

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

FORM 10-Q

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

For the Quarterly Period Ended December 31, 2008

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

For the Transition Period From _____ to _____

Commission File No. 0-10144

DAWSON GEOPHYSICAL COMPANY

Texas
(State or other jurisdiction of
incorporation or organization)

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

508 West Wall, Suite 800, Midland, Texas 79701
(Principal Executive Office)

Telephone Number: 432-684-3000

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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

Title of Each Class	Outstanding at February 9, 2009
Common Stock, \$.33 1/3 par value	7,799,744 shares

DAWSON GEOPHYSICAL COMPANY

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Certification of CEO Pursuant to Rule 13a-14(a)

Certification of CFO Pursuant to Rule 13a-14(a)

Certification of CEO Pursuant to Rule 13a-14(b)

Certification of CFO Pursuant to Rule 13a-14(b)

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DAWSON GEOPHYSICAL COMPANY
STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended December 31,	
	2008	2007
Operating revenues	\$80,216,000	\$77,599,000
Operating costs:		
Operating expenses	59,015,000	58,125,000
General and administrative	2,155,000	1,706,000
Depreciation	6,601,000	5,551,000
	<u>67,771,000</u>	<u>65,382,000</u>
Income from operations	12,445,000	12,217,000
Other income (expense):		
Interest income	78,000	218,000
Interest expense	—	(105,000)
Other income (expense)	38,000	(16,000)
Income before income tax	12,561,000	12,314,000
Income tax (expense) benefit:		
Current	(5,175,000)	(4,540,000)
Deferred benefit (expense)	348,000	(70,000)
	<u>(4,827,000)</u>	<u>(4,610,000)</u>
Net income	<u>\$ 7,734,000</u>	<u>\$ 7,704,000</u>
Net income per common share	<u>\$ 1.00</u>	<u>\$ 1.01</u>
Net income per common share—assuming dilution	<u>\$ 0.99</u>	<u>\$ 1.00</u>
Weighted average equivalent common shares outstanding	<u>7,701,766</u>	<u>7,660,100</u>
Weighted average equivalent common shares outstanding — assuming dilution	<u>7,805,209</u>	<u>7,720,101</u>

See accompanying notes to the financial statements (unaudited).

DAWSON GEOPHYSICAL COMPANY
BALANCE SHEETS

	December 31, 2008 <u>(Unaudited)</u>	September 30, 2008 <u></u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 15,729,000	\$ 8,311,000
Accounts receivable, net of allowance for doubtful accounts of \$300,000 in December 2008 and \$55,000 in September 2008	72,366,000	76,221,000
Prepaid expenses and other assets	1,640,000	877,000
Current deferred tax asset	<u>1,735,000</u>	<u>873,000</u>
Total current assets	91,470,000	86,282,000
Property, plant and equipment		
Property, plant and equipment	253,749,000	250,519,000
Less accumulated depreciation	<u>(109,447,000)</u>	<u>(103,180,000)</u>
Net property, plant and equipment	<u>144,302,000</u>	<u>147,339,000</u>
	<u>\$ 235,772,000</u>	<u>\$ 233,621,000</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 7,431,000	\$ 15,308,000
Accrued liabilities:		
Payroll costs and other taxes	2,464,000	3,363,000
Other	15,328,000	14,869,000
Deferred revenue	<u>2,735,000</u>	<u>993,000</u>
Total current liabilities	27,958,000	34,533,000
Deferred tax liability	13,642,000	13,128,000
Stockholders' equity:		
Preferred stock-par value \$1.00 per share; 5,000,000 shares authorized, none outstanding	—	—
Common stock-par value \$.33 1/3 per share; 50,000,000 shares authorized, 7,799,744 and 7,794,744 shares issued and outstanding in each period	2,600,000	2,598,000
Additional paid-in capital	87,527,000	87,051,000
Retained earnings	<u>104,045,000</u>	<u>96,311,000</u>
Total stockholders' equity	<u>194,172,000</u>	<u>185,960,000</u>
	<u>\$ 235,772,000</u>	<u>\$ 233,621,000</u>

See accompanying notes to the financial statements (unaudited).

DAWSON GEOPHYSICAL COMPANY
STATEMENTS OF CASH FLOWS
(UNAUDITED)

	<u>Three Months Ended December 31,</u>	
	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 7,734,000	\$ 7,704,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	6,601,000	5,551,000
Noncash compensation	424,000	347,000
Deferred income tax (benefit) expense	(348,000)	70,000
Excess tax benefit from share-based payment arrangement	—	(92,000)
Provision for bad debts	245,000	—
Other	51,000	46,000
Change in current assets and liabilities:		
Decrease in accounts receivable	2,610,000	4,074,000
Increase in prepaid expenses	(763,000)	(1,836,000)
Decrease in accounts payable	(7,495,000)	(1,353,000)
Decrease in accrued liabilities	(440,000)	(1,399,000)
Increase (decrease) in deferred revenue	1,742,000	(610,000)
Net cash provided by operating activities	<u>10,361,000</u>	<u>12,502,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from disposal of assets	14,000	5,000
Partial proceeds on fire insurance claim	1,000,000	—
Capital expenditures, net of noncash capital expenditures summarized below in noncash investing activities	<u>(3,957,000)</u>	<u>(9,280,000)</u>
Net cash used in investing activities	<u>(2,943,000)</u>	<u>(9,275,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	—	37,000
Proceeds from line of credit	—	—
Repayment on line of credit	—	—
Excess tax benefit from share-based payment arrangement	—	92,000
Net cash provided by financing activities	<u>—</u>	<u>129,000</u>
Net increase in cash and cash equivalents	7,418,000	3,356,000
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>8,311,000</u>	<u>14,875,000</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$15,729,000</u>	<u>\$18,231,000</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest expense	\$ —	\$ 96,000
Cash paid during the period for income taxes	\$ 538,000	\$ 1,172,000
NONCASH INVESTING ACTIVITIES:		
Change in accrued purchases of property and equipment	\$ (382,000)	\$ 5,610,000

See accompanying notes to the financial statements (unaudited).

DAWSON GEOPHYSICAL COMPANY
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

1. ORGANIZATION AND NATURE OF OPERATIONS

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.

2. OPINION OF MANAGEMENT

Although the information furnished is unaudited, in the opinion of management of the Company, the accompanying financial statements reflect all adjustments, consisting only of normal recurring accruals, necessary for a fair statement of the results for the periods presented. The results of operations for the three months ended December 31, 2008 are not necessarily indicative of the results to be expected for the fiscal year.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q report pursuant to certain rules and regulations of the Securities and Exchange Commission. These financial statements should be read with the financial statements and notes included in the Company's Form 10-K for the fiscal year ended September 30, 2008.

Critical Accounting Policies

The preparation of the Company's financial statements in conformity with generally accepted accounting principles requires that certain assumptions and estimates be made that affect the reported amounts of assets and liabilities at the date of the 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.

Concentrations of Credit Risk. Financial instruments which potentially expose the Company to concentrations of credit risk, as defined by SFAS No. 105 ("SFAS 105"), "Disclosure of Information About Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk," at any given time may consist of cash and cash equivalents, money market funds and overnight investment accounts, short-term investments and trade accounts receivable. At December 31, 2008 and 2007, the Company had deposits in domestic banks in excess of federally insured limits. The Company believes the credit risk associated with these deposits is minimal. Money market funds seek to preserve the value of the investment, but it is possible to lose money investing in these funds. The Company invests funds overnight under a repurchase agreement with its bank which is collateralized by securities of the United States Federal agencies. The Company invests primarily in short-term U.S. Treasury Securities which are believed to be a low risk investment. The Company's sales are to clients whose activities relate to oil and natural gas exploration and production. The Company generally extends unsecured credit to these clients; therefore, collection of receivables may be affected by the economic conditions of the oil and natural gas industry. The Company closely monitors extensions of credit and may negotiate payment terms that mitigate risk.

Revenue Recognition. Services are provided under cancelable service contracts. These contracts are either "turnkey" or "term" agreements. Under both types of agreements, the Company recognizes revenues when revenue is realizable and services have been performed. Services are defined as the commencement of data acquisition or processing operations. Revenues are considered realizable when earned according to the terms of the service contracts. 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, revenue is recognized and the customer is billed for services performed up to the date of cancellation.

The Company receives reimbursements for certain out-of-pocket expenses under the terms of the service contracts. Amounts billed to clients are recorded in revenue at the gross amount including out-of-pocket expenses that are reimbursed by the client.

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

Allowance for Doubtful Accounts. Management prepares its allowance for doubtful accounts receivable based on its review of past-due accounts, its past experience of historical write-offs and its current client base. While the collectibility of outstanding client invoices is continually assessed, 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.

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Impairment of Long-lived Assets. Long-lived assets are reviewed 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. Management's forecast of future cash flow used to perform impairment analysis includes estimates of future revenues and expenses based on the Company's anticipated future results while considering anticipated future oil and natural gas prices which is fundamental in assessing demand for the Company's services. If the Company is unable to achieve these cash flows an impairment charge would be recorded.

Depreciable Lives of 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.

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.

Tax Accounting. The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 109 ("SFAS 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 the Company's financial statements or tax returns. Management determines 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 asset will not be realized. Management's methodology for recording income taxes requires judgment regarding assumptions and the use of estimates, including determining the annual effective tax rate and the valuation of deferred tax assets, which can create variances between actual results and estimates and could have a material impact on the Company's provision or benefit for income taxes.

Stock-Based Compensation. The Company accounts for stock-based compensation in accordance with SFAS No. 123(R) ("SFAS 123(R)"), "Share-Based Payment," which requires companies to measure all employee stock-based compensation awards, including stock options and restricted stock, using the fair value method and recognize compensation cost, net of forfeitures, in its financial statements. The Company records compensation expense as operating or general and administrative expense as appropriate in the Statements of Operations on a straight-line basis over the vesting period.

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

Recently Issued Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157 ("SFAS 157"), "Fair Value Measurements." SFAS 157 clarifies that fair value is the amount that would be exchanged to sell an asset or transfer a liability in an orderly transaction between market participants. Further, the standard establishes a framework for measuring fair value in generally accepted accounting principles and expands certain disclosures about fair value measurements. SFAS 157 became effective for all financial assets and financial liabilities as of October 1, 2008, and upon adoption, SFAS 157 did not have a material impact on the Company's financial statements. In February 2008, the FASB issued FASB Staff Position 157-2 ("FSP 157-2"), "Effective Date of FASB Statement No. 157," which delays the effective date of SFAS 157 for all non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The Company does not expect the adoption of SFAS 157-2 to have a material impact on its financial statements.

In February 2007, the FASB issued SFAS No. 159 ("SFAS 159"), "The Fair Value Option for Financial Assets and Financial Liabilities." SFAS 159 provides companies with an option to report selected financial assets and liabilities at fair value. As of December 31, 2008 the Company has not elected the fair value option for any additional financial assets and liabilities beyond those already prescribed by accounting principles generally accepted in the United States.

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In May 2008, the FASB issued SFAS No. 162 (“SFAS 162”), “The Hierarchy of Generally Accepted Accounting Principles.” Under SFAS 162, the GAAP hierarchy will now reside in the accounting literature established by the FASB. SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements in conformity with GAAP. SFAS 162 was effective November 15, 2008 and did not have a material impact on its financial statements.

3. DEBT

The Company’s revolving line of credit loan agreement is with Western National Bank. The agreement permits the Company to borrow, repay and reborrow, from time to time until June 2, 2009, up to \$40.0 million. The Company’s obligations under this agreement are secured by a security interest in its accounts receivable, equipment and related collateral. Interest on the facility accrues at an annual rate equal to either the 30-day London Interbank Offered Rate (“LIBOR”), plus two and one-quarter percent or the Prime Rate, minus three-quarters percent as the Company directs monthly, subject to an interest rate floor of 4%. Interest on the outstanding amount under the loan agreement is payable monthly. The loan agreement contains customary covenants for credit facilities of this type, including limitations on disposition of assets, mergers and reorganizations. The Company is also obligated to meet certain financial covenants under the loan agreement, including maintaining specified ratios with respect to cash flow coverage, current assets and liabilities, and debt to tangible net worth. The Company was in compliance with all covenants as of December 31, 2008 and February 9, 2009. As of December 31, 2008 and February 9, 2009 no amounts were outstanding under the credit agreement.

4. STOCK-BASED COMPENSATION

The Company’s stock-based compensation activity for the quarters ended December 31, 2008 and 2007 is summarized below.

Incentive Stock Options:

The Company estimates the fair value of each stock option on the date of grant using the Black-Scholes option pricing model. The expected volatility is based on historical volatility over the expected term. As the Company has not historically declared dividends and does not anticipate declaring dividends in the future, the dividend yield used in the calculation is zero. The risk free rate is determined by reference to the U.S. Treasury yield curve in effect at or near the time of grant for the expected term of the award. The expected term is the anticipated average amount of time that an option is outstanding, assuming it will vest, and is determined based on historical experience of similar awards, giving consideration to the contractual term of the awards, vesting schedules and expectations of employee exercise behavior. 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. Options granted by the Company vest in equal installments annually over four years from the date of the grant. Options granted in the first quarter of fiscal 2009 expire ten years from the date of grant. Options granted prior to fiscal 2009 expire five years from the date of grant. Compensation cost is recognized on a straight-line basis as the options vest.

The Company granted 152,000 stock option awards to officers and employees during the quarter ended December 31, 2008. No options were granted during the quarter ended December 31, 2007.

Stock options issued under the Company’s stock-based compensation plans are incentive stock options. No tax deduction is recorded when options are awarded. If an exercise and sale of vested options results in a disqualifying disposition, a tax deduction for the Company occurs. For the quarter ended December 31, 2008 there were no options exercised. For the quarter ended December 31, 2007 there was \$92,000 in excess tax benefits from disqualifying dispositions of options. The total intrinsic value of options exercised during the quarter ended December 31, 2007 was \$282,000 for 4,500 shares.

The Company recognized compensation expense of \$41,000 and \$19,000 during the quarters ended December 31, 2008 and 2007, respectively, associated with stock option awards. This amount is included in operating expenses and general and administrative costs in the Statements of Operations.

Stock Awards:

There were no restricted stock awards granted in the first quarter of fiscal 2009 or 2008.

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The Company's tax benefit with regard to restricted stock awards is consistent with the tax election of the recipient of the award. Historically no elections under IRC Section 83(b) have been made for restricted stock awards granted by the Company. As a result, the compensation expense for restricted stock generated a deferred tax asset for the Company equal to the tax effect of the amount of compensation expense recorded.

The Company recognized compensation expense of \$292,000 in the first quarter of fiscal 2009 and \$120,000 in the first quarter of fiscal 2008 related to restricted stock awards. This amount is included in operating expenses and general and administrative costs in the Statements of Operations.

The Company granted 5,000 shares with immediate vesting to outside directors in the first quarter of fiscal 2009 as compensation and 3,000 shares with immediate vesting to outside directors in the first quarter of fiscal 2008 as compensation. The grant date fair value equaled \$18.19 and \$69.64 in each quarter, respectively. These amounts are included in general and administrative costs in the Statement of Operations.

5. COMMITMENTS AND CONTINGENCIES

On March 14, 2008, a wildfire in West Texas burned a remote area in which one of the Company's data acquisition crews was operating. The fire destroyed approximately \$2.9 million net book value of the Company's equipment, all of which was covered by the Company's property insurance, net of the deductible. In addition to the loss of equipment, a number of landowners in the fire area suffered damage to their grazing lands, livestock, fences and other improvements. The Company is currently repairing damage incurred by such landowners as a result of the fire. The Company currently estimates the likely amount of the landowner damages will be less than \$1.5 million. The Company believes any damages paid will be covered by the Company's general liability insurance.

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

On November 21, 2008, the Company received written notice dated November 14, 2008 from a client disputing approximately \$1.4 million in charges payable for seismic work performed by the Company. The Company believes that the disputed charges are owed to the Company, and the Company intends to seek full payment from the client.

The Company experiences contractual disputes with its clients from time to time regarding the payment of invoices or other matters. While the Company seeks to minimize these disputes and maintain good relations with its clients, the Company has in the past, and may in the future, experience disputes that could affect its revenues and results of operations in any period.

The Company has non-cancelable operating leases for office space in Midland, Houston, Denver, Oklahoma City and Lyon Township, Michigan.

The following table summarizes payments due in specific periods related to the Company's contractual obligations with initial terms exceeding one year as of December 31, 2008.

	Payments Due by Period (in 000's)				
	<u>Total</u>	<u>Less than 1 Year</u>	<u>1-3 Years</u>	<u>3-5 Years</u>	<u>More than 5 Years</u>
Operating lease obligations	<u>\$ 1,642</u>	<u>\$ 579</u>	<u>\$ 1,014</u>	<u>\$ 49</u>	<u>\$ —</u>

Some of the Company's operating leases contain predetermined fixed increases of the minimum rental rate during the initial lease term. For these leases, the Company recognizes the related expense on a straight-line basis and records the difference between the amount charged to expense and the rent paid as deferred rent. Rental expense under the Company's operating leases with initial terms exceeding one year was \$140,000 and \$130,000 for the periods ended December 31, 2008 and 2007, respectively.

As of December 31, 2008, the Company recognized unused letters of credit totaling \$3,580,000. The Company's letters of credit principally back obligations associated with the Company's self-insured retention on workers' compensation claims.

6. NET INCOME PER COMMON SHARE

The Company accounts for earnings per share in accordance with SFAS No. 128 (“SFAS 128”), “Earnings per Share.” Basic net income per share is computed by dividing the net income for the period by the weighted average number of common shares outstanding during the period. Diluted net income per share is computed by dividing the net income for the period by the weighted average number of common shares and common share equivalents outstanding during the period.

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

	Three Months Ended December 31,	
	2008	2007
NUMERATOR:		
Net income and numerator for basic and diluted net income per common share-income available to common shareholders	\$ 7,734,000	\$ 7,704,000
DENOMINATOR:		
Denominator for basic net income per common share-weighted average common shares	7,701,766	7,660,100
Effect of dilutive securities-employee stock options and restricted stock grants	103,443	60,001
Denominator for diluted net income per common share-adjusted weighted average common shares and assumed conversions	7,805,209	7,720,101
Net income per common share	\$ 1.00	\$ 1.01
Net income per common share-assuming dilution	\$.99	\$ 1.00

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Company’s financial statements and notes thereto included elsewhere in this Form 10-Q.

Forward Looking Statements

Statements other than statements of historical fact included in this Form 10-Q that relate to forecasts, estimates or other expectations regarding future events, including without limitation, statements under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” regarding technological advancements and our financial position, business strategy and plans and objectives of our management for future operations, may be deemed to be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. When used in this Form 10-Q, words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” and similar expressions, as they relate to us or our management, identify forward-looking statements. Such forward-looking statements are based on the beliefs of our management as well as assumptions made by and information currently available to management. Actual results could differ materially from those contemplated by the forward-looking statements as a result of certain factors, including but not limited to the volatility of oil and natural gas prices, disruptions in the global economy, dependence upon energy industry spending, limited number of customers, credit risk related to our customers, cancellations of service contracts, high fixed cost of operations, weather interruptions, inability to obtain land access rights of way, industry competition, managing growth, the availability of capital resources and operational disruptions. A discussion of these factors, including risks and uncertainties, is set forth under “Risk Factors” in our annual report on Form 10-K for the year ended September 30, 2008 and in our other reports filed from time to time with the Securities and Exchange Commission. These forward-looking statements reflect our current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, growth strategies and liquidity. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by this paragraph. We assume no obligation to update any such forward-looking statements.

Overview

We are the leading provider of onshore seismic data acquisition services in the lower 48 states of 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 natural gas companies. Demand for our services depends upon the level of spending by these companies for exploration, production, development and field management activities, which depends, in part, on oil and natural gas prices. Significant fluctuations in domestic oil and natural gas exploration activities and commodity prices have affected the

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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. In the past few years, substantially all of our clients have been focused on the exploration for and production of natural gas.

Our return to profitability in fiscal 2004 after several years of losses was 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 was a function of higher prices for oil and natural gas. As a result of the increase in domestic exploration spending, we experienced an increased demand for our seismic data acquisition and processing services during this period, particularly from entities seeking natural gas reserves. Since August 2008, the price of oil and natural gas has declined significantly, and there has been a significant disruption in global credit markets and a global economic slowdown. All of these factors have had a negative impact on demand for our services, particularly on demand from those clients seeking natural gas. Since the beginning of the 2009 fiscal year, several large projects have been delayed or reduced in size, and a small number of projects have been cancelled. These demand reductions will begin to affect data acquisition crew scheduling and utilization in the later part of the second fiscal quarter. As a result, we anticipate a reduction in crew count of up to four crews of the sixteen crews we are currently operating. Due to the proposed reduction in the number of data acquisition crews, the Company anticipates a reduction in operating revenues and operating costs in calendar 2009, and possibly beyond, depending on future market prices for oil and natural gas and the level of domestic exploration spending. The markets for oil and natural gas have been very volatile and are likely to continue to be volatile in the future, and we can make no assurances as to future levels of domestic exploration, commodity prices, or demand for our services. A significant sustained drop in oil and natural gas prices or the inability of our clients to secure funding for new exploration projects would have a further negative impact on demand for our services. Because substantially all of our current clients are focused on the exploration for and production of natural gas, a sustained significant decline in the price of natural gas in particular would have a negative effect on the demand for our services.

In light of current market difficulties, we are focusing our efforts on reducing costs, limiting capital expenditures to necessary maintenance requirements, and maintaining our financial strength. 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 factors such as crew downtime related to inclement weather, delays in acquiring land access permits, or equipment failure. Consequently, our efforts to negotiate favorable contract terms in our supplemental service agreements, to mitigate access permit delays and to improve overall crew productivity may partially offset impacts of anticipated revenue reductions.

Results of Operations

Operating Revenues. Our operating revenues for the first three months of fiscal 2009 increased 3% to \$80,216,000 from \$77,599,000 for the first three months of fiscal 2008. The increase in revenues during the first quarter of fiscal 2009 reflected the addition of a new data acquisition crew in May 2008 and the upgrading of recording systems on existing crews during fiscal 2008. Included in the first quarter revenues are continued high third-party charges related to the use of helicopter support services, specialized survey technologies, and dynamite energy sources. The sustained level of these charges is driven by our continued operations in areas with limited access in the Appalachian Basin, Arkansas, Val Verde Basin of Texas and Eastern Oklahoma. We are reimbursed for these charges by our clients.

Operating Costs. Operating expenses for the three months ended December 31, 2008 increased nominally to \$59,015,000 as compared to \$58,125,000 for the same period of fiscal 2008 primarily due to the additional crew placed into service in May 2008. As discussed above, reimbursed expenses have a similar impact on operating costs.

General and administrative expenses for the quarter ended December 31, 2008 were approximately 2.7% of revenues as compared to 2.2% for the comparable quarter of fiscal 2008. The ratio of general and administrative expenses to revenue increased in the first quarter of fiscal 2009 due to the increase in bad debt expense related to the increase in the allowance for doubtful accounts. The allowance for doubtful accounts was increased based on our review of our current past due accounts and client base and ongoing expenses necessary to support expanded field operations.

Depreciation for the three months ended December 31, 2008 totaled \$6,601,000 compared to \$5,551,000 for the three months ended December 31, 2007. The increase in depreciation expense is the result of the significant capital expenditures we made during fiscal 2008. Our depreciation expense is expected to increase during fiscal 2009 reflecting our significant capital expenditures in fiscal 2008.

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Our total operating costs for the first three months of fiscal 2009 were \$67,771,000, an increase of 3.7% from the first three months of fiscal 2008. These increases in the first quarter were primarily due to the factors described above.

Taxes. Income tax expense was \$4,827,000 for the three months ended December 31, 2008 and \$4,610,000 for the three months ended December 31, 2007. The effective tax rate for the income tax provision for the three months ended December 31, 2008 and 2007 was 38.4% and 37.4%, respectively.

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 \$10,361,000 for the first three months of fiscal 2009 and \$12,502,000 for the first three months of fiscal 2008. These amounts primarily reflect our revenues and the effects of depreciation resulting from our significant capital expenditures over the last few years and the working capital components including a decrease in accounts receivable.

Net cash used in investing activities was \$2,943,000 in the three months ended December 31, 2008 and \$9,275,000 in the three months ended December 31, 2007. The net cash used in investing activities in both years primarily represents capital expenditures made with cash generated from operations.

Net cash provided by financing activities for the first three months ended December 31, 2007 was \$129,000 and reflects proceeds from the exercise of stock options and the excess tax benefits from disqualifying dispositions. We had no cash flows from financing activities in the first quarter of fiscal 2009 as we paid the balance of our revolving line of credit at September 30, 2008 and did not have any activity in the first quarter of fiscal 2009.

Capital Expenditures. Capital expenditures during the first three months of fiscal 2009 were \$3,575,000, which we used to purchase an ARAM ARIES II recording system equipped with channels from existing crews and replacement vehicles. The ARAM ARIES II system replaced an I/O MRX II recording system on an existing crew. We maintained the operation of the I/O MRX II system on a small 2D crew into late January 2009.

Our Board of Directors previously approved a fiscal 2009 capital budget of \$20,000,000. However, due to recent changes in market conditions, we plan to limit our capital expenditures to necessary maintenance capital requirements rather than investing in additional equipment as in the past few years.

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, our capital expenditures. We have also funded our capital expenditures and other financing needs from time to time through public equity offerings.

Our revolving line of credit loan agreement is with Western National Bank. The agreement permits us to borrow, repay and reborrow, from time to time until June 2, 2009, up to \$40.0 million. Our obligations under this agreement are secured by a security interest in our accounts receivable, equipment and related collateral. Interest on the facility accrues at an annual rate equal to either the 30-day London Interbank Offered Rate ("LIBOR"), plus two and one-quarter percent or the Prime Rate, minus three-quarters percent as we direct monthly, subject to an interest rate floor of 4%. Interest on the outstanding amount under the loan agreement is payable monthly. The loan agreement contains customary covenants for credit facilities of this type, including limitations on disposition of assets, mergers and reorganizations. We are also obligated to meet certain financial covenants under the loan agreement, including maintaining specified ratios with respect to cash flow coverage, current assets and liabilities, and debt to tangible net worth. We were in compliance with all covenants as of December 31, 2008 and February 9, 2009. As of December 31, 2008 and February 9, 2009 no amounts were outstanding under the credit agreement.

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The following table summarizes payments due in specific periods related to our contractual obligations with initial terms exceeding one year as of December 31, 2008.

	Payments Due by Period (in 000's)				
	<u>Total</u>	<u>Within 1 Year</u>	<u>1-3 Years</u>	<u>3-5 Years</u>	<u>After 5 Years</u>
Operating lease obligations	<u>\$ 1,642</u>	<u>\$ 579</u>	<u>\$ 1,014</u>	<u>\$ 49</u>	<u>\$ —</u>

We believe that our capital resources and cash flow from operations are adequate to meet our current operational needs. We believe we will be able to finance our fiscal 2009 capital requirements through cash flow from operations and through borrowings under our revolving line of credit. However, our ability 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 including the demand for our seismic services from clients.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

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.

Concentrations of Credit Risk. Financial instruments which potentially expose us to concentrations of credit risk, as defined by SFAS No. 105 ("SFAS 105"), "Disclosure of Information About Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk," at any given time may consist of cash and cash equivalents, money market funds and overnight investment accounts, short-term investments and trade accounts receivable. At December 31, 2008 and 2007, we had deposits in domestic banks in excess of federally insured limits. We believe the credit risk associated with these deposits is minimal. Money market funds seek to preserve the value of the investment, but it is possible to lose money investing in these funds. We invest funds overnight under a repurchase agreement with our bank which is collateralized by securities of the United States Federal agencies. We invest primarily in short-term U.S. Treasury Securities which we believe are a low risk investment. Our sales are to clients whose activities relate to oil and natural gas exploration and production. We generally extend unsecured credit to these clients; therefore, collection of receivables may be affected by the economic conditions of the oil and natural gas industry. We closely monitor extensions of credit and may negotiate payment terms that mitigate risk.

Revenue Recognition. Our services are provided under cancelable service contracts. These contracts are either "turnkey" or "term" agreements. Under both types of agreements, we recognize revenues when revenue is realizable and services are performed. Services are defined as the commencement of data acquisition or processing operations. Revenues are considered realizable when earned according to the terms of the service contracts. 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 review of past-due accounts, our past experience of historical write-offs and our current customer base. While the collectibility of outstanding client invoices is continually assessed, 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

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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 expenses based on our anticipated future results while considering anticipated future oil and natural gas prices which is fundamental in assessing demand for our services. If we are unable to achieve these cash flows, an impairment charge would be recorded.

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. 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 (“SFAS 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 a variance between actual results and estimates and could have a material impact on our provision or benefit for income taxes.

Stock-Based Compensation. We account for stock based compensation awards in accordance with SFAS No. 123 (R) (“SFAS 123(R)”), “Share-Based Payment.” We measure all employee stock-based compensation awards using the fair value method and recognize compensation cost in our financial statements. We record compensation expense as operating or general and administrative expense as appropriate in the Statements of Operations on a straight-line basis over the vesting period.

Recently Issued Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157 (“SFAS 157”), “Fair Value Measurements.” SFAS 157 clarifies that fair value is the amount that would be exchanged to sell an asset or transfer a liability in an orderly transaction between market participants. Further, the standard establishes a framework for measuring fair value in generally accepted accounting principles and expands certain disclosures about fair value measurements. SFAS 157 became effective for all financial assets and financial liabilities as of October 1, 2008, and upon adoption, SFAS 157 did not have a material impact on our financial statements. In February 2008, the FASB issued FASB Staff Position 157-2 (“FSP 157-2”), “Effective Date of FASB Statement No. 157,” which delays the effective date of SFAS 157 for all non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). We do not expect the adoption of SFAS 157-2 to have a material impact on our financial statements.

In February 2007, the FASB issued SFAS No. 159 (“SFAS 159”), “The Fair Value Option for Financial Assets and Financial Liabilities.” SFAS 159 provides companies with an option to report selected financial assets and liabilities at fair value. As of December 31, 2008 we have not elected the fair value option for any additional financial assets and liabilities beyond those already prescribed by accounting principles generally accepted in the United States.

In May 2008, the FASB issued SFAS No. 162 (“SFAS 162”), “The Hierarchy of Generally Accepted Accounting Principles.” Under SFAS 162, the GAAP hierarchy will now reside in the accounting literature established by the FASB. SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements in conformity with GAAP. SFAS 162 was effective November 15, 2008 and did not have a material impact on our financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our primary sources of market risk include fluctuations in commodity prices which affect demand for and pricing of our services as well as interest rate fluctuations. At December 31, 2008, we had no long-term indebtedness or short-term investments. 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 not generally subject to foreign currency exchange rate risk.

ITEM 4. CONTROLS AND PROCEDURES

Management's Evaluation of Disclosure Controls and Procedures. We carried out an evaluation, under the supervision and with the participation of our management, including our principal executive and principal financial officers, of the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934 as of the end of the period covered by this quarterly report. Based upon that evaluation, our President and Chief Executive Officer and our Executive Vice President, Secretary and Chief Financial Officer concluded that, as of December 31, 2008, our disclosure controls and procedures were effective, in all material respects, with regard to the recording, processing, summarizing and reporting, within the time periods specified in the SEC's rules and forms, for information required to be disclosed by us in the reports that we file or submit under the Exchange Act. Our disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our President and Chief Executive Officer and our Executive Vice President, Secretary and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting. There have not been any changes in our internal controls over financial reporting (as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934) during the quarter ended December 31, 2008 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this Form 10-Q, you should carefully consider the risk factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended September 30, 2008, which could materially affect our financial condition or results of operations. There have been no material changes in our risk factors from those disclosed in our 2008 Annual Report on Form 10-K.

ITEM 6. EXHIBITS

The information required by this Item 6 is set forth in the Index to Exhibits accompanying this Form 10-Q and is hereby incorporated by reference.

SIGNATURES

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

DAWSON GEOPHYSICAL COMPANY

DATE: February 9, 2009

By: /s/ Stephen C. Jumper
Stephen C. Jumper
President and Chief Executive Officer

DATE: February 9, 2009

By: /s/ Christina W. Hagan
Christina W. Hagan
Executive Vice President, Secretary and
Chief Financial Officer

INDEX TO EXHIBITS

<u>Number</u>	<u>Exhibit</u>
3.1	Second Restated Articles of Incorporation of the Company, as amended (filed on February 9, 2007 as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2006 (File No. 000-10144) and incorporated herein by reference and filed on November 28, 2007 as Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 000-10144) and incorporated herein by reference).
3.2	Amended and Restated Bylaws of the Company (filed on August 7, 2007 as Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the third quarter ended June 30, 2007 (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 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).
10.1*	Master Geophysical Data Acquisition Agreement between SandRidge Energy, Inc. and the Company, dated December 19, 2006.
10.2*	Master Service Contract between Chesapeake Operating, Inc. and the Company, dated December 18, 2003.
10.3†*	Summary of Non-Employee Director Compensation.
31.1*	Certification of Chief Executive Officer of Dawson Geophysical Company pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
31.2*	Certification of Chief Financial Officer of Dawson Geophysical Company pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
32.1*	Certification of Chief Executive Officer of Dawson Geophysical Company pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code.
32.2*	Certification of Chief Financial Officer of Dawson Geophysical Company pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code.

* Filed herewith.

† Management contract or compensatory plan or arrangement.

MASTER GEOPHYSICAL
DATA ACQUISITION AGREEMENT *

Between

SANDRIDGE ENERGY, INC.
("Company")

And

DAWSON GEOPHYSICAL COMPANY
("Contractor")

Dated: December 19, 2006

* (This agreement includes urban area provision — Section 8.12)

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**MASTER GEOPHYSICAL
DATA ACQUISITION AGREEMENT**

This MASTER GEOPHYSICAL DATA ACQUISITION AGREEMENT (the “**Master Agreement**” or “**Agreement**”) is entered into this 19th day of December, 2006; between SandRidge Energy, Inc., having an office located 1601 Northwest Expressway, Suite 1600, Oklahoma City, OK 73118 (hereinafter called “**Company**”) and Dawson Geophysical Company, a Texas corporation having offices in Midland, Texas (hereinafter called “**Contractor**”). Company and Contractor may each be referred to herein as “**Party**” or collectively as “**Parties**”.

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

1. NATURE OF WORK

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

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

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

2. SUPPLEMENTAL AGREEMENTS

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

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

2.2 (**Crew Availability**) It is recognized that difficulties in scheduling the activities of Contractor’s geophysical crews may result in overlap or conflicts which prevent Contractor from providing geophysical Crews to conduct a particular Survey designated by Company at the time desired. Contractor shall make every reasonable effort to avoid such overlaps or conflicts in furnishing Company a geophysical Crew for any designated Survey. In the event of any such conflict, however, Contractor shall notify Company promptly after such Survey has been

requested by Company that Contractor will be unable to conduct the Survey pursuant to Company's time schedule. There shall then be, if feasible, at the election of Company, an agreed alternate date between Company and Contractor that shall be a firm date for commencement of the Survey by Contractor. If no such alternate date can be agreed upon, then Contractor shall thereafter have no obligations hereunder in connection with not conducting said Survey.

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

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

3. PERSONNEL, EQUIPMENT AND SUPPLIES

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

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

4. CONDUCT OF OPERATIONS

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

- (a) Enter upon no lands in respect of which all necessary Land Entry Permits shall not have been first obtained, as provided in Clause 5 below.
- (b) Equip its Crew with instruments and equipment as specified in the Supplemental Agreement and maintain such equipment in good operating condition and provide its Crew with qualified and experienced personnel.
- (c) Perform all Survey(s) hereunder in an orderly, efficient and workmanlike manner in compliance with the terms of this Agreement and each Supplemental Agreement and all applicable laws, ordinances, rules and regulations for the time being in force in every state and locality wherein the Survey(s) hereunder is to be performed.
- (d) Comply fully with the provisions of all worker's compensation legislation, ordinances, rules and regulations in force in every state wherein the Survey(s) is (are) to be performed.
- (e) Initiate all energy source units at a safe distance from water wells, buildings and other structures owned by third parties for the purpose of avoiding, as far as reasonably possible and consistent with prudent geophysical operations, damage to such wells, buildings and other structures.
- (f) Attempt to minimize disturbance to the surface of the land and all crops and other vegetation thereon. Liability for any subsequent requirements for erosional or pollution repair or prevention

which has not been caused by the negligence or other fault of Contractor shall rest solely with Company under Clause 8.4 below, which liability shall survive the termination of this Agreement.

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

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

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

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

4.5 (No Liens)

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

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

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

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

5. PERMITS

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

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

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

6. REPORTS

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

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

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

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

6.3 (USE OF REPORTS) THE RESULTS STATED AND THE CONCLUSIONS DRAWN FROM ALL REPORTS FURNISHED BY CONTRACTOR TO COMPANY HEREUNDER SHALL REPRESENT THE BEST OPINION, EFFORTS AND JUDGMENT OF THE CONTRACTOR; HOWEVER, CONTRACTOR CANNOT AND

DOES NOT WARRANT OR GUARANTEE THE ACCURACY OR CORRECTNESS THEREOF. ANY ACTION WHICH COMPANY (OR THOSE ASSOCIATED WITH COMPANY) MAY TAKE AS A RESULT OF OR BASED ON SUCH REPORTS AND THE DATA TO WHICH IT REFERS SHALL BE ITS OWN RESPONSIBILITY AND CONTRACTOR SHALL NOT BE LIABLE OR RESPONSIBLE FOR ANY LOSS, COST, DAMAGES OR EXPENSES WHATSOEVER, INCLUDING INCIDENTAL OR CONSEQUENTIAL DAMAGES, INCURRED OR SUSTAINED BY COMPANY RESULTING THEREFROM FOR WHICH COMPANY HEREBY RELEASES CONTRACTOR; PROVIDED THAT ALL SUCH REPORTS, DATA AND INFORMATION, AS WELL AS THE BASIC DATA UPON WHICH THEY ARE BASED, ARE ACQUIRED, COMPILED AND PREPARED, AS THE CASE MAY BE, IN ACCORDANCE WITH THE TERMS OF THIS AGREEMENT.

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

7. CONFIDENTIALITY

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

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

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

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

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

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

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

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

7.2.7 Is covered by Clause 7.3 below.

7.3 (Government Reporting) It is understood that it is the responsibility of Company and Contractor to comply with applicable laws, regulations, rules, court or government agency order or stock exchange regulation or rule regarding the making of reports and disclosures to appropriate governmental agencies of Data and information relating to the Work and Contractor shall promptly refer to Company for appropriate action, including the seeking, at its sole cost, such protective action as it deems appropriate, any inquiry or request received by it from any governmental agency respecting Data and information obtained under the terms thereof, and if Company shall

instruct Contractor not to comply with any such inquiry or request, Company shall defend and indemnify Contractor against any loss, damage, fine or penalty or other sanction received, incurred or suffered by Contractor in consequence of complying with such instruction.

8. INDEMNITY

8.1 (GENERAL) IN ORDER TO ALLOCATE THE RESPECTIVE RESPONSIBILITIES OF COMPANY AND CONTRACTOR FOR LIABILITIES ARISING OUT OF PERSONAL INJURY OR PROPERTY DAMAGE RELATED TO THE WORK, IT IS AGREED AS BETWEEN COMPANY AND CONTRACTOR THAT CERTAIN RESPONSIBILITIES AND LIABILITIES FOR PERSONAL INJURIES AND PROPERTY DAMAGE ARISING OUT OF THE PERFORMANCE OF THIS AGREEMENT SHOULD BE ALLOCATED BETWEEN THEM IN ORDER TO AVOID PROTRACTED LITIGATION BETWEEN COMPANY AND CONTRACTOR, ALONG WITH THE ASSOCIATED LEGAL EXPENSES AND SO THAT INSURANCE OR SELF-INSURANCE MAY BE ARRANGED BY EACH PARTY AS NECESSARY TO PROTECT THEM AGAINST THESE EXPOSURES TO LOSS. THE FOLLOWING SETS OUT THE SPECIFICS OF THE AGREEMENTS BETWEEN COMPANY AND CONTRACTOR AS TO THE ALLOCATION OF SUCH RESPONSIBILITIES AND LIABILITIES.

INITIAL /s/ SCJ /s/ TNT

8.2 (CONTRACTORS RESPONSIBILITY) CONTRACTOR WILL PROTECT, DEFEND, INDEMNIFY AND HOLD COMPANY, ITS OFFICERS AND DIRECTORS, HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS, LOSS, EXPENSE, COSTS OR DAMAGES (INCLUDING COSTS OF DEFENSE ASSOCIATED THEREWITH) ARISING FROM ANY CAUSE WHATSOEVER, INCLUDING THE NEGLIGENCE BUT EXCLUDING GROSS NEGLIGENCE OR INTENTIONALLY WRONGFUL CONDUCT OF COMPANY, ITS OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS, OUT OF CONTRACTOR'S WORK TO BE PERFORMED UNDER THIS AGREEMENT.

INITIAL /s/ SCJ /s/ TNT

8.3 (COMPANY'S RESPONSIBILITY) COMPANY WILL PROTECT, DEFEND, INDEMNIFY AND HOLD CONTRACTOR, ITS OFFICERS AND DIRECTORS, HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS, LOSS, EXPENSE, COSTS OR DAMAGES (INCLUDING COSTS OF DEFENSE ASSOCIATED THEREWITH) ARISING FROM ANY CAUSE WHATSOEVER, INCLUDING THE NEGLIGENCE BUT EXCLUDING GROSS NEGLIGENCE OR INTENTIONALLY WRONGFUL CONDUCT OF CONTRACTOR, ITS OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS, OUT OF COMPANY'S WORK TO BE PERFORMED UNDER THIS AGREEMENT.

INITIAL /s/ SCJ /s/ TNT

8.4 (ROUTINE LAND DAMAGE) NOTWITHSTANDING THE FOREGOING TO THE CONTRARY, COMPANY SHALL BE SOLELY RESPONSIBLE FOR AND SHALL PROTECT, INDEMNIFY, DEFEND AND SAVE CONTRACTOR AND ITS SUBCONTRACTORS HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS, LIABILITIES, DEMANDS, CAUSES OF ACTION, JUDGMENTS AND SETTLEMENTS (INCLUDING ASSOCIATED COSTS AND REASONABLE ATTORNEYS' FEES) ARISING OUT OF CLAIMED DAMAGES TO THE LAND ON WHICH CONTRACTOR HAS PERFORMED WORK, AS WELL AS THE CROPS, TREES, GRASS AND OTHER FLORA AND FAUNA THEREON, WATER AND IRRIGATION WELLS, HOUSES AND OTHER STRUCTURES THEREON (COLLECTIVELY THE "LAND DAMAGES") WHERE SUCH CLAIMED LAND DAMAGES RESULT FROM THE NON-NEGLIGENT OPERATIONS OF CONTRACTOR OR ITS SUBCONTRACTORS IN THE PERFORMANCE OF THE WORK SUBJECT TO THIS AGREEMENT AND THE APPLICABLE SUPPLEMENT. THE FOREGOING OBLIGATIONS OF DEFENSE AND INDEMNITY OF COMPANY SHALL NOT, HOWEVER, BE APPLICABLE IN THE EVENT AND TO THE EXTENT ANY SUCH CLAIMED LAND DAMAGES RESULT FROM THE NEGLIGENCE

OPERATIONS OF CONTRACTOR OR ITS SUBCONTRACTORS OR WHICH ARE OTHERWISE NOT IN ACCORDANCE WITH THE TERMS OF THIS AGREEMENT OR THE APPLICABLE SUPPLEMENT.

INITIAL /s/ SCJ /s/ TNT

8.5 (LIABILITY INSURANCE) THE INDEMNITY OBLIGATION OF THE RESPECTIVE PARTIES, AS SET FORTH IN CLAUSES 8.2, 8.3 AND 8.4 ABOVE, SHALL BE SUPPORTED BY LIABILITY INSURANCE PROVIDED BY EACH PARTY IN THE AMOUNT OF THE LESSER OF (I) \$1,000,000 OR (II) THE MINIMUM AMOUNT REQUIRED BY APPLICABLE LAW.

INITIAL /s/ SCJ /s/ TNT

8.6 (PERMIT LIABILITY) COMPANY SHALL PROTECT, DEFEND, INDEMNIFY AND SAVE CONTRACTOR HARMLESS FROM AND AGAINST ANY CLAIM BY THE OWNER OR LESSEE OF LAND AND/OR OF A MINERAL INTEREST IN LAND ON WHICH WORK IS PERFORMED HEREUNDER, WHICH CLAIM IS BASED UPON ANY THEORY THAT (I) THE OPERATIONS OF CONTRACTOR HEREUNDER HAVE DEPRECIATED THE VALUE OF THE MINERALS UNDERLYING SUCH LAND, (II) MINERAL TRESPASS, (III) THE WRONGFUL TAKING, CONVERSION OR DEPRIVATION OF SUBSURFACE AND/OR MINERAL INFORMATION OR (IV) ANY SIMILAR THEORY OF RECOVERY (COLLECTIVELY "TRESPASS CLAIMS"). HOWEVER, THE FOREGOING INDEMNIFICATION OF COMPANY SHALL NOT APPLY AND COMPANY SHALL NOT BE RESPONSIBLE FOR ANY TRESPASS CLAIMS IN ANY CASE AND TO THE EXTENT WHERE CONTRACTOR NEGLIGENTLY FAILS TO OBSERVE CONDITIONS OR RESTRICTIONS CONTAINED IN ANY SUCH PERMITS, PROVIDED THAT SAME HAVE BEEN PROVIDED BY COMPANY TO CONTRACTOR SUFFICIENTLY IN ADVANCE OF OPERATIONS ACROSS THE LANDS COVERED THEREBY.

INITIAL /s/ SCJ /s/ TNT

8.7 (TAPE RESPONSIBILITY) CONTRACTOR SHALL BE RESPONSIBLE FOR THE SAFEKEEPING OF FIELD TAPES WHILE SUCH TAPES ARE IN THE CUSTODY OF CONTRACTOR UNTIL SUCH TIME AS CONTRACTOR DELIVERS SAID TAPES TO A REPRESENTATIVE OF COMPANY OR PLACES THEM IN THE POSSESSION OF A CARRIER DESIGNATED BY COMPANY (OR IF COMPANY DOES NOT SO DESIGNATE A CARRIER, ANY REPUTABLE CARRIER SELECTED BY CONTRACTOR) FOR DELIVERY TO COMPANY OR A THIRD PARTY DESIGNATED BY COMPANY. IN THE EVENT OF LOSS OF OR DAMAGE TO ANY TAPES FOR WHICH CONTRACTOR IS RESPONSIBLE, AS PROVIDED HEREIN, CONTRACTOR'S SOLE AND ONLY RESPONSIBILITY TO COMPANY SHALL BE, AT THE OPTION OF COMPANY, EITHER (I) REACQUIRE THE DATA AFFECTED BY SUCH LOSS OR DAMAGE OR TO (II) REFUND (OR GRANT CREDIT) TO COMPANY FOR ALL COMPENSATION PAID (OR PAYABLE) TO CONTRACTOR WITH RESPECT TO SUCH DATA SO AFFECTED. NOTWITHSTANDING THE FOREGOING, CONTRACTOR'S OBLIGATIONS HEREIN SHALL BE FULLY SATISFIED IN THE EVENT CONTRACTOR OR COMPANY HAS DUPLICATE, UNDAMAGED COPIES OF THE AFFECTED DATA AND, IF CONTRACTOR HAS SUCH DUPLICATE TAPE, IT PROMPTLY PROVIDES SAME TO COMPANY SUBJECT TO CLAUSE 4 ABOVE.

INITIAL /s/ SCJ /s/ TNT

8.8 (WAGES/BENEFITS) CONTRACTOR SHALL BE SOLELY LIABLE FOR THE PAYMENT OF (I) ALL WAGES AND SALARIES EARNED BY AND PAYABLE TO ITS EMPLOYEES AS WELL AS FOR WITHHOLDING AND/OR PAYMENT OF ALL SOCIAL SECURITY TAXES, RETIREMENT PENSIONS, BENEFITS AND ANNUITIES, NOW, OR HEREAFTER IMPOSED BY THE GOVERNMENT OF THE U.S.A. OR BY ANY STATE OR OTHER POLITICAL SUBDIVISION THEREOF AND (II) FOR BENEFITS WHICH ARE NOW OR HEREAFTER OFFERED BY CONTRACTOR TO ITS EMPLOYEES.

CONTRACTOR SHALL INDEMNIFY AND SAVE COMPANY, ITS OFFICERS AND DIRECTORS, HARMLESS FROM ANY CLAIMS, DEMANDS OR LIABILITY FOR SUCH WAGES, SALARIES OR BENEFITS, AS WELL AS FOR ANY WITHHOLDING OR SOCIAL SECURITY TAXES, CONTRIBUTIONS OR OTHER BENEFITS RELATED THERETO.

INITIAL /s/ SCJ /s/ TNT

8.9 (HANDLING OF CLAIMS)

8.9.1 (GENERAL) IN THE EVENT EITHER PARTY HERETO LEARNS OF ANY CLAIM, LIABILITY, DEMAND OR CAUSE OF ACTION RELATING TO THIS AGREEMENT OR THE PERFORMANCE OF IT, SAID PARTY SHALL GIVE NOTICE THEREOF AS PROMPTLY AS POSSIBLE TO THE OTHER PARTY. IF INDEMNIFICATION IS REQUIRED BY ANY OF THE TERMS OF THIS AGREEMENT, THE RESPONSIBLE PARTY SHALL DEFEND THE OTHER AND PAY ALL SETTLEMENTS, JUDGMENTS, COSTS, INCLUDING REASONABLE ATTORNEYS FEES, AND OTHER EXPENSES, WHETHER RELATED OR UNRELATED, SIMILAR OR DISSIMILAR TO THE FOREGOING, INCIDENT THERETO. EACH PARTY, IF REQUESTED, AGREES TO COOPERATE WITH THE OTHER IN ANY SUCH DEFENSE, AND THE RESPONSIBLE PARTY SHALL REIMBURSE THE OTHER FOR ALL REASONABLE EXPENSES INCURRED IN CONNECTION THEREWITH.

INITIAL /s/ SCJ /s/ TNT

8.9.2 (CONTROL OF DEFENSE) THE PARTY HERETO PROVIDING INDEMNITY TO THE OTHER PARTY SHALL HAVE THE RIGHT TO CONTROL THE DEFENSE OF ANY SUCH CLAIM OR LAWSUIT WITH ATTORNEYS SELECTED BY SUCH PARTY OR ITS INSURERS. HOWEVER, THE OTHER PARTY SHALL HAVE THE RIGHT, AT ITS SOLE EXPENSE, TO PARTICIPATE IN THE DEFENSE OF SUCH CLAIM OR LAWSUIT WITH LEGAL COUNSEL OF ITS OWN SELECTION.

INITIAL /s/ SCJ /s/ TNT

8.10 (COMPANY'S CO-VENTURERS) IN THE EVENT COMPANY IS IN ASSOCIATION WITH, IS OPERATOR FOR OR HAS SOME OTHER CONTRACTUAL RELATIONSHIP WITH OTHER COMPANIES, INDIVIDUALS OR OTHERS IN CONNECTION WITH THE WORK TO BE PERFORMED HEREUNDER, THE ABOVE INDEMNIFICATIONS EXTENDED BY CONTRACTOR TO COMPANY SHALL ALSO EXTEND TO THOSE PARTIES, AND THEIR OFFICERS, DIRECTORS AND EMPLOYEES, TO WHICH COMPANY IS CONTRACTUALLY RELATED.

INITIAL /s/ SCJ /s/ TNT

8.11 (CONSEQUENTIAL DAMAGES) NEITHER PARTY HERETO SHALL, NOTWITHSTANDING THE FOREGOING, BE LIABLE TO THE OTHER PARTY FOR ANY SPECIAL, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES ARISING, IN ANY EVENT, FROM THE CONDUCT OF THE PARTIES UNDER THE TERMS HEREOF, INCLUDING WITHOUT LIMITATION, LOSS OF REVENUE OR PROFITS. FURTHERMORE EACH PARTY HEREBY FOREVER RELEASES AND INDEMNIFIES THE OTHER FROM AND AGAINST ANY AND ALL CLAIMS, LIABILITIES, DAMAGES AND EXPENSES ARISING THEREFROM.

INITIAL /s/ SCJ /s/ TNT

8.12 (EXTRAHAZARDOUS SERVICES) IF CONTRACTOR IS REQUESTED BY COMPANY TO PERFORM SURVEYS IN AN URBANIZED OR ENVIRONMENTALLY SENSITIVE AREA OR UNDER OTHER EXTRAHAZARDOUS CONDITIONS, THEN COMPANY AND CONTRACTOR SHALL AGREE

ON AN INDEPENDENT COMPANY TO MONITOR THE PERFORMANCE OF SUCH SURVEYS. NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN, IT IS FURTHER AGREED THAT, UNLESS OTHERWISE INSTRUCTED BY COMPANY, CONTRACTOR SHALL BE DEEMED TO BE IN FULL COMPLIANCE WITH CONTRACTOR'S OBLIGATIONS AND DUTIES HEREUNDER REGARDING VIBRATION AND/OR DETONATION OF EXPLOSIVES OR DISCHARGES OF SHOT POINTS BY CONTRACTOR IN THE NORMAL COURSE OF ITS OPERATIONS WHEN SUCH DETONATIONS OR DISCHARGES ARE OF NO GREATER QUANTITY AND AT NO LESSER DISTANCE FROM THE OBJECTS AS PROVIDED FOR BY THE DIRECTION OF AN INDEPENDENT MONITORING COMPANY MUTUALLY AGREED UPON BY COMPANY AND CONTRACTOR. TO THE EXTENT CONTRACTOR'S PERFORMANCE CONFORMS WITH THE FOREGOING MONITORING COMPANY'S DIRECTIONS, OR COMPANY'S INSTRUCTION, COMPANY SHALL PROTECT, DEFEND, INDEMNIFY AND HOLD HARMLESS CONTRACTOR FROM AND AGAINST ALL THIRD PARTY CLAIMS, LIABILITIES, LOSS, COSTS, EXPENSE DAMAGES, DEMANDS, CAUSES OF ACTION, JUDGEMENTS AND SETTLEMENTS (INCLUDING COSTS OF DEFENSE AND ATTORNEY'S FEES ASSOCIATED THEREWITH) THAT ARISE OUT OF OR OCCUR AS A RESULT OF SUCH SHOT POINTS/VIBRATOR STATIONS. THE INDEMNIFICATION SHALL APPLY WHETHER OR NOT CONTRACTOR IS CLAIMED TO BE OR IS ADJUDICATED TO BE NEGLIGENT BY VIRTUE OF SO LOCATING SUCH SHOT POINTS/VIBRATOR STATIONS.

INITIAL /s/ SCJ /s/ TNT

9. INSURANCE

9.1 (General)

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

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

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

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

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

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

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

9.3 (MISCELLANEOUS) IT IS UNDERSTOOD AND AGREED THAT CONTRACTOR'S INSURANCE COVERAGE AS DETAILED IN THE FOREGOING SECTIONS SHALL AFFORD COMPANY PROTECTION AND COVERAGE AS A NAMED ADDITIONAL INSURED WITH RESPECT

TO THOSE MATTERS COVERED BY SPECIFIC INDEMNITY AGREEMENTS EXTENDED BY CONTRACTOR ELSEWHERE PROVIDED HEREIN AND, EXCEPT FOR WORKERS COMPENSATION INSURANCE, COMPANY SHALL BE NAMED AN ADDITIONAL INSURED PARTY UNDER SAID POLICIES BUT ONLY TO THE EXTENT OF THE LIABILITIES ASSUMED BY CONTRACTOR UNDER THE TERMS HEREOF. ALL INSURANCE POLICIES REQUIRED BY THIS AGREEMENT TO BE MAINTAINED BY CONTRACTOR SHALL BE ENDORSED WHEREBY CONTRACTOR'S INSURERS SHALL WAIVE THEIR RIGHTS OF SUBROGATION AGAINST COMPANY, ENTITIES AFFILIATED WITH COMPANY AND THEIR RESPECTIVE INSURERS TO THE EXTENT OF THE LIABILITIES ASSUMED HEREIN BY CONTRACTOR. ANY AND ALL DEDUCTIBLES OR RETENTIONS APPLICABLE TO CONTRACTOR'S INSURANCE COVERAGES SHALL BE ASSUMED BY CONTRACTOR AT ITS SOLE EXPENSE. UNLESS PROHIBITED OR LIMITED BY APPLICABLE LAW, INSURANCE PROVIDED BY THE PARTIES IN SUPPORT OF THEIR RESPECTIVE INDEMNITY OBLIGATIONS SET FORTH IN CLAUSE 8 ABOVE SHALL IN NO WAY SERVE TO LIMIT EACH SUCH PARTY'S INDEMNITY OBLIGATIONS. CONTRACTOR AND COMPANY SHALL DELIVER TO EACH OTHER RESPECTIVE CERTIFICATES OF INSURANCE EVIDENCING INSURANCE COVERAGE REQUIRED UNDER CLAUSE 8.5 AND 9 OF THIS AGREEMENT.

INITIAL /s/ SCJ /s/ TNT

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

10. COMPLIANCE WITH LAWS/HES

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

10.2 (Health, Environment and Safety) Contractor will perform the Survey(s) applying the most current edition of either the IAGC Land Geophysical Operations Safety Manual or the IAGC Marine Geophysical Operations Safety Manual, as applicable, as a minimum set of standards supplemented by both Contractor and Company HES rules and work procedures. The more stringent of Company's or Contractor's policy and standards shall apply. Company reserves the right to intervene and consult with Contractor in development of solutions for hazards identified in execution of the Work. Contractor will equally apply HES standards to, and enforce compliance with all such standards, by all subcontractors of any tier, and the agents, employees or other personnel under their control and will replace at Contractor's expense those who fail to comply.

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

11. COMPANY REPRESENTATIVE

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

12. TAXES

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

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

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

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

13. COMPENSATION/CONTRACTOR'S RIGHTS

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

13.2 (Payment) Subject to contrary provision of any Supplement, the Contractor shall, on or before the 15th day of each month, render to Company an itemized invoice showing the amount due for services rendered, reimbursable costs and charges incurred by Contractor on behalf of Company hereunder during the preceding calendar month, such invoice to be accompanied in each case by supporting vouchers and receipts. Except to the extent they are contested in good faith by Company, the Company shall, within thirty (30) days following receipt of such invoice, remit payment of the undisputed portion of same in full in United States funds by check, bank draft or money order (or bank/wire transfer) payable to Contractor at its offices (or bank account) set forth in Clause 20 or in the applicable Supplemental Agreement.

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

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

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

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

14. INTELLECTUAL PROPERTY

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

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

14.3 (**Rights to Intellectual Property**) The Parties expressly agree that all software programs, documents, materials and other work created, developed or performed by Contractor in the course of performance of this Agreement, including, but not limited to, non-geophysical data, drawings, reports, designs and working papers shall be and is the exclusive property of Contractor which shall have all rights, title and interest therein including, but not limited to, patents, copyrights, trade secrets and any other proprietary rights. *Contractor hereby grants to Company a perpetual, non-exclusive, non-transferable royalty-free license and right to use only for the purposes of this Agreement any software programs, documents, materials or other work delivered to Company by Contractor.*

15. INDEPENDENT CONTRACTOR

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

16. ASSIGNMENT AND SUBCONTRACTS

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

16.2 (**Assignments**) Subject to Clause 16.1 above, neither Party shall assign this Agreement in whole or in part without prior written consent of the other Party except to a company which is affiliated to the assigning Party or where such assignment is the result of an operation of law. An "affiliate" of a Party is defined as any company or other entity which is, either currently or resulting from any future merger, acquisition or reorganization of the affected Party, (i)

owned as to at least a 51% equity interest by the affected Party, (ii) owns the affected Party as to at least a 51% equity interest or (iii) is under common ownership (as to at least a 51% interest) with the affected Party. As for Company, "affiliate" shall also include those third party entities which are contractually related to Company in the exploration or development in Area of Operations. The affected Party shall promptly notify the other Party of any such permitted assignment.

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

17. FORCE MAJEURE

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

18. AUDIT

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

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

19. TERM AND RENEWAL

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

20. NOTICES

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

Contractor
Dawson Geophysical Company
Attention: Mr. C. Ray Tobias
508 W. Wall Street, Suite 800
Midland, Texas 79701

Company
SandRidge Energy, Inc.
Attention: Todd N. Tipton
1601 N.W. Expressway, Suite 1600
Oklahoma City, OK 73118

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

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

21. APPLICABLE LAWS/DISPUTES

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

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

21.3 (Governing Rules) As between the Parties, any claims, disputes and controversies arising under or in connection with this Master Agreement or any Supplemental Agreement which cannot be resolved by mutual agreement shall, upon written notice by one Party to the other, be submitted to arbitration in accordance with and subject to the Rules of Conciliation and Arbitration of the American Arbitration Association.

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

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

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

request the AAA to appoint the presiding arbitrator in the same way as a sole arbitrator would be appointed under Article 4 of the UNCITRAL Rules.

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

22. WAIVER

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

23. DEFAULT

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

24. SURVIVAL OF TERMS

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

25. INUREMENT

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

26. ENTIRE AGREEMENT/MODIFICATION

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

27. COUNTERPARTS

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

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

SANDRIDGE ENERGY, INC.

By: /s/ Todd N. Tipton
Title: EVP — Exploration

Date: February 8, 2007

DAWSON GEOPHYSICAL COMPANY

By: /s/ Stephen C. Jumper
Stephen C. Jumper
Title: President & CEO

Date: February 7, 2007

MASTER SERVICE CONTRACT

Between

CHESAPEAKE OPERATING, INC.
and any present or future subsidiaries or
affiliates named directly or indirectly by
Chesapeake Operating, Inc.
(herein collectively "Company"),
P.O. Box 18496,
Oklahoma City, OK
73154

and

Dawson Geophysical Company,
and any present or future subsidiaries or
affiliates named directly or indirectly by
Dawson Geophysical Company,
(herein collectively "Contractor"),
508 West Wall, Suite 800,
Midland, TX
79701

On this 18th day of DECEMBER, 2003

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Glossary of Terms

Additional Insured — A person or organization not automatically included as an insured under an insurance policy, but for whom insured status is arranged, usually by endorsement. A named insured's impetus for providing additional insured status to others may be a desire to protect the other party because of a close relationship with that party or to comply with a contractual agreement requiring the named insured to do so.

Borrowed Servant/Alternate Employer — An endorsement that provides those scheduled as alternate employers with primary Workers' Compensation and Employers Liability coverage as if they were an insured in the policy. This endorsement is commonly used when a temporary help supplier (the insured) is required by its customer (the alternate employer) to protect the alternate employer from claims brought by the insured's employees.

Endorsement — A provision added to a policy, usually being written in on the printed page. It may also be in the form of a rider.

Indemnify — To make compensation to an entity, person, or insured for incurred hurt, loss, or damage.

Indemnity — Restoration to the victim of a loss up to the amount of the loss.

Waiver of Subrogation — The voluntary relinquishment by an insurer of the right to collect from another party for damages paid on behalf of the insured. The waiver of subrogation condition in current liability policies is referred to as "transfer of rights of recovery."

WITNESSETH THAT,

WHEREAS, Company in the Course of operations regularly and customarily enters into contracts with independent Contractors for the performance of service relating thereto; and

WHEREAS, Company desires, as a matter of company policy, to establish and maintain an approved list of Contractors and to offer work or contracts only to those Contractors who are included on such approved list; and

WHEREAS, Contractor represents that it has adequate equipment in good working order and fully trained personnel capable of efficiently operating such equipment and performing services for Company.

NOW, THEREFORE, IN CONSIDERATION of the mutual promises, conditions and agreements herein contained, the sufficiency of which is hereby acknowledged, and the specifications and special provisions set forth in the exhibits attached hereto and made a part hereof, the parties hereto mutually agree as follows:

1.0 AGREEMENT

- 1.1 Upon execution of this Agreement and compliance with its terms, Company agrees that the name of Contractor shall be added to the Company's approved list of Contractors and this Agreement shall remain in force and effect until canceled by either party by giving the other party ten (10) days notice in writing at the respective address of either party. If current work extends past ten (10) days, then cancellation shall not be effective until work is completed. This Agreement shall control and govern any and all performance of services and/or supply of materials and equipment by Contractor for Company, under subsequent written purchase orders, work orders, supplemental agreements or oral instructions, hereinafter collectively called an "Order". Upon acceptance of any Order by Contractor and without the necessity of any reference therein, this Agreement shall become an integral part of the Order. Agreements or stipulations in any such Order not in conformity with the terms and provisions hereof shall be null and void. No waiver by Company of any of the terms, provisions or conditions hereof shall be effective unless said waiver shall be in writing and signed by an authorized officer of Company.
- 1.2 This Agreement does not obligate Company to request services from Contractor nor does it obligate Contractor to accept orders for services from Company.

1.3 This Agreement is effective as of the first date of service, whether prior to and after the date of execution of this Agreement, and supersedes all previous contracts.

2.0 LABOR, EQUIPMENT, MATERIALS, SUPPLIES AND SERVICES

- 2.1 When notified by Company either verbally or by written work order, of the services and/or equipment desired, Contractor shall commence furnishing same at the agreed upon time, and continue such operations diligently and without delay, in strict conformity with the specifications and requirements contained herein and such work orders.
- 2.2 Contractor shall not employ in any work for Company any employee whose employment violates any labor, employment or other applicable laws. Contractor shall not employ in any work for Company any employee who is a minor.
- 2.3 All work or services rendered or performed by Contractor shall be done with due diligence, in a good and workmanlike manner, using skilled, competent and experienced workmen and supervisors. Contractor shall attempt to minimize disturbance to the surface of the land and all crops and other vegetation thereon. Liability for any subsequent requirements for surface damages, erosional or pollution repair or prevention which has not been caused by the negligence or other fault of Contractor shall rest solely with Company, which liability shall survive the termination of this Agreement. Contractor warrants full, clear and unrestricted title to all materials and equipment supplied by Contractor in performance of any Order free and clear of any and all liens, security interests, encumbrances and claims of others. Any portion of the work found defective or unsuitable and all damages resulting therefrom shall be removed, replaced or corrected by Contractor without additional cost or risk to Company. Contractor agrees to inspect all materials and equipment furnished by Company directly employed in the course of operations conducted hereunder and shall notify Company of any apparent defects therein before using such materials and equipment. Should Contractor use such materials and equipment without notifying Company of any defect, Contractor shall be deemed to have assumed all risk and liability for any mishap that may occur in operations conducted hereunder by reason of failure or defects in such materials and equipment. Contractor shall not be liable for claims due solely to latent defects.
- 2.4 Contractor agrees to maintain his equipment in good operating condition at all times.

2.5 Confidentiality. The Contractor recognizes that the nature of the Contractor's services are such that the Contractor will have access to information which is of a confidential nature, which is of great value to the Company and which is the foundation upon which the Company's business is predicated. The Contractor agrees not to disclose to any person other than Company's employees or the Company's legal counsel nor use for any purpose, other than the performance of this Agreement, any information, data or material (regardless of the form) which is: (a) provided, disclosed or delivered to the Contractor by Company, any officer, director, employee, agent, attorney, accountant, Contractor or other person or entity employed by the company in any capacity, any customer, borrower or business associate of the Company or any public authority having jurisdiction over the Company or any business activity conducted by the Company; or (b) produced, developed, obtained or prepared by the Contractor (whether or not such information was developed in the performance of this Agreement), with respect to the Company or any of the Company's assets, oil and gas prospects, business activities, officers, directors, employee, borrowers or customers. On request by Company, the Company will be entitled to a copy of any such documents or such information in the possession of the Contractor. The Contractor also agrees that the provisions of this paragraph will survive the termination, expiration or cancellation of this Agreement and that on termination, expiration or cancellation of this Agreement, the Contractor will deliver to the Company all of the information, data and material containing such information.

2.6 Conflict of Interest. Company employees are prohibited from engaging in activities with vendors that promote the employee's interests ahead of Company or otherwise create a conflict of interest. Examples of activities prohibited by Company follow.

- Accepting cash from a vendor in any amount;
- Accepting gifts or services from a vendor that obligates an employee to a vendor. Any gift accepted by a Company employee valued at more than \$100 must be reported by the employee to Company management;
- Soliciting or accepting kickbacks, bribes, payments or loans from a vendor;
- Holding a financial interest in a vendor (other than a financial interest in a publicly traded corporation whose securities are quoted and traded in the public securities market);
- Divulging confidential or proprietary information about Company that is not integral to the product or service provided by the vendor;

- Accepting discounts (other than those available to the general public) on personal purchases from a vendor;
- Circumventing or otherwise failing to comply with Company's established policies governing the competitive bidding process;
- Any activity that takes unfair advantage of a vendor through concealment, abuse or privileged or confidential information, misrepresentation or fraudulent behavior or cooperation with a vendor to take unfair advantage of another party.

In order to help ensure that these standards of conduct for dealings with vendors are met, Company has established a Vendor Protection Line with an independent party. If Contractor becomes aware of or suspects an employee of the Company has violated the guidelines for fair dealings set out in this contract, Contractor agrees to report the matter by calling the Vendor Protection Line at 1-800-576-5262 (organization code #30076). The caller will remain anonymous, and the details of the call will be immediately forwarded to a senior member of Company management, who will investigate the reported violation.

3.0 REPORTS TO BE FURNISHED BY CONTRACTOR

- 3.1 The quantity, description and condition of the materials and supplies and/or services furnished shall be verified and checked by Contractor, and all delivery tickets shall be properly certified as to receipt by Contractor's representative. Contractor must obtain approval of Company's representative for materials and supplies for which Contractor is to be reimbursed by Company.
- 3.2 Contractor shall orally report to Company, as soon as practicable, followed by an appropriate written report, all accidents or occurrences resulting in death or injuries to Contractor's employees or third parties, or damage to property of Company or third parties arising out of or during the course of work to be performed hereunder. Contractor shall furnish Company with a copy of all reports made by Contractor to Contractor's insurer or governmental authorities or to other parties of such accidents and occurrences.
- 3.3 Contractor shall supply a written report to Company regarding Contractor's safety reports and/or safety policy upon request.

4.0 INDEPENDENT CONTRACTOR RELATIONSHIP

In the performance of any work by Contractor for Company, Contractor shall be deemed to be an independent Contractor, with the authority and right to direct and control all of the details of the work, Company being interested only in the results obtained. However, all work contractor related shall meet the approval of Company and shall be subjected to the general right of inspection. Company shall have no right or authority to supervise or give instructions to the employees, agents, or representative of Contractor, and such employees, agents or representatives at all times shall be under the direct and sole supervision and control of Contractor. Any suggestions, advice or directions given by Company or its employees to Contractor or its employees shall in no way establish or be evidence of an intent to create a master and servant or principal and agent relationship between Company and Contractor. It is the understanding and intention of the parties hereto that no relationship of master and servant or principal and agent shall exist between Company and the employees, agents, or representatives of Contractor, and that all work or services covered hereby shall be performed at the sole risk of Contractor.

5.0 INSURANCE

5.1 At any and all times during the term of this Contract, Contractor shall at Contractor's expense maintain, with an insurance company or companies authorized to do business in the state where the work is to be performed or through a self-insurance program, insurance coverages of the kind and in the minimum amounts as follows:

- (a) Workers' Compensation, including coverage for occupational disease, and Employer's Liability Insurance covering all employees in compliance with all applicable state and federal law. This insurance shall be in an amount not less than:

Workers' Compensation: Statutory

If Contractor is a sole proprietor, Contractor must make the following election:

_____ I elect to be excluded from Workers' Compensation coverage as a Sole Proprietor under state law. I further certify that I will provide an insurance certificate evidencing Workers' Compensation insurance is in place should I hire other parties to perform any services on my behalf for Company.

_____ I elect to be covered under Workers' Compensation insurance as a Sole Proprietor. A Certificate of

Insurance evidencing Workers' Compensation coverage is enclosed.

- (b) Employer's Liability Insurance in the limits described in Exhibit "A" attached hereto for each accident, occurrence, or disease covering claims by the agents, servants or employees of Contractor.
- (c) Insurance provided in (a) and (b) above shall include a "Borrowed Servant/Alternate Employer Endorsement", providing for claims brought against Company or Company barges or other vessels, in rem or in personam, by any agent, servant or employee of Contractor as a "borrowed servant" to be treated as a claim against Contractor.
- (d) Comprehensive or Commercial General Liability Insurance, on an "Occurrence" form unless otherwise agreed to in writing by Company, including operations of Independent Contractors; Contractual Liability; Products and Completed Operations; Explosion, Collapse and Underground Property Damage Hazards; Pollution Liability; and Underground Resources with a combined single limit for Bodily Injury, Personal Injury and Property Damage liability in an amount no less than those limits described in Exhibit "A" attached hereto.
- (e) Automobile Liability Insurance covering all owned, non-owned and hired vehicles with a combined single limit for Bodily Injury and Property Damage liability in an amount not less than those limits described in Exhibit "A" attached hereto.
- (f) Property Insurance and/or Rig Physical Damage Insurance on an "All Risk" or other form satisfactory to Company, covering the insurable value of all Contractor's property and in amounts of insurance sufficient to comply with the minimum coinsurance requirements of the policies.
- (g) The amounts of insurance required in this section 5.1 may be satisfied by the purchase of separate Primary and Umbrella (or Excess) Liability policies which when combined together provide the total limits of insurance specified.
- (h) Contractor further agrees to provide additional amounts or kinds of insurance as may be reasonably deemed necessary from time to time in accordance with the ongoing nature of operations, and

changes in exposure to loss, to the extent the insurance is commercially available.

- 5.2 Prior to commencing work for Company, Contractor shall obtain from its insurers a waiver of subrogation against Company and any operator or customer for whom Company is performing operations or services in all of the insurance policies set forth in this Section, to include all insurance carried by Contractor protecting against loss of or damage to its property and equipment employed in the performance of this Agreement whether the same be set forth in this Section or not.
- 5.3 All such insurance shall be carried in a company or companies acceptable to Company and shall be maintained in full force and effect during the term of this Contract, and shall not be canceled, altered, or amended without thirty (30) days prior written notice having first been furnished Company. Company shall be named an additional insured on all Contractor required insurance with the sole exception of worker's compensation. To the extent to which Contractor incurs and/or assumes liability hereunder, or agrees to indemnify Company, (I) all Contractor required insurance shall be primary to any insurance of Company that may apply to such occurrence, accident or claim and (II) no "other insurance" provision shall be applicable to Company and its affiliated, subsidiary and/or interrelated companies, by virtue of having been named an additional insured or loss payee under any policy of insurance.
- 5.4 Certificates of insurance acceptable to Company evidencing the coverage required by Company shall be provided by Contractor to Company prior to commencement of performance of services or the delivery of materials and equipment under this Agreement or an Order.
- 5.5 In the event Contractor is a self-insurer and Company has consented to Contractor being a self-insurer as to any one or more of the risks as to which coverage is herein required, evidence of such consent must be in writing and approved by a representative of Company authorized to enter into such consent agreement.
- 5.6 These requirements shall be conditions precedent to the payment of any sums that may be due Contractor.

6.0 INDEMNITY

- 6.1 It is agreed between Company and Contractor that certain responsibilities and liabilities for personal injuries and property damage arising out of the performance of this Agreement should be allocated between them in order to avoid protracted litigation between Company and Contractor along with the associated legal expenses and so that insurance or self-insurance may be arranged by each party as necessary to protect them against these exposures to loss. The following sets out the specifics of the agreements between Company and Contractor as to the allocation of the responsibilities and liabilities.
- 6.2 Contractor agrees to protect, defend, indemnify and hold harmless Company, its officers, directors, employees or their invitees, and any working interest owner or non-operator for whom Company is obligated to perform services, from and against all claims, demands, and causes of action of every kind and character without limit and without regard to the cause or causes thereof or the negligence or fault (active or passive) of any party or parties including the sole, joint or concurrent negligence of Company, any theory of strict liability and defect of premises, or the unseaworthiness of any vessel (whether or not preexisting the date of this Contract), arising in connection herewith in favor of Contractor's employees, Contractor's contractors or their employees, or Contractor's invitees on account of bodily injury, death or damage to property.
- 6.3 Company agrees to protect, defend, indemnify and hold harmless Contractor, its officers, directors and employees or their invitees, from and against all claims, demands, and causes of action of every kind and character without limit and without regard to the cause or causes thereof or the negligence or fault (active or passive) of any party or parties including the sole, joint or concurrent negligence of Contractor, any theory of strict liability, any professional liability, and defect of premises, or the unseaworthiness of any vessel (whether or not preexisting the date of this Contract), arising in connection herewith in favor of Company's employees, Company's contractors (other than Contractor herein) or their employees, or Company's invitees on account of bodily injury, death or damage to property.
- 6.4 Contractor agrees to protect, defend, indemnify and hold harmless Company, its officers, directors, employees or their invitees, and any working interest owner or non-operator for whom Company is performing services, from and against all claims, demands, and causes of action of every kind and character arising from the acts of Contractor in favor of third

parties and persons not employed or contracted by Contractor or Company on account of bodily injury, death or damage to property.

- 6.5 Company agrees to protect, defend, indemnify and hold harmless Contractor, its officers, directors, employees or their invitees from and against all claims, demands, and causes of action of every kind and character arising from the acts of Company in favor of third parties and persons not employed or contracted by Contractor or Company on account of bodily injury, death or damage to property.
- 6.6 Contractor represents and warrants that it owns or has the right to use and construct any and all equipment, tools, materials, computer software or hardware, data, trade secrets and know-how used by Contractor in connection with services provided to Company. Contractor represents and warrants that such use does not violate or infringe on any patents issued or applied for or licenses of third parties. Contractor further represents and warrants that such use does not constitute, directly or indirectly, the theft or misappropriation of any third parties' trade secrets. The indemnities of paragraphs 6.2 and 6.4 shall apply to any violations of the warranties and representations of this paragraph. In addition to such indemnities, Contractor agrees to indemnify and hold Company harmless from any and all claims, demands, and causes of action of every kind and character in favor of or made by a patentee, licensee, or claimant of any rights or priority to such tool or equipment, or the use or construction thereof, that may result from or arise out of furnishing or use of any such tool or equipment by Contractor in connection with the work
- 6.7 Each party shall notify the other party immediately of any claim, demand, or suit that may be presented to or served upon it by any party arising out of or as a result of work performed pursuant hereto, affording such other party full opportunity to assume the defense of such claim, demand, or suit and to protect itself under the obligations of this Section. Each party covenants and agrees to support this indemnity agreement by available liability insurance coverage as set forth in Paragraphs 5.1 (a) through (e) above. In the event that this Contract is subject to the indemnity limitations of any applicable State law, and so long as that law is in force, then it is agreed that the above obligations to indemnify are limited to the extent allowed by law. Additionally, the parties agree that:
- (a) In the event that this Agreement is subject to the indemnity limitations of Act 427 of the 1982 Louisiana Legislature, and so long as that act is in force, provisions 6.2, 6.3, 6.4 and 6.5 herein shall not be applicable to the services performed in the State of Louisiana. In lieu thereof, each party agrees to defend, indemnify, save and hold

the other party harmless from and against all claims and causes of action to the extent such arise out of the indemnifying party's negligence, gross negligence, strict liability or breach of contract.

- (b) In the event that this Agreement is subject to the indemnity limitations of Chapter 127 of the Texas Civil Practices and Remedies Code, and so long as such limitations are in force, then it is agreed that the above obligations to indemnify are limited to the extent allowed by law, and each party covenants and agrees to support this indemnity agreement by equal amounts of liability insurance coverage, with limits of insurance required of each party equal to those specifically set forth in Paragraphs 5.1 (a) through (e) above. In the event that this contract is subject to any other applicable state indemnity limitation, it is agreed that the above obligations to indemnify are limited to the extent allowed by law.
 - (c) In the event that this Agreement is subject to the indemnity limitations in New Mexico Statutes, Sec. 56-7-2, and so long as that act is in force, provisions 6.2, 6.3, 6.4 and 6.5 herein shall not be applicable to the services performed in the State of New Mexico. In lieu thereof, each party agrees to defend, indemnify, save and hold the other party harmless from and against all claims and causes of action to the extent such arise out of the indemnifying party's negligence, gross negligence, strict liability or breach of contract.
- 6.8 In claims against any person or entity indemnified under this Section 6 by an employee of the Contractor, anyone directly or indirectly employed by them or anyone for whose acts they may be liable, the indemnification obligation under this Section 6 shall not be limited by a limitation on amount or type of damages, compensation or benefits payable by or for the Contractor under Workers' or Workmen's Compensation acts, disability benefit acts or other employee benefit acts.
- 6.9 If it is judicially determined that the monetary limits of insurance required hereunder or of the indemnity voluntarily assumed under this Article which Contractor agrees will be supported either by equal liability insurance or voluntarily self-insured, in part or whole, exceeds the maximum limits permitted under such law, it is agreed that said insurance requirements or indemnity shall automatically be amended to conform to the maximum monetary limits permitted under such law.
- 6.10. The indemnity provisions of this Agreement shall apply to any and all work performed, services rendered or material supplied by Contractor on behalf

of Company whether Company is acting in the capacity of an operator, non-operator or working interest owner.

- 6.11 Contractor shall be liable at all times for damages to or destruction of Contractor's equipment and materials, regardless of how such damage or destruction occurs. Company shall be under no liability to reimburse Contractor for any such loss or damage thereto. Contractor shall protect, defend, indemnify and hold harmless Company from any and all damage or loss thereof, regardless of the negligence or fault (active or passive) of any party or parties including the sole, joint or concurrent negligence of Company, any theory of strict liability and defect of premises or the unseaworthiness of any vessel (whether or not preexisting the date of this Contract), arising in connection herewith in favor of Contractor, Contractor's contractors, or Contractor's invitees.
- 6.12 Any defense and indemnity by either party under these provisions shall include, but not be limited to, the cost of defense of any claim, including attorney fees.

7. TAXES AND CLAIMS

- 7.1 Contractor agrees to pay all taxes, licenses, and fees levied or assessed on Contractor in connection with or incident to the performance of this Agreement by any governmental agency and unemployment compensation insurance, old age benefits, social security, or any other taxes upon the wages of contractor, its agents, employees, and representatives. Contractor agrees to require the same agreements and be liable for any breach of such agreements by any of its sub-contractors.
- 7.2 Contractor agrees to reimburse Company on demand for all such taxes or governmental charges, State or Federal, that Company may be required or deem it necessary to pay on account of employees of Contractor or its sub-contractors. Contractor agrees to furnish Company with the information required to enable it to make the necessary reports and to pay such taxes or charges. At its election, Company is authorized to deduct all sums so paid for such taxes and governmental charges from such amounts as may be or become due to Contractor hereunder.
- 7.3 Contractor agrees to pay all claims for labor, materials, services, and supplies furnished by Contractor hereunder and agrees to allow no lien or charge to be fixed upon property of Company or the party for whom Company is performing services. Contractor agrees to indemnify, protect, defend, and hold Company harmless from and against all such claims or indebtedness incurred by Contractor in connection with the services as

provided hereunder. It is agreed that Company shall have the right to pay any such claims or indebtedness out of any money due or to become due to Contractor hereunder. Notwithstanding the foregoing, Company agrees that it will not pay any such claim or indebtedness as long as same is being actively contested by Contractor and Contractor has taken all actions necessary (including the posting of a bond when appropriate) to protect the property interests of Company and any other party affected by such claim or indebtedness.

- 7.4 Before Company makes payments to Contractor, Company may require Contractor to furnish proof that there are no unsatisfied claims for labor, materials, equipment, and supplies or for injuries to persons or property not covered by insurance.

8. AUDIT

Contractor shall maintain, and shall cause any of Contractor's subcontractors to maintain, a true and correct set of records pertaining to services performed in compliance with any Order and all transactions related thereto, and retain all such records for a period of not less than two (2) years after completion of services performed. Company may, at its expense, require Contractor, or any of Contractor's subcontractors, at any time within said two year period to furnish sufficient evidence, with documentary support, to enable Company to verify the correctness and accuracy of payments to Contractor or such subcontractors. Within the time limit herein established, Company may, following written notice to Contractor or such subcontractor, employ an independent firm of public accountants to examine accounts, invoices, tickets and other documents exclusively related to services performed hereunder, or pursuant to any other Order previously executed between the parties hereto, in order to verify the accuracy and compliance with this provision; provided that said accountants shall agree not to disclose to Company any information secured in the course of such audit which does not bear on its above mentioned purposes.

9. LAWS, RULES AND REGULATIONS

- 9.1 Company and Contractor respectively agree to comply with all laws, rules, and regulations, which are now or may become applicable to operations covered by this Agreement or arising out of the performance of such operations. If either party is required to pay any fine or penalty resulting from the other party's failure to comply with such laws, rules, or regulations, the party failing to comply shall immediately reimburse the other for any such payment.

9.2 In the event any provision of this Agreement is inconsistent with or contrary to any applicable law, rule, or regulation, or if any provision of this Agreement is found by a court of competent jurisdiction to be invalid or unenforceable, that provision will be deemed to be modified to the extent required to comply with said law, rule, or regulation, or to make it valid and enforceable, and this contract as so modified, shall remain in full force and effect. If said provision cannot be so modified, it shall be deemed deleted and the remainder of the Agreement shall continue and remain in full force and effect.

9.3 This Agreement shall be governed, construed and interpreted in accordance with the laws of Oklahoma.

10.0 FORCE MAJEURE

Except for the duty to make payments hereunder when due, and the indemnification provisions under this Contract, neither Company nor Contractor shall be responsible to the other for any delay, damage or failure caused by or occasioned by a Force Majeure Event. As used in this Contract, "Force Majeure Event" includes: acts of God, action of the elements, warlike action, insurrection, revolution or civil strife, piracy, civil war or hostile action, strikes, acts of public enemies, federal or state laws, rules and regulations of any governmental authorities having jurisdiction in the premises or of any other group, organization or informal association (whether or not formally recognized as a government); acute and unusual labor or material or equipment shortages, or any other causes (except financial) beyond the control of either party. Delays due to the above causes, or any of them, shall not be deemed to be a breach of or failure to perform under this Contract. Neither Company nor Contractor shall be required against its will to adjust any labor or similar disputes except in accordance with applicable law.

11.0 ASSIGNMENTS

Company and Contractor agree that neither will assign nor delegate this Agreement or any of the work or services required hereunder, except for work normally performed by contractors, and not to assign any sum that may accrue to Contractor hereunder, without prior written consent of the other party. If any assignment by Company is made that significantly alters Contractor's financial burden, Contractor's compensation shall be adjusted to give effect to any change in Contractor's operating costs.

12.0 TERMINATION OF WORK

12.1 Termination by Contractor: Contractor may terminate any subcontract for the same reasons and under the same circumstances and procedures with

respect to Company as Company may terminate with respect to Contractor under this Contract. In the event of such termination by the Contractor for any reason which is not the fault of Contractor, sub-contractors or their agents or employees or other persons performing portions of the Work under contract with Contractor, Contractor shall be entitled to recover from Company payment for work executed and for proven loss with respect to materials, equipment, tools, and construction equipment and machinery, including reasonable overhead, profit and damages.

12.2 Termination by Company: If Contractor persistently or repeatedly fails or neglects to carry out its obligations in accordance with this Agreement and fails within seven days after receipt of written notice to commence and continue correction of such default or neglect with diligence and promptness, Company may, after seven days following receipt by Contractor of an additional written notice and without prejudice to any other remedy Company may have, terminate the contract and finish Contractor's obligations by whatever method Company may deem expedient. If the unpaid balance of the contract sum exceeds the expense of finishing Contractor's obligations, such excess shall be paid to Contractor, but if such expense exceeds such unpaid balance, Contractor shall pay the difference to Company.

12.3 The foregoing paragraph shall in no way limit Company's right to terminate Contractor without additional compensation in the event of Contractor's breach of this Contract.

13.0 GOVERNMENT REGULATIONS

The following regulations, where required by law, are incorporated in the agreement by reference as if fully set out:

- (1) The Equal Opportunity Clause prescribed in 41 CFR 60-1.4;
- (2) The Affirmative Action Clause prescribed in 41 CFR 60-250.4 regarding veterans and veterans of the Vietnam era;
- (3) The Affirmative Action Clause for handicapped workers prescribed in 41 CFR 60-741.4;
- (4) The Certification of Compliance with Environmental Laws prescribed in 40 CFR 15.20.

14. INSOLVENCY OF CONTRACTOR

In the event Contractor shall be adjudged bankrupt, make a general assignment for the benefit of creditors, or if a receiver shall be appointed on account of Contractor's insolvency, or in the event Contractor does not correct or, if immediate correction is not possible, commence and diligently continue action to

correct, any default of Contractor to comply with any of the provisions or requirements of this Agreement and all Orders within ten (10) days after written notice by Company, Company may, by written notice to Contractor, without prejudice to any other rights or remedies which Company may have, refuse to allow further performance of services by Contractor. Company may complete the performance of services by such means as Company selects and Contractor shall be responsible for any additional costs incurred by Company in so doing. Any amounts due Contractor for services performed by Contractor in full compliance with the terms of this Agreement and any Order prior to cessation of the performance of services shall be subject to setoff of Company's additional costs of completing the performance of services and other damages incurred by Company as a result of Contractor's default. Waiver by Company of any default of Contractor shall not be considered to be a waiver by Company of any provision of this Agreement or of any subsequent default by Contractor.

15. CONTRACTOR'S EMPLOYEES UNDER LOUISIANA WORKERS' COMPENSATION ACT

In all cases where Contractor's employees (defined to include Contractor's direct, borrowed, special, or statutory employees) are covered by the Louisiana Workers' Compensation Act. La. R.S. 23:1021 *et seq* Company and Contractor agree that all work and operations performed by Contractor and its employees pursuant to the Agreement are an integral part of and are essential to the ability of Company to generate Company's goods, products and services for purposes of La. R.S. 23:1061 (A)(1). Furthermore, Company and Contractor agree that Company is the statutory employer of Contractor's employees for purposes of La. R.S. 23:1061 (A)(3). Irrespective of Company's status as the statutory employer or special employer (as defined in La. R.S. 23:1031 (C)) of Contractor's employees, Contractor shall remain primarily responsible for the payment of Louisiana Workers' Compensation benefits to its employees, and shall not be entitled to seek contribution for any such payments from Company.

16. COMPLETE AGREEMENT

This Agreement contains the entire agreement of the parties and supersedes any and all prior negotiations or understandings, whether written or oral. No subsequent variance from, amendment to or modification of this Agreement shall be binding upon Company unless it is in writing, expressly provides that it is intended as a variance, amendment or modification and is executed by an authorized officer of Company.

17. TIME OF THE ESSENCE

Time is of the essence in this Agreement. In the event of a cessation of the performance of services in compliance with any Order or in the event of Contractor's failure of timely performance or delay in delivery of materials and equipment, Company may immediately cancel the Order without further obligation to Contractor.

18. EXHIBITS

The following Exhibits and Riders are attached hereto and made a part of this Agreement for all purposes:

Exhibit A — Required Limits of Insurance

Exhibit B — Contractor's Certificates of Insurance

IN WITNESS WHEREOF, the parties hereto have executed this Agreement upon the date shown in several counterparts, each of which shall be considered as an original; however, the effective date shall be the date upon which services are first provided by Contractor, whether before or after the date first shown above.

COMPANY:

CHESAPEAKE OPERATING, INC.

By: /s/ Martha A. Burger
Title: Treasurer / Senior V.P. of Human Resources
Date: 12-30-03

CONTRACTOR:

Dawson Geophysical Company

By: /s/ C.Ray Tobias
Title: Executive Vice President
Date: 12/18/03

Summary of Non-Employee Director Compensation

Effective January 27, 2009, each non-employee director of Dawson Geophysical Company (the "Company") will receive monthly compensation of \$2,000. Each non-employee director also will receive a fee of \$2,000 for each regular Board of Directors meeting. In addition, the chairman of the Audit Committee will receive an additional fee of \$500 per month. Each non-employee director also will receive a grant of the Company's common stock worth \$36,000 annually. The Company also reimburses the reasonable expenses incurred by its directors in attending meetings and other company business.

Directors who are also full-time officers or employees of the Company receive no additional compensation for serving as directors.

CERTIFICATION

I, Stephen C. Jumper, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dawson Geophysical Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 9, 2009

/s/ Stephen C. Jumper

Stephen C. Jumper
President and Chief Executive Officer
(principal executive officer)

CERTIFICATION

I, Christina W. Hagan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dawson Geophysical Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 9, 2009

/s/ Christina W. Hagan

Christina W. Hagan

Executive Vice President, Secretary and Chief Financial Officer
(principal financial and accounting officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Dawson Geophysical Company (the "Company") on Form 10-Q for the period ended December 31, 2008, as filed with the Securities and Exchange Commission (the "Report"), I, Stephen C. Jumper, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 9, 2009

/s/ Stephen C. Jumper

Stephen C. Jumper
President and Chief Executive Officer
(principal executive officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Dawson Geophysical Company (the "Company") on Form 10-Q for the period ended December 31, 2008, as filed with the Securities and Exchange Commission (the "Report"), I, Christina W. Hagan, Executive Vice President, Secretary and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 9, 2009

/s/ Christina W. Hagan

Christina W. Hagan
Executive Vice President, Secretary and Chief Financial Officer
(principal financial and accounting officer)