
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 2

to

Form S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Dawson Geophysical Company

(Exact name of registrant as specified in its charter)

Texas
*(State or other jurisdiction of
incorporation or organization)*

1382
*(Primary Standard Industrial
Classification Code Number)*

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

508 West Wall, Suite 800

Midland, Texas 79701

(432) 684-3000

*(Address, including zip code, and telephone number,
including area code, of registrants' principal executive offices)*

L. Decker Dawson

**Chief Executive Officer
Dawson Geophysical Company
508 West Wall, Suite 800
Midland, Texas 79701
(432) 684-3000**

*(Name, address, including zip code, and telephone number,
including area code, of agent for service)*

Copies to:

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2300 First City Tower
1001 Fannin Street
Houston, Texas 77002
Telephone: (713) 758-2222
Facsimile: (713) 758-2346**

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.



The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and it is not soliciting any offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, dated February 15, 2005

PRELIMINARY PROSPECTUS

1,500,000 Shares



Common Stock

We are offering 1,500,000 shares of our common stock. Our shares are quoted on The Nasdaq National Market under the symbol "DWSN." On February 11, 2005, the last reported sale price of our common stock on The Nasdaq National Market was \$22.12 per share.

Investing in our securities involves risk. You should carefully consider the risk factors described under "Risk Factors" beginning on page 6 of this prospectus before buying shares of our common stock.

	Per Share	Total
Public offering price	\$	\$
Underwriting discounts	\$	\$
Proceeds to Dawson Geophysical Company, before expenses	\$	\$

The underwriters may purchase up to an additional 225,000 shares of common stock from us at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover over-allotments, if any. The underwriters expect to deliver the shares to purchasers on or before _____, 2005.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

RAYMOND JAMES

A.G. EDWARDS

The date of this prospectus is _____, 2005.



Vibrator energy source units operating in Utah.



Crew deploying geophones and cables.



Technician operating a seismic recording system.



Analysts processing seismic data.

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You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized anyone to provide you with information different from that contained or incorporated by reference in this prospectus. We are offering to sell, and seeking offers to buy, common stock only in jurisdictions where offers and sales are permitted.

PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this prospectus. Because it is a summary, it may not contain all of the information that is important to you or that you should consider before investing in our common stock. You should read this entire prospectus carefully, including the risk factors appearing elsewhere in this prospectus and review the documents incorporated by reference, including our financial statements and related notes, before you decide whether to invest in our common stock.

All references in this prospectus to “we,” “us” and “our” refer to Dawson Geophysical Company. Unless otherwise indicated, this prospectus assumes that the underwriters’ over-allotment option will not be exercised.

Dawson Geophysical Company

We are the leading provider of onshore seismic data acquisition services in the United States as measured by the number of active data acquisition crews. Founded in 1952, we acquire and process 2-D, 3-D and multi-component seismic data for our clients, ranging from major oil and gas companies to independent oil and gas operators as well as providers of multi-client data libraries. Our clients rely on seismic data to identify areas where subsurface conditions are favorable for the accumulation of hydrocarbons, as well as to optimize the development and production of hydrocarbon reservoirs. During fiscal 2004, substantially all of our revenues were derived from 3-D seismic data acquisition operations.

Benefits of incorporating high resolution 3-D seismic surveys 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 realize the benefits of 3-D seismic data, demand is increasing for improved data quality with greater subsurface resolution. We are prepared to meet such demands with the implementation of improved techniques and evolving technology.

With increasing demand for our services, we have expanded our business from six seismic data acquisition crews in 2000 with approximately 20,000 recording channels to the current configuration of ten crews with more than 46,000 channels.

Business Strategy

Our strategy is to maintain our leadership position in the U.S. onshore market. Key elements of our strategy include:

- Attracting and retaining skilled and experienced personnel for our data acquisition and processing operations;
- Providing integrated in-house services necessary in each phase of seismic data acquisition and processing, including project design, land access permitting, surveying and related support functions as well as continuing the enhancement of our in-house health, safety and environmental program;
- Maintaining the focus of our operations solely on the domestic onshore seismic market;
- Continuing to operate with conservative financial discipline;
- Updating our capabilities to incorporate advances in geophysical and supporting technologies; and
- Acquiring equipment to expand the recording channel capacity on each of our existing crews and equipping additional crews as customer demand dictates.

Recent Developments

In fiscal year 2003, higher commodity prices led to a significant increase in the level of spending for the domestic exploration and development of oil and natural gas reserves. This resulted in greater demand for newly-acquired seismic data by many oil and gas companies. These factors and changes in the

competitive landscape in our market enabled us to expand our data acquisition and processing capacity by adding new personnel with technical and operational expertise to our existing highly skilled workforce. We believe these additions fortified our position as the leading provider of onshore seismic data acquisition services in the United States and resulted in increased market share in terms of the number of active crews operating. We accelerated this expansion during fiscal 2004 with the addition of three data acquisition crews, increased recording capacity company-wide and improvements to our data processing center. We anticipate further growth in fiscal 2005. We added a tenth data acquisition crew in January and expect to field our eleventh crew in the second calendar quarter of 2005. These expansions are in response to continued demand for our high-resolution 3-D seismic services as well as our clients' recognition of our technical and operational expertise.

Client demand for more recording channels continues to increase as the industry strives for improved data quality with greater subsurface resolution. In response to client demand, our recording channel capacity has more than doubled since 2000. Our ability to deploy a large number of recording channels provides us with the competitive advantages of operational versatility and increased productivity, in addition to improved data quality.

Principal Executive Offices and Internet Address

Our principal executive offices are located at 508 West Wall, Suite 800, Midland, Texas 79701 and our phone number is 432-684-3000. Our website is www.dawson3d.com. Information contained in our website is not incorporated by reference into this prospectus and you should not consider information contained in our website as part of this prospectus.

The Offering

Common stock offered 1,500,000 shares

Common stock outstanding after this offering 7,142,794 shares

Use of proceeds

We expect to use the net proceeds from this offering:

- to repay borrowings under our revolving line of credit agreement used to complete the funding of our 2004 seismic data acquisition crew expansions;
- to complete the funding of our January 2005 seismic data acquisition crew expansion, to field an additional crew in the second calendar quarter of 2005 and to increase the capacity of our existing crews; and
- for general corporate purposes, which may include further expansions of our seismic data acquisition operations and maintenance capital requirements.

See "Use of Proceeds."

Over-allotment option

We have granted the underwriters an option to purchase up to an additional 225,000 shares of common stock solely to cover over-allotments. See "Underwriting."

Risk Factors

See "Risk Factors" beginning on page 5 for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.

Nasdaq National Market symbol

DWSN

The number of shares outstanding after the offering is based upon our shares outstanding as of February 11, 2005 and excludes a total of 220,000 shares issuable under outstanding options granted under our stock option plans. The weighted average exercise price of these options is \$6.75 per share.

Summary Financial Data

The following table sets forth our summary financial data for the periods indicated. The summary financial data for the fiscal years ended September 30, 2002, 2003 and 2004 are derived from our audited financial statements. The summary financial data for the three months ended December 31, 2003 and 2004 are derived from our unaudited financial statements. This information should be read in conjunction with “Selected Financial Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” the financial statements and notes thereto and the other financial data included elsewhere in this Prospectus.

	Year Ended September 30,			Three Months Ended December 31,	
	2002	2003	2004	2003	2004
	(In thousands, except per share and operating data)				
	(Unaudited)				
Statement of Operations Data:					
Operating revenues	\$36,078	\$51,592	\$69,346	\$15,475	\$21,559
Operating costs:					
Operating expenses	33,205	46,151	55,618	13,311	16,844
General and administrative	2,006	2,421	2,675	618	794
Depreciation	4,233	4,404	4,653	1,108	1,470
Income (loss) from operations	(3,366)	(1,384)	6,400	438	2,451
Other income:					
Interest income	507	328	177	69	24
Loss on disposal of assets	—	—	—	(3)	—
Other	96	209	505	2	6
Income (loss) before income tax	(2,763)	(847)	7,082	506	2,481
Income tax benefit (expense):					
Current	400	—	(96)	—	—
Deferred	71	(52)	1,632	—	(881)
Net income (loss)	(2,292)	(899)	8,618	506	1,600
Net income (loss) per share assuming dilution	\$ (0.42)	\$ (0.16)	\$ 1.53	\$ 0.09	\$ 0.28
Operating Data (at period end):					
Number of working crews	5	6	9	6	9
Available recording channels	22,720	26,400	38,742	27,150	44,820
Other Financial Data:					
EBITDA	\$ 1,470	\$ 3,557	\$11,735	\$ 1,614	\$ 3,951
Capital expenditures	2,047	6,153	13,889	1,602	10,490

The following table sets forth a summary of our balance sheet data as of December 31, 2004 on a historical basis and on an as adjusted basis to reflect our receipt of estimated net proceeds of \$ million from our sale of shares of common stock in this offering, after deducting underwriting discounts and estimated offering expenses, and the application of those net proceeds.

	At December 31, 2004	
	Historical	As Adjusted
	(In thousands and unaudited)	
Balance Sheet Data (at period end):		
Working capital	\$12,185	\$
Net property, plant and equipment	38,996	
Total assets	59,866	
Long-term debt	—	—
Stockholders' equity	51,948	

Non-GAAP Financial Measure

We define EBITDA as net income plus interest expense, income taxes and depreciation and amortization expense. We use EBITDA as a supplemental financial measure to assess:

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

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

The following table reconciles our EBITDA to our net income:

	Year Ended September 30,			Three Months Ended December 31,	
	2002	2003	2004	2003	2004
	(In thousands)			(Unaudited)	
Net income (loss)	\$(2,292)	\$ (899)	\$ 8,618	\$ 506	\$1,600
Depreciation	4,233	4,404	4,653	1,108	1,470
Income tax (benefit) expense	(471)	52	(1,536)	—	881
EBITDA	\$ 1,470	\$3,557	\$11,735	\$1,614	\$3,951

The following table reconciles our EBITDA to our net cash provided by operating activities:

	Year Ended September 30,			Three Months Ended December 31,	
	2002	2003	2004	2003	2004
	(In thousands)			(Unaudited)	
Net cash provided by operating activities	\$ 3,628	\$1,244	\$ 8,812	\$ 3,590	\$ 8,436
Changes in working capital items and other	(1,541)	2,342	3,072	(1,976)	(4,440)
Non-cash adjustments to income	(217)	(29)	(245)	—	(45)
Current income tax (benefit) expense	(400)	—	96	—	—
EBITDA	\$ 1,470	\$3,557	\$11,735	\$ 1,614	\$ 3,951

RISK FACTORS

You should carefully consider the following risk factors, together with all of the other information included or incorporated by reference in this prospectus, including our financial statements and related notes, in evaluating an investment in our common stock. If any of the following risks were actually to occur, our business, financial condition or results of operations could be materially adversely affected. The trading price of our common stock could decline due to the realization of these risks, and you could lose all or part of your investment.

If oil and gas prices or the level of capital expenditures by oil and gas companies were to decline, demand for our services would decline and our results of operations would be adversely affected.

Demand for our 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. Fluctuations in oil and gas exploration activities and commodity prices have adversely affected the demand for our services and our results of operations in years past and would do so again if prices for oil and gas were to decline. In particular, we incurred losses in fiscal years 2000 through 2003 as a result of decreased demand for seismic services during these years due to the effects of lower oil and gas prices. Any significant decline in oil and gas related spending on behalf of our clients could cause us to alter our capital spending plans and would have a material adverse effect on our results of operations. Additionally, increases in oil and gas prices may not increase demand for our products and services or otherwise have a positive effect on our results of operations or financial condition.

Factors affecting the price of oil and gas include:

- level of demand for oil and gas;
- worldwide political, military and economic conditions, including the ability of the Organization of Petroleum Exporting Countries to set and maintain production levels and prices for oil;
- level of oil and gas production;
- government policies regarding the exploration for, and production and development of, oil and gas reserves;
- level of taxation relating to the energy industry, including taxation of consumption of energy sources; and
- weather conditions.

The markets for oil and gas have historically been volatile and are likely to continue to be so in the future.

The high fixed costs of our operations could result in operating losses.

Our business has high fixed costs. As a result, any significant downtime or low productivity caused by reduced demand, weather interruptions, equipment failures, permit delays or other causes could adversely affect our results of operations.

Our revenues are subject to fluctuations that are beyond our control which could adversely affect our results of operations in any financial period.

Our operating results vary in material respects from quarter to quarter and will continue to do so in the future. Factors that cause variations include the timing of the receipt and commencement of contracts for data acquisition, permit delays, weather delays and crew productivity. Combined with our high fixed costs, these revenue fluctuations could produce unexpected adverse results of operations in any fiscal period.

Our operations are subject to weather conditions which could adversely affect our results of operations.

Our seismic data acquisition operations could be adversely affected by inclement weather conditions. Delays associated with weather conditions could adversely affect our results of operations. See “Business — Contracts.”

Our operations are subject to delays related to obtaining land access rights of way from third parties which could affect our results of operations.

Our seismic data acquisition operations could be adversely affected by our inability to obtain timely right of way usage from both public and private land and/or mineral owners. Delays associated with obtaining such rights of way could negatively affect our results of operations.

We face intense competition in our business that could result in downward pricing pressure and the loss of market share.

The acquisition and processing of seismic data for the oil and gas industry is a highly competitive business in the United States. Some of our competitors have financial resources that are significantly greater than our own. Competition from these and other competitors could result in downward pricing pressure and the loss of market share. See “Business — Competition.”

We may be unable to attract and retain skilled and technically knowledgeable employees which could adversely affect our business.

Our success depends upon attracting and retaining highly skilled professionals and other technical personnel. A number of our employees are highly skilled scientists and highly trained technicians, and our failure to continue to attract and retain such individuals could adversely affect our ability to compete in the seismic services industry. We may confront significant and potentially adverse competition for these skilled and technically knowledgeable personnel, particularly during periods of increased demand for seismic services. None of our employees are under employment contracts and we have no key man insurance.

Capital requirements for our operations are large. If we are unable to finance these requirements our ability to continue our expansion and maintain our profitability could be affected.

Our sources of working capital are limited. We have historically funded our working capital requirements with cash generated from operations, cash reserves and short term borrowings from commercial banks. In the past, we have also funded our capital expenditures and other financing needs through public equity offerings. Our working capital requirements continue to increase, primarily due to the expansion of our infrastructure. If we were to expand our operations at a rate exceeding operating cash flow, or if current demand or pricing of geophysical services were to decrease substantially, additional financing could be required. If we were not able to obtain such financing when needed, our failure could have a negative impact on our ability to pursue our expansion and maintain our profitability. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources.”

Technological change in our business creates risks of technological obsolescence and requirements for future capital expenditures. If we are unable to keep up with these technological advances, we may not be able to compete effectively.

Seismic data acquisition and processing technologies historically have progressed rather rapidly and we expect this progression to continue. Our strategy is to regularly upgrade our data acquisition and processing equipment to maintain our competitive position. However, due to potential advances in technology and the related costs associated with such technological advances, we might not be able to fulfill this strategy, thus possibly affecting our ability to compete.

We operate under hazardous conditions that subject us to risk of damage to property or personal injuries and may interrupt our business.

Our business is subject to the general risks inherent in land-based seismic data acquisition activities. Our 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. Our crews are mobile, and equipment and personnel are subject to vehicular accidents. We use diesel fuel which is classified by the U.S. Department of Transportation as a hazardous material. These risks could cause us to experience equipment losses, injuries to our personnel and interruptions in our business.

In addition, we could be subject to personal injury or real property damage claims in the normal operation of our business. Such claims may not be covered under the indemnification provisions in our master service agreements to the extent that the damage was due to our negligence, gross negligence or intentional misconduct.

We do not carry insurance against certain risks that we could experience, including business interruption resulting from equipment losses or weather delays. We obtain insurance against certain property and personal casualty risks and other risks when such insurance is available and when our management considers it advisable to do so. Such coverage is not always available or applicable and, when available, is subject to unilateral cancellation by the insuring companies on very short notice.

Our business is subject to governmental regulation which may adversely affect our future operations.

Our 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. We are required to expend financial and managerial resources to comply with such laws and related permit requirements in our operations, and we anticipate that we will continue to be required to do so in the future. The fact that such laws or regulations change frequently makes it impossible for us to predict the cost or impact of such laws and regulations on our 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 our operations by reducing the demand for our services.

Certain provisions of our charter and bylaws and our shareholder rights plan may make it difficult for a third party to acquire us, even in situations that may be viewed as desirable by our shareholders.

Our articles of incorporation and bylaws contain provisions that authorize the issuance of preferred stock and establish advance notice requirements for director nominations and actions to be taken at shareholder meetings. These provisions could discourage or impede a tender offer, proxy contest or other similar transaction involving control of us, even in situations that may be viewed as desirable by our shareholders. In addition, we have adopted a shareholder rights plan that would likely discourage a hostile attempt to acquire control of us.

Failure to spend or invest the proceeds of this offering in an effective manner could adversely affect our business.

We have no current specific allocations for approximately \$4 million of the aggregate net proceeds to be derived from this offering. Consequently, our board of directors and management will have substantial flexibility and broad discretion in applying this portion of the net proceeds of this offering, and investors will be relying on the judgment of our management regarding the application of these proceeds. The failure by management to apply such funds effectively could have a material adverse effect on our business and financial condition. We generally intend to use the unallocated net proceeds of this offering for general corporate purposes, which may include further expansions of our seismic data acquisition operations and maintenance capital requirements. Pending such uses, we intend to invest the unallocated net proceeds of this offering in short-term investments.

FORWARD-LOOKING STATEMENTS

This prospectus and the documents we incorporate by reference contain 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. Statements that are not historical facts (including any statements concerning plans and objectives of management for future operations or economic performance, or assumptions or forecasts related thereto) are forward-looking statements. These statements can be identified by the use of forward-looking terminology including “forecast,” “may,” “believe,” “will,” “expect,” “anticipate,” “estimate,” “continue” or other similar words. These statements discuss future expectations, contain projections of results of operations or of financial condition or state other “forward-looking” information. We and our representatives may from time to time make other oral or written statements that are also forward-looking statements.

These forward-looking statements are made based upon our management’s current plans, expectations, estimates, assumptions and beliefs concerning future events impacting us and therefore involve a number of risks and uncertainties. We caution that forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in the forward-looking statements as a result of certain factors, including but not limited to dependence upon energy industry spending, the volatility of oil and gas prices, weather interruptions, ability to obtain land access rights of way and the availability of capital resources.

Because these forward-looking statements involve risks and uncertainties, actual results could differ materially from those expressed or implied by these forward-looking statements for a number of important reasons, including those discussed under “Risk Factors” and elsewhere in this prospectus and the documents we incorporate by reference herein.

USE OF PROCEEDS

We estimate that our net proceeds from this offering will be approximately \$ million, or approximately \$ million if the underwriters’ over-allotment option is exercised in full, in each case after deducting underwriting discounts and the estimated offering expenses.

We expect to use our proceeds from this offering for the following:

- approximately \$10 million to repay borrowings under our revolving line of credit loan agreement used to complete the funding of our 2004 seismic data acquisition crew expansions;
- approximately \$16 million to complete the funding of our January 2005 data acquisition crew expansion, to field an additional crew in the second calendar quarter of 2005 and to increase the capacity of our existing crews; and
- the balance of approximately \$4 million for general corporate purposes which may include further expansions of our seismic data acquisition operations and maintenance capital requirements.

The amount and timing of our actual expenditures for general corporate purposes will vary significantly depending on a number of factors, including such factors as the amount of cash generated by our operations. Accordingly, our management will have broad discretion in the application of the unallocated portion of the net proceeds generated from this offering. You will not have the opportunity to evaluate the economic, financial or other information on which we base our decisions on how to use these proceeds. Pending our use of the net proceeds we receive from this offering, we may invest such proceeds in short-term investments.

On December 22, 2004, we entered into a revolving line of credit loan agreement with Western National Bank under which we may borrow, repay and reborrow, from time to time until December 22, 2005, up to \$10.0 million. Our obligations under this agreement are secured by a security interest in our accounts receivable and related collateral. Interest on the outstanding amount under the line of credit loan agreement is payable monthly (beginning on January 22, 2005) at a rate equal to the greater of (i) the

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Prime Rate and (ii) 5.0%. In connection with equipping and deploying our eighth data acquisition crew, on January 12, 2005 we borrowed \$5.0 million under the loan agreement. In connection with equipping and deploying our ninth data acquisition crew, we borrowed the remaining \$5.0 million available under the loan agreement on February 1, 2005. The loan agreement contains customary covenants for credit facilities of this type, including limitations on distributions and dividends, disposition of assets and mergers and acquisitions. We are also obligated to meet certain financial covenants under the loan agreement, including maintaining a minimum tangible net worth (as defined in the loan agreement) of \$40.0 million and maintaining specified ratios with respect to cash flow coverage, current assets and liabilities, and debt to tangible net worth.

PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY

Our common stock is quoted on the Nasdaq National Market under the symbol "DWSN." The following table shows the high and low per share sale prices for our common stock as reported on The Nasdaq National Market for the periods indicated.

	Price Range of Common Stock	
	High	Low
Year Ended September 30, 2003		
First Quarter	\$ 7.18	\$ 4.95
Second Quarter	\$ 7.23	\$ 5.20
Third Quarter	\$ 8.53	\$ 6.34
Fourth Quarter	\$ 8.40	\$ 6.56
Year Ended September 30, 2004		
First Quarter	\$ 8.54	\$ 6.46
Second Quarter	\$12.47	\$ 7.62
Third Quarter	\$22.39	\$12.00
Fourth Quarter	\$26.24	\$16.82
Year Ended September 30, 2005		
First Quarter	\$27.66	\$17.13
Second Quarter (through February 11, 2005)	\$22.42	\$17.91

On February 11, 2005, the last sale price of the common stock as reported on The Nasdaq National Market was \$22.12 per share. At the close of business on January 31, 2005, there were approximately 200 holders of record of our common stock.

Since our initial public offering in 1981, we have not declared or paid any dividends on our common stock. We presently intend to retain earnings for use in our operations and to finance our business. Any change in our dividend policy is within the discretion of our board of directors and will depend, among other things, on our earnings, debt service and capital requirements, restrictions in financing agreements, if any, business conditions and other factors that our board of directors deems relevant. Our revolving line of credit does not permit us to pay dividends without the prior approval of the lending bank.

CAPITALIZATION

The following table sets forth our cash, cash equivalents and short-term investments and our capitalization as of December 31, 2004 on a historical basis and on an as adjusted basis. The as adjusted basis reflects our receipt of estimated net proceeds of \$ million from our sale of shares of common stock in this offering, after deducting underwriting discounts and estimated offering expenses, and the application of those net proceeds as described in "Use of Proceeds." The as adjusted column does not include the exercise of the underwriters' over-allotment option of 225,000 shares.

You should read this table together with "Use of Proceeds," "Selected Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and notes thereto included elsewhere in this prospectus.

	December 31, 2004	
	Historical	As Adjusted
	(In thousands, except share data)	
Cash, cash equivalents and short-term investments	\$ 5,656	\$ —
Long-term debt, less current maturities(1)	\$ —	\$ —
Stockholders' equity:		
Preferred Stock, par value \$1.00 per share:		
5,000,000 shares authorized, none issued or outstanding	—	—
Common Stock, par value \$0.33 1/3 per share:		
10,000,000 shares authorized, 5,642,794 shares issued and outstanding; shares issued and outstanding as adjusted(2)	1,881	
Additional paid-in capital	40,026	
Other comprehensive income, net of tax	(42)	
Retained earnings	10,083	
Total stockholders' equity	\$51,948	\$ —
Total capitalization	\$51,948	\$ —

(1) Does not include \$10.0 million of borrowings that were incurred in January and February 2005 under our revolving line of credit.

(2) Excludes 220,000 shares reserved for issuance upon exercise of employee stock options at December 31, 2004.

SELECTED FINANCIAL DATA

The following table sets forth a summary of our selected financial data for the periods indicated. The financial data for the fiscal years ended September 30, 2002, 2003 and 2004 are derived from our audited financial statements. The financial data for the three months ended December 31, 2003 and 2004 are derived from our unaudited financial statements. This information should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” the financial statements and notes thereto and the other financial data included elsewhere in this Prospectus. Additional selected financial data for the two fiscal years preceding September 30, 2002 can be found in our annual reports previously filed with the SEC. See “Where You Can Find More Information”.

	Year Ended September 30,			Three Months Ended December 31,	
	2002	2003	2004	2003	2004
	(In thousands, except per share and operating data)				
Statement of Operations Data:	(Unaudited)				
Operating revenues	\$36,078	\$51,592	\$69,346	\$15,475	\$21,559
Operating costs:					
Operating expenses	33,205	46,151	55,618	13,311	16,844
General and administrative	2,006	2,421	2,675	618	794
Depreciation	4,233	4,404	4,653	1,108	1,470
Income (loss) from operations	(3,366)	(1,384)	6,400	438	2,451
Other income:					
Interest income	507	328	177	69	24
Loss on disposal of assets	—	—	—	(3)	—
Other	96	209	505	2	6
Income (loss) before income tax	(2,763)	(847)	7,082	506	2,481
Income tax benefit (expense):					
Current	400	—	(96)	—	—
Deferred	71	(52)	1,632	—	(881)
Net income (loss)	(2,292)	(899)	8,618	506	1,600
Net income (loss) per share assuming dilution	\$ (0.42)	\$ (0.16)	\$ 1.53	\$ 0.09	\$ 0.28
Operating Data (at period end):					
Number of working crews	5	6	9	6	9
Available recording channels	22,720	26,400	38,742	27,150	44,820
Other Financial Data:					
EBITDA	\$ 1,470	\$ 3,557	\$11,735	\$ 1,614	\$ 3,951
Capital expenditures	2,047	6,153	13,889	1,602	10,490

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The following table sets forth a summary of our balance sheet data as of December 31, 2004 on a historical basis and on an as adjusted basis to reflect our receipt of estimated net proceeds of \$ million from our sale of shares of common stock in this offering, after deducting underwriting discounts and commissions and estimated offering expenses, and the application of those net proceeds.

	At December 31, 2004	
	Historical	As Adjusted
	(In thousands and unaudited)	
Balance Sheet Data (at period end):		
Working capital	\$12,185	\$
Net property, plant and equipment	38,996	
Total assets	59,866	
Long-term debt	—	—
Stockholders' equity	51,948	

Non-GAAP Financial Measure

We define EBITDA as net income plus interest expense, income taxes and depreciation and amortization expense. We use EBITDA as a supplemental financial measure to assess:

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

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

The following table reconciles our EBITDA to our net income:

	Year Ended September 30,			Three Months Ended December 31,	
	2002	2003	2004	2003	2004
	(In thousands)			(Unaudited)	
Net income (loss)	\$(2,292)	\$ (899)	\$ 8,618	\$ 506	\$1,600
Depreciation	4,233	4,404	4,653	1,108	1,470
Income tax (benefit) expense	(471)	52	(1,536)	—	881
EBITDA	\$ 1,470	\$3,557	\$11,735	\$1,614	\$3,951

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The following table reconciles our EBITDA to our net cash provided by operating activities:

	Year Ended September 30,			Three Months Ended December 31,	
	2002	2003	2004	2003	2004
	(In thousands)			(Unaudited)	
Net cash provided by operating activities	\$ 3,628	\$1,244	\$ 8,812	\$ 3,590	\$ 8,436
Changes in working capital items and other	(1,541)	2,342	3,072	(1,976)	(4,440)
Non-cash adjustments to income	(217)	(29)	(245)	—	(45)
Current income tax (benefit) expense	(400)	—	96	—	—
EBITDA	\$ 1,470	\$3,557	\$11,735	\$ 1,614	\$ 3,951

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

The following discussion and analysis should be read in conjunction with "Selected Financial Data" and our financial statements and related notes thereto included elsewhere in this prospectus. Portions of this document that are not statements of historical or current fact are forward-looking statements. This discussion contains forward-looking statements that involve risk and uncertainties, such as statements of our plans, objections, expectations and intentions. The cautionary statements made in this prospectus should be read as applying to all related forward-looking statements wherever they appear in this prospectus. Our actual results could differ materially from those anticipated in the forward-looking statements. Factors that could cause our actual results to differ materially from those anticipated include those discussed in "Risk Factors," as well as those discussed elsewhere. See "Risk Factors" and "Forward-Looking Statements."

Overview

We are the leading provider of onshore seismic data acquisition services in the United States as measured by the number of active data acquisition crews. Substantially all of our revenues are derived from the seismic data acquisition services we provide to our clients, mainly domestic oil and gas companies. Demand for our services depends upon the level of spending by these oil and gas companies for exploration, production, development and field management activities, which activities depend, in part, on oil and natural gas prices. Fluctuations in domestic oil and natural gas exploration activities and commodity prices have affected the demand for our services and our results of operations in years past and continue to be the single most important factor affecting our business and results of operations.

Accordingly, our return to profitability in fiscal 2004 after several years of losses is directly related to an increase in the level of exploration for domestic oil and natural gas reserves by the petroleum industry since 2003. The increased level of exploration is a function of higher prices for oil and natural gas. As a result of the increase in domestic exploration spending, we have experienced an increased demand for our seismic data acquisition and processing services. While the markets for oil and natural gas have historically been volatile and are likely to continue to be so in the future and we can make no assurances as to future levels of domestic exploration or commodity prices, we believe opportunities exist for us to expand our market position.

We continue to focus on increasing revenues and profitability. While our revenues are mainly affected by the level of client demand for our services, our revenues are also affected by the pricing for our services that we negotiate with our clients and the productivity of our data acquisition crews, including crew downtime related to inclement weather or delays in acquiring land access permits. Consequently, our successful efforts to negotiate more favorable weather protection provisions in our supplemental service agreements, to mitigate access permit delays and to improve overall crew productivity may contribute to growth in our revenues. Although our clients may cancel their supplemental service agreements with us on short notice, we believe we currently have a sufficient order book to sustain operations at full capacity well into fiscal 2005. In response to the additional demand for our services, we added our tenth crew in January 2005, and expect to field our eleventh crew in the second calendar quarter of 2005.

Highlights of the Quarter Ended December 31, 2004

Our financial performance from operations for the first quarter of fiscal 2005 significantly improved when compared to our financial performance for the first quarter of fiscal 2004 as a result of increased demand for our services due to increased exploration and development activity by domestic oil and gas companies and increases in oil and gas prices during 2004. This increased demand had the following principal effects:

- During the first fiscal quarter of 2005, we operated nine data acquisition crews as compared to six crews in the first fiscal quarter of 2004.

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- We experienced price improvements and more favorable contract terms in our agreements with clients during 2004. These factors helped improve our revenues during the first quarter of fiscal 2005.
- We experienced a deferred tax expense of \$0.16 in the first quarter of fiscal 2005. There was no deferred tax expense in the first quarter of fiscal 2004. At December 31, 2004, we had a deferred tax asset of \$767,000 reflecting available net operating loss carryforwards. We expect to recognize additional deferred tax expense in subsequent quarters in order to fully utilize our deferred tax asset. After we have fully utilized our deferred tax asset, we will recognize current income tax expense on our income before income tax.

Results of Operations

Operating Revenues. Our operating revenues for the first quarter of fiscal 2005 increased 39% to \$21,559,000 from \$15,475,000 in the first quarter of fiscal 2004 as a result of increased demand for our services. As a result of this increased demand during fiscal 2004, we were able to field three additional data acquisition crews, obtain price improvements in the markets for our services and negotiate favorable contract provisions. We began fiscal 2004 with six data acquisition crews. The seventh crew was added in February and the eighth and ninth crews were fielded in the fourth quarter of fiscal 2004.

Operating Costs. Our operating expenses increased 27% from \$13,311,000 in the first quarter of fiscal 2004 to \$16,844,000 in the first quarter of fiscal 2005 due to the ongoing expenses of the three crews added after the first quarter of fiscal 2004.

General and administrative expenses were approximately 3.7% and 3.9% of revenues in the first quarter of fiscal 2005 and 2004, respectively. General and administrative expenses are expected to increase to support expanded field operations and to assimilate Sarbanes-Oxley reporting requirements. In the first quarter of fiscal 2005, we increased our allowance for doubtful accounts by \$40,000 in response to the increase in business activity and accounts receivable. Historically, we have had no significant write-offs of trade accounts receivable, however, we believe that it is prudent to increase the allowance for doubtful accounts in response to increased demand from new customers.

We recognized \$1,470,000 of depreciation expense in the first quarter of fiscal 2005 as compared to \$1,108,000 in the comparable quarter of fiscal 2004 as a result of the significant capital expenditures we made during 2004. Our depreciation expense is also expected to increase during the remaining quarters of fiscal 2005 reflecting our significant capital expenditures in fiscal 2004 and the first quarter of fiscal 2005 and our expected capital budget for the remainder of fiscal 2005.

Our total operating costs for the first quarter of fiscal 2005 were \$19,108,000, an increase of 27% from the first quarter of fiscal 2004 primarily due to the factors described above.

Taxes. We experienced a deferred tax expense of \$0.16 during the first quarter of 2005. There was no deferred tax expense in the first quarter of fiscal 2004. At December 31, 2004, we have a deferred tax asset of \$767,000 reflecting available net operating loss carryforwards. We expect to recognize additional deferred tax expense in subsequent quarters in order to fully utilize our deferred tax asset. After we have fully utilized our deferred tax asset, we will recognize current income tax expense on our income before income tax.

Fiscal 2004 Highlights

Our financial performance for fiscal 2004 significantly improved when compared to our financial performance for fiscal 2003 as a result of increased demand for our services due to increased exploration

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and development activity by domestic oil and gas companies and increases in oil and gas prices. This increased demand had the following principal effects:

- In response to increased demand for our services, we added capacity to existing crews and fielded three additional data acquisition crews. These additions, funded primarily from cash flow and cash reserves, helped increase our revenues during fiscal 2004.
- As a result of increased demand for our services, we experienced price improvements and more favorable contract terms in our agreements with clients. These factors helped improve our revenues during fiscal 2004.
- Approximately \$0.29 per share of our earnings for fiscal 2004 were due to a deferred income tax benefit resulting from our elimination of a valuation allowance on a deferred tax asset generated from net operating loss carryforwards. We believe that our past five profitable quarters and a continued favorable environment for our services now will enable us to use the deferred tax asset.

Fiscal Year Ended September 30, 2004 Versus Fiscal Year Ended September 30, 2003

Operating Revenues. Our operating revenues increased 34% from \$51,592,000 in fiscal 2003 to \$69,346,000 in fiscal 2004 as a result of increased demand for our services. As a result of this increased demand, we were able to field three additional data acquisition crews, obtain price improvements in the markets for our services and negotiate favorable contract provisions. We began fiscal 2004 with six data acquisition crews. The seventh crew was added in March and the eighth and ninth crews were fielded in the fourth quarter of fiscal 2004. Approximately \$375,000 of our revenue is related to a negotiated release from contract performance by one customer. The release was at the request of the client and did not involve any performance issues.

Operating Costs. Our operating expenses increased 21% from \$46,151,000 in fiscal 2003 to \$55,618,000 in fiscal 2004 due to the start-up and ongoing expenses of the three new crews added during the year.

General and administrative expenses were 3.9% of revenues in fiscal 2004 as compared to 4.7% in fiscal 2003. The reduction in the percentage of general and administrative expenses to revenues in fiscal 2004 reflects our relatively fixed operating costs and the increase in our revenues during this period. General and administrative expenses are expected to increase to support expanded field operations and to assimilate Sarbanes-Oxley reporting requirements. In fiscal 2004, we increased our allowance for doubtful accounts by \$100,000 in response to the increase in business activity and accounts receivable. Historically, we have had no significant write-offs of trade accounts receivable; however, we believe that it is prudent to increase the allowance for doubtful accounts in response to the business from new customers that the increases in the prices of oil and natural gas have generated.

We recognized \$4,653,000 of depreciation expense in fiscal 2004 as compared to \$4,404,000 in fiscal 2003. Our depreciation expense is expected to increase in fiscal 2005 as a result of our significant capital expenditures in fiscal 2004. Approximately 39% of the fiscal 2004 capital expenditures occurred in the fourth quarter. During fiscal 2005, we will reflect a full year of depreciation expense for these fourth quarter 2004 capital expenditures.

Our total operating costs for fiscal 2004 were \$62,946,000, an increase of 19% from fiscal 2003 primarily due to the factors described above.

Taxes. Because of our past five profitable quarters and the continued favorable environment for our services, we believe that we will now be able to fully use our net operating loss carryforwards. Approximately \$0.29 per share of our reported earnings for fiscal 2004 resulted from a deferred income tax benefit resulting from the elimination of a valuation allowance on our deferred tax asset generated from these net operating loss carryforwards. Current tax expense reflects alternative minimum tax ("AMT") calculated on net income not eligible for offset by AMT loss carryforwards.

Fiscal Year Ended September 30, 2003 Versus Fiscal Year Ended September 30, 2002

Operating Revenues. Our operating revenues increased 43% from \$36,078,000 in fiscal 2002 to \$51,592,000 in fiscal 2003 principally as a result of increased demand for our services. We began fiscal 2003 with five crews and increased to six operating crews in November. During the months of May, June and July, our production was severely impaired by rain and we operated five crews during this time. During fiscal 2003, we saw slight price improvements for our services and were able to maintain the price improvements gained in fiscal 2002.

Operating Costs. Our operating expenses increased 39% in fiscal 2003 as compared to fiscal 2002 due to the start up expenses associated with activating a crew, our expanded operations geographically within the contiguous United States and an increased demand for dynamite energy sources, which require an expensive drilling component, and for the use of helicopters to achieve efficient operations. The last two factors are reimbursable out-of-pocket expenses and are reported in both our revenue and expense lines.

Our general and administrative expenses were 4.7% of revenues in fiscal 2003 as compared to 5.5% in fiscal 2002. We increased our allowance for doubtful accounts by \$60,000 in fiscal 2003 in response to working for new clients in new areas. However, relatively favorable prices for crude oil and natural gas benefited our clients and, therefore, helped us in the collection of accounts receivable.

We recognized \$4,404,000 of depreciation expense in fiscal 2003, an increase of 4% from fiscal 2002. The increase in depreciation expense reflects our increase in capital expenditures during fiscal 2003 and 2002, principally for recording equipment.

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

Taxes. We recorded a deferred tax expense due to an increase in the income tax valuation allowance. The tax expense is related to the tax effect of the unrealized loss on investments recorded in other comprehensive income.

Liquidity and Capital Resources

Introduction. Our principal sources of cash are amounts earned from the seismic data acquisition services we provide to our clients. Our principal uses of cash are the amounts used to provide these services, including expenses related to our operations and acquiring new equipment. Accordingly, our cash position depends (as do our revenues) on the level of demand for our services. Historically, cash generated from our operations along with cash reserves and short term borrowings from commercial banks have been sufficient to fund our working capital requirements, and to some extent, our capital expenditures.

Cash Flows. Net cash provided by operating activities was \$8,813,000 for fiscal 2004, \$1,244,000 for fiscal 2003 and \$3,628,000 for fiscal 2002. These amounts primarily reflect results of operations offset by changes in working capital components, depreciation and deferred income tax expense. The changes in our working capital components in fiscal 2004 resulted primarily from the increase in demand for our services during fiscal 2004 which led to increases in our accounts receivable, reflecting the increased revenues of our expanding business, and in our accounts payable, reflecting the costs to provide those services.

Net cash provided by operating activities was \$8,436,000 for the first quarter of fiscal 2005 and \$3,590,000 for the first quarter of fiscal 2004. The increase in cash provided by operating activities in the first quarter of fiscal 2005 resulted primarily from the decrease in accounts receivable, due to increased receivable collections during the first fiscal quarter, and the increase in net income, due to the continued expansion of our business.

Net cash used in investing activities was \$9,571,000 in fiscal 2004 and \$6,657,000 in fiscal 2002. Net cash provided from investing activities was \$836,000 in fiscal 2003. These results primarily represent capital expenditures and activity in the short-term investment portfolio. The increase in net cash used

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in investing activities during fiscal 2004 primarily resulted from the increased capital expenditures we made during fiscal 2004 due to the continued expansion of our business. Capital expenditures were made with cash generated from operations and short-term investments.

Net cash used in investing activities was \$10,490,000 in the quarter ended December 31, 2004 and \$1,619,000 in the quarter ended December 31, 2003. The increase in net cash used in investing activities during the first quarter of fiscal 2005 primarily resulted from the capital expenditures we made during the quarter due to the continued expansion of our business. Capital expenditures were made with cash generated from operations and short-term investments and during the first quarter of fiscal 2005 with cash from our new revolving line of credit agreement discussed below.

Net cash provided by financing activities in fiscal 2004 was \$957,000 and reflects proceeds from the exercise of stock options by officers and other key employees. Net cash provided by financing activities in the quarter ended December 31, 2004 was \$35,000 and reflects proceeds from the exercise of stock options.

Capital Expenditures. Capital expenditures during fiscal 2004 were \$13,889,000, which was used to acquire additional recording channels, energy source units, three new seismic data acquisition crews and maintenance capital requirements. During the first quarter of fiscal 2005 capital expenditures of \$10,490,000 were used to acquire additional recording channels and energy source units to equip our eighth and ninth data acquisition crews and to prepare to field our tenth crew in January 2005 and for maintenance capital requirements.

We have budgeted capital expenditures of approximately \$20 million for the remainder of fiscal 2005, of which approximately \$7 million will be used to complete the funding of our January 2005 crew expansion, approximately \$5 million will be used to field our eleventh crew in the second calendar quarter of 2005, approximately \$4 million will be used to increase the capacity of our existing crews and the remainder will be used for maintenance capital requirements.

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

Capital Resources. Historically, we have primarily relied on cash generated from operations, cash reserves and short term borrowings from commercial banks to fund our working capital requirements and, to some extent, capital expenditures. In the past, we have also funded our capital expenditures and other financing needs through public equity offerings. As a result of our recent increased capital needs resulting from the continued expansion of our business, we obtained in December 2004 the \$10 million revolving line of credit agreement discussed below.

On December 22, 2004, we entered into a revolving line of credit loan agreement with Western National Bank under which we may borrow, repay and reborrow, from time to time until December 22, 2005, up to \$10.0 million. Our obligations under this agreement are secured by a security interest in our accounts receivable and related collateral. Interest on the outstanding amount under the line of credit loan agreement is payable monthly (beginning on January 22, 2005) at a rate equal to the greater of (i) the Prime Rate and (ii) 5.0%. In connection with equipping and deploying our eighth data acquisition crew, on January 12, 2005 we borrowed \$5.0 million under the loan agreement. In connection with equipping and deploying our ninth data acquisition crew, we borrowed the remaining \$5.0 million available under the loan agreement on February 1, 2005. The loan agreement contains customary covenants for credit facilities of this type, including limitations on distributions and dividends, disposition of assets and mergers and acquisitions. We are also obligated to meet certain financial covenants under the loan agreement, including maintaining a minimum tangible net worth (as defined in the loan agreement) of \$40.0 million and maintaining specified ratios with respect to cash flow coverage, current assets and liabilities, and debt to tangible net worth.

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The following table summarizes payments due in specific periods related to our contractual obligations as of February 1, 2005:

	Payments Due by Period				
	Total	Within 1 Year	1-3 Years	3-5 Years	After 5 Years
			(In thousands)		
Debt obligations(1)	\$10,000	\$10,000	\$ 0	\$ 0	\$ 0
Operating lease obligations	500	143	357	0	0
Total	\$10,500	\$10,143	\$357	\$ 0	\$ 0

(1) Amounts represent our current borrowings under our revolving line of credit loan agreement and do not include interest payments required under the agreement.

We believe that our capital resources, including our short-term investments and cash flow from operations are adequate to meet our current operational needs. We believe we will be able to finance our fiscal 2005 capital requirements through short-term investments and cash flow from operations, through borrowings under our revolving line of credit loan agreement and from the proceeds of this offering. If we were not able to complete this offering, we would have to find other funding sources for our business expansion or alter or delay our spending plans. We believe that other sources of funding would be available to us, including increasing the size of our revolving line of credit or issuing long-term debt. Our ability to continue to satisfy our working capital requirements and to fund future capital requirements will depend principally upon our future operating performance, which is subject to the risks inherent in our business and discussed elsewhere in this prospectus.

Off-Balance Sheet Arrangements

As of December 31, 2004, we had no off-balance sheet arrangements.

Effect of Inflation

We do not believe that inflation has had a material effect on our business, results of operations or financial condition during the past three years.

Critical Accounting Policies

The preparation of our financial statements in conformity with generally accepted accounting principles requires us to make certain assumptions and estimates that affect the reported amounts of assets and liabilities at the date of our financial statements and the reported amounts of revenues and expenses during the reporting period. Because of the use of assumptions and estimates inherent in the reporting process, actual results could differ from those estimates.

Revenue Recognition. Our services are provided under cancelable service contracts. These contracts are either “turnkey” or “term” agreements. The Company recognizes revenues when services are performed under both types of agreements. Services are defined as the commencement of data acquisition or processing operations. Under turnkey agreements, revenue is recognized on a per unit of data acquired rate, as services are performed. Under term agreements, revenue is recognized on a per unit of time worked rate, as services are performed. In the case of a cancelled service contract, we recognize revenue and bill our client for services performed up to the date of cancellation. We also receive reimbursements for certain out-of-pocket expenses under the terms of our service contracts. We record amounts billed to clients in revenue at the gross amount including out-of-pocket expenses that are reimbursed by the client.

In some instances, we bill clients in advance of the services performed. In those cases, we recognize the liability as deferred revenue.

Allowance for Doubtful Accounts. We prepare our allowance for doubtful accounts receivable based on our past experience of historical write-offs, our current customer base and our review of past due

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accounts. The inherent volatility of the energy industry's business cycle can cause swift and unpredictable changes in the financial stability of our customers.

Impairment of Long-lived Assets. We review long-lived assets for impairment when triggering events occur suggesting deterioration in the assets recoverability or fair value. Recognition of an impairment charge is required if future expected net cash flows are insufficient to recover the carrying value of the asset. Our forecast of future cash flows used to perform impairment analysis includes estimates of future revenues and future gross margins based on our historical results and analysis of future oil and gas prices which is fundamental in assessing demand for our services. If we are unable to achieve these cash flows, our estimates would be revised potentially resulting in an impairment charge in the period of revision.

Depreciable Lives of Property, Plant and Equipment. Our property, plant and equipment are capitalized at historical cost and depreciated over the useful life of the asset. Our 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. The technology of the equipment used to gather data in the seismic industry has historically evolved such that obsolescence does not occur quickly. As circumstances change and new information becomes available, these estimates could change. We amortize these capitalized items using the straight-line method.

Tax Accounting. We account for our income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes," which requires the recognition of amounts of taxes payable or refundable for the current year and an asset and liability approach in recognizing the amount of deferred tax liabilities and assets for the future tax consequences of events that have been recognized in our financial statements or tax returns. We determine deferred taxes by identifying the types and amounts of existing temporary differences, measuring the total deferred tax asset or liability using the applicable tax rate and reducing the deferred tax asset by a valuation allowance if, based on available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Our methodology for recording income taxes requires judgment regarding assumptions and the use of estimates, including determining our annual effective tax rate and the valuation of deferred tax assets, which can create variance between actual results and estimates. The process involves making forecasts of current and future years' taxable income and unforeseen events may significantly effect these estimates. Those factors, among others, could have a material impact on our provision or benefit for income taxes.

Stock Based Compensation. In accordance with the Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," we do not record compensation 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 market price on the grant date.

Recently Issued Accounting Pronouncements

The Financial Accounting Standards Board (FASB) has announced it will require all public companies to expense the fair value of employee stock awards. The final requirements will be effective for periods beginning after June 15, 2005. The impact to our financial statements will be in the form of additional compensation expense upon the award of any stock options. The amount of the compensation expense we will recognize is dependent on the value of our common stock and the number of options we award.

Quantitative and Qualitative Disclosure About Market Risk

The primary sources of market risk include fluctuations in commodity prices which affect demand for and pricing of our services and interest rate fluctuations. At December 31, 2004, we had no indebtedness. Our short-term investments were fixed-rate and we do not necessarily intend to hold them to maturity, and therefore, the short-term investments expose us to the risk of earnings or cash flow loss due to changes in market interest rates. As of December 31, 2004, the carrying value of our investments approximates fair value. We have not entered into any hedge arrangements, commodity swap agreements, commodity futures, options or other derivative financial instruments. We do not currently conduct business internationally, so we are generally not subject to foreign currency exchange rate risk.

BUSINESS

General

Dawson Geophysical Company is the leading provider of onshore seismic data acquisition services in the United States as measured by the number of active data acquisition crews. Founded in 1952, we acquire and process 2-D, 3-D and multi-component seismic data for our clients, ranging from major oil and gas companies to independent oil and gas operators as well as providers of multi-client data libraries. Our clients rely on seismic data to identify areas where subsurface conditions are favorable for the accumulation of hydrocarbons, as well as to optimize the development and production of hydrocarbon reservoirs. During fiscal 2004, substantially all of our revenues were derived from 3-D seismic data acquisition operations.

We operate ten 3-D seismic data acquisition crews in the lower 48 states of the United States, and a seismic data processing center. We market and supplement our services from our headquarters in Midland, Texas and from additional offices in Houston, Denver and Oklahoma City. Our geophysicists perform data processing in our Midland and Houston offices and our field operations are supported from our field office facility in Midland. The results of a seismic survey conducted for a client belong to that client. To avoid potential conflicts of interest with our clients, we do not acquire seismic data for our own account nor do we participate in oil and gas ventures.

In fiscal year 2003, higher commodity prices led to a significant increase in the level of spending for domestic exploration and development of oil and natural gas reserves. This resulted in greater demand for newly-acquired seismic data by many oil and gas companies. These factors and changes in the competitive landscape in our market enabled us to expand our data acquisition and processing capacity by adding new personnel with technical and operational expertise to our existing highly skilled workforce. We believe these additions fortified our position as the leading provider of onshore seismic data acquisition services in the United States and resulted in increased market share in terms of the number of active crews operating. We accelerated this expansion during fiscal 2004 with the addition of three data acquisition crews, increased recording capacity company-wide and improvements to our data processing center. We anticipate further growth in fiscal 2005. We added a tenth data acquisition crew in January and expect to field our eleventh crew in the second calendar quarter of 2005. These expansions are in response to continued demand for our high-resolution 3-D seismic services as well as our clients' recognition of our technical and operational expertise.

Business Strategy

Our strategy is to maintain our leadership position in the U.S. onshore market. Key elements of our strategy include:

- Attracting and retaining skilled and experienced personnel for our data acquisition and processing operations;
- Providing integrated in-house services necessary in each phase of seismic data acquisition and processing, including project design, land access permitting, surveying and related support functions as well as continuing the enhancement of our in-house health, safety and environmental program;
- Maintaining the focus of our operations solely on the domestic onshore seismic market;
- Continuing to operate with conservative financial discipline;
- Updating our capabilities to incorporate advances in geophysical and supporting technologies; and
- Acquiring equipment to expand the recording channel capacity on each of our existing crews and equipping additional crews as customer demand dictates.

Business Description

Geophysical Services Overview. Our business consists of the acquisition and processing of seismic data to produce an image of the earth's subsurface. The seismic method involves the recording of reflected acoustic or sonic waves from below the ground. In our operations, we introduce acoustic energy into the ground by using an acoustic energy source, usually large vibrating machines or occasionally through the detonation of dynamite. We then record the subsequent reflected energy, or echoes, with recording devices placed along the earth's surface. These recording devices, or geophones, are placed on the ground in groups of six or more and connected together as a single recording channel. We generally use multiple recording channels in our seismic surveys. Additional recording channels enhance the clarity of the seismic survey much in the same way as additional pixels add resolution to televisions and computer monitors.

We are able to collect seismic data using either 2-D or 3-D methods. The 2-D method involves the collection of seismic data in a linear fashion thus generating a single plane of subsurface seismic data. Recent technological advances in seismic equipment and computing allow us to economically acquire and process data by placing large numbers of energy sources and recording channels over a broad area. The industry refers to the technique of broad distribution of energy sources and recording channels as the 3-D seismic method. The 3-D method produces an immense volume of seismic data which produces more precise images of the earth's subsurface. Geophysicists use computer workstations to interpret 3-D seismic data volumes, generate geologic models of the earth's subsurface, and identify subsurface anomalies which are favorable for the accumulation of hydrocarbons.

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 high resolution 3-D seismic surveys 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 realize the benefits of 3-D seismic data, there is an increasing demand for improved data quality with greater subsurface resolution. We are prepared to meet such demands with the implementation of improved techniques and evolving technology. One such technique is better survey design integrating a greater number of recording channels, more dense energy source distribution, and improved seismic data processing technology. Our geophysicists perform these design tasks.

We continue to pursue the use of multi-component seismic technologies, which utilize shear wave seismic data. Shear waves vary from the acoustic wave generally used in seismic surveys in the manner in which they travel through the earth. The use of shear waves in seismic surveys is relatively new in our industry, and it is believed that the analysis of shear wave data may allow for a more detailed model of the earth's subsurface. Shear wave seismic data are acquired using both 2-D and 3-D methods. We have been involved in several shear wave projects. Our equipment includes energy sources and geophones capable of generating and recording shear waves.

Data Acquisition. The seismic survey begins at the time a client requests that we formulate a proposal to acquire seismic data on its behalf. Geophysicists then assist the client in designing the specifications of the proposed 3-D survey. If the client accepts our proposal, a permit agent then obtains access right of way from the landowners where the survey is to be conducted.

Utilizing electronic surveying equipment, survey personnel precisely locate the energy source and receiver positions from which the seismic data are collected. We utilize the satellite global positioning system, known as GPS, to properly locate the seismic survey positions. We primarily use vibrator energy sources which are mounted on vehicles, each of which weighs 50,000 to 62,000 pounds, to generate seismic energy but occasionally we detonate dynamite charges placed in drill holes below the earth's surface. We use third party contractors for the drilling of holes and the purchasing, handling and disposition of dynamite charges.

In 2000, we had an operating capacity of six land-based seismic data acquisition crews with an aggregate recording channel count of approximately 20,000 and 52 vibrator energy source units. We

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currently own equipment for ten crews and 78 vibrator energy source units and have capacity in excess of 46,000 recording channels, any of which may be configured to meet the demands of specific survey designs. Each crew consists of approximately 60 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. We operate ten Input/ Output System Two® recording systems, five with radio capability and five cable-based systems.

Client demand for more recording channels continues to increase as the industry strives for improved data quality with greater subsurface resolution. We believe our ability to deploy a large number of recording channels provides us with the competitive advantages of operational versatility and increased productivity, in addition to improved data quality.

Data Processing. We currently operate a computer center located in Midland, Texas and provide additional processing services through our Houston office. Such data processing primarily involves the enhancement of seismic data by improving reflected signal resolution, removing ambient noise and establishing proper spatial relationships of geological features. The data are then formatted in such a manner that computer graphic technology may be employed for examination and interpretation of the data by the user.

We continue to improve data processing efficiency and accuracy with the addition of improved processing software and high-speed computer technology. We purchase, develop or lease, under non-exclusive licensing arrangements, seismic data processing software.

Our computer center processes seismic data collected by our crews, as well as by other geophysical contractors. In addition, we reprocess previously recorded seismic data using current technology to enhance the data quality. Our processing contracts may be awarded jointly with, or independently from, data acquisition services. Data processing services comprise a small portion of our overall revenues.

Integrated Services. We maintain integrated in-house operations necessary to the development and completion of seismic surveys. Our experienced personnel have the capability to conduct or supervise the seismic survey design, permitting, surveying, data acquisition and processing functions for each seismic program. In-house support operations include a health, safety and environmental program as well as facilities for automotive repair, automotive paint and body repair, electronics repair, electrical engineering and software development. In addition, we maintain a fleet of tractor trailers to transport our seismic acquisition equipment to our survey sites. We believe that maintaining these functions in-house contributes to better quality control and improved efficiency in our operations. Our clients generally undertake to provide their own interpretation of the seismic data provided by us.

Equipment Acquisition and Capital Expenditures

We monitor and evaluate advances in geophysical technology and commit capital funds to purchase equipment we deem most promising in order to maintain our competitive position. Purchasing new assets and continually upgrading capital assets require a continuing commitment to capital spending. For fiscal year 2004, we made capital expenditures of \$13,889,000 to fund the deployment of three new data acquisition crews, expand the capacity of existing crews, improve our data processing center and meet other necessary operational capital expenses. We have an approved budget of \$20 million for the remainder of fiscal 2005 to fund the remainder of the January 2005 expansions, to add an additional crew in the second calendar quarter of 2005, to increase the capacity of our existing crews and to meet other necessary operational capital requirements. During the first quarter of fiscal 2005, capital expenditures of \$10,490,000 were used to acquire additional recording channels and energy source units to equip our eighth and ninth data acquisition crews and to prepare to field our tenth in January 2005 and for maintenance capital requirements.

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Clients

Our 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.

Our clients range from major oil companies to small independent oil and gas operators and also include providers of multi-client data libraries. The services we provide to our clients vary according to the size and needs of each client. We believe that the loss of any one of our clients would not have a material impact on our business. During 2004, sales to our two largest clients represented 17% and 12% of our revenues, respectively. The largest client acts as an agent for other entities that are the actual purchasers of our services. Sales to each of the actual purchasers represented less than 10% of our total revenues. Because of our relatively large client base, our largest clients have varied from year to year.

In order to avoid potential conflicts of interest with our clients, we do not acquire data for our own account or for future sale, maintain any multi-client data library or participate in oil and gas ventures. The results of a seismic survey conducted for a client belong to that client. It is also our policy that none of our officers, directors or employees participate in any oil and gas venture. All of our clients' information is maintained in strictest confidence.

Contracts

Our services are conducted under master service contracts with our clients. These master service contracts define certain obligations for us and for our clients. A supplemental agreement setting forth the terms of a specific project, which may be cancelled by either party on short notice, is entered into for every project. The supplemental agreements are either "turnkey" agreements that provide for a fixed fee to be paid to us for each unit of data acquired, or "term" agreements that provide for a fixed hourly, daily or monthly fee during the term of the project or projects. Turnkey agreements generally provide us more profit potential, but involve more risks because of the potential of crew downtime or operational delays. We attempt to negotiate on a project by project basis, some level of weather downtime protection within the turnkey agreements. Under the term agreements, we forego an increased profit potential in exchange for a more consistent revenue stream with improved protection from crew downtime or operational delays.

We currently operate under both turnkey and term supplemental agreements. Currently, the majority of our supplemental agreements are turnkey agreements.

Competition

The acquisition and processing of 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 crew safety performance history, technological and operational expertise are often determinative. Our competitors include companies with financial resources that are significantly greater than our own as well as companies of comparable and smaller size. Since the departure of our principal competitor, Western GECO, a subsidiary of Schlumberger N.V., from our market in 2003, our primary competitors have been Veritas DGC, Petroleum Geo Services, Trace Energy Services, Quantum Geophysical and Tidelands Geophysical.

Employees

We employ approximately 640 persons, of which 581 are engaged in providing energy sources and acquiring data, 9 are engaged in data processing, 11 are administrative personnel, 30 are engaged in equipment maintenance and transport and 9 are executive officers. Of the employees listed above, 10 are geophysicists. Our employees are not represented by a labor union. We believe we have good relations with our employees.

Legal Matters

In connection with a 2004 geophysical survey we received a demand letter in January 2005 from a landowner alleging surface damage by us in the amount of \$2,255,000. We believe that the actual amount of any surface damage will not be material and that the master service contract between us and our client requires the client to indemnify us against non-negligent surface damage claims incurred in the course of a geophysical survey. We have notified our client of the demand letter and our belief that the indemnification provision applies to the underlying event. If the client fails to indemnify us, our insurance may not cover the claim.

In addition to the foregoing, from time to time we are a party to various legal proceedings arising in the ordinary course of business. Although we cannot predict the outcomes of any such legal proceedings, our management believes that the resolution of pending legal actions will not have a material adverse effect on our financial condition, results of operations or liquidity.

MANAGEMENT

Executive Officers and Directors

The following table identifies our executive officers and directors and indicates their ages and positions as of December 1, 2004:

Name	Age	Position
L. Decker Dawson	84	Chairman of the Board of Directors and Chief Executive Officer
Stephen C. Jumper	43	President, Chief Operating Officer and Director
Howell W. Pardue	69	Executive Vice President
C. Ray Tobias	47	Executive Vice President
Christina W. Hagan	49	Executive Vice President, Secretary, Treasurer and Chief Financial Officer
Edward L. Huff	67	Senior Vice President
Frank D. Brown	49	Vice President
K. S. Forsdick	53	Vice President
A. Mark Nelson	44	Vice President
Paul H. Brown	73	Director
Gary M. Hoover, Ph.D.	65	Director
Tim C. Thompson	71	Director

Set forth below is biographical information for our executive officers and directors.

L. Decker Dawson. Mr. Dawson founded our company in 1952. He served as our President until being elected as Chairman of our Board of Directors and Chief Executive Officer in January 2001. Prior to 1952, Mr. Dawson was a geophysicist with Republic Exploration Company, a geophysical company. Mr. Dawson served as President of the Society of Exploration Geophysicists from 1989 to 1990, received its Enterprise Award in 1997 and was awarded honorary membership in 2002. He was Chairman of the Board of Directors of the International Association of Geophysical Contractors in 1981 and is an honorary life member of such association. He was inducted into the Permian Basin Petroleum Museum's Hall of Fame in 1997.

Stephen C. Jumper. Mr. Jumper, a geophysicist, joined us in 1985, was elected Vice President of Technical Services in September 1997 and was subsequently elected our President and Chief Operating Officer and Director in January 2001. Prior to 1997, Mr. Jumper served us as manager of technical services with an emphasis on 3-D processing. Mr. Jumper has served the Permian Basin Geophysical Society as Second Vice President in 1991, First Vice President in 1992 and as President in 1993.

Howell W. Pardue. Mr. Pardue joined us in 1976 as Vice President of Data Processing. Mr. Pardue was elected Executive Vice President of Data Processing in 1997. Prior to joining us, Mr. Pardue was employed in data processing for 17 years by Geosource, Inc. and its predecessor geophysical company.

C. Ray Tobias. Mr. Tobias joined us in 1990, was elected Vice President in September 1997 and has been an Executive Vice President since January 2001. Mr. Tobias supervises our client relationships and our survey cost quotations to clients. He has served on the Board of Directors of the International Association of Geophysical Contractors and is Past President of the Permian Basin Geophysical Society. Prior to joining us, Mr. Tobias was employed by Geo-Search Corporation where he was an operations supervisor.

Christina W. Hagan. Ms. Hagan joined us in 1988 and was elected Chief Financial Officer and Vice President in September 1997 and Senior Vice President and Secretary in January 2003. In January 2004, Ms. Hagan was elected Executive Vice President. Prior thereto, Ms. Hagan served as our Controller and Treasurer. Ms. Hagan is a certified public accountant.

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Edward L. Huff. Mr. Huff joined us in 1956, and was elected Vice President in September 1997 and Senior Vice President in January 2004. Prior to his election as Vice President, Mr. Huff served as instrument operator, crew manager and field supervisor for us. He has managed our field operation since 1987.

Frank D. Brown. Mr. Brown, a geophysicist, joined us in 1988 and was elected Vice President in January 2001. Mr. Brown is responsible for client relationships and submitting survey cost quotations as well as providing survey design services to our clients. He is a past President of the Permian Basin Geophysical Society. Mr. Brown currently serves as Chairman of the Society of Exploration Geophysics Continuing Education Committee. Prior to joining us, Mr. Brown was employed by Permian Exploration Corporation as a geophysicist responsible for acquisition and interpretation projects.

K. S. Forsdick. Mr. Forsdick joined us in 1993 and was elected Vice President in January 2001. Mr. Forsdick is responsible for soliciting, designing and bidding seismic surveys for prospective clients. Prior to joining us, Mr. Forsdick was employed by Grant Geophysical Company and Western Geophysical Company and was responsible for marketing and managing land and marine seismic surveys for domestic and international operations. He has served on the Governmental Affairs Committee of the International Association of Geophysical Contractors.

A. Mark Nelson. Mr. Nelson joined us in 1993 as manager of our health, safety and environmental program and was elected Vice President in January 2004. Mr. Nelson has over twenty-five years of seismic experience, holds a masters degree in Environmental Science and is a registered environmental professional. He has also served as the Chairman of the Health, Safety and Environmental Committee of the International Association of Geophysical Contractors and is a member of the National Registry of Environmental Professionals and of the American Society of Safety Engineers.

Paul H. Brown. Mr. Brown has served us as a director since September 1999. Mr. Brown, an independent management consultant with various companies since May 1998, was President and Chief Executive Officer of WEDGE Energy Group, Inc. from January 1985 to May 1998.

Gary M. Hoover, Ph.D. Dr. Hoover has served us as a director since December 2002. Prior to his retirement in October 2002, Dr. Hoover was Senior Principal Geophysicist with Phillips Petroleum Company. His responsibilities for the previous ten years with Phillips included geophysical research management, geoscience technology coordination, exploration and production technology consultation and active research into new seismic data acquisition techniques. Dr. Hoover served as Vice President of the Society of Exploration Geophysicists (1990-1991) and received its Life Membership Award in 2000. Dr. Hoover holds a doctorate in physics from Kansas State University.

Tim C. Thompson. Mr. Thompson has served us as a director since 1995. Mr. Thompson, an independent management consultant with various companies since May 1993, was President and Chief Executive Officer of Production Technologies International, Inc. from November 1989 to May 1993.

DESCRIPTION OF OUR CAPITAL STOCK

The following is a description of our capital stock and a summary of the material provisions of our articles of incorporation and bylaws. You should also refer to our articles of incorporation and bylaws, which are incorporated herein by reference, and to Texas law.

General

Our authorized capital stock consists of 5,000,000 shares of preferred stock, \$1.00 par value per share, and 10,000,000 shares of common stock, \$0.33 1/3 par value per share. As of January 31, 2004, there were 5,642,794 shares of our common stock issued and outstanding and no shares of preferred stock issued and outstanding. The outstanding shares of our common stock are, and the shares of our common stock to be sold by us as described herein will be when issued, fully paid and nonassessable.

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Common Stock

Each share of our common stock has one vote on all matters presented to our shareholders. Since our common stock does not have cumulative voting rights, the holders of more than 50% of our common stock may, if they choose to do so, elect all of the directors and, in that event, the holders of the remaining shares of our common stock will not be able to elect any directors. Subject to the rights and preferences of any preferred stock that may be designated and issued, the holders of our common stock are entitled to dividends when and as declared by our board of directors and are entitled on liquidation to all assets remaining after payment of liabilities, subject to the liquidation preferences of any shares of preferred stock. Our common stock has no preemptive or other subscription rights. There are no conversion rights or redemption or sinking fund provisions with respect to our common stock.

Preferred Stock

Our preferred stock may be issued in series, and shares of each series shall have such rights and preferences as shall be fixed by our board of directors in the resolution or resolutions authorizing the issuance of that particular series. In designating any series of preferred stock, our board of directors has authority, without further action by the holders of our common stock, to fix the rights, dividend rate, conversion rights, rights and terms of redemption (including any sinking fund provisions) and the liquidation preferences of that series of preferred stock. The issuance of preferred stock by us could adversely affect the voting power of holders of our common stock and the likelihood that such holders will receive dividend payments and payments upon liquidation and could have the effect of delaying, deferring or preventing a change in control of us. We have no present plans to issue any shares of preferred stock.

Limitation of Director Liability

Our restated articles of incorporation provide that our directors will have no personal liability to us or our shareholders for monetary damages for breach or alleged breach of our directors' duty of care. This provision in our restated articles of incorporation does not eliminate our directors' fiduciary duty of care, and in appropriate circumstances, equitable remedies such as an injunction or other forms of non-monetary relief should remain available under Texas law. Furthermore, each of our directors will continue to be subject to liability for (i) a breach of the directors' duty of loyalty, (ii) acts or omissions not in good faith or involving intentional misconduct or knowing violations of law, (iii) any transaction from which a director derives an improper personal benefit or (iv) an act or omission for which the liability of a director is expressly provided by an applicable statute. This provision does not affect a director's responsibilities under any other laws, such as the federal securities laws or state or federal environmental laws.

Shares Eligible for Future Sale

Sales of a substantial number of shares of our common stock in the open market after this offering could adversely affect the trading price of our common stock. Upon consummation of this offering, we will have 7,142,794 shares of common stock outstanding, excluding 220,000 shares of our common stock issuable upon exercise of outstanding employee stock options. Of such outstanding shares, we estimate that approximately 6,632,702 shares will be freely tradeable without restriction or further registration under the Securities Act unless purchased by an "affiliate" of us, as that term is defined in Rule 144 under the Securities Act. The remaining shares of our common stock were acquired in transactions exempt from registration under the Securities Act and are or formerly were "restricted securities" within the meaning of Rule 144 and may not be resold unless they are registered under the Securities Act or are sold pursuant to an applicable exemption from registration, including Rule 144 under the Securities Act.

In general, under Rule 144 as currently in effect, a person (or persons whose shares are aggregated) who has beneficially owned shares for at least one year from the later of the date the shares were acquired from us or from an "affiliate" of us, is entitled to sell, within any three-month period, a number of shares that does not exceed the greater of one percent of the then outstanding shares of our common stock or the average weekly trading volume in our common stock during the four calendar weeks preceding such sale.

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Sales under Rule 144 are also subject to the availability of certain public information about us, restrictions on the manner of sale and notice requirements. A person who is not deemed an affiliate of us under the Securities Act, has not been an affiliate during the preceding 90 days and has beneficially owned shares for at least two years from the later of the date the shares were acquired from us or from an “affiliate” of us is entitled to sell such shares under Rule 144(k) without regard to the volume limitations and other restrictions described above.

We and each of our executive officers and directors have agreed with the underwriters, for a period of 120 days from the date of this prospectus, not to directly or indirectly sell, offer or contract to sell, or otherwise dispose of or transfer any shares of our common stock or any rights to purchase our common stock, without the prior written consent of Raymond James & Associates, Inc. See “Underwriting.”

Shareholder Rights Plan

On July 13, 1999, our Board of Directors authorized and declared a dividend to the holders of record on July 23, 1999 of one Right (a “Right”) for each outstanding share of our common stock. When exercisable, each Right will entitle the holder to purchase one one-hundredth of a share of our Series A Junior Participating Preferred Stock, par value \$1.00 per share (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 our outstanding common stock or announces a tender offer or exchange offer, the consummating of which would result in attaining the triggering percentage. We may redeem the Rights for \$0.01 per Right at any time prior to the tenth day after the first public announcement of a triggering acquisition.

UNDERWRITING

Subject to the terms and conditions of an underwriting agreement, which will be filed as an exhibit to the registration statement relating to this prospectus, Raymond James & Associates, Inc. and A.G. Edwards & Sons, Inc., our underwriters, have agreed to purchase from us the number of shares of common stock set forth below:

Underwriter	Number of Shares
Raymond James & Associates, Inc.	
A.G. Edwards & Sons, Inc.	
Total	1,500,000

The underwriting agreement provides that the obligation of the underwriters to purchase and accept delivery of the shares of common stock offered by this prospectus is subject to certain customary closing conditions and to other conditions set forth in the underwriting agreement. The underwriters are obligated to purchase and accept delivery of all of the shares of common stock that they have agreed to purchase under the underwriting agreement, if any of the shares of common stock are purchased, other than those covered by the over-allotment option described below. We will amend the disclosure regarding the underwriting arrangements to reflect any material changes.

Commissions and Expenses

The following table shows the amount per share and total underwriting discounts and commissions we will pay to the underwriters. The amounts are shown assuming both no exercise and full exercise of the underwriters' over-allotment option.

	Per Share	Total	
		No Exercise	Full Exercise
Public offering price	\$	\$	\$
Underwriting discount to be paid by us	\$	\$	\$
Proceeds, before expenses, to us	\$	\$	\$

The underwriters propose to offer the shares of our common stock directly to the public at the public offering price indicated on the cover page of this prospectus and to various dealers at that price less a concession not in excess of \$ per share. The underwriters may allow, and the dealers may re-allow, a concession not in excess of \$ per share to other dealers. If all of the shares of our common stock are not sold at the public offering price, the underwriters may change the public offering price and other selling terms. The shares of our common stock are offered by the underwriters as stated in this prospectus, subject to receipt by the underwriters and satisfaction of certain customary closing conditions. The underwriters reserve the right to reject an order from their customers for the purchase of shares of our common stock in whole or in part.

Over-Allotment Option

We have granted the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase from time to time up to an aggregate of 225,000 additional shares of our common stock to cover over-allotments, if any, at the public offering price less the underwriting discounts set forth on the cover page of this prospectus. If the underwriters exercise this option, the underwriters, subject to certain conditions, will become obligated to purchase these additional shares of our common stock. The underwriters may exercise the over-allotment option only to cover over-allotments made in connection with the sale of the common shares offered in this offering.

Indemnification

Under our underwriting agreement, we have agreed to indemnify the underwriters for (or contribute to losses with respect to) various liabilities, including liabilities under the Securities Act of 1933 for errors and omissions in this prospectus or the registration statement of which this prospectus is a part. However, we will not indemnify the underwriters if the error or omission was the result of information the underwriters supplied to us in writing for inclusion in this prospectus or the registration statement. If we cannot indemnify the underwriters, we have agreed to contribute to payments the underwriters may be required to make in respect of those liabilities. Our contribution would be in the proportion that the proceeds (after underwriting discounts and commissions) that we receive from this offering bear to the proceeds (from underwriting discounts and commissions) that the underwriters receive. If we cannot contribute in this proportion, we will contribute based on the respective faults and benefits, as set forth in the underwriting agreement.

Lock-Up Agreement

We and each of our officers and directors have agreed with the underwriters, for a period of 120 days after the date of this prospectus, not to directly or indirectly sell, offer or contract to sell, or otherwise dispose of or transfer any shares of our common stock or any rights to purchase our common stock (other than pursuant to the over-allotment option granted to the underwriters and pursuant to our equity compensation plans), or file any registration statement with the Securities and Exchange Commission (the “SEC”), without the prior written consent of Raymond James & Associates, Inc. However, Raymond James & Associates, Inc. may, in its sole discretion and at any time without notice, release all or any portion of the securities subject to this agreement.

Trading Market, Stabilization, Short Positions and Penalty Bids

Until the offering is completed, rules of the SEC may limit the ability of the underwriters and various selling group members to bid for and purchase our common shares. As an exception to these rules, the underwriters may engage in activities that stabilize, maintain or otherwise affect the price of our common stock, including:

- short sales,
- syndicate covering transactions,
- imposition of penalty bids, and
- purchases to cover positions created by short sales.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of our common stock while the offering is in progress. Stabilizing transactions may include making short sales of our common stock, which involve the sale by the underwriters of a greater number of shares of common stock than it is required to purchase in the offering, and purchasing common stock from us or in the open market to cover positions created by short sales. Short sales may be “covered” shorts, which are short positions in an amount not greater than the underwriters’ over-allotment option referred to above, or may be “naked” shorts, which are short positions in excess of that amount.

The underwriters may close out any covered short position either by exercising their over-allotment option, in whole or in part, or by purchasing shares in the open market. In making this determination, the underwriters will consider, among other things, the price of shares available for purchase in the open market compared to the price at which the underwriters may purchase shares pursuant to the over-allotment option.

A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares in the open market that could adversely affect investors who purchase in the offering. To the extent that the underwriters create a naked short position, they will purchase shares in the open market to cover such position.

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The underwriters may also impose a penalty bid on selling group members. This means that if the underwriters purchase shares in the open market in stabilizing transactions or to cover short sales, the underwriters can require the selling group members that sold those shares as part of this offering to repay the selling concession received by them.

As a result of these activities, the price of our common stock may be higher than the price that otherwise might exist in the open market. If the underwriters commence these activities, they may discontinue them without notice at any time. The underwriters may carry out these transactions on The Nasdaq National Market, in the over-the-counter market or otherwise.

Electronic Distribution

A prospectus in electronic format may be available on the Internet sites or through other online services maintained by the underwriters or selling group members participating in this offering, or by their affiliates. In those cases, prospective investors may view the preliminary prospectus and the final prospectus online and, depending upon the underwriters or particular selling group member, prospective investors may be allowed to place orders online. The underwriters may agree with us to allocate a specific number of shares for sale to online brokerage account holders. Any such allocation for online distributions will be made by the representative on the same basis as other allocations. In addition, the underwriters participating in this offering may distribute prospectuses electronically.

LEGAL MATTERS

The validity of the securities offered in this prospectus will be passed upon for us by Baker Botts L.L.P., Dallas, Texas. Certain matters will be passed upon for the underwriters by Vinson & Elkins L.L.P., Houston, Texas.

EXPERTS

The financial statements as of September 30, 2003 and 2004 and for the years ended September 30, 2002, 2003 and 2004 have been included herein in reliance on the report of KPMG LLP, independent registered public accounting firm, given on the authority of such firm as experts in auditing and accounting.

WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement with the SEC under the Securities Act of 1933 that registers the securities offered by this prospectus. The registration statement, including the attached exhibits, contains additional relevant information about us. The rules and regulations of the SEC allow us to omit some information included in the registration statement from this prospectus.

In addition, we file annual, quarterly and other reports and other information with the SEC. You may read and copy any document we file at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-732-0330 for further information on the operation of the SEC's public reference room. Our SEC filings are available on the SEC's web site at www.sec.gov. We also make available free of charge on our website, at www.dawson3d.com, all materials that we file electronically with the SEC, including our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, Section 16 reports and amendments to these reports as soon as reasonably practicable after such materials are electronically filed with, or furnished to, the SEC. Information contained on our website or any other website is not incorporated by reference into this prospectus and does not constitute a part of this prospectus.

INCORPORATION BY REFERENCE

The SEC allows us to “incorporate by reference” into this prospectus the information we have filed with the SEC. This means that we can disclose important information to you without actually including the specific information in this prospectus by referring you to other documents filed separately with the SEC. These other documents contain important information about us, our financial condition and results of operations. The information incorporated by reference is an important part of this prospectus. Information that we file later with the SEC will automatically update and may replace information in this prospectus and information previously filed with the SEC.

We incorporate by reference in this prospectus the documents listed below:

- our annual report on Form 10-K for the year ended September 30, 2004 filed with the SEC on December 10, 2004;
- our proxy statement on Schedule 14A filed with the SEC on December 10, 2004;
- our current reports on Form 8-K filed with the SEC on December 23, 2004, January 28, 2005 and February 4, 2005;
- our quarterly report on Form 10-Q for the quarter ended December 31, 2004 filed with the SEC on February 14, 2005; and
- all documents filed by us under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 between the date of this prospectus and the termination of the registration statement (excluding any portions thereof that are deemed to be furnished and not filed).

You may obtain any of the documents incorporated by reference in this prospectus from the SEC through the SEC’s web site at the address provided above. You also may request a copy of any document incorporated by reference in this prospectus (including exhibits to those documents specifically incorporated by reference in this document), at no cost, by visiting our internet website at www.dawson3d.com, or by writing or calling us at the following address and telephone number:

Dawson Geophysical Company

508 West Wall, Suite 800
Midland, Texas 79701
Attention: Christina W. Hagan
Telephone: (432) 684-3000

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and

Stockholders Dawson Geophysical Company:

We have audited the accompanying balance sheets of Dawson Geophysical Company (the "Company") as of September 30, 2004 and 2003, and the related statements of operations, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended September 30, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit 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, 2004 and 2003, and the results of its operations and its cash flows for each of the years in the three-year period ended September 30, 2004, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

Midland, Texas

November 11, 2004, except as to note 12, which is as of January 18, 2005

DAWSON GEOPHYSICAL COMPANY

BALANCE SHEETS

	December 31,	September 30,	
	2004	2004	2003
	(Unaudited)		
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,568,000	\$ 3,587,000	\$ 3,389,000
Short-term investments	4,088,000	4,130,000	8,623,000
Accounts receivable, net of allowance for doubtful accounts of \$199,000 in 2004 and \$127,000 in 2003	14,010,000	16,979,000	9,713,000
Prepaid expenses and other assets	437,000	440,000	287,000
	<u>20,103,000</u>	<u>25,136,000</u>	<u>22,012,000</u>
Total current assets	20,103,000	25,136,000	22,012,000
Deferred tax asset	767,000	1,648,000	—
Property, plant and equipment	104,540,000	94,050,000	81,585,000
Less accumulated depreciation	(65,544,000)	(64,075,000)	(60,805,000)
	<u>38,996,000</u>	<u>29,975,000</u>	<u>20,780,000</u>
Net property, plant and equipment	38,996,000	29,975,000	20,780,000
	<u>\$ 59,866,000</u>	<u>\$ 56,759,000</u>	<u>\$ 42,792,000</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$ 5,010,000	\$ 3,357,000	\$ 931,000
Accrued liabilities:			
Payroll costs and other taxes	328,000	742,000	478,000
Other	660,000	971,000	415,000
Deferred revenue	1,920,000	1,407,000	306,000
	<u>7,918,000</u>	<u>6,477,000</u>	<u>2,130,000</u>
Total current liabilities	7,918,000	6,477,000	2,130,000
Stockholders' equity:			
Preferred stock — par value \$1.00 per share; 5,000,000 shares authorized, none outstanding	—	—	—
Common stock — par value \$0.33 1/3 per share; 10,000,000 shares authorized, 5,633,794 and 5,487,794 shares issued and outstanding in 2004 and 2003, respectively	1,881,000	1,878,000	1,829,000
Additional paid-in capital	40,026,000	39,949,000	38,931,000
Other comprehensive income, net of tax	(42,000)	(28,000)	37,000
Retained earnings (deficit)	10,083,000	8,483,000	(135,000)
	<u>51,948,000</u>	<u>50,282,000</u>	<u>40,662,000</u>
Total stockholders' equity	51,948,000	50,282,000	40,662,000
	<u>\$ 59,866,000</u>	<u>\$ 56,759,000</u>	<u>\$ 42,792,000</u>

See accompanying notes to the financial statements.

DAWSON GEOPHYSICAL COMPANY

STATEMENTS OF OPERATIONS

	Three Months Ended December 31,		Years Ended September 30,		
	2004	2003	2004	2003	2002
	(Unaudited)				
Operating revenues	\$21,559,000	\$15,475,000	\$69,346,000	\$51,592,000	\$36,078,000
Operating costs:					
Operating expenses	16,844,000	13,311,000	55,618,000	46,151,000	33,205,000
General and administrative	794,000	618,000	2,675,000	2,421,000	2,006,000
Depreciation	1,470,000	1,108,000	4,653,000	4,404,000	4,233,000
	<u>19,108,000</u>	<u>15,037,000</u>	<u>62,946,000</u>	<u>52,976,000</u>	<u>39,444,000</u>
Income (loss) from operations	2,451,000	438,000	6,400,000	(1,384,000)	(3,366,000)
Other income:					
Interest income	24,000	69,000	177,000	328,000	507,000
Loss on disposal of assets	—	(3,000)	—	—	—
Other	6,000	2,000	505,000	209,000	96,000
	<u>30,000</u>	<u>68,000</u>	<u>682,000</u>	<u>537,000</u>	<u>603,000</u>
Income (loss) before income tax	2,481,000	506,000	7,082,000	(847,000)	(2,763,000)
Income tax benefit (expense):					
Current	—	—	(96,000)	—	400,000
Deferred	(881,000)	—	1,632,000	(52,000)	71,000
	<u>(881,000)</u>	<u>—</u>	<u>1,536,000</u>	<u>(52,000)</u>	<u>471,000</u>
Net income (loss)	<u>\$ 1,600,000</u>	<u>\$ 506,000</u>	<u>\$ 8,618,000</u>	<u>\$ (899,000)</u>	<u>\$ (2,292,000)</u>
Net income (loss) per common share	<u>\$ 0.28</u>	<u>\$ 0.09</u>	<u>\$ 1.55</u>	<u>\$ (0.16)</u>	<u>\$ (0.42)</u>
Net income (loss) per common share-assuming dilution	<u>\$ 0.28</u>	<u>\$ 0.09</u>	<u>\$ 1.53</u>	<u>\$ (0.16)</u>	<u>\$ (0.42)</u>
Weighted average equivalent common shares outstanding	<u>5,638,365</u>	<u>5,487,794</u>	<u>5,558,646</u>	<u>5,484,593</u>	<u>5,462,936</u>
Weighted average equivalent common shares outstanding-assuming dilution	<u>5,742,149</u>	<u>5,521,243</u>	<u>5,631,397</u>	<u>5,484,593</u>	<u>5,462,936</u>

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, 2001	5,445,794	\$1,815,000	\$38,711,000		\$ 3,056,000	\$43,582,000
Net loss					(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
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	137,000	764,000	41,586,000
Net loss					(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				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
Net income					8,618,000	8,618,000
Other comprehensive income net of tax:						
Unrealized loss on securities:						
Unrealized holding losses arising during period				(126,000)		
Less: Reclassification adjustment for gain included in net income				47,000		
Income tax expense				14,000		
Other comprehensive income				(65,000)		(65,000)
Comprehensive income						49,215,000
Issuance of common stock as compensation	8,500	3,000	107,000			110,000
Exercise of stock options	137,500	46,000	911,000			957,000
Balance, September 30, 2004	5,633,794	\$1,878,000	\$39,949,000	\$ (28,000)	\$ 8,483,000	\$50,282,000

See accompanying notes to the financial statements.

DAWSON GEOPHYSICAL COMPANY
STATEMENTS OF CASH FLOWS

	Three Months Ended December 31,		Years Ended September 30,		
	2004	2003	2004	2003	2002
(Unaudited)					
CASH FLOWS FROM OPERATING					
ACTIVITIES:					
Net income (loss)	\$ 1,600,000	\$ 506,000	\$ 8,618,000	\$ (899,000)	\$ (2,292,000)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation	1,470,000	1,108,000	4,653,000	4,404,000	4,233,000
Non-cash compensation	45,000	—	110,000	75,000	159,000
Deferred income tax (benefit) expense	881,000	—	(1,632,000)	52,000	(71,000)
Other	27,000	16,000	135,000	(46,000)	58,000
Change in current assets and liabilities:					
Decrease (increase) in accounts receivable	2,969,000	(760,000)	(7,266,000)	(2,100,000)	1,082,000
Decrease (increase) in prepaid expenses	3,000	(700,000)	(153,000)	(67,000)	(47,000)
Decrease (increase) in income taxes receivable	—	—	—	400,000	(400,000)
Increase (decrease) in accounts payable	1,653,000	3,130,000	2,426,000	(747,000)	784,000
Increase (decrease) in deferred revenue	513,000	—	1,101,000	(82,000)	101,000
Increase (decrease) in accrued liabilities	(725,000)	290,000	820,000	254,000	21,000
Net cash provided by operating activities	<u>8,436,000</u>	<u>3,590,000</u>	<u>8,812,000</u>	<u>1,244,000</u>	<u>3,628,000</u>
CASH FLOWS FROM INVESTING					
ACTIVITIES:					
Proceeds from disposal of assets	—	—	40,000	27,000	10,000
Capital expenditures	(10,490,000)	(1,602,000)	(13,889,000)	(6,153,000)	(2,047,000)
Proceeds from sale of short-term investments	—	—	2,973,000	5,964,000	—
Proceeds from maturity of short-term investments	—	4,000,000	7,550,000	4,000,000	10,598,000
Acquisition of short-term investments	—	(4,017,000)	(6,245,000)	(3,002,000)	(15,218,000)
Net cash provided by (used in) investing activities	<u>(10,490,000)</u>	<u>(1,619,000)</u>	<u>(9,571,000)</u>	<u>836,000</u>	<u>(6,657,000)</u>
CASH FLOW FROM FINANCING					
ACTIVITIES					
Proceeds from exercise of stock options	35,000	—	957,000	—	—
Net increase (decrease) in cash and cash equivalents	<u>(2,019,000)</u>	<u>1,971,000</u>	<u>198,000</u>	<u>2,080,000</u>	<u>(3,029,000)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>3,587,000</u>	<u>3,389,000</u>	<u>3,389,000</u>	<u>1,309,000</u>	<u>4,338,000</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 1,568,000</u>	<u>\$ 5,360,000</u>	<u>\$ 3,587,000</u>	<u>\$ 3,389,000</u>	<u>\$ 1,309,000</u>
NON CASH INVESTING ACTIVITIES:					
UNREALIZED GAIN (LOSS) ON INVESTMENTS	<u>\$ (14,000)</u>	<u>\$ (57,000)</u>	<u>\$ (42,000)</u>	<u>\$ (145,000)</u>	<u>\$ 208,000</u>

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") is the leading provider of onshore seismic data acquisition services in the United States as measured by the number of active data acquisition crews. Founded in 1952, the Company acquires and processes 2-D, 3-D and multi-component seismic data for its clients, ranging from major oil and gas companies to independent oil and gas operators as well as providers of multi-client data libraries.

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 it believes are a low risk investment.

Property, Plant and Equipment

Property, plant and equipment are 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.

DAWSON GEOPHYSICAL COMPANY

NOTES TO FINANCIAL STATEMENTS — (Continued)

Depreciation is computed using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the balance sheet, and any resulting gain or loss is reflected in the results of operations for the period.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment when triggering events occur suggesting a deterioration in the assets 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 impairment charges were recognized in the Statement of Operations for the years ended September 30, 2004, 2003 and 2002.

Revenue Recognition

Contracts for service are provided for under cancelable contracts. These contracts are either "turnkey" or "term" agreements. The Company recognizes revenues when services are performed under both types of agreements. Services are defined as the commencement of data acquisition or processing operations. Under turnkey agreements, revenue is recognized on a per unit of data acquired rate, as services are performed. Under term agreements, revenue is recognized on a per unit of time worked rate, as 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. In the current year, approximately \$375,000 of the Company's revenue is related to a negotiated release from one contract.

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 are reimbursed by the client.

In some instances, customers are billed in advance of services performed, and the Company recognizes the liability as deferred revenue.

Allowance for Doubtful Accounts

Management prepares its allowance for doubtful accounts receivable based on its past experience of historical write-offs, its current customer base 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.

DAWSON GEOPHYSICAL COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

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.

Reclassifications

Certain prior year numbers have been reclassified in the current year in order to be consistent with the current year presentation.

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.

DAWSON GEOPHYSICAL COMPANY

NOTES TO FINANCIAL STATEMENTS — (Continued)

The SFAS 123 pro forma information for the fiscal quarters ended December 31, 2004 and 2003 and for the fiscal years ended September 30, 2004, 2003 and 2002 is as follows:

	Three Months Ended December 31,		September 30,		
	2004	2003	2004	2003	2002
	(Unaudited)				
Net income (loss), as reported	\$1,600,000	\$506,000	8,618,000	\$ (899,000)	\$(2,292,000)
Add Stock-based employee compensation expense included in net income (loss), net of tax	45,000	—	110,000	75,000	159,000
Deduct: Stock-based employee compensation expense determined under fair value based method (SFAS 123), net of tax	(143,000)	(78,000)	(426,000)	(434,000)	(516,000)
Net income (loss), pro forma	<u>\$1,502,000</u>	<u>\$428,000</u>	<u>\$8,302,000</u>	<u>\$(1,258,000)</u>	<u>\$(2,649,000)</u>
Basic:					
Net income (loss) per common share, as reported	<u>\$ 0.28</u>	<u>\$ 0.09</u>	<u>\$ 1.55</u>	<u>\$ (0.16)</u>	<u>\$ (0.42)</u>
Net income (loss) per common share, pro forma	<u>\$ 0.27</u>	<u>\$ 0.08</u>	<u>\$ 1.49</u>	<u>\$ (0.23)</u>	<u>\$ (0.48)</u>
Diluted:					
Net income (loss) per common share, as reported	<u>\$ 0.28</u>	<u>\$ 0.09</u>	<u>\$ 1.53</u>	<u>\$ (0.16)</u>	<u>\$ (0.42)</u>
Net income (loss) per common share, pro forma	<u>\$ 0.26</u>	<u>\$ 0.08</u>	<u>\$ 1.47</u>	<u>\$ (0.23)</u>	<u>\$ (0.48)</u>

2. Short-Term Investments

Investment in securities consists of U.S. Treasury Securities. At September 30, 2004, the Company reported an unrealized loss on short-term investments of \$28,000, which was \$42,000 net of the tax effect of \$14,000 and is in "Other comprehensive income, net of tax".

Short-term investments held at September 30, 2004 consisting of U.S. Treasury Securities have contractual maturities from December, 2005 through May, 2006.

DAWSON GEOPHYSICAL COMPANY
NOTES TO FINANCIAL STATEMENTS — (Continued)

3. Property, Plant and Equipment

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

	September 30,		Useful Lives
	2004	2003	
Land, building and other	\$ 3,213,000	\$ 2,975,000	5 to 40 years
Recording equipment	65,269,000	55,885,000	6 to 10 years
Vibrator energy sources	15,312,000	13,730,000	10 to 15 years
Vehicles	9,427,000	7,957,000	5 to 10 years
Equipment in process(a)	829,000	1,038,000	
	94,050,000	81,585,000	
Less accumulated depreciation	(64,075,000)	(60,805,000)	
Net property, plant and equipment	\$ 29,975,000	\$ 20,780,000	

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

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.

In fiscal 2004, the Company adopted the 2004 Incentive Stock Plan which provides 375,000 shares of authorized but unissued common stock of the Company. The 2004 Incentive Stock Plan operates like the 2000 Incentive Stock Plan except that of the 375,000 shares, up to 125,000 shares may be awarded to officers, directors, and employees of the Company for the purpose of additional compensation and up to 125,000 shares may be awarded with restrictions.

The transactions under the Plans are summarized as follows:

	Weighted Average Price	Number of Optioned Shares
Balance as of September 30, 2002	\$7.25	319,000
Granted	\$5.21	105,000
Cancelled or expired	\$7.02	(17,000)
	\$6.72	407,000
Balance as of September 30, 2003	\$6.72	407,000
Granted	\$7.06	40,000
Cancelled or expired	\$6.48	(82,500)
Exercised	\$6.96	(137,500)
	\$6.75	227,000
Balance as of September 30, 2004	\$6.75	227,000

Options for 55,500, 204,750 and 130,750 shares were exercisable with weighted average exercise prices of \$7.42, \$6.94 and \$6.79 as of September 30, 2004, 2003 and 2002, respectively.

DAWSON GEOPHYSICAL COMPANY

NOTES TO FINANCIAL STATEMENTS — (Continued)

Outstanding options at September 30, 2004 expire between April, 2006 and October, 2008 and have exercise prices ranging from \$5.21 to \$8.65.

Options for 40,000 shares were granted in fiscal year 2004. The expected life of the options granted is five years. The weighted average fair value of options granted during 2004 is \$1.24. 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 2004. 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 to the plan during the fiscal first quarter of 2002. 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 2004, 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 2004, 2003 and 2002 were approximately \$438,000, \$373,000 and \$259,000, respectively.

6. Income Taxes

The Company recorded an income tax benefit in the current year of approximately \$1,536,000. The benefit is due to the elimination of the income tax valuation allowance. Current US. federal tax is related to the tax effect of the unrealized loss on investments recorded in other comprehensive income and alternative minimum tax.

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 the Company's return to profitability and budgeted expectations, management has determined that taxable income of the Company will more likely than not be sufficient to fully utilize available net operating loss carryforwards prior to their ultimate expiration. As such, the Company has eliminated the valuation allowance of \$4,232,000 to reflect the realizability of its net deferred tax assets.

DAWSON GEOPHYSICAL COMPANY

NOTES TO FINANCIAL STATEMENTS — (Continued)

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

	Year Ended September 30,		
	2004	2003	2002
Current:			
U.S. federal	\$ 96,000	\$ —	\$(400,000)
State	—	—	—
	96,000	—	(400,000)
Deferred: U.S. Federal	(1,632,000)	52,000	(71,000)
Total	<u>\$(1,536,000)</u>	<u>\$52,000</u>	<u>\$(471,000)</u>

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,		
	2004	2003	2002
Expense (benefit) computed at statutory rates	\$ 2,585,000	\$(287,000)	\$(939,000)
Effect of:			
Change in valuation allowance	(4,232,000)	297,000	428,000
Other	111,000	42,000	40,000
Income tax expense (benefit)	<u>\$(1,536,000)</u>	<u>\$ 52,000</u>	<u>\$(471,000)</u>

	September 30,	
	2004	2003
Deferred tax assets:		
Net operating loss carryforwards	\$ 4,555,000	\$ 6,687,000
Alternative minimum tax credit carryforwards	509,000	413,000
Receivables	71,000	45,000
Other	209,000	116,000
Total deferred tax assets	5,344,000	7,261,000
Less valuation allowance	—	(4,232,000)
Total gross deferred tax assets	5,344,000	3,029,000
Deferred tax liabilities:		
Other property and equipment	(3,645,000)	(2,938,000)
Investments	(23,000)	(21,000)
Other	(28,000)	(70,000)
Total gross deferred tax liabilities	(3,696,000)	(3,029,000)
Net deferred tax asset (liability)	<u>\$ 1,648,000</u>	<u>\$ —</u>

As of September 30, 2004, the Company had a net operating loss carryforward for US. federal income tax purposes of approximately \$13,277,000, 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 \$509,000 to offset regular income tax, which have no scheduled expiration date.

DAWSON GEOPHYSICAL COMPANY

NOTES TO FINANCIAL STATEMENTS — (Continued)

7. Net Income (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:

	Three Months Ended December 31,		September 30,		
	2004	2003	2004	2003	2002
(Unaudited)					
Numerator:					
Net income (loss) and numerator for basic and diluted net income (loss) per common share — income available to common stockholders	\$1,600,000	\$ 506,000	\$8,618,000	\$ (899,000)	\$(2,292,000)
Denominator:					
Denominator for basic net income (loss) per common share — weighted average common shares	5,638,365	5,487,794	5,558,646	5,484,593	5,462,936
Effect of dilutive securities—employee stock options	103,784	33,449	72,751	—	—
Denominator for diluted net income (loss) per common share — adjusted weighted average common shares and assumed conversions	5,742,149	5,521,243	5,631,397	5,484,593	5,462,936
Net income (loss) per common share	\$ 0.28	\$ 0.09	\$ 1.55	\$ (0.16)	\$ (0.42)
Net income (loss) per common share — assuming dilution	\$ 0.28	\$ 0.09	\$ 1.53	\$ (0.16)	\$ (0.42)

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 2004, sales to the Company's two largest clients represented 17% and 12% of the Company's revenues, respectively. During 2003 and 2002, sales to only one client, which was not the same client in each year or in 2004, exceeded 10% of operating revenues.

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.

DAWSON GEOPHYSICAL COMPANY

NOTES TO FINANCIAL STATEMENTS — (Continued)

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 Issued Accounting Pronouncements

The Financial Accounting Standards Board (FASB) has announced it will require all public companies to expense the fair value of employee stock awards. The final requirements will be effective for fiscal years beginning after December 31, 2004. The impact to the Company's financial statements will be in the form of additional compensation expense upon the award of any stock options. The amount of the compensation expense recognized by the Company is dependent on the value of the Company's common stock and the number of options awarded.

12. Subsequent Events

In connection with a 2004 geophysical survey, the Company received a demand letter in January 2005 from a landowner alleging surface damage by the Company in the amount of \$2,255,000. The Company believes that the actual amount of any surface damage will not be material and that the master service contract between the Company and its client requires the client to indemnify the Company against non-negligent surface damage claims incurred in the course of a geophysical survey. The Company has notified

DAWSON GEOPHYSICAL COMPANY

NOTES TO FINANCIAL STATEMENTS — (Continued)

its client of the demand letter and its belief that the indemnification provision applies to the underlying event. If the client fails to indemnify the Company, the Company's insurance may not cover the claim.

13. Events (Unaudited) Subsequent to the Date of the Report of the Independent Auditor

On December 22, 2004, the Company entered into a revolving line of credit loan agreement with Western National Bank under which it may borrow, repay and reborrow, from time to time until December 22, 2005, up to \$10.0 million. This agreement is secured by a security interest in the Company's accounts receivable and related collateral. Interest on the outstanding amount under the line of credit loan agreement is payable monthly (beginning on January 22, 2005) at a rate equal to the greater of (i) the Prime Rate and (ii) 5.0%. In connection with equipping and deploying our eighth data acquisition crew, on January 12, 2005 the Company borrowed \$5.0 million under the loan agreement. In connection with equipping and deploying our ninth data acquisition crew, the Company borrowed the remaining \$5.0 million available under the loan agreement on February 1, 2005. The loan agreement contains customary covenants for credit facilities of this type, including limitations on distributions and dividends, disposition of assets and mergers and acquisitions. There are certain financial covenants under the loan agreement, including maintaining a minimum tangible net worth (as defined in the loan agreement) of \$40.0 million and maintaining specified ratios with respect to cash flow coverage, current assets and liabilities, and debt to tangible net worth.

14. Quarterly Financial Data (Unaudited)

	Quarter Ended			
	December 31	March 31	June 30	September 30
Fiscal 2003:				
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	\$ (0.16)	\$ 0.15	\$ (0.26)	\$ 0.10
Net income (loss) per common share assuming dilution	\$ (0.16)	\$ 0.15	\$ (0.26)	\$ 0.10
Fiscal 2004:				
Operating revenues	\$15,475,000	\$15,203,000	\$17,112,000	\$21,556,000
Income from operations	\$ 438,000	\$ 1,843,000	\$ 1,804,000	\$ 2,315,000
Net income	\$ 506,000	\$ 1,999,000	\$ 1,989,000	\$ 4,124,000
Net income per common share	\$ 0.09	\$ 0.36	\$ 0.36	\$ 0.73
Net income per common share assuming dilution	\$ 0.09	\$ 0.36	\$ 0.35	\$ 0.72
Fiscal 2005:				
Operating revenues	\$21,559,000			
Income from operations	\$ 2,451,000			
Net income	\$ 1,600,000			
Net income per common share	\$ 0.28			
Net income per common share assuming dilution	\$ 0.28			

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1,500,000 Shares



**DAWSON
GEOPHYSICAL
COMPANY**

Common Stock

PRELIMINARY PROSPECTUS

RAYMOND JAMES

A.G. EDWARDS

, 2005



PART II**INFORMATION NOT REQUIRED IN PROSPECTUS****Item 14. Other Expenses of Issuance and Distribution**

Set forth below are the expenses (other than underwriting discounts) expected to be incurred in connection with the issuance and distribution of the securities registered hereby. With the exception of the Securities and Exchange Commission registration fee, the amounts set forth below are estimates:

Securities and Exchange Commission registration fee	\$ 4,464
NASD filing fee	\$ 4,292
Legal fees and expenses	\$275,000
Accounting fees and expenses	\$ 85,000
Printing and engraving expenses	\$ 82,000
Miscellaneous	\$ 9,244
Total	\$460,000

Item 15. Indemnification of Directors and Officers

Article Seven of our articles of incorporation, as amended, provides as follows:

“A director of the corporation shall not be personally liable to the corporation or its shareholders for monetary damages from an act or omission in such director’s capacity as a director, except for liability for (i) a breach of a director’s duty of loyalty to the corporation or its shareholders; (ii) an act or omission not in good faith or that involves intentional misconduct or a knowing violation of the law; (iii) a transaction from which a director received an improper benefit, whether or not the benefit resulted from an action taken within the scope of the director’s office; (iv) an act or omission for which the liability of a director is expressly provided by statute; or (v) an act related to an unlawful stock repurchase or payment of a dividend. If the laws of the State of Texas are hereafter amended to authorize corporate action further eliminating or limiting the personal liability of a director of the corporation, then the liability of a director of the corporation shall thereupon be automatically eliminated or limited to the fullest extent permitted by such laws. Any repeal or modification of this Article Seven by the shareholders of the corporation shall not adversely affect any right or protection of a director existing at the time of such repeal or modification with respect to events or circumstances occurring or existing prior to such time.”

Article IX of our bylaws provides that:

“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.”

Article 2.02-1 of the Texas Business Corporation Act permits corporations to indemnify a person who was or is a director, officer, employee or agent of a corporation or who serves at the corporation’s request as a director, officer, partner, proprietor, trustee, employee, or agent of another corporation, partnership, trust, joint venture, or other enterprise (an “outside enterprise”), who was, is, or is threatened to be named a defendant in a legal proceeding by virtue of such person’s position in the corporation or in an outside enterprise, but only if the person acted in good faith and reasonably believed, in the case of conduct in the person’s official capacity, that the conduct was in or, in the case of all other conduct, that the conduct was

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not opposed to the corporation's best interest, and, in the case of a criminal proceeding, the person had no reasonable cause to believe the conduct was unlawful. A person may be indemnified within the above limitations against judgments, penalties (including excise and similar taxes), fines, settlements, and reasonable expenses actually incurred; however, indemnification is limited to reasonable expenses actually incurred in a proceeding in which the person is found liable to the corporation or is found to have improperly received a personal benefit and shall not be made in respect of any proceeding in which the person shall have been found liable for willful or intentional misconduct in the performance of his duty to the corporation. A corporation must indemnify a director, officer, employee, or agent against reasonable expenses incurred in connection with a proceeding in which the person is a party because of the person's corporate position, if the person was successful, on the merits or otherwise, in the defense of the proceeding. Under certain circumstances, a corporation may also advance expenses to such person.

Indemnification can be made by the corporation only upon a determination made in the manner prescribed by the statute that indemnification is proper in the circumstances because the party seeking indemnification has met the applicable standard of conduct as set forth in Article 2.02-1 of the Texas Business Corporation Act.

Article 2.02-1 of the Texas Business Corporation Act also permits a corporation to purchase and maintain insurance or to make other arrangements on behalf of any of the above persons against any liability asserted against and incurred by the person in such capacity, or arising out of the person's status as such a person, whether or not the corporation would have the powers to indemnify the person against the liability under applicable law.

Reference is made to Section 8 of the underwriting agreement filed as an Exhibit hereto, indemnifying the officers and directors of the registrant against certain liabilities.

Item 16. Exhibits and Financial Statement Schedules

(a) *Exhibits.* The following documents are filed as exhibits to this registration:

Exhibit Number	Description
1.1*	Form of Underwriting Agreement.
3.1	Restated Articles of Incorporation of the Company (filed on December 10, 2004 as Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2004 (File No. 000-10144) and incorporated herein by reference).
3.2	Bylaws of the Company, as amended (filed on December 11, 2003 as Exhibit 3 to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2003 (File No. 000-10144) and incorporated herein by reference).
4.1	Rights Agreement by and between the Company and Mellon Investor Services, LLC (f/k/a Chasemellon Shareholder Services, L.L.C.), as Rights Agent, dated July 13, 1999 (filed on December 11, 2003 as Exhibit 4 to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2003 (File No. 000-10144) and incorporated herein by reference).
5.1*	Opinion of Baker Botts L.L.P.
23.1*	Consent of Baker Botts L.L.P (included in Exhibit 5.1).
23.2*	Consent of KPMG LLP, an independent registered public accounting firm.
24.1**	Power of Attorney.

* Filed herewith.

** Previously filed.

(b) *Financial Statement Schedules*

All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions, are inapplicable,

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or the information is included in the consolidated financial statements, and have therefore been omitted.

(c) *Reports, Opinions, and Appraisals*

The following reports, opinions, and appraisals are included herein: None.

Item 17. *Undertakings*

(a) Each undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of any registrant pursuant to the provisions described in Item 15 above, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, each registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

(c) The undersigned registrant hereby undertakes:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offering therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

INDEX TO EXHIBITS

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23.1*	Consent of Baker Botts L.L.P (included in Exhibit 5.1).
23.2*	Consent of KPMG LLP, an independent registered public accounting firm.
24.1**	Power of Attorney.

* Filed herewith.

** Previously filed.

1,500,000 Shares

DAWSON GEOPHYSICAL COMPANY

Common Stock

FORM OF UNDERWRITING AGREEMENT

St. Petersburg, Florida
February [], 2005

Raymond James & Associates, Inc.
880 Carillon Parkway
St. Petersburg, Florida 33716
As Representative of the Underwriters
listed on Schedule I hereto

Ladies and Gentlemen:

Dawson Geophysical Company, a Texas corporation (the "Company"), proposes, subject to the terms and conditions stated herein, to issue and sell to the Underwriters named in Schedule I hereto (the "Underwriters"), an aggregate of 1,725,000 shares of its Common Stock, par value \$0.33 1/3 per share (the "Common Stock"). The aggregate of 1,500,000 shares to be purchased from the Company are called the "Firm Shares." In addition, the Company has agreed to sell to the Underwriters, upon the terms and conditions stated herein, up to an additional 225,000 shares of Common Stock (the "Additional Shares") to cover over-allotments by the Underwriters, if any. The Firm Shares and the Additional Shares are collectively referred to in this Agreement as the "Shares." Raymond James & Associates, Inc. is acting as the representative of the Underwriters and in such capacity is referred to in this Agreement as the "Representative."

The Company wishes to confirm as follows its agreement with you and the other Underwriter, on whose behalf you are acting, in connection with the purchases of the Shares from the Company.

1. Registration Statement and Prospectus. The Company has prepared and filed with the Securities and Exchange Commission (the "Commission") in accordance with the provisions of the Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder (collectively, the "Act"), a registration statement on Form S-3 (File No. 333-121236), including a prospectus subject to completion, relating to the Shares. Such registration statement,

as amended, including the financial statements, exhibits and schedules thereto, at the time when it becomes effective and as thereafter amended by any post-effective amendment, is referred to in this Agreement as the "Registration Statement." The prospectus in the form included in the Registration Statement or, if the prospectus included in the Registration Statement omits certain information in reliance upon Rule 430A under the Act and such information is thereafter included in a prospectus filed with the Commission pursuant to Rule 424(b) under the Act or as part of a post-effective amendment to the Registration Statement after the Registration Statement becomes effective, the prospectus as so filed, is referred to in this Agreement as the "Prospectus." If the Company elects, with the consent of the Representative, to rely on Rule 434 under the Act, all references to the Prospectus shall be deemed to include the form of prospectus and the term sheet contemplated by Rule 434, taken together, provided to the Underwriters by the Company in reliance on Rule 434 under the Act (the "Rule 434 Prospectus"). If the Company files another registration statement with the Commission to register a portion of the Shares pursuant to Rule 462(b) under the Act (the "Rule 462 Registration Statement"), then any reference to "Registration Statement" herein shall be deemed to include the registration statement on Form S-3 (File No. 333-121236) and the Rule 462 Registration Statement, as each such registration statement may be amended pursuant to the Act. The prospectus subject to completion in the form included in the Registration Statement at the time of the initial filing of such Registration Statement with the Commission and as such prospectus is amended from time to time until the date of the Prospectus is referred to in this Agreement as the "Preliminary Prospectus." All references in this Agreement to the Registration Statement, the Rule 462 Registration Statement, the Rule 434 Prospectus, a Preliminary Prospectus or the Prospectus, or any amendments or supplements to any of the foregoing, shall include any copy thereof filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval System ("EDGAR"). Any reference in this Agreement to the Registration Statement, any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the Act, as of the date of the Registration Statement, such Preliminary Prospectus or the Prospectus, as the case may be, and any reference to any amendment or supplement to the Registration Statement, any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include any documents filed after such date under the Securities Exchange Act of 1934, as amended that, upon filing, are incorporated by reference therein, as required by paragraph (b) of Item 12 of Form S-3. As used herein, the term "Incorporated Documents" means the documents that at the time of filing are incorporated by reference in the Registration Statement, any Preliminary Prospectus, the Prospectus or any amendment or supplement thereto.

2. Agreements to Sell and Purchase. The Company hereby agrees to issue and sell the Firm Shares to the Underwriters and, upon the basis of the representations, warranties and agreements of the Company herein contained and subject to all the terms and conditions set forth herein, each Underwriter agrees, severally and not jointly, to purchase from the Company at a purchase price of \$[___] per Share (the "purchase price per Share"), the number of Firm Shares set forth opposite the name of such Underwriter in Schedule I hereto.

The Company hereby also agrees to sell to the Underwriters, and, upon the basis of the representations, warranties and agreements of the Company herein contained and subject to all the terms and conditions set forth herein, the Underwriters shall have the right for 30 days from the date of the Prospectus to purchase from the Company up to 225,000 Additional Shares at the purchase price per Share for the Firm Shares. The Additional Shares may be purchased solely for the purpose of covering over-allotments, if any, made in connection with the offering of the Firm Shares. If any Additional Shares are to be purchased, each Underwriter, severally and not jointly, agrees to purchase the number of Additional Shares (subject to such adjustments as you may determine to avoid fractional shares) that bears the same proportion to the total number of Additional Shares to be purchased by the Underwriters as the number of Shares set forth opposite the name of such Underwriter in Schedule I hereto bears to the total number of Shares. The option to purchase Additional Shares may be exercised at any time within 30 days after the date of the Prospectus, but no more than once.

3. Terms of Public Offering. The Company has been advised by you that the Underwriters propose to make a public offering of their respective portions of the Shares as soon after the Registration Statement and this Agreement have become effective as in your judgment is advisable and initially to offer the Shares upon the terms set forth in the Prospectus.

Not later than 12:00 p.m. on the second business day following the date the Shares are released by the Underwriters for sale to the public, the Company shall deliver or cause to be delivered copies of the Prospectus in such quantities and at such places as the Representative shall request.

4. Delivery of the Shares and Payment Therefor. Delivery to the Underwriters of the Firm Shares and payment therefor shall be made at the offices of Raymond James & Associates, Inc., 880 Carillon Parkway, St. Petersburg, Florida at 10:00 a.m., St. Petersburg, Florida time, on [___], or such other place, time and date not later than 1:30 p.m., St. Petersburg, Florida time, on [___] as the Representative shall designate by notice to the Company (the time and date of such closing are called the "Closing Date"). The place of closing for the Firm Shares and the Closing Date may be varied by agreement between the Representative and the Company.

Delivery to the Underwriters of and payment for any Additional Shares to be purchased by the Underwriters shall be made at the offices of Raymond James & Associates, Inc., 880 Carillon Parkway, St. Petersburg, Florida, at 10:00 a.m., St. Petersburg, Florida time, on such date or dates (the "Additional Closing Date") (which may be the same as the Closing Date, but shall in no event be earlier than the Closing Date nor earlier than three nor later than ten business days after the giving of the notice hereinafter referred to) as shall be specified in a written notice, from the Representative on behalf of the Underwriters to the Company, of the Underwriters' determination to purchase a number, specified in such notice, of Additional Shares. Such notice may be given at any time within 30 days after the date of the Prospectus and must set forth (i) the aggregate number of Additional Shares as to which the Underwriters are exercising the option and (ii) the names and denominations in which the certificates for which the Additional Shares are to be registered. The place of closing for the Additional Shares and the Additional Closing

Date may be varied by agreement between you and the Company.

Certificates for the Firm Shares and for any Additional Shares to be purchased hereunder shall be registered in such names and in such denominations as you shall request prior to 1:00 p.m., St. Petersburg, Florida time, not later than the second full business day preceding the Closing Date or the Additional Closing Date, as the case may be. Such certificates shall be made available to you in St. Petersburg, Florida for inspection and packaging not later than 9:30 a.m., St. Petersburg, Florida time, on the business day immediately preceding the Closing Date or the Additional Closing Date, as the case may be. The certificates evidencing the Firm Shares and any Additional Shares to be purchased hereunder shall be delivered to you on the Closing Date or the Additional Closing Date, as the case may be, against payment of the purchase price therefore by wire transfer of immediately available funds to an account specified in writing, not later than the close of business on the business day next preceding the Closing Date or the Additional Closing Date, as the case may be, by the Company. Payment for the Shares sold by the Company hereunder shall be delivered by the Representative to the Company.

It is understood that the Representative has been authorized, for its own account and the account of the Underwriters, to accept delivery of and receipt for, and make payment of the purchase price per Share for the Firm Shares and the Additional Shares, if any, that the Underwriters have agreed to purchase. Raymond James and Associates, Inc., individually and not as a Representative of the Underwriters, may, but shall not be obligated to, make payment for any Shares to be purchased by any Underwriter whose funds shall not have been received by the Representative by the Closing Date or the Additional Closing Date, as the case may be, for the account of such Underwriter, but any such payment shall not relieve such Underwriter from any obligations under this Agreement.

5. Covenants and Agreements of the Company. The Company covenants and agrees with the Underwriters as follows:

(a) The Company will use its best efforts to cause the Registration Statement and any amendments thereto to become effective, if it has not already become effective, and will advise you promptly and, if requested by you, will confirm such advice in writing (i) when the Registration Statement has become effective and the time and date of any filing of any post-effective Registration Statement or any amendment or supplement to any Preliminary Prospectus or the Prospectus and the time and date that any post-effective amendment to the Registration Statement becomes effective, (ii) if Rule 430A under the Act is employed, when the Prospectus has been timely filed pursuant to Rule 424(b) under the Act, (iii) of the receipt of any comments of the Commission, or any request by the Commission for amendments or supplements to the Registration Statement, any Preliminary Prospectus or the Prospectus or for additional information, (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or of the suspension of qualification of the Shares for offering or sale in any jurisdiction or the initiation of any proceeding for such purposes and (v) within the period of time referred to in Section 5(e) below, of any change in the Company's condition (financial or other), business, prospects, properties, net worth or results of operations,

or of any event that comes to the attention of the Company that makes any statement made in the Registration Statement or the Prospectus (as then amended or supplemented) untrue in any material respect or that requires the making of any additions thereto or changes therein in order to make the statements therein (in the case of the Prospectus, in light of the circumstances under which they were made) not misleading in any material respect, or of the necessity to amend or supplement the Prospectus (as then amended or supplemented) to comply with the Act or any other law. If at any time the Commission shall issue any stop order suspending the effectiveness of the Registration Statement, the Company will make every reasonable effort to obtain the withdrawal or lifting of such order at the earliest possible time. If the Company elects, with the consent of the Representative, to rely on Rule 434 under the Act, the Company will provide the Underwriters with copies of the form of Rule 434 Prospectus (including copies of a term sheet that complies with the requirements of Rule 434 under the Act), in such number as the Underwriters may reasonably request, and file with the Commission in accordance with Rule 424(b) of the Act the form of Prospectus complying with Rule 434(b)(2) of the Act before the close of business on the first business day immediately following the date hereof. If the Company elects not to rely on Rule 434 under the Act, the Company will provide the Underwriters with copies of the form of Prospectus, in such number as the Underwriters may reasonably request, and file with the Commission such Prospectus in accordance with Rule 424(b) of the Act before the close of business on the first business day immediately following the date hereof.

(b) The Company will furnish to you, without charge, two signed duplicate originals of the Registration Statement as originally filed with the Commission and of each amendment thereto, including financial statements and all exhibits thereto, and will also furnish to you, without charge, such number of conformed copies of the Registration Statement as originally filed and of each amendment thereto as you may reasonably request.

(c) The Company will not file any Rule 462 Registration Statement or any amendment to the Registration Statement or make any amendment or supplement to the Prospectus unless (i) you shall have previously been advised thereof and been given a reasonable opportunity to review such filing, amendment or supplement and (ii) you have not reasonably objected to such filing, amendment or supplement after being so advised and having been given a reasonable opportunity to review such filing, amendment or supplement.

(d) Prior to the execution and delivery of this Agreement, the Company has delivered or will deliver to you, without charge, in such quantities as you have requested or may hereafter reasonably request, copies of each form of the Preliminary Prospectus. Consistent with the provisions of Section 5(e) hereof, the Company consents to the use, in accordance with the provisions of the Act and with the securities or Blue Sky laws of the jurisdictions in which the Shares are offered by the Underwriters and by dealers, prior to the date of the Prospectus, of each Preliminary Prospectus so furnished by the Company.

(e) As soon after the execution and delivery of this Agreement as is practicable and thereafter from time to time for such period as in the reasonable opinion of counsel for the Underwriters a prospectus is required by the Act to be delivered in connection

with sales by any Underwriter or a dealer (the "Prospectus Delivery Period"), and for so long a period as you may request for the distribution of the Shares, the Company will deliver to each Underwriter and each dealer, without charge, as many copies of the Prospectus (and of any amendment or supplement thereto) as they may reasonably request. The Company consents to the use of the Prospectus (and of any amendment or supplement thereto) in accordance with the provisions of the Act and with the securities or Blue Sky laws of the jurisdictions in which the Shares are offered by the Underwriters and by all dealers to whom Shares may be sold, both in connection with the offering and sale of the Shares and for such period of time thereafter as the Prospectus is required by the Act to be delivered in connection with sales by any Underwriter or dealer. If at any time prior to the later of (i) the completion of the distribution of the Shares pursuant to the offering contemplated by the Registration Statement or (ii) the expiration of prospectus delivery requirements with respect to the Shares under Section 4(3) of the Act and Rule 174 thereunder, any event shall occur that in the judgment of the Company or in the opinion of counsel for the Underwriters is required to be set forth in the Prospectus (as then amended or supplemented) or should be set forth therein in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or if it is necessary to supplement or amend the Prospectus to comply with the Act or any other law, the Company will forthwith prepare and, subject to Sections 5(a) and 5(c) hereof, file with the Commission and use its best efforts to cause to become effective as promptly as possible an appropriate supplement or amendment thereto, and will furnish to each Underwriter who has previously requested Prospectuses, without charge, a reasonable number of copies thereof.

(f) The Company will cooperate with you and counsel for the Underwriters in connection with the registration or qualification of the Shares for offering and sale by the Underwriters and by dealers under the securities or Blue Sky laws of such jurisdictions as you may reasonably designate and will file such consents to service of process or other documents as may be reasonably necessary in order to effect and maintain such registration or qualification for so long as required to complete the distribution of the Shares; provided that in no event shall the Company be obligated to qualify to do business in any jurisdiction where it is not now so qualified or to take any action that would subject it to general service of process in suits, other than those arising out of the offering or sale of the Shares, as contemplated by this Agreement and the Prospectus, in any jurisdiction where it is not now so subject. In the event that the qualification of the Shares in any jurisdiction is suspended, the Company shall so advise you promptly in writing. The Company will use its best efforts to qualify or register its Common Stock for sale in non-issuer transactions under (or obtain exemptions from the application of) the Blue Sky laws of each state where necessary to permit market making transactions and secondary trading and will comply with such Blue Sky laws and will continue such qualifications, registrations and exemptions in effect for a period of two years after the date hereof.

(g) The Company will make generally available to its security holders an earnings statement (in form complying with the provisions of Rule 158), which need not be audited, covering a twelve-month period commencing after the effective date of the Registration Statement and the Rule 462 Registration Statement, if any, and ending not later than 15 months thereafter, as soon as practicable after the end of such period, which earnings statement shall

satisfy the provisions of Section 11(a) of the Act.

(h) During the Prospectus Delivery Period, the Company will file all documents required to be filed with the Commission pursuant to Sections 13, 14 and 15 of the Securities Exchange Act of 1934, as amended in the manner and within the time periods required by the Exchange Act.

(i) During the period ending three years from the date hereof, the Company will furnish to you and, upon your request, to the other Underwriter, (i) as soon as available, a copy of each proxy statement, quarterly or annual report or other report of the Company mailed to stockholders or filed with the Commission, the National Association of Securities Dealers, Inc. (the "NASD") or the Nasdaq National Market ("NASDAQ") or any national securities exchange and (ii) from time to time such other information concerning the Company as you may reasonably request.

(j) If this Agreement shall terminate or shall be terminated after execution pursuant to any provision hereof (except pursuant to a termination under Section 12 hereof) or if this Agreement shall be terminated by the Underwriters because of any inability, failure or refusal on the part of the Company to perform in all material respects any agreement herein or to comply in all material respects with any of the terms or provisions hereof or to fulfill in all material respects any of the conditions of this Agreement, the Company agrees to reimburse you and the other Underwriter for all out-of-pocket expenses (including travel expenses and reasonable fees and expenses of counsel for the Underwriters, but excluding wages and salaries paid by you) reasonably incurred by you in connection herewith.

(k) The Company will apply the net proceeds from the sale of the Shares to be sold by it hereunder in accordance in all material respects with the statements under the caption "Use of Proceeds" in the Prospectus.

(l) If Rule 430A under the Act is employed, the Company will timely file the Prospectus or term sheet (as described in Rule 434(b) under the Act) pursuant to Rule 424(b) under the Act.

(m) For a period of 120 days after the date of the Prospectus first filed pursuant to Rule 424(b) under the Act, without your prior written consent, the Company will not, (i) directly or indirectly, issue, sell, offer or contract to sell or otherwise dispose of or transfer any shares of Common Stock or securities convertible into or exchangeable or exercisable for shares of Common Stock (collectively, "Company Securities") or any rights to purchase Company Securities, or file any registration statement under the Act with respect to any of the foregoing or (ii) enter into any swap or other agreement that transfers, in whole or in part, directly or indirectly, the economic consequences of ownership of Company Securities whether any such swap or transaction is to be settled by delivery of Common Stock or other securities, in cash or otherwise, except to the Underwriters pursuant to this Agreement and except for grants of options pursuant to the Company's stock option, stock bonus or other stock plans or

arrangements in effect as of the date hereof and described in the Prospectus and except for issuances of shares of Common Stock upon the exercise of options outstanding as of the date hereof under such stock plans.

(n) Prior to the Closing Date or the Additional Closing Date, as the case may be, the Company will furnish to you, as promptly as possible, copies of any unaudited interim financial statements of the Company for any period subsequent to the periods covered by the financial statements appearing in the Prospectus.

(o) The Company will comply with all provisions of any undertakings contained in the Registration Statement.

(p) The Company will not at any time, directly or indirectly, take any action designed, or which might reasonably be expected to cause or result in, or which will constitute, stabilization or manipulation of the price of the shares of Common Stock to facilitate the sale or resale of any of the Shares.

(q) The Company will timely file with NASDAQ all documents and notices required by the NASDAQ of companies that have or will issue securities that are traded on the NASDAQ.

(r) The Company shall engage and maintain, at its expense, a transfer agent and, if necessary under the jurisdiction of its incorporation or the rules of any national securities exchange on which the Common Stock is listed, a registrar (which, if permitted by applicable laws and rules may be the same entity as the transfer agent) for the Common Stock.

(s) The Company will maintain as its independent auditors a Big 6 accounting firm for the period ending three (3) years from the date hereof.

6. Representations and Warranties of the Company. The Company hereby represents and warrants to each Underwriter on the date hereof, and shall be deemed to represent and warrant to each Underwriter on the Closing Date and the Additional Closing Date, as the case may be, that:

(a) The Company satisfies all of the requirements of the Act for use of Form S-3 for the offering of Shares contemplated hereby. Each Preliminary Prospectus included as part of the Registration Statement as originally filed or as part of any amendment or supplement thereto, or filed pursuant to Rule 424(a) under the Act, complied as to form when so filed in all material respects with the provisions of the Act, except that this representation and warranty does not apply to statements in or omissions from such Preliminary Prospectus (or any amendment or supplement thereto) made in reliance upon and in conformity with information relating to any Underwriter furnished to the Company in writing by or on behalf of any Underwriter through you expressly for use therein. The Commission has not issued any order preventing or suspending the use of any Preliminary Prospectus and no proceeding for that purpose has been instituted or

threatened by the Commission or the securities authority of any state or other jurisdiction.

(b) The Company has prepared each of the Registration Statement, any Rule 462 Registration Statement and any post-effective amendment thereto, and the Prospectus and any amendments or supplements thereto. The Registration Statement (including any Rule 462 Registration Statement), in the form in which it becomes effective and also in such form as it may be when any post-effective amendment thereto shall become effective, and the Prospectus, and any supplement or amendment thereto when filed with the Commission under Rule 424(b) under the Act, will comply as to form in all material respects with the provisions of the Act and will not at any such times contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, except that this representation and warranty does not apply to statements in or omissions from the Registration Statement or the Prospectus (or any amendment or supplement thereto) made in reliance upon and in conformity with information relating to any Underwriter furnished to the Company in writing by or on behalf of any Underwriter through you expressly for use therein.

(c) Each Preliminary Prospectus and the Prospectus, if filed by electronic transmission pursuant to EDGAR (except as may be permitted by Regulation S-T under the Act), was identical to the copy thereof delivered to the Underwriters for use in connection with the offer and sale of the Shares.

(d) The Incorporated Documents heretofore filed, when they were filed (or, if any amendment with respect to any such document was filed, when such amendment was file), conformed in all material respects with the requirements of the Exchange Act and the rules and regulations thereunder, and any further Incorporated Documents so filed will, when they are filed, conform in all material respects with the requirements of the Exchange Act and the rules and regulations thereunder; no such Incorporated Document when it was filed (or, if an amendment with respect to any such document was filed, when such amendment was filed), contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading; and no such further Incorporated Document, when it is filed, will contain an untrue statement of a material fact or will omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading.

(e) The capitalization of the Company is and will be as set forth in the Prospectus as of the date set forth therein. All the outstanding shares of Common Stock of the Company have been, and as of the Closing Date and the Additional Closing Date, as the case may be, will be, duly authorized and validly issued, are fully paid and nonassessable and are free of any preemptive or similar rights; except as set forth in the Prospectus, the Company is not a party to or bound by any outstanding options, warrants or similar rights to subscribe for, or contractual obligations to issue, sell, transfer or acquire, any of its capital stock or any securities convertible into or exchangeable for any of such capital stock; the Shares to be issued and sold to the Underwriters by the Company hereunder have been duly authorized and, when issued and delivered to the Underwriters against full payment therefor in accordance with the terms hereof

will be validly issued, fully paid and nonassessable and free of any preemptive or similar rights; the capital stock of the Company conforms to the description thereof in the Registration Statement and the Prospectus (or any amendment or supplement thereto); and the delivery of certificates for the Shares being sold by the Company against payment therefor pursuant to the terms of this Agreement will pass valid title to the Shares being sold by the Company, free and clear of any claim, encumbrance or defect in title, to the Underwriters purchasing such shares in good faith and without notice of any lien, claim or encumbrance. The certificates for the Shares being sold by the Company are in valid and sufficient form.

(f) The Company is a corporation duly organized and validly existing as a corporation in good standing under the laws of the state of its incorporation with full corporate power and authority to own, lease and operate its properties and to conduct its business as presently conducted and as described in the Registration Statement and the Prospectus (and any amendment or supplement thereto) and is duly registered and qualified to conduct its business and is in good standing in each jurisdiction or place where the nature of its properties or the conduct of its business requires such registration or qualification, except where the failure to so register or qualify has not had or will not have a material adverse effect on the condition (financial or other), business, properties, net worth, results of operations or prospects of the Company (a "Material Adverse Effect").

(g) The Company does not have any subsidiaries and does not own a material interest in or control, directly or indirectly, any other corporation, partnership, joint venture, association, trust or other business organization.

(h) There are no legal or governmental proceedings pending or, to the best knowledge of the Company, threatened, against the Company or to which the Company or any of their properties are subject, that are required to be described in the Registration Statement or the Prospectus (or any amendment or supplement thereto) but are not described as required. Except as described in the Prospectus, there is no action, suit, inquiry, proceeding or investigation by or before any court or governmental or other regulatory or administrative agency or commission pending or, to the best knowledge of the Company, threatened, against or involving the Company, which might individually or in the aggregate prevent or adversely affect the transactions contemplated by this Agreement or result in a Material Adverse Effect, nor to the Company's knowledge, is there any basis for any such action, suit, inquiry, proceeding or investigation. There are no agreements, contracts, indentures, leases or other instruments that are required to be described in the Registration Statement or the Prospectus (or any amendment or supplement thereto) or to be filed as an exhibit to the Registration Statement that are not described, filed or incorporated by reference in the Registration Statement and the Prospectus as required by the Act. All such contracts to which the Company is a party have been duly authorized, executed and delivered by the Company, constitute valid and binding agreements of the Company and are enforceable against the Company in accordance with the terms thereof, except as enforceability thereof may be limited by (i) the application of bankruptcy, reorganization, insolvency and other laws affecting creditors' rights generally and (ii) equitable principles being applied at the discretion of a court before which any proceeding may be brought.

The Company has not received notice or been made aware that any other party is in breach of or default to the Company under any of such contracts.

(i) The Company is not (i) in violation of (A) its articles of incorporation or bylaws, or other organizational documents, (B) any law, ordinance, administrative or governmental rule or regulation applicable to the Company, the violation of which would have a Material Adverse Effect or (C) any decree of any court or governmental agency or body having jurisdiction over the Company; or (ii) in default in any material respect in the performance of any obligation, agreement or condition contained in (A) any bond, debenture, note or any other evidence of indebtedness or (B) any agreement, indenture, lease or other instrument (each of (A) and (B), an "Existing Instrument") to which the Company is a party or by which any of their properties may be bound, which default would have a Material Adverse Effect; and there does not exist any state of facts that constitutes an event of default on the part of the Company as defined in such documents or that, with notice or lapse of time or both, would constitute such an event of default.

(j) The Company's execution and delivery of this Agreement and the performance by the Company of its obligations under this Agreement have been duly and validly authorized by the Company and has been duly executed and delivered by the Company, and this Agreement constitutes a valid and legally binding agreement of the Company, enforceable against the Company in accordance with its terms, except to the extent enforceability may be limited by (i) the application of bankruptcy, reorganization, insolvency and other laws affecting creditors' rights generally and (ii) equitable principles being applied at the discretion of a court before which any proceeding may be brought, except as rights to indemnity and contribution hereunder may be limited by federal or state securities laws.

(k) None of the issuance and sale of the Shares by the Company, the execution, delivery or performance of this Agreement by the Company nor the consummation by the Company of the transactions contemplated hereby (i) requires any consent, approval, authorization or other order of or registration or filing with, any court, regulatory body, administrative agency or other governmental body, agency or official (except such as may be required for the registration of the Shares under the Act, the listing of the Shares for trading on the NASDAQ, the registration of the Common Stock under the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission thereunder (collectively, the "Exchange Act") and compliance with the securities or Blue Sky laws of various jurisdictions, all of which will be, or have been, effected in accordance with this Agreement and except for the NASD's clearance of the underwriting terms of the offering contemplated hereby as required under the NASD's Rules of Fair Practice), (ii) conflicts with or will conflict with or constitutes or will constitute a breach of, or a default under, the Company's articles of incorporation or the Company's bylaws or any agreement, indenture, lease or other instrument to which the Company is a party or by which any of its properties may be bound, (iii) violates any statute, law, regulation, ruling, filing, judgment, injunction, order or decree applicable to the Company or any of their properties, or (iv) results in a breach of, or default under, or results in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company

pursuant to, or requires the consent of any other party to, any Existing Instrument, except for such conflicts, breaches, defaults, liens, charges or encumbrances that will not, individually or in the aggregate, result in a Material Adverse Effect.

(l) Except as described in the Prospectus, and except for options to purchase capital stock issued pursuant to the Company's 2000 Incentive Stock Plan, the Company does not have outstanding and at the Closing Date and the Additional Closing Date, as the case may be, will not have outstanding any options to purchase, or any warrants to subscribe for, or any securities or obligations convertible into, or any contracts or commitments to issue or sell, any shares of Common Stock or any such warrants or convertible securities or obligations. No holder of securities of the Company has rights to the registration of any securities of the Company as a result of or in connection with the filing of the Registration Statement or the consummation of the transactions contemplated hereby that have not been satisfied or heretofore waived in writing.

(m) KPMG LLC, the certified public accountants who have certified the financial statements (including the related notes thereto and supporting schedules) filed as part of the Registration Statement and the Prospectus (or any amendment or supplement thereto), are independent public accountants as required by the Act and the Exchange Act.

(n) The financial statements, together with related schedules and notes, included in the Registration Statement and the Prospectus (and any amendment or supplement thereto), present fairly the financial condition, results of operations, cash flows and changes in financial position of the Company on the basis stated in the Registration Statement at the respective dates or for the respective periods to which they apply; such statements and related schedules and notes have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods involved, except as disclosed therein; and the other financial and statistical information and data set forth in the Registration Statement and Prospectus (and any amendment or supplement thereto) is accurately presented and prepared on a basis consistent with such financial statements and the books and records of the Company. The pro forma financial statements together with related notes thereto included in the Registration Statement and the Prospectus (and any amendment or supplement thereto) present fairly the information contained therein, have been prepared in accordance with the Commission's rules and regulations with respect to pro forma financial statements and have been properly presented on the bases described therein. Additionally, the assumptions used in the preparation thereof are reasonable and the adjustments used therein are appropriate to give effect to the transactions and circumstances referred to therein. No other financial statements or schedules are required to be included in the Registration Statement.

(o) Except as disclosed in the Registration Statement and the Prospectus (or any amendment or supplement thereto), subsequent to the respective dates as of which such information is given in the Registration Statement and the Prospectus (or any amendment or supplement thereto), (i) the Company has not incurred any material liabilities or obligations, indirect, direct or contingent, or entered into any transaction that is not in the ordinary course of business, (ii) the Company has not sustained any material loss or interference with its business or

properties from fire, flood, windstorm, accident or other calamity, whether or not covered by insurance, (iii) the Company has not paid or declared any dividends or other distributions with respect to its capital stock and the Company is not in default under the terms of any class of capital stock of the Company or any outstanding debt obligations, (iv) there has not been any change in the authorized or outstanding capital stock of the Company or any material change in the indebtedness of the Company (other than in the ordinary course of business) and (v) there has not been any material adverse change, or any development involving or that may reasonably be expected to result in a Material Adverse Effect, in the condition (financial or otherwise), business, properties, net worth or result of operations of the Company.

(p) All offers and sales of the Company's capital stock and other debt or other securities prior to the date hereof were made in compliance with or were the subject of an available exemption from the Act and all other applicable state and federal laws or regulations, or any actions under the Act or any state or federal laws or regulations in respect of any such offers or sales are effectively barred by effective waivers or statutes of limitation.

(q) The Common Stock (including the Shares) is registered pursuant to Section 12(g) of the Exchange Act and is listed on the NASDAQ, and the Company has taken no action designed to, or likely to have the effect of, terminating the registration of the Common Stock under the Exchange Act or delisting the Common Stock from the NASDAQ, nor has the Company received any notification that the Commission or the NASDAQ is contemplating terminating such registration or listing.

(r) The Company has not distributed and will not distribute, and has not authorized the Underwriters to distribute, any offering material in connection with the offering and sale of the Shares other than the Preliminary Prospectus, the Prospectus or other offering material, if any, as permitted by the Act.

(s) Other than excepted activity pursuant to Regulation M under the Exchange Act, the Company has not taken and will not take, directly or indirectly, any action that constituted, or any action designed to, or that might reasonably be expected to cause or result in or constitute, under the Act or otherwise, stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares or for any other purpose.

(t) The Company has filed all tax returns required to be filed (other than certain state or local tax returns, as to which the failure to file, individually or in the aggregate, would not have a Material Adverse Effect), which returns are complete and correct, and the Company is not in default in the payment of any taxes that were payable pursuant to said returns or any assessments with respect thereto. Except as disclosed in the Prospectus, all deficiencies asserted as a result of any federal, state, local or foreign tax audits have been paid or finally settled and no issue has been raised in any such audit that, by application of the same or similar principles, reasonably could be expected to result in a proposed deficiency for any other period not so audited. There are no outstanding agreements or waivers extending the statutory period of limitation applicable to any federal, state, local or foreign tax return for any period. On the

Closing Date and the Additional Closing Date, as the case may be, all stock transfer and other taxes that are required to be paid in connection with the sale of the shares to be sold by the Company to the Underwriters will have been fully paid by the Company and all laws imposing such taxes will have been complied with.

(u) Except as set forth in the Prospectus, there are no transactions with “affiliates” (as defined in Rule 405 promulgated under the Act) or any officer, director or security holder of the Company (whether or not an affiliate) that are required by the Act to be disclosed in the Registration Statement. Additionally, no relationship, direct or indirect, exists between the Company on the one hand, and the directors, officers, stockholders, customers or suppliers of the Company on the other hand that is required by the Act to be disclosed in the Registration Statement and the Prospectus that is not so disclosed.

(v) The Company is not an “investment company” or an “affiliated person” of, or “promoter” or “principal underwriter” for, an investment company within the meaning of the Investment Company Act of 1940, as amended.

(w) Except as otherwise disclosed in the Prospectus, the Company has good and valid title to all property (real and personal) described in the Prospectus as being owned by it, free and clear of all liens, claims, security interests or other encumbrances except (i) such as are described in the Prospectus or (ii) such as are not materially burdensome and do not have or will not result in a Material Adverse Effect to the use of the property or the conduct of the business of the Company. All property (real and personal) held under lease by the Company is held by it under valid, subsisting and enforceable leases with only such exceptions as in the aggregate are not materially burdensome and do not have or result in a Material Adverse Effect to the use of the property or the conduct of the business of the Company.

(x) Except as otherwise disclosed in the Prospectus, the Company has all permits, licenses, franchises, approvals, consents and authorizations of governmental or regulatory authorities (hereinafter “permit” or “permits”) as are necessary to own its properties and to conduct its business in the manner described in the Prospectus, subject to such qualifications as may be set forth in the Prospectus, except where the failure to have obtained any such permit has not had and will not have a Material Adverse Effect; the Company has operated and is operating its business in material compliance with and not in material violation of all of its obligations with respect to each such permit and no event has occurred that allows, or after notice or lapse of time would allow, revocation or termination of any such permit or result in any other material impairment of the rights of any such permit, subject in each case to such qualification as may be set forth in the Prospectus; and, except as described in the Prospectus, such permits contain no restrictions that are materially burdensome to the Company.

(y) The Company maintains a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management’s general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting

principles and to maintain accountability for assets, (iii) access to assets is permitted only in accordance with management's general or specific authorizations and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(z) Except as otherwise disclosed in the Prospectus, neither the Company, nor, to the Company's knowledge, any employee or agent of the Company, has, directly or indirectly, (i) made any unlawful contribution to any candidate for political office, or failed to disclose fully any contribution in violation of law or (ii) made any payment to any federal, state, local or foreign governmental official, or other person charged with similar public or quasi-public duties, other than payments required or permitted by the laws of the United States or any jurisdiction thereof or applicable foreign jurisdictions.

(aa) Except as otherwise disclosed in the Prospectus, the Company is (i) in compliance with any and all applicable federal, state, local and foreign laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (iii) are in compliance with all terms and conditions of any such permit, license or approval, except where such noncompliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or other approvals would not, individually or in the aggregate, have a Material Adverse Effect. Except as set forth in the Prospectus, the Company has not been named as a "potentially responsible party" under the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended. Except as set forth in the Prospectus, the Company does not own, lease or occupy any property that appears on any list of hazardous sites compiled by any state or local governmental agency. In the ordinary course of its business, the Company conducts a periodic review of the effect of Environmental Laws on the business, operations and properties of the Company, in the course of which it identifies and evaluates associated costs and liabilities (including any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties). On the basis of such review and amount of its established reserves, the Company has reasonably concluded that such associated costs and liabilities would not, individually or in the aggregate, result in a Material Adverse Effect.

(bb) Except as otherwise disclosed in the Prospectus, the Company owns and has full right, title and interest in and to, or has valid licenses to use, each material trade name, trademark, service mark, patent, copyright, approval, trade secret and other similar rights (collectively "Intellectual Property") under which the Company conducts all or any material part of its business, and the Company has not created any lien or encumbrance on, or granted any right or license with respect to, any such Intellectual Property except where the failure to own or obtain a license or right to use any such Intellectual Property has not and will not have a Material Adverse Effect; there is no claim pending against the Company with respect to any Intellectual

Property and the Company has not received notice or otherwise become aware that any Intellectual Property that it uses or has used in the conduct of its business infringes upon or conflicts with the rights of any third party. The Company has not become aware that any material Intellectual Property that it uses or has used in the conduct of its business infringes upon or conflicts with the rights of any third party.

(cc) The Company has procured the written agreement of its officers and directors not to (i) directly or indirectly sell, offer or contract to sell or otherwise dispose of or transfer any shares of Company Securities owned or controlled by such persons now or hereafter or any rights to purchase Company Securities for a period of 120 days after the date of the Prospectus first filed pursuant to Rule 424(b) under the Act (the "Restriction Period"), without your prior written consent, or (ii) exercise or seek to exercise or effectuate in any manner any rights of any nature that such persons have or may hereafter have to require the Company to register under the Act any such person's sale, transfer or other disposition of any Company Securities or other securities of the Company held by such persons, or to otherwise participate as a selling securityholder in any manner in any registration effected by the Company under the Act, including the registration to which this Agreement relates, before the expiration of the Registration Period.

(dd) No officer, director or nominee for director of the Company has a direct or indirect affiliation or association with any member of the NASD.

(ee) Except as otherwise disclosed in the Prospectus, the Company is insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which it is engaged; and the Company has reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a comparable cost.

(ff) Except as otherwise disclosed in the Prospectus, the Company and any "employee benefit plan" (as defined under the Employee Retirement Income Security Act of 1974, as amended, and the regulations and published interpretations thereunder (collectively, "ERISA")) established or maintained by the Company or their "ERISA Affiliates" (as defined below) are in compliance in all material respects with ERISA and all other applicable state and federal laws. "ERISA Affiliate" means, with respect to the Company, any member of any group or organization described in Sections 414(b), (c), (m) or (o) of the Code of which the Company is a member. No "reportable event" (as defined in ERISA) has occurred or is reasonably expected to occur with respect to any "employee benefit plan" established or maintained by the Company or any of their ERISA Affiliates. No "employee benefit plan" established or maintained by the Company or any of their ERISA Affiliates, if such "employee benefit plan" were terminated, would have any "amount of unfunded benefit liabilities" (as defined in ERISA). Neither the Company nor any of their ERISA Affiliates has incurred or reasonably expects to incur any liability under (i) Title IV of ERISA with respect to termination of, or withdrawal from, any "employee benefit plan" or (ii) Sections 412, 4971, 4975 or 4980B of the Code. Each "employee

benefit plan” established or maintained by the Company or any of their ERISA Affiliates that is intended to be qualified under Section 401(a) of the Code is so qualified and nothing has occurred, whether by action or failure to act, that would cause the loss of such qualification.

(gg) The Company has complied and will comply in all material respects with wage and hour determinations issued by the U.S. Department of Labor under the Service Contract Act of 1965 and the Fair Labor Standards Act in paying its employees’ salaries, fringe benefits and other compensation for the performance of work or other duties in connection with contracts with the U.S. government, and have complied and will comply in all material respects with the requirements of the Americans with Disabilities Act of 1990, the Family and Medical Leave Act of 1993, the Civil Rights Act of 1964 (Title VII), the National Labor Relations Act, the Vietnam Era Veteran’s Readjustment Act, the Age Discrimination in Employment Act, as amended by the Older Workers’ Benefit Protection Act, and federal, state and local labor laws, each as amended except where the failure to comply with any such requirements has not, and will not, have a Material Adverse Effect.

7. Expenses. Whether or not the transactions contemplated hereby are consummated or this Agreement becomes effective or is terminated, the Company agrees to pay or cause to be paid the following: (i) the fees, disbursements and expenses of the Company’s counsel and accountants in connection with the registration of the Shares under the Act and all other expenses in connection with the preparation, printing and filing of the Registration Statement and the Prospectus and amendments and supplements thereto and the mailing and delivering of copies thereof and of any Preliminary Prospectus to the Underwriters and dealers; (ii) the printing and delivery (including postage, air freight charges and charges for counting and packaging) of such copies of the Registration Statement, the Prospectus, each Preliminary Prospectus, the Blue Sky memoranda, the Master Agreement Among Underwriters, this Agreement, the Selected Dealers Agreement and all amendments or supplements to any of them as may be reasonably requested for use in connection with the offering and sale of the Shares; (iii) consistent with the provisions of Section 5.1(f), all expenses in connection with the qualification of the Shares for offering and sale under state securities laws or Blue Sky laws, including reasonable attorneys’ fees and out-of-pocket expenses of the counsel for the Underwriters in connection therewith; (iv) the filing fees incident to securing any required review by the NASD of the fairness of the terms of the sale of the Shares and the reasonable fees and disbursements of the Underwriters’ counsel relating thereto; (v) the fees and expenses associated with including the Shares on the NASDAQ; (vi) the cost of preparing stock certificates; (vii) the costs and charges of any transfer agent or registrar; (viii) the cost of the tax stamps, if any, in connection with the issuance and delivery of the Shares to the respective Underwriters; (ix) all other fees, costs and expenses referred to in Item 13 of the Registration Statement; and (x) the transportation, lodging, graphics and other expenses incidental to the Company’s preparation for and participation in the “roadshow” for the offering contemplated hereby. Except as provided in this Section 7 and in Section 8 hereof, the Underwriters shall pay their own expenses, including the fees and disbursements of their counsel. In addition, in the event that the proposed offering is terminated for the reasons set forth in Section 5.1(k) hereof, the Company agrees to reimburse the Underwriters as provided in Section 5.1(k).

8. Indemnification and Contribution. Subject to the limitations in this paragraph below, the Company agrees to indemnify and hold harmless you and the other Underwriter, the directors, officers, employees and agents of each Underwriter, and each person, if any, who controls any Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act from and against any and all losses, claims, damages, liabilities and expenses, including reasonable costs of investigation and attorneys' fees and expenses (collectively, "Damages") arising out of or based upon (i) any untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus or in the Registration Statement or the Prospectus or in any amendment or supplement thereto, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein (in the case of the Prospectus, in light of the circumstances under which they were made) not misleading, except to the extent that any such Damages arise out of or are based upon an untrue statement or omission or alleged untrue statement or omission that has been made therein or omitted therefrom in reliance upon and in conformity with the information furnished in writing to the Company by or on behalf of any Underwriter through you, expressly for use in connection therewith or (ii) any inaccuracy in or breach of the representations and warranties of the Company contained herein or any failure of the Company to perform its obligations hereunder or under law; provided, however, that with respect to any untrue statement or omission made in any Preliminary Prospectus, the indemnity agreement contained in this paragraph shall not inure to the benefit of any Underwriter (or to the benefit of any person controlling such Underwriter or to any officer, director, employee or agent of any Underwriter) from whom the person asserting any such Damages purchased the Shares concerned if both (A) a copy of the Prospectus was not sent or given to such person at or prior to the written confirmation of the sale of such Shares to such person as required by the Act and (B) the untrue statement or omission in the Preliminary Prospectus was corrected in the Prospectus. This indemnification shall be in addition to any liability that the Company may otherwise have.

In addition to its other obligations under this Section 8, the Company agrees that, as an interim measure during the pendency of any claim, action, investigation, inquiry or other proceeding arising out of or based upon any statement or omission, or any inaccuracy in the representations and warranties of the Company herein or failure to perform its obligations hereunder, all as set forth in this Section 8, the party against whom indemnification is being sought will reimburse each Underwriter on a monthly basis for all reasonable legal or other out-of-pocket expenses incurred in connection with investigating or defending any such claim, action, investigation, inquiry or other proceeding (to the extent documented by reasonably itemized invoices therefor), notwithstanding the absence of a judicial determination as to the propriety and enforceability of the obligation of the Company to reimburse each Underwriter for such expenses and the possibility that such payments might later be held to have been improper by a court of competent jurisdiction. To the extent that any such interim reimbursement payment is so held to have been improper, each Underwriter shall promptly return it to the person from whom it was received. Any such interim reimbursement payments that are not made to the Underwriters within 30 days of a request for reimbursement shall bear interest compounded daily at a rate determined on the basis of the base lending rate announced from time to time by The

Wall Street Journal from the date of such request.

If any action or claim shall be brought against any Underwriter or any person controlling any Underwriter in respect of which indemnity may be sought against the Company, such Underwriter or such controlling person shall promptly notify in writing the party against whom indemnification is being sought (the "indemnifying party") and such indemnifying party shall assume the defense thereof, including the employment of counsel reasonably acceptable to such Underwriter or such controlling person and the payment of all reasonable fees of and expenses incurred by such counsel. Such Underwriter or any such controlling person shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Underwriter or such controlling person, unless (i) the indemnifying party has agreed in writing to pay such fees and expenses, (ii) the indemnifying party has failed to assume the defense and employ counsel reasonably acceptable to such Underwriter or such controlling person or (iii) the named parties to any such action (including any impleaded parties) include both such Underwriter or such controlling person and the indemnifying party, and such Underwriter or such controlling person shall have been advised by its counsel that one or more legal defenses may be available to such Underwriter that may not be available to the Company, or that representation of such indemnified party and any indemnifying party by the same counsel would be inappropriate under applicable standards of professional conduct (whether or not such representation by the same counsel has been proposed) due to actual or potential differing interests between them (in which case the indemnifying party shall not have the right to assume the defense of such action on behalf of such Underwriter or such controlling person (but the Company shall not be liable for the fees and expenses of more than one counsel for such Underwriter and such controlling persons)). The indemnifying party shall not be liable for any settlement of any such action effected without its written consent, but if settled with such written consent, or if there be a final judgment for the plaintiff in any such action, the indemnifying party agree to indemnify and hold harmless any Underwriter and any such controlling person from and against any loss, claim, damage, liability or expense by reason of such settlement or judgment, but in the case of a judgment only to the extent stated in the first paragraph of this Section 8.

Each Underwriter agrees, severally and jointly, to indemnify and hold harmless the Company, its directors, its officers who sign the Registration Statement and any person who controls the Company within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, to the same extent as the foregoing several indemnity from the Company to each Underwriter, but only with respect to information furnished in writing by or on behalf of such Underwriter through you expressly for use in the Registration Statement, the Prospectus or any Preliminary Prospectus, or any amendment or supplement thereto. If any action or claim shall be brought or asserted against the Company, any of its directors, any of its officers or any such controlling person based on the Registration Statement, the Prospectus or any Preliminary Prospectus, or any amendment or supplement thereto, and in respect of which indemnity may be sought against any Underwriter pursuant to this paragraph, such Underwriter shall have the rights and duties given to the Company by the immediately preceding paragraph (except that if the Company shall have assumed the defense thereof such Underwriter shall not be required to do so,

but may employ separate counsel therein and participate in the defense thereof, but the fees and expenses of such counsel shall be at such Underwriter's expense), and the Company, its directors, any such officers and any such controlling persons, shall have the rights and duties given to the Underwriters by the immediately preceding paragraph.

In any event, the Company will not, without the prior written consent of the Representative, settle or compromise or consent to the entry of any judgment in any proceeding or threatened claim, action, suit or proceeding in respect of which the indemnification may be sought hereunder (whether or not the Representative or any person who controls the Representative within the meaning of Section 15 of the Act or Section 20 of the Exchange Act is a party to such claim, action, suit or proceeding) unless such settlement, compromise or consent includes an unconditional release of all Underwriters and such controlling persons from all liability arising out of such claim, action, suit or proceeding.

If the indemnification provided for in this Section 8 is unavailable or insufficient for any reason whatsoever to an indemnified party in respect of any Damages referred to herein, then an indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such Damages (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand, and the Underwriters on the other hand, from the offering and sale of the Shares or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative and several fault of the Company on the one hand, and the Underwriters on the other hand, in connection with the statements or omissions that resulted in such Damages as well as any other relevant equitable considerations. The relative and several benefits received by the Company on the one hand, and the Underwriters on the other hand, shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus; provided that, in the event that the Underwriters shall have purchased any Additional Shares hereunder, any determination of the relative benefits received by the Company or the Underwriters from the offering of the Shares shall include the net proceeds (before deducting expenses) received by the Company and the underwriting discounts and commissions received by the Underwriters, from the sale of such Additional Shares, in each case computed on the basis of the respective amounts set forth in the notes to the table on the cover page of the Prospectus. The relative fault of the Company on the one hand, and the Underwriters on the other hand, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand, or by the Underwriters on the other hand and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 8 was determined by a pro rata allocation (even if the

Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take into account the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the Damages referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 8, no Underwriter shall be required to contribute any amount in excess of the amount of the underwriting commissions received by such Underwriter in connection with the Shares underwritten by it and distributed to the public. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute pursuant to this Section 8 are several in proportion to the respective numbers of Firm Shares set forth opposite their names in Schedule I hereto (or such numbers of Firm Shares increased as set forth in Section 11 hereof) and not joint.

Notwithstanding the second paragraph of this Section 8, any Damages for which an indemnified party is entitled to indemnification or contribution under this Section 8 shall be paid by the indemnifying party to the indemnified party as Damages are incurred after receipt of reasonably itemized invoices therefor. The indemnity, contribution and reimbursement agreements contained in this Section 8 and the representations and warranties of the Company set forth in this Agreement shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of any Underwriter or any person controlling any Underwriter, the Company, its directors or officers or any person controlling the Company, (ii) acceptance of any Shares and payment therefor hereunder and (iii) any termination of this Agreement. A successor to any Underwriter or any person controlling any Underwriter, or to the Company, its directors or officers or any person controlling the Company, shall be entitled to the benefits of the indemnity, contribution and reimbursement agreements contained in this Section 8.

It is agreed that any controversy arising out of the operation of the interim reimbursement arrangements set forth in the second paragraph of this Section 8, including the amounts of any requested reimbursement payments and the method of determining such amounts, shall be settled by arbitration conducted pursuant to the Code of Arbitration Procedure of the NASD. Any such arbitration must be commenced by service of a written demand for arbitration or written notice of intention to arbitrate, therein electing the arbitration tribunal. In the event the party demanding arbitration does not make such designation of an arbitration tribunal in such demand or notice, then the party responding to said demand or notice is authorized to do so. Such an arbitration would be limited to the operation of the interim reimbursement provisions contained in the second and fourth paragraphs of this Section 8, and would not resolve the ultimate propriety or enforceability of the obligation to reimburse expenses that is created by the provisions of the second paragraph of this Section 8.

9. Conditions of Underwriters' Obligations. The several obligations of the

Underwriters to purchase the Firm Shares hereunder are subject to the following conditions:

(a) The Registration Statement shall have become effective not later than 12:00 noon, New York City time, on the date hereof, or at such later date and time as shall be consented to in writing by the Representative, and all filings required by Rules 424(b), 430A and 462 under the Act shall have been timely made.

(b) You shall be reasonably satisfied that since the respective dates as of which information is given in the Registration Statement and Prospectus, (i) there shall not have been any change in the capital stock of the Company or any material change in the indebtedness (other than in the ordinary course of business) of the Company, (ii) except as set forth or contemplated by the Registration Statement or the Prospectus, no material oral or written agreement or other transaction shall have been entered into by the Company that is not in the ordinary course of business or that could reasonably be expected to result in a material reduction in the future earnings of the Company, (iii) no loss or damage (whether or not insured) to the property of the Company shall have been sustained that had or could reasonably be expected to have a Material Adverse Effect, (iv) no legal or governmental action, suit or proceeding affecting the Company or any of its properties that is material to the Company or that affects or could reasonably be expected to affect the transactions contemplated by this Agreement shall have been instituted or threatened and (v) there shall not have been any material change in the condition (financial or otherwise), business, management, results of operations or prospects of the Company that makes it impractical or inadvisable in your judgment to proceed with the public offering or purchase of the Shares as contemplated hereby.

(c) You shall have received on the Closing Date (and the Additional Closing Date, if any) an opinion of Baker Botts L.L.P., counsel to the Company, substantially to the effect that:

(i) The Company is a corporation duly incorporated and validly existing in good standing under the laws of the State of Texas, with full corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement and the Prospectus (and any amendment or supplement thereto), and is duly registered or otherwise qualified to conduct its business as a foreign corporation and is in good standing in each jurisdiction or place where the nature of its properties or the conduct of its business requires such registration or qualification, except where the failure to so register or qualify does not have a Material Adverse Effect.

(ii) The capitalization of the Company conforms in all material respects to the description thereof contained in the Prospectus under the caption "Capitalization" and the Shares conform in all material respects to the description of the Common Stock in the Prospectus. Except as set forth in the Prospectus, the Company is not a party to or bound by any outstanding options, warrants or similar rights to subscribe for, or contractual obligations to issue, sell, transfer or acquire, any of its capital stock or

any securities convertible into or exchangeable for any of such capital stock.

(iii) All shares of capital stock of the Company outstanding prior to the issuance of the Shares to be issued and sold by the Company hereunder, have been duly authorized and validly issued, are fully paid and nonassessable and are free of any preemptive or similar rights that entitle or will entitle any person to acquire any Shares upon the issuance thereof by the Company, and no such rights will exist as of the Closing Date.

(iv) To such counsel's knowledge without independent verification, all offers and sales of the Company's securities have been made in compliance in all material respects with the registration requirements of the Act and other applicable state securities laws or regulations or applicable exemptions therefrom.

(v) To the knowledge of such counsel after reasonable inquiry, the Company is not in violation of its articles of incorporation or bylaws and is not in default in the performance of any obligation, agreement or condition contained in any bond, indenture, note or other evidence of indebtedness or any other agreement or obligation of the Company, where the default would have, individually or in the aggregate, a Material Adverse Effect.

(vi) Neither the offer, sale or delivery of the Shares by the Company, the execution, delivery or performance by the Company of this Agreement, compliance by the Company with all provisions hereof nor consummation by the Company of the transactions contemplated hereby (A) conflicts or will conflict with or constitutes or will constitute a breach of, or a default under, the articles of incorporation or bylaws of the Company or any material agreement, indenture, lease or other instrument to which the Company is a party or by which any of its properties is bound or (B) creates or will result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or (C) violates or will result in any violation of any existing law, statute, regulation, ruling (assuming compliance with all applicable state securities and Blue Sky laws), judgment, injunction, order or decree that is known to such counsel and is applicable to the Company or any of its properties.

(vii) Except as described in the Registration Statement or Prospectus, there is no action, suit, inquiry, proceeding, or investigation by or before any court or governmental or other regulatory or administrative agency or commission pending or, to the knowledge of such counsel, threatened, against or involving the Company, or the properties of the Company: (A) which might individually or in the aggregate prevent or adversely affect the transactions contemplated by this Agreement or result in a Material Adverse Effect, nor, to the knowledge of such counsel, is there any basis for any such action, suit, inquiry, proceeding or investigation; or (B) that are required to be described in the Registration Statement or Prospectus (or any amendment or supplement thereto) that are not described as required therein.

(viii) Such counsel has reviewed all agreements, contracts, indentures, leases or other documents or instruments described or referred to in the Registration Statement and the Prospectus, and such agreements, contracts (and forms of contracts), indentures, leases or other documents or instruments are fairly summarized or disclosed in all material respects therein, and filed as exhibits thereto as required, and such counsel does not know of any agreements, contracts, indentures, leases or other documents or instruments required to be so summarized or disclosed or filed that have not been so summarized or disclosed or filed.

(ix) No consent, approval, authorization or other order of, or registration or filing with, any court, regulatory body, administrative agency or other governmental body, agency or official is required on the part of the Company (except such as have been obtained under the Act or such as may be required under state securities or Blue Sky laws governing the purchase and distribution of the Shares) for the valid issuance and sale of the Shares to the Underwriters under this Agreement.

(x) The form of certificate used to evidence the Common Stock is in due and proper form and complies with all applicable requirements of the articles of incorporation and bylaws of the Company and the Business Corporation Act of the State of Texas.

(xi) The Company satisfies all of the requirements of the Act for use of Form S-3 for the offering of Shares contemplated by this Agreement.

(xii) The description of the Company's stock option, stock bonus and other stock plans or arrangements, and the options or other rights granted and exercised thereunder, set forth in the Prospectus accurately and fairly presents the information required to be shown with respect to such plans, arrangements, options and rights.

(xiii) The Company has all requisite power and authority to enter into this Agreement and to issue, sell and deliver the Shares to be sold by it to the Underwriters as provided herein. The Agreement has been duly authorized, executed and delivered by, and is a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, except as to the extent enforceability may be limited by (i) the application of bankruptcy, reorganization, insolvency or other laws affecting creditors' rights generally and (ii) equitable principles being applied at the discretion of a court before which any proceeding may be brought, and except as rights to indemnity and contribution hereunder may be limited by federal or state securities laws.

(xiv) The Shares to be issued and sold to the Underwriters by the Company hereunder have been duly authorized and, when issued and delivered to the Underwriters against payment therefor in accordance with the terms hereof, (A) such Shares will be validly issued, fully paid and nonassessable and free of any preemptive or

similar rights that entitle or will entitle any person to acquire any Shares upon the issuance thereof by the Company and (B) good and valid title to such Shares, free and clear of any claim, encumbrance or defect in title of any nature (other than any arising by or through the Underwriters), will pass to each Underwriter that has purchased any portion of such Shares in good faith and without knowledge of any such claim, encumbrance or defect.

(xv) The Registration Statement has been declared effective by the Commission under the Act. To the best knowledge of such counsel, no stop order suspending the effectiveness of the Registration Statement has been issued under the Act and no proceedings for such purpose have been instituted or are pending or are contemplated or threatened by the Commission. Any required filing of the Prospectus and any supplement thereto pursuant to Rule 424(b) under the Act has been made in the manner and within the time period required by such Rule 424(b).

(xvi) The Registration Statement, including any Rule 462 Registration Statement, the Prospectus, including any document incorporated by reference therein, and each amendment or supplement to the Registration Statement and the Prospectus, including any document incorporated by reference therein, as of their respective effective or issue dates (other than the financial statements and supporting schedules included therein or incorporate by reference or in exhibits to or excluded from the Registration Statement, as to which no opinion need be given) comply as to form in all material respects with the requirements of the Act.

(xvii) The descriptions in the Prospectus of statutes, regulations or legal or governmental proceedings, insofar as they purport to summarize certain of the provisions thereof, are accurate in all material respects and fairly present the information required to be presented by the Act and the rules and regulations thereunder.

(xviii) The Company is not an “investment company” or an “affiliated person” of, or “promoter” or “principal investor” for, an “investment company,” as such terms are defined in the Investment Company Act of 1940, as amended.

(xix) The Shares have been approved for listing on the Nasdaq National Market.

(xx) The statements (i) in the Prospectus under the captions “Risk Factors,” “Price Range of Common Stock and Dividend Policy,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources,” “Description of our Capital Stock,” and “Underwriting” and (ii) in Item 14 and Item 15 of the Registration Statement, insofar as such statements constitute matters of law, summaries of legal matters, the Company’s articles of incorporation or bylaw provisions, documents or legal proceedings, or legal conclusions,

have been reviewed by such counsel and fairly present and summarize, in all material respects, the matters referred to therein.

In rendering such opinion, counsel may rely, to the extent they deem such reliance proper, as to matters of fact upon certificates of officers of the Company and of government officials, provided that counsel shall state their belief that they and you are justified in relying thereon. Copies of all such certificates shall be furnished to you and your counsel on the Closing Date and the Additional Closing Date, as the case may be.

In addition to the opinion set forth above, such counsel shall state that during the course of his participation in the preparation of the Registration Statement and the Prospectus and the amendments thereto, nothing has come to the attention of such counsel that has caused him to believe or given him reason to believe that the Registration Statement or the Prospectus or any amendment thereto (except for the financial statements and other financial and accounting information contained therein or omitted therefrom as to which no opinion need be expressed), at the date thereof, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that the Registration Statement or the Prospectus as of the date of the opinion (except as aforesaid), contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(d) You shall have received on the Closing Date or Additional Closing Date, as the case may be, an opinion of Vinson & Elkins L.L.P, as counsel for the Underwriters, dated the Closing Date or Additional Closing Date, as the case may be, with respect to the issuance and sale of the Shares, the Registration Statement and other related matters as you may reasonably request, and the Company and its counsel shall have furnished to your counsel such documents as they may reasonably request for the purpose of enabling them to pass upon such matters.

(e) You shall have received letters addressed to you and dated the date hereof and the Closing Date or the Additional Closing Date, as the case may be, from (i) the firm of KPMG LLC, independent certified public accountants and (ii) the Chief Financial Officer of the Company, substantially in the forms heretofore approved by you.

(f) (i) No stop order suspending the effectiveness of the Registration Statement shall have been issued by the Commission and no proceedings for that purpose shall be pending or, to the knowledge of the Company, shall be threatened or contemplated by the Commission at or prior to the Closing Date or Additional Closing Date, as the case may be; (ii) no order suspending the effectiveness of the Registration Statement or the qualification or registration of the Shares under the securities or Blue Sky laws of any jurisdiction shall be in effect and no proceeding for such purpose shall be pending or, to the knowledge of the Company, threatened or contemplated by the authorities of any jurisdiction; (iii) any request for additional information on the part of the staff of the Commission or any such authorities shall have been complied with to the satisfaction of the staff of the Commission or such authorities; (iv) after the

date hereof, no amendment or supplement to the Registration Statement or the Prospectus shall have been filed unless a copy thereof was first submitted to you and you did not object thereto in good faith; and (v) all of the representations and warranties of the Company contained in this Agreement shall be true and correct in all material respects (except for such representations and warranties qualified by materiality, which representations and warranties shall be true and correct in all respects) on and as of the date hereof and on and as of the Closing Date or Additional Closing Date, as the case may be, as if made on and as of the Closing Date or Additional Closing Date, as the case may be, and you shall have received a certificate, dated the Closing Date and signed by the chief executive officer and the chief financial officer of the Company (or such other officers as are acceptable to you) to the effect set forth in this Section 9(f) and in Sections 9(b) and 9(g) hereof.

(g) The Company shall not have failed in any material respect at or prior to the Closing Date or the Additional Closing Date, as the case may be, to have performed or complied with any of its agreements herein contained and required to be performed or complied with by it hereunder at or prior to the Closing Date or Additional Closing Date, as the case may be.

(h) The Company shall have furnished or caused to have been furnished to you such further certificates and documents as you shall have reasonably requested.

(i) At or prior to the Closing Date, you shall have received the written commitment from each of the Company's officers and directors not to directly or indirectly (i) sell, offer or contract to sell or otherwise dispose of or transfer any shares of Company Securities, whether now owned or acquired after the date of the Prospectus or with respect to which the power of disposition is acquired after the date of the Prospectus, or file any registration statement under the Act with respect to the foregoing or (ii) enter into any swap or other agreement or any other agreement that transfers, in whole or in part, directly or indirectly, the economic consequences of ownership of Company Securities whether any such swap or transaction is to be settled by delivery of Company Securities, in cash or otherwise; other than as provided in such written commitment before the expiration of 120 days from the Closing Date, without the prior written consent of Raymond James & Associates, Inc.

(j) At or prior to the effective date of the Registration Statement, you shall have received a letter from the Corporate Financing Department of the NASD confirming that such Department has determined to raise no objections with respect to the fairness or reasonableness of the underwriting terms and arrangements of the offering contemplated hereby.

All such opinions, certificates, letters and other documents will be in compliance with the provisions hereof only if they are reasonably satisfactory in form and substance to you and your counsel.

The several obligations of the Underwriters to purchase Additional Shares hereunder is subject to the satisfaction on and as of the Additional Closing Date of the conditions set forth in

this Section 9, except that, if the Additional Closing Date is other than the Closing Date, the certificates, opinions and letters referred to in this Section 9 shall be dated as of the Additional Closing Date and the opinions called for by paragraphs (c) and (d) shall be revised to reflect the sale of Additional Shares.

If any of the conditions hereinabove provided for in this Section 9 shall not have been satisfied when and as required by this Agreement, this Agreement may be terminated by you by notifying the Company of such termination in writing or by telegram at or prior to such Closing Date, but you shall be entitled to waive any of such conditions.

10. Effective Date of Agreement. This Agreement shall become effective upon the later of (a) the execution and delivery hereof by the parties hereto and (b) release of notification of the effectiveness of the Registration Statement by the Commission; provided, however, that the provisions of Sections 7 and 8 shall at all times be effective.

11. Defaulting Underwriters. If any of the Underwriters shall fail or refuse to purchase Firm Shares that it has agreed to purchase hereunder, and the aggregate number of Firm Shares that such defaulting Underwriter agreed but failed or refused to purchase is not more than one-tenth of the aggregate number of the Firm Shares, the non-defaulting Underwriter shall be obligated to purchase the Firm Shares that such defaulting Underwriter agreed, but failed or refused to purchase. If any Underwriter shall fail or refuse to purchase Firm Shares and the aggregate number of Firm Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Firm Shares and arrangements satisfactory to you and the Company for the purchase of such Firm Shares are not made within 48 hours after such default, this Agreement will terminate without liability on the part of any non-defaulting Underwriter or the Company. In any such case that does not result in termination of this Agreement, either you or the Company shall have the right to postpone the Closing Date, but in no event for longer than seven (7) days, in order that the required changes, if any, in the Registration Statement and the Prospectus or any other documents or arrangements may be effected. Any action taken under this paragraph shall not relieve any defaulting Underwriter from liability in respect of any such default of any such Underwriter under this Agreement.

12. Termination of Agreement. This Agreement shall be subject to termination in your absolute discretion, without liability on the part of any Underwriter to the Company by notice to the Company, if prior to the Closing Date or the Additional Closing Date (if different from the Closing Date and then only as to the Additional Shares), as the case may be, in your sole judgment, (i) trading in the Company's Common Stock shall have been suspended by the Commission or the NASDAQ, (ii) trading in securities generally on the NYSE or NASDAQ shall have been suspended or materially limited, or minimum or maximum prices shall have been generally established on such exchange, or additional material governmental restrictions, not in force on the date of this Agreement, shall have been imposed upon trading in securities generally by any such exchange or by order of the Commission or any court or other governmental authority, (iii) a general moratorium on commercial banking activities shall have been declared by either federal or New York State authorities or (iv) there shall have occurred any outbreak or

escalation of hostilities or other international or domestic calamity, crisis or change in political, financial or economic conditions or other material event the effect of which on the financial markets of the United States is such as to make it, in your judgment, impracticable or inadvisable to market the Shares or to enforce contracts for the sale of the Shares. Notice of such cancellation shall be promptly given to the Company and its counsel by telegraph, telecopy or telephone and shall be subsequently confirmed by letter.

13. Information Furnished by the Underwriters. The Company acknowledges that (i) the paragraph immediately following the table on the cover page of the Registration Statement and (ii) [the fourth, eighth, ninth, tenth, eleventh, twelfth and thirteenth paragraphs] under the caption "Underwriting" in any Preliminary Prospectus, constitute the only information furnished by or on behalf of the Underwriters through you or on your behalf as such information is referred to in Sections 6.1(a), 6.1(b) and 8 hereof.

14. Miscellaneous. Except as otherwise provided in Sections 5 and 12 hereof, notice given pursuant to any of the provisions of this Agreement shall be in writing and shall be delivered

(i) to the Company:

L. Decker Dawson
Dawson Geophysical Company
508 West Wall, Suite 800
Midland, TX 79701

with a copy to:

Neel Lemon
Baker Botts L.L.P.
2001 Ross Avenue, Suite 700
Dallas, TX 75201-2980

(ii) to the Underwriters:

Raymond James & Associates, Inc.
880 Carillon Parkway
St. Petersburg, Florida 33716
Attention: [____]

with a copy to:

Thomas P. Mason
Vinson & Elkins L.L.P.
2300 First City Tower

1001 Fannin Street
Houston, TX 77002

This Agreement has been and is made solely for the benefit of the Underwriters, the Company and its directors and officers.

15. Applicable Law; Counterparts. This Agreement shall be governed by and construed in accordance with the laws of the State of Florida without reference to choice of law principles thereunder.

This Agreement may be signed in various counterparts, which together shall constitute one and the same instrument.

This Agreement shall be effective when, but only when, at least one counterpart hereof shall have been executed on behalf of each party hereto.

The Company and the Underwriters each hereby irrevocably waive any right they may have to a trial by jury in respect to any claim based upon or arising out of this Agreement or the transactions contemplated hereby.

Please confirm that the foregoing correctly sets forth the agreement among the Company and the Underwriters.

Very truly yours,

DAWSON GEOPHYSICAL COMPANY

L. Decker Dawson
President and Chief Executive Officer

CONFIRMED as of the date first above mentioned, on behalf of the Representative and the other Underwriter named in Schedule I hereto.

RAYMOND JAMES & ASSOCIATES, INC.

By: _____

SCHEDULE I

Name	Number Firm Shares
Raymond James & Associates, Inc.	
A.G. Edwards & Sons, Inc.	
Total:	

_____, 2005

DAWSON GEOPHYSICAL COMPANY
508 West Wall, Suite 800
Midland, TX 79701

RAYMOND JAMES & ASSOCIATES, INC.
880 Carillon Parkway
St. Petersburg, FL 33716

Re: Dawson Geophysical Company (the "Company") — Restriction on Stock Sales

Dear Sirs:

This letter is delivered to you pursuant to the Underwriting Agreement (the "Underwriting Agreement") to be entered into by the Company, as issuer, and Raymond James & Associates, Inc. (the representative (the "Representative") of certain underwriters (the "Underwriters") to be named therein. Upon the terms and subject to the conditions of the Underwriting Agreement, the Underwriters intend to effect a public offering of Common Stock, par value \$0.33 1/3 per share, of the Company (the "Shares"), as described in and contemplated by the registration statement of the Company on Form S-3, File No. 333-121236 (the "Registration Statement"), as filed with the Securities and Exchange Commission on December 14, 2004 (the "Offering").

The undersigned recognizes that it is in the best financial interests of the undersigned, as an officer or director, or an owner of stock, options, warrants or other securities of the Company (the "Company Securities"), that the Company complete the proposed Offering.

The undersigned further recognizes that the Company Securities held by the undersigned are, or may be, subject to certain restrictions on transferability, including those imposed by United States federal securities laws. Notwithstanding these restrictions, the undersigned has agreed to enter into this letter agreement to further assure the Underwriters that the Company Securities of the undersigned, now held or hereafter acquired, will not enter the public market at a time that might impair the underwriting effort.

Therefore, as an inducement to the Underwriters to execute the Underwriting Agreement, the undersigned hereby acknowledges and agrees that the undersigned will not (i) offer, sell, contract to sell, pledge, grant any option to purchase or otherwise dispose of (collectively, a "Disposition") any Company Securities, or any securities convertible into or exercisable or exchangeable for, or any rights to purchase or otherwise acquire, any Company Securities held by the undersigned or acquired by the undersigned after the date hereof, or that may be deemed to be beneficially owned by the undersigned (collectively, the "Lock-Up Shares"), pursuant to the

Rules and Regulations promulgated under the Securities Act of 1933, as amended (the "Act"), and the Securities Exchange Act of 1934, as amended, for a period commencing on the date hereof and ending 120 days after the date of the Company's Prospectus first filed pursuant to Rule 424(b) under the Act, inclusive (the "Lock-Up Period"), without the prior written consent of Raymond James & Associates, Inc. or (ii) exercise or seek to exercise or effectuate in any manner any rights of any nature that the undersigned has or may have hereafter to require the Company to register under the Act the undersigned's sale, transfer or other disposition of any of the Lock-Up Shares or other securities of the Company held by the undersigned, or to otherwise participate as a selling securityholder in any manner in any registration effected by the Company under the Act, including under the Registration Statement, during the Lock-Up Period. The foregoing restrictions are expressly agreed to preclude the undersigned from engaging in any hedging, collar (whether or not for any consideration) or other transaction that is designed to or reasonably expected to lead or result in a Disposition of Lock-Up Shares during the Lock-Up Period, even if such Lock-Up Shares would be disposed of by someone other than such holder. Such prohibited hedging or other transactions would include any short sale or any purchase, sale or grant of any right (including any put or call option or reversal or cancellation thereof) with respect to any Lock-Up Shares or with respect to any security (other than a broad-based market basket or index) that includes, relates to or derives any significant part of its value from Lock-Up Shares.

Notwithstanding the agreement not to make any Disposition during the Lock-Up Period, you have agreed that the foregoing restrictions shall not apply to:

- (1) the Company Securities being offered in the prospectus included in the Registration Statement; or
- (2) any grant or exercise of options pursuant to the Company's stock option plans.

It is understood that, if the Underwriting Agreement (other than the provisions thereof that survive termination) shall terminate or be terminated prior to payment for and delivery of the Shares, you will release the undersigned from the obligations under this letter agreement.

In furtherance of the foregoing, the Company and its transfer agent and registrar are hereby authorized to decline to make any transfer of Lock-Up Shares if such transfer would constitute a violation or breach of this letter. This letter shall be binding on the undersigned and the respective successors, heirs, personal representatives and assigns of the undersigned. Capitalized terms used but not defined herein have the respective meanings assigned to such terms in the Underwriting Agreement.

Very truly yours,

2001 ROSS AVENUE AUSTIN
DALLAS, TEXAS DALLAS
75201-2980 HOUSTON
214.953.6500 LONDON
FAX 214.953.6503 MOSCOW
NEW YORK
RIYADH
WASHINGTON

BAKER BOTTS LLP

EXHIBIT 5.1

February 15, 2005

Dawson Geophysical Company
508 West Wall, Suite 800
Midland, Texas 79701

Re: Registration Statement on Form S-3
 File No. 333-121236

Ladies and Gentlemen:

We have acted as counsel to Dawson Geophysical Company, a Texas corporation (the "Company"), in connection with the registration under the Securities Act of 1933, as amended, of the offering and sale of up to an aggregate of 1,725,000 shares (the "Shares") of the Company's common stock, par value \$0.33 1/3 per share ("Common Stock"), (including 225,000 Shares subject to an over-allotment option granted by the Company to the underwriters).

As the basis for the opinion hereinafter expressed, we have examined the Restated Articles of Incorporation and Bylaws of the Company as amended and the originals, or copies certified or otherwise identified, of corporate records of the Company, certificates of public officials and of representatives of the Company, statutes and other instruments and documents that we have deemed necessary or advisable for the purposes of this opinion. In such examination, we have assumed, without independent investigation, the authenticity of all documents submitted to us as originals and the conformity with the original documents of all documents submitted to us as copies

On the basis of the foregoing, and subject to the assumptions, limitations and qualifications hereinafter set forth, we are of the opinion that:

1. The Company is a corporation duly incorporated and validly existing under the laws of the State of Texas.
-

2. The Shares, when issued and delivered by the Company against payment therefor as described in the Company's Registration Statement on Form S-3 (Commission File No. 333-121236) relating to the Shares filed with the Securities and Exchange Commission (the "Registration Statement"), will be duly authorized, validly issued, fully paid and nonassessable.

This opinion is limited to the laws of the State of Texas and the applicable federal laws of the United States.

We hereby consent to the filing of this opinion as Exhibit 5.1 to the Registration Statement and to the reference to us under "Legal Matters" in the prospectus forming a part of the Registration Statement. In giving this consent, we do not admit that we are in the category of persons whose consent is required under Section 7 of the Act or the rules and regulations of the Commission thereunder.

Very truly yours,

/s/ Baker Botts L.L.P.

Consent of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Dawson Geophysical Company

We consent to the use of our report dated November 11, 2004, except as to Note 12, which is as of January 18, 2005, with respect to the balance sheets of Dawson Geophysical Company as of September 30, 2004 and 2003, and the related statements of operations, changes in stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended September 30, 2004 included herein and to the reference to our firm under the heading "Experts" in the prospectus.

/s/ KPMG LLP

Midland, Texas
February 15, 2005

2001 ROSS AVENUE AUSTIN
DALLAS, TEXAS BAKU
75201-2980 DALLAS
214.953.6500 HOUSTON
FAX 214.953.6503 LONDON
MOSCOW
NEW YORK
RIYADH
WASHINGTON

BAKER BOTTS LLP

February 15, 2005

VIA EDGAR TRANSMISSION

U.S. Securities and Exchange Commission
Division of Corporate Finance
450 Fifth Street, N.W.
Mail Stop 0405
Washington, D.C. 20549

Re: **Dawson Geophysical Company**
 Registration Statement on Form S-3
 File No. 333-121236

Form 10-K for the year ended September 30, 2004
 Filed December 10, 2004
 File No. 0-10144

Definitive Proxy Statement on Schedule 14A
 Filed December 10, 2004

Ladies and Gentlemen:

On behalf of Dawson Geophysical Company (the "Company"), we have electronically transmitted herewith Amendment No. 2 to the above-referenced Registration Statement ("Amendment No. 2"), which has been marked to indicate the changes in the Amendment. In addition, we have today forwarded, by way of overnight delivery, five marked copies of the Amendment No. 2, c/o Jason Wynn, for the convenience of the Staff.

This letter responds to the Staff's letter of comment, dated February 11, 2005, on behalf of the Company. The numbering below corresponds to the numbering used in the comment letter.

Form S-3

General

1. COMMENT:

We remind you of prior comment 3. We may have additional comments once you supply omitted information and file missing exhibits, including the opinion of counsel.

RESPONSE:

We have added all omitted information (other than pricing information) in the prospectus and have filed all missing exhibits.

2. COMMENT:

Please include updated financial statements in your next amended filing pursuant to Rule 3-12 of Regulation S-X.

RESPONSE:

We have updated the financial statement in the prospectus as required by Rule 3-12 of Regulation S-X.

Table of Contents, page ii

3. COMMENT:

The last sentence remains inappropriate. We would not object if the sentence ended after the word “accurate.”

RESPONSE:

In response to the Staff’s comment, we have removed the last sentence of the paragraph following the table of contents on page ii.

Selected Financial Data, page 11

4. COMMENT:

In the statement beginning with “Additional selected financial data,” please change “fiscal years preceding September 30, 2004” to fiscal years preceding September 30, 2002.

RESPONSE:

In response to the Staff’s comment, we have corrected the last sentence of the introductory paragraph on page 12 to read “fiscal years preceding September 30, 2002.”

Liquidity and Capital Resources, page 16**5. COMMENT:**

We noted that you have included an introductory paragraph to the Liquidity and Capital Resources section in response to our prior comment #13. However, we noted no changes to the discussion on cash flows which appeared general and does not specifically address the changes in operating and investing activities. For example, in your discussion, you explained that net cash provided by operating activities primarily reflects results of operations offset by changes in working capital components but did not provide any specific reasons for changes in working capital components. Please expand your discussion to provide an explanation for each material change in your working capital accounts.

RESPONSE:

As requested by the Staff, we have expanded the discussion of the Company's cash flows to include disclosure regarding material changes in the Company's working capital accounts on pages 18-19.

Electronic Distribution, page 30**6. COMMENT:**

Notwithstanding your response to prior comment 18, we reissue the comment. If you intend to retain limiting language in that regard, it must be consistent, clear and appropriate.

RESPONSE:

In response to the Staff's comment, the Company has deleted the second paragraph under the heading "Electronic Distribution" on page 33.

Form 10-K for the year ended September 30, 2004Exhibits, Financial Statement Schedules and Reports on Form 8-K, page 12**7. COMMENT:**

We have reviewed Annex B the schedule of valuation and qualifying accounts included as response to our prior comment #23. Please supplementally explain to us what the amounts included in the "Deductions" column represent and consider including the explanation as a footnote to the schedule.

RESPONSE:

The amounts included in the "Deductions" column of the schedule represent amounts related to accounts receivable that have been deemed uncollectable and written off by the Company. We have supplementally included as Annex A a revised schedule of valuation and qualifying accounts which includes this explanation as a footnote to the Schedule.

* * *

The Company would like to print preliminary prospectuses as soon as possible. In this regard, we would like to determine by Thursday, February 17, whether the Staff has any objections to the printing and the distribution of the preliminary prospectus based upon this Amendment No. 2.

Please do not hesitate to contact me at 214.953.6419, or my partner Neel Lemon at 214.953. 6954, if we can be of any further assistance in reviewing the above responses.

Very truly yours,

Sarah Rechter

cc: L. Decker Dawson
Stephen C. Jumper
Christina W. Hagan
Nicholas C. Taylor, Esq.
Thomas P. Mason, Esq.
Neel Lemon, Esq.

Annex A

Dawson Geophysical Company
Valuation Account

	Balance at beginning of period	Charged to costs and expenses	Deductions*	Balance at end of period
Allowance for doubtful accounts:				
2004	127,000	100,000	28,000	199,000
2003	71,000	56,000	—	127,000
2002	121,000	—	50,000	71,000

*Represents amounts related to accounts receivable that have been deemed uncollectable and written off by the Company.