES standards to, and enforce compliance with all such standards, by all subcontractors of any tier, and the agents, employees or other personnel under their control and will replace at Contractor's expense those who fail to comply.

10.3 (Accidents) Contractor shall report all accidents to Company. In the event there is an accident involving damage to the property or injury to the personnel of Contractor, Company or any third party, any environmental damage or any incidents involving media attention, which arise out of, result from, or is in any way connected with Contractor's Work under this Agreement, all Contractor reports shall contain factual information only and will not contain opinion, speculation or supposition as to fault, liability or prevention. Company reserves the right to participate in the investigation of any incident or accident resulting from the Work conducted pursuant to this Agreement.

#### 11. COMPANY REPRESENTATIVE

Company shall designate in writing a representative of Company (whether an employee of Company or a third party) to whom Contractor's Party Chief or other representative may deliver reports and other confidential information developed from Survey(s) and from whom Contractor will receive instructions related thereto (the "COMPANY REPRESENTATIVE" or "REPRESENTATIVE"). Such Representative shall have the right to be present during the conduct of the Survey(s). Contractor agrees to accept instructions in connection with the operations hereunder within the scope of this Agreement and the applicable Supplement from such Company Representative. All such instructions given by the Company Representative to Contractor which relate to the Work shall be binding on Company which will not be entitled to thereafter disavow same.

#### 12. TAXES

12.1 (Equipment) Contractor will be solely responsible for all taxes, duties, rates and assessments that may be levied in respect of any vehicles, equipment, instruments or supplies furnished by Contractor in the performance of any Survey performed hereunder.

12.2 (Payroll) Contractor will be solely responsible for all payroll taxes, unemployment insurance assessments, federal and/or pension contributions and all other payroll deductions required to be made according to law in respect of the personnel of Contractor engaged in the performance of any of the Survey hereunder.

12.3 (Income) Contractor shall be solely responsible for any and all taxes assessed against it by the government of the U.S.A. or any state thereof having jurisdiction, which taxes are assessed against Contractor as a result of compensation earned by Contractor hereunder and Contractor shall protect, indemnify, defend and save Company harmless from and against any such tax assessments, as well as those described in Clauses 12.1 and 12.2 above.

12.4 (Sales/Use) Notwithstanding the foregoing, Contractor shall in no event be liable for sales, value added, use, gross receipts and similar taxes and charges assessed by any applicable government agency, as a result of any Survey conducted by Contractor under the terms of this Agreement, even though those taxes are generally measured by revenue or income of the Contractor, as such incidental taxes are not usually considered as "income" or "profits" taxes as those terms are generally understood in the geophysical industry. All such sales, value added, use and similar taxes and charges shall be for the account of Company and, if paid by Contractor, shall be reimbursed by Company under applicable provisions hereof.

#### 13. COMPENSATION/CONTRACTOR'S RIGHTS

13.1 (Fees) The Company agrees to pay Contractor and Contractor agrees to accept payment for the Work to be performed hereunder at the applicable rates set forth in Supplemental Agreements.

13.2 (Payment) Subject to contrary provision of any Supplement, the Contractor shall, on or before the 15th day of each month, render to Company an itemized invoice showing the amount due for services rendered, reimbursable costs and charges incurred by Contractor on behalf of Company hereunder during the preceding calendar month, such

invoice to be accompanied in each case by supporting vouchers and receipts. Except to the extent they are contested in good faith by Company, the Company shall, within thirty (30) days following receipt of such invoice, remit payment of the undisputed portion of same in full in United States funds by check, bank draft or money order (or bank/wire transfer) payable to Contractor at its offices (or bank account) set forth in Clause 20 or in the applicable Supplemental Agreement.

13.3 (Late Payment) If Company fails to pay any properly submitted and supported invoice, or portions thereof, of Contractor within the said thirty (30) day period, the unpaid amount thereof shall (unless otherwise subject to bona fide dispute), at the option of Contractor, bear interest until paid at a rate equal to the prime rate as published in the Wall Street Journal plus two percent or such lesser maximum rate allowed by applicable law, per month until paid.

13.4 (Disputed Invoices) In the event Company has a bona fide question concerning a Contractor invoice or a portion thereof, Company shall give notice thereof to Contractor specifying the reasons therefor within ten (10) days after receipt of such invoice and thereafter the late payment charges provided above shall not apply to such invoice or portion thereof in question or dispute. The Parties shall meet in an effort to answer such questions and to resolve such disputes as promptly as possible.

13.5 (Effect of Payment) Payment of any Contractor invoice by Company shall not prejudice the right of Company to protest or dispute the correctness of any invoice or any portion thereof before the expiration of the audit period (Clause 18 below) following the end of the calendar month during which such statement was submitted. The passage of the audit period (Clause 18 below) without protest shall conclusively establish its correctness.

13.6 (Right to Withhold Data) Contractor shall have the option, exercisable at any time, to (i) retain possession of raw data tapes containing the geophysical data (the "Data") acquired under the terms of this Master Agreement or any Supplemental Agreement hereto and, (ii) regardless of any other provision of this Master Agreement to the contrary, not be required to deliver said Data to Company until such time as all fees and other charges owed by Company to Contractor under the terms hereof (other than those which are subject to a bona fide question or dispute) are paid in full.

#### 14. INTELLECTUAL PROPERTY

14.1 (Indemnity) The Contractor shall, at its sole cost and expense, protect, defend, indemnify and save harmless Company from and against any and all claims, demands and liabilities made against or incurred by Contractor and/or Company for the alleged infringement or misappropriation by Contractor of any United States Letters Patent or patent rights held or licensed by Contractor or others which arise out of the operations of Contractor under the terms hereof provided that (i) in the event such claim is received by or demand made upon Company, Company notifies Contractor in writing of the receipt of the claim or demand or the filing of such proceeding within ten (10) days after the receipt of notice of such claim, demand or service of process thereof, and (ii) Contractor is given complete control of the defense of such proceedings, including the right to defend, settle and make adjustments in instruments, equipment, methods, software or processes utilized by Contractor to perform the Work for the purpose of avoiding any such alleged infringement or misappropriation, provided that such adjustments do not materially and adversely affect the quality of the Data acquired pursuant hereto.

14.2 (Infringement Relief) If Contractor is prevented from performing any of its obligations hereunder by injunction or other legal proceedings based upon any claims for alleged infringement or misappropriation of any United States Letters Patent or patent rights, or if on account of claims of alleged patent infringement or misappropriation, Contractor shall discontinue its use of or change instruments, equipment, methods, software or processes contemplated in this Agreement, Contractor shall, in every such event, be relieved from performance of its obligations hereunder insofar as such nonperformance is the result of such alleged patent infringement or misappropriation or any injunction or other legal proceeding. The Company shall be relieved of its obligation or make payment hereunder in respect of any Survey(s) to the extent Contractor is unable to perform same by reason of the alleged patent infringement or misappropriation claim.

14.3 (Rights to Intellectual Property) The Parties expressly agree that all software programs, documents, materials and other work created, developed or performed by Contractor in the course of performance of this Agreement, including, but not limited to, data, drawings, reports, designs and working papers shall be and is the exclusive property



of Contractor which shall have all rights, title and interest therein including, but not limited to, patents, copyrights, trade secrets and any other proprietary rights. CONTRACTOR HEREBY GRANTS TO COMPANY A PERPETUAL, NON-EXCLUSIVE, NON-TRANSFERABLE ROYALTY-FREE LICENSE AND RIGHT TO USE ONLY FOR THE PURPOSES OF THIS AGREEMENT ANY SOFTWARE PROGRAMS, DOCUMENTS, MATERIALS OR OTHER WORK DELIVERED TO COMPANY BY CONTRACTOR.

15. INDEPENDENT CONTRACTOR

Nothing contained in this Agreement shall be construed so as to constitute Contractor as a general agent or employee of Company, and the exclusive management, direction and control of the employees of Contractor and its subcontractors and the Survey(s) to be conducted under the provisions hereof shall, subject to the right of general supervision of Company's Representative, always reside in Contractor, Company being interested only in the results obtained. Company's right to supervise shall include the right to request, for good cause shown, the removal and replacement (at Contractor's sole cost) of any of the personnel of Contractor or its subcontractors. Company shall also have the right of prior approval before the transfer of any of Contractor's key personnel assigned to the Work.

16. ASSIGNMENT AND SUBCONTRACTS

16.1 (Subcontracts) The Contractor may subcontract to any reputable subcontractor or subcontractors such portions of the Survey(s) to be performed hereunder as is customary and usual in the performance of same, but Company shall in no way be held liable for payment of any monies due to any such subcontractors. The Contractor shall, notwithstanding the subcontracting of any Survey(s) to be performed hereunder, remain liable and responsible to Company for the proper performance of every portion of the Survey(s) subcontracted to others.

16.2 (Assignments) Subject to Clause 16.1 above, neither Party shall assign this Agreement in whole or in part without prior written consent of the other Party except to a company which is affiliated to the assigning Party or where such assignment is the result of an operation of law. An "affiliate" of a Party is defined as any company or other entity which is, either currently or resulting from any future merger, acquisition or reorganization of the affected Party, (i) owned as to at least a 51% equity interest by the affected Party, (ii) owns the affected Party as to at least a 51% equity interest or (iii) is under common ownership (as to at least a 51% interest) with the affected Party. As for Company, "affiliate" shall also include those third party entities which are contractually related to Company in the exploration or development in Area of Operations. The affected Party shall promptly notify the other Party of any such permitted assignment.

16.3 (Right to Pledge - Optional) Contractor reserves the right to pledge its receivables to be received under the terms hereof to the financial institution which provides working capital financing to the Contractor. In the event Contractor so assigns its receivables, such financial institution shall have no recourse against Company with regard thereto and Contractor shall defend and indemnify Company for any loss resulting therefrom.

17. FORCE MAJEURE

Neither Contractor nor Company shall be responsible for failure to perform the terms of this Agreement or any Supplemental Agreement (other than the payment of money) when performance is hindered or prevented by strikes, lockouts, or other labor difficulty, war or acts of war, riots or civil unrest, fire, storm, flood, earthquake, terrorism, vandalism, interference by any government authority, inclement weather that adversely affects Data recording operations or any other cause beyond the reasonable control of the affected Party, whether or not similar to the matters herein enumerated ("Force Majeure"). Compensation shall be payable to Contractor for work stoppages or delays due to Force Majeure at the applicable standby rate or such other rate, if any, as may be set forth in the applicable Supplemental Agreement or as mutually agreed upon in writing by Company and Contractor for up to thirty (30) days; and if stoppage for such cause persists after said thirty (30) day period (i) compensation shall be at a rate agreed upon by Company and Contractor if Company requests Contractor to continue to stand by to resume operations; or (ii) Company or Contractor may forthwith terminate this Agreement or the affected Supplemental Agreement.

18. AUDIT

18.1 (Audit Right) Contractor shall maintain full and complete records concerning invoices which are based on Contractor's costs or other reimbursable billing basis in such manner and detail as to permit reasonable verification of all

such charges made to Company. Company shall have the right, at its sole cost, to audit such records at any reasonable time upon written request to Contractor for a period of one (1) year from the date such costs were incurred. Items of Compensation stated in terms of fixed percentages or fixed lump sums shall not be subject to audit under this clause. Any audit so conducted by Company hereunder shall be directed solely to Contractor's records related only to Work performed hereunder for Company and Company payments and reimbursements related thereto and shall not encompass Contractor's operations on behalf of any other client. Contractor shall provide reasonable assistance and shall cooperate with Company in order to facilitate the timely performance of any audits provided for above. No such audit shall pertain to any intellectual/property or trade secrets of Contractor or records or periods of time which have previously been audited by Company.

18.2 (Audit Results) Upon completion of any audit, Company shall pay Contractor any compensation due hereunder as shown by the audit. Any amount by which the total payments made by Company to Contractor exceeds the amount due Contractor as shown by the audit shall be promptly refunded to Company.

19. TERM AND RENEWAL

This Master Agreement is effective from the day and year above written and will remain in effect until either Party terminates it by giving the other thirty (30) day's advance written or electronically dispatched notice. However, if a Supplemental Agreement is in effect when such notice is given, termination of the Master Agreement shall not be effective until the date of termination of such Supplemental Agreement. This Agreement may be renewed from time to time on such terms and subject to such conditions as the Parties may in writing agree upon.

20. NOTICES

20.1 All notices permitted or required to be given under the terms of this Agreement shall be in writing and shall be deemed effective upon receipt if sent by air mail, registered or certified and return receipt requested, post prepaid, and addressed to the respective parties hereto at their respective addresses shown below:

Contractor -----	Company -----
Dawson Geophysical Company Attention: Mr. 508 W. Wall Street, Suite 800 Midland, Texas 79701	Attn: Mr.

or at such other address as shall be designated in accordance with this Notice provision. Notices given by telex, telecopier, telefax, e-mail or other electronic means, or by commercial courier/messenger service, shall also be effective upon receipt.

20.2 Either Party may change its address for notice purposes at any time upon giving written notice specifying such new address and the effective date of such address change to the other Party, as provided above.

21. APPLICABLE LAWS/DISPUTES

21.1. (Applicable Law) This Master Agreement and all Supplemental Agreements hereto shall be interpreted and construed in accordance with the laws, both statutory and common law, of the State of Texas, excluding only those choice-of-law provisions which would require the law of some other jurisdiction to be applicable.

21.2 (Disputes) In the event, during the term of this Master Agreement or any Supplemental Agreement, a dispute or controversy should arise between the Parties as to the requirements and/or interpretation hereof or Contractor's performance hereunder, both Parties agree to meet and negotiate in the utmost good faith in an attempt to satisfactorily resolve the issue(s), which is the subject of such dispute or controversy.

21.3 (Governing Rules) As between the Parties, any claims, disputes and controversies arising under or in connection with this Master Agreement or any Supplemental Agreement which cannot be resolved by mutual

agreement shall, upon written notice by one Party to the other, be submitted to arbitration in accordance with and subject to the Rules of Conciliation and Arbitration of the American Arbitration Association.

21.4 (Forum of Proceedings) All arbitration hearings held pursuant to this Clause shall be conducted in Midland, Texas or such other location agreed upon by both Parties. The decision of the arbitration shall be (i) final and binding upon the Parties, (ii) not appealable to any court and (iii) enforceable in any court having jurisdiction over the Party to be charged.

21.5 (Proceedings) Any dispute, controversy or claim arising out of or relating to this Master Agreement, including without limitation, a dispute related to breach, interpretation, termination or invalidity of this Master Agreement between Company and Contractor shall be finally and exclusively settled by binding arbitration conducted in accordance with the Rules of the American Arbitration Association ("AAA") in effect as of the date of this Master Agreement. The award of the arbitrators shall be final, binding on the Parties and not subject to appeal. The arbitral tribunal shall not award special, indirect, consequential, exemplary or punitive damages. The arbitral tribunal may grant interim or injunctive relief or demand specific performance.

21.6 The arbitration tribunal shall be composed of three (3) arbitrators. Each Party shall appoint one (1) arbitrator. If, within thirty (30) days after receipt of the claimant's notification of the appointment of an arbitrator, the respondent has not notified the claimant in writing of the name of the arbitrator it appoints, the claimant may request the AAA to appoint the second arbitrator. The arbitrators thus appointed shall choose the third arbitrator who will act as the presiding arbitrator of the tribunal. If within thirty (30) days after the appointment of the second arbitrator, the two arbitrators have not agreed upon the choice of the presiding arbitrator, then either Party may request the AAA to appoint the presiding arbitrator in the same way as a sole arbitrator would be appointed under Article 6.3 of the UNCITRAL Rules.

21.7 The arbitration proceedings, including the making of the award shall take place in Midland, Texas. The arbitration shall be administered by the AAA. The provisions of this Clause 21 shall continue in force notwithstanding the expiration or prior termination of this Master Agreement. The award shall be final and binding on the Parties and may be entered in any court having jurisdiction and application may be made in such court for a judicial acceptance of the award or an order of enforcement, as the case may be.

22. WAIVER

The rights herein given to either Party hereto may be exercised from time to time, singularly or in combination, and the waiver of one or more of such rights shall not be deemed to be a waiver of such rights in the future or of any one or more of the other rights which the exercising Party may have. No waiver of any breach of a term, provision or condition of this Master Agreement or any Supplement by one Party shall be deemed to have been made by the other Party, unless which waiver is expressed in writing and signed by an authorized representative of such Party, and the failure of either Party to insist upon the strict performance of any term, provision or condition of this Agreement or any Supplemental Agreement, or to exercise any option herein given, shall not be construed as a waiver or relinquishment in the future of the same or any other term, provision, condition or option.

23. DEFAULT

In the event either Party hereto should, at any time during the term hereof, commit an act of bankruptcy or assign, voluntarily or involuntarily, its assets for the benefit of its creditors or should proceedings be commenced against or by either Party under any bankruptcy, insolvency or similar statute or should either Party fail to comply with any material term or provision hereof (any such action or condition being hereinafter referred to as "Default") the other Party may terminate this Master Agreement, or the appropriate Supplemental Agreement, at its option exercisable at any time after thirty (30) days have elapsed after giving notice to the defaulting Party of such Default and the defaulting Party has failed, during such period, to cure such Default or to commence such cure to the reasonable satisfaction of the other Party.

24. SURVIVAL OF TERMS

The termination of this Agreement, or any Supplemental Agreement concluded in connection with this Agreement, shall not release the Parties from obligations which, expressly or by their nature, survive the termination hereof beyond such termination. In particular, and as examples and not by way of limitation, each Party shall remain, notwithstanding the termination hereof or of any Supplemental Agreement, bound to their respective obligations arising under Clauses 5, 7, 8, 10, 12, 13, 17, 18 and 21 above.

25. INUREMENT

Subject to Clause 16 above, this Master Agreement shall inure to the benefit of and be binding upon the Parties hereto and their respective successors and assigns.

26. ENTIRE AGREEMENT/MODIFICATION

This Master Agreement together with each Supplemental Agreement, as written, embodies the entire contract between the Parties hereto with respect to the subject matter hereof and supersedes and replaces any previous agreement, oral or written, made and entered into between the Parties hereto respecting the Survey(s) to be performed hereunder. No modification of this Master Agreement or any Supplemental Agreement shall be valid unless in writing, referencing this Master Agreement or the applicable Supplemental Agreement and signed by an authorized representative of both Parties.

27. COUNTERPARTS

This Master Agreement and any Supplemental Agreement may be executed in two (2) or more counterpart copies, each of which shall be deemed an original and together they shall constitute one and the same instrument. Faxed or telecopied signature pages shall be deemed an original provided that originally signed signature pages are exchanged timely.

IN WITNESS WHEREOF, the Parties hereto have executed this Master Agreement as of the day and year first above written.

COMPANY: - - - - -	DAWSON GEOPHYSICAL COMPANY: - - - - -
BY: - - - - -	BY: - - - - -
TITLE: - - - - -	TITLE: Executive Vice President
DATE: - - - - -	DATE: , 2003

SUPPLEMENTAL AGREEMENT No. \_\_\_  
To  
Master Geophysical Data Acquisition Agreement  
Dated: \_\_\_ (contract date)  
between \_\_\_ ("COMPANY") and  
Dawson Geophysical Company ("CONTRACTOR")  
-----

I. DESCRIPTION OF SURVEY  
-----

All geophysical operations conducted by Contractor will be performed in accordance with the terms and conditions of this Supplemental Agreement (the "SUPPLEMENT") and the Master Geophysical Data Acquisition Agreement referenced above (the "MASTER AGREEMENT").

Contractor shall render Services described herein, and Company will compensate Contractor at rates specified herein. This Survey will consist of the acquisition of approximately \_ linear miles/ square miles of 2-D/3-D seismic data across lands located in the \_ Area, \_ County, \_ as directed by Company (the "PROJECT").

II. DATA ACQUISITION PARAMETERS  
-----

Crossline patch cable/source line layout -foot geophone line spacing  
-foot geophone groups intervals -foot source line spacing -foot  
source point intervals  
sweeps per vibrator source point -second sweep length -second  
record length  
Start with - lines of - groups; roll into - lines of - groups  
110 ft. x 110 ft. bin size

III. COMPENSATION  
-----

Company shall pay to Contractor, as consideration for performing the Project, the compensation set forth below, as well as the costs for which Contractor shall be reimbursed by Company as provided in Section IV below:

Turnkey rate for acquisition, per square mile of  
surface coverage..... \$ \_\_\_\_\_  
Turnkey rate for processing, per square mile of  
surface coverage..... \$ \_\_\_\_\_  
Stand-by and experimental rate, per hour..... \$ \_\_\_\_\_

Note: Source points that are skipped and cannot be made up at another location will be computed in the mileage compensation. Additional source points, if any, above the totals reflected in Section II above, will be charged for on a prorated basis.

INVOICING TERMS

For providing the Services contemplated herein, Contractor shall, not withstanding anything to the contrary in Clause 13 of the Master Agreement, invoice Company, for both compensation (Section III) and reimbursables (Section IV) as follows:

Said invoices shall be payable by Company as provided in Clause 13 of the Master Agreement.

IV. REIMBURSABLES

-----  
In addition to the compensation set forth in Section III above,  
Company shall reimburse Contractor for the following:

A. Company approved permit fees and all permit related costs including fees paid to landowners, leaseholders, and federal, state and local authorities by Contractor.....AT COST

B. If requested by Company, cost of Permit Agent/s and Vehicle/s used in securing permits for lines or portions thereof (also applicable if any lines permitted are subsequently abandoned, at Company's request, without completing seismic recording operations) (Per Agent/Per Day).....\$ \_\_\_\_\_

C. Notwithstanding anything to the contrary contained in the Clause 8 of the Master Agreement, damages or claims for damages to land as well as to crops and other flora, livestock, fences, buildings, water wells and other structures in or on the land, where such damages have resulted from prudently conducted operations and are not attributable to negligence or other fault on the part of Contractor or its employees.....AT COST

D. Subject to the approval of Company, the cost of any specialized equipment that may be required to gain access to areas which, due to the nature of the terrain or permit requirements (for example, non studded balloon tires), are inaccessible to normal crew equipment, the trucking and use of such equipment for such activities as line clearance and/or dozing (including any snow plowing/removal) equipment.....AT COST

E. Cost of non-standard source and receiver line surveying requirements (including GPS systems for vibrators).....AT COST

F. (Optional) As a result of the potential shortage of subcontractors for this Project, although Contractor will endeavor to use those subcontractors that have offered the most attractive pricing and availability utilized in determining pricing for this Project, if subcontractors used on this Project require compensation that exceed that used in determining pricing of this Project, then Company will be responsible for those excess costs.....AT COST

G. Damage to Contractor's equipment caused by livestock or wildlife.....AT COST

H. Any special services to satisfy ecological, environmental and governmental agents.....AT COST

I. Shipping of data from crew to Company.....AT COST

J. Any additional equipment and/or services requested by Company.....AT COST

K. Any applicable sales, use or value added taxes, duties, levies or fees on Contractor's Services.....AT COST

L. Rental of required safety equipment (such as H2S detectors, pipeline detectors, etc.), and/or services requested by Company.....AT COST

M. Additional source and receiver line surveying and/or re-surveying.....AT COST

V. ITEMS TO BE FURNISHED BY COMPANY

-----  
PROGRAM MAPS

Company shall furnish Contractor with maps of suitable scale to permit advance logistical planning, program assignment and survey tract identification and construction of shot point location maps.

VI. BASIC CREW PERSONNEL

-----  
One party manager with 4x4 pickup truck  
One assistant party manager with 4x4 pickup truck  
One permit agent with 4x4 pickup truck  
One observer with 4x4 pickup truck  
One assistant observer  
Twenty-one or more recording helpers with one personnel carrier  
Necessary conventional and/or GPS survey crews  
One surveyor  
One assistant surveyor  
Six vibrator operators and one mechanic

VII. BASIC CREW EQUIPMENT

-----  
Surveying--Trimble 4000SSI GPS receivers for static and kinematic control with Wild TC-1000 total station electronic system with a Toshiba lap top computer for data reduction to SEG P-3 or SEG P-1 and output to a floppy disc  
Recording--I/O System Two recording system  
- channels  
millisecond sample rate  
geophones per group  
Energy Source--- Mertz Model 24 (50,000 pounds peak force) or - Mertz Model 26 (62,000 pounds peak force) operating at all times  
Pelton Model 5 Advance II sweep control electronics with non-linear sweep capabilities

VIII. CONFLICTS

-----  
Any conflict between the terms of this Supplement and the Master Agreement shall be controlled by the terms of the Master Agreement unless any terms of the Master Agreement are specifically altered by the terms hereof.

IX. TERMINATION

-----  
This Supplement will terminate upon the completion of the Project or as provided for in the Master Agreement.

X. ADDITIONAL PROVISIONS

-----  
None

This Supplemental Agreement No. \_\_\_\_ is executed by the Parties as of the date shown above.

COMPANY

DAWSON GEOPHYSICAL COMPANY

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_



OVER 50 YEARS OF GEOPHYSICAL EXCELLENCE  
ANNUAL REPORT 2003

Founded in 1952, Dawson Geophysical Company acquires and processes 2-D, 3-D and multi-component seismic data used in analyzing subsurface geologic conditions for the potential of oil and natural gas accumulation. Dawson's clients - major and intermediate-sized oil and gas companies and independent oil operators - retain exclusive rights to the information obtained.

The Company operates highly mobile, land-based acquisition crews throughout the lower 48 states. The Company has earned a 50-year reputation for state-of-the-art equipment, technology and safety, as well as for having crews that are among the most experienced and competent in the industry. Data processing is performed by geophysicists in Midland and Houston, Texas.

FINANCIAL HIGHLIGHTS

REVENUES

\$24,198	\$18,469	\$37,878	\$36,078	\$51,592
-----	-----	-----	-----	-----
1999	2000	2001	2002	2003

(amounts in thousands)

GROSS MARGIN

\$ 2,236	\$(3,239)	\$ 4,845	\$ 2,873	\$ 5,441
-----	-----	-----	-----	-----
1999	2000	2001	2002	2003

(amounts in thousands)

NET LOSS

\$(6,430)	\$(11,135)	\$(4,978)	\$(2,292)	\$(899)
-----	-----	-----	-----	-----
1999	2000	2001	2002	2003

(amounts in thousands)

CAPITAL EXPENDITURES

\$ 164	\$ 3,861	\$ 750	\$ 2,047	\$ 6,152
-----	-----	-----	-----	-----
1999	2000	2001	2002	2003

(amounts in thousands)

CHANNEL COUNT

17,500	20,000	21,000	22,720	26,400
-----	-----	-----	-----	-----
1999	2000	2001	2002	2003

(amounts in thousands)

LETTER TO SHAREHOLDERS

Dear Shareholder:

Your Company made significant progress on all fronts during fiscal year 2003 ending September 30. Revenues for the year of \$51,592,000 exceed those of fiscal year 2002, \$36,078,000, by 43 percent. The net loss for the year of \$899,000 reflects improvement over the 2002 loss of \$2,292,000. Profitability remains elusive due to generally depressed conditions within the geophysical industry world wide during the past five years. Pricing in this environment has improved considerably due to your Company's leading position in the U.S. market; however, prices do not yet cover the unavoidable effects of weather and difficulties encountered in obtaining rights-of-way.

The Company exhibited profitability in the second and fourth quarters of 2003. The fourth quarter 2003 earnings of \$557,000 compared to an identical net loss of \$557,000 in the same quarter of 2002. Net profit of \$844,000 in the second quarter of 2003 compares to a second quarter loss of \$134,000 in 2002. The Company's order book provided capacity operations for most of fiscal 2003, remaining so going well into fiscal 2004. Management is working hard to obtain more realistic weather protection and redoubling efforts to mitigate permit related delays in order to reach improved and consistent profitability.

During 2003 the Company acted on opportunities for growth and technical depth. The Company expanded operations in its Houston and Denver offices and added an office in Oklahoma City. The technical expertise of additional staff in each office coincides with increased demand for high resolution 3-D seismic surveys and leading edge products such as the

ExxonMobil-licensed High Fidelity Vibratory Seismic (HFVS) method and 9-component 3-D surveys employing both compression and shear wave energy sources. The Company has satisfied client demand for increased channel count by acquiring equipment on the open market at reduced prices. In the 2000-2003 time period the Company has invested \$12,811,000 in these kinds of capital expansions and improvements.

Dawson Geophysical Company is engaged in an essential technology designed to help discover needed reserves of crude oil and natural gas, also essential commodities in an expanding, demanding world. Your Company is dedicated to do whatever is necessary to remain on the leading edge of this effort.

With best wishes for a joyous holiday season to you and yours from all of us, we are sincerely yours.

[PHOTOS OF L. DECKER DAWSON AND STEPHEN C. JUMPER]

/s/ L. Decker Dawson  
L. Decker Dawson

/s/ Stephen C. Jumper  
Stephen C. Jumper

Chairman of the Board

President

November 28, 2003

[LOGO]  
DAWSON

Dawson Geophysical Company

THE TOTAL PACKAGE.

Dawson is one of the most experienced and respected names in the geophysical industry. From survey design, to permitting, surveying, data acquisition and data processing, the Company delivers our unique total package of seismic data services to clients on shore throughout the lower 48 states. The commitment of the Company and each of our employees is to continue our 50-year dedication to delivering greater value and more reliable data for our clients' geophysical data.

[VARIOUS PHOTOS]

## INVESTOR INFORMATION

### CORPORATE OFFICES

508 West Wall, Suite 800  
Midland, Texas 79701-5010  
Phone: 432-684-3000  
Fax: 432-684-3030  
Email: [info@dawson3d.com](mailto:info@dawson3d.com)  
<http://www.dawson3d.com>

### ANNUAL MEETING

The Annual Meeting of Shareholders will be held January 27, 2004, at 10:00 a.m. at The Petroleum Club of Midland, 501 West Wall, Midland, Texas 79701

### REGISTRAR AND TRANSFER AGENT

Mellon Investor Services LLC  
Dallas, Texas

### STOCK EXCHANGE LISTING

Nasdaq National Market System  
Symbol: DWSN

### INDEPENDENT PUBLIC ACCOUNTANTS

KPMG LLP  
Midland, Texas

### DIRECTORS

Paul H. Brown  
Sugar Land, Texas  
Management Consultant

Calvin J. Clements  
Lubbock, Texas  
Retired Vice President  
of the Company

L. Decker Dawson  
Midland, Texas  
Chairman of the Board of  
Directors and Chief Executive  
Officer of the Company

Gary M. Hoover, Ph.D.  
Bartlesville, Oklahoma  
Retired Geophysicist

Stephen C. Jumper  
Midland, Texas  
President and Chief Operating  
Officer of the Company

Matthew P. Murphy  
Midland, Texas  
Retired Banking Executive

Howell W. Pardue  
Midland, Texas  
Executive Vice President  
of the Company

Tim C. Thompson  
Midland, Texas  
Management Consultant

C. Ray Tobias  
Midland, Texas  
Executive Vice President  
of the Company

### OFFICERS

L. Decker Dawson  
Chief Executive Officer

Stephen C. Jumper  
President  
& Chief Operating Officer

Howell W. Pardue  
Executive Vice President

C. Ray Tobias  
Executive Vice President

Christina W. Hagan  
Senior Vice President, Secretary  
& Chief Financial Officer

Frank D. Brown  
Vice President

K.S. Forsdick  
Vice President

Edward L. Huff  
Vice President

We are pleased to offer you the opportunity to receive future quarterly and annual reports electronically over the internet. In utilizing this service, you are not only improving the efficiency of your access to information, you will also help reduce printing and postage costs for your Company.

Forms 10-Q and 10-K reports will be available on the internet at [www.sec.gov](http://www.sec.gov) each quarter and additional information will be available at [www.dawson3d.com](http://www.dawson3d.com).

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[LOGO]  
DAWSON

Dawson Geophysical Company

Midland, Texas 432-684-3000 o 800-D-DAWSON  
Houston, Texas 713-917-6772  
Denver, Colorado 303-409-7787  
Oklahoma City, Oklahoma 405-848-7512

[www.dawson3d.com](http://www.dawson3d.com)  
508 West Wall, Suite 800  
Midland, Texas 79701-5010

## CERTIFICATION

I, L. Decker Dawson, certify that:

1. I have reviewed this periodic report on Form 10-K of Dawson Geophysical Company;
2. Based on my knowledge, this periodic 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 periodic report;
3. Based on my knowledge, the financial statements, and other financial information included in this periodic 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 periodic report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) designed such disclosure controls and procedures 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 periodic report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this periodic report (the "Evaluation Date"); and
  - c) presented in this periodic report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this periodic report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: November 28, 2003

Signature: /s/ L. Decker Dawson

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



## CERTIFICATION

I, Christina W. Hagan, certify that:

1. I have reviewed this periodic report on Form 10-K of Dawson Geophysical Company;
2. Based on my knowledge, this periodic 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 periodic report;
3. Based on my knowledge, the financial statements, and other financial information included in this periodic 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 periodic report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) designed such disclosure controls and procedures 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 periodic report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this periodic report (the "Evaluation Date"); and
  - c) presented in this periodic report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this periodic report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: November 28, 2003

Signature: /s/ Christina W. Hagan

-----  
Christina W. Hagan  
Senior Vice President, Secretary  
and Chief Financial Officer

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 periodic report of Dawson Geophysical Company (the "Company") Form 10-K for the period ending September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, L. Decker Dawson, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (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: November 28, 2003

/s/ L. Decker Dawson

-----  
Chairman and Chief Executive Officer

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 periodic report of Dawson Geophysical Company (the "Company") Form 10-K for the period ending September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christina W. Hagan, Senior Vice President, Secretary and Chief Financial 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:

- (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: November 28, 2003

/s/ Christina W. Hagan

-----  
Senior Vice President, Secretary and  
Chief Financial Officer