

SECURITIES AND EXCHANGE COMMISSION

FORM S-8

Initial registration statement for securities to be offered to employees pursuant to employee benefit plans

Filing Date: **2001-08-03**
SEC Accession No. **0000950134-01-504630**

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FILER

DAWSON GEOPHYSICAL CO

CIK: **351231** | IRS No.: **750970548** | State of Incorpor.: **TX** | Fiscal Year End: **0930**
Type: **S-8** | Act: **33** | File No.: **333-66666** | Film No.: **1697135**
SIC: **1382** Oil & gas field exploration services

Mailing Address
508 WEST WALL
SUITE 800
MIDLAND TX 79701

Business Address
508 WEST WALL
SUITE 800
MIDLAND TX 79701
9156843000

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SECURITIES AND EXCHANGE COMMISSION
 Washington D.C. 20549

FORM S-8

REGISTRATION STATEMENT
 Under
 THE SECURITIES ACT OF 1933

DAWSON GEOPHYSICAL COMPANY
 (Exact name of issuer as specified in its charter)

TEXAS
 (State or other jurisdiction of
 incorporation or organization)

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

508 WEST WALL, SUITE 800
 MIDLAND, TEXAS
 (Address of principal executive
 offices)

79701
 (Zip Code)

DAWSON GEOPHYSICAL COMPANY
 2000 INCENTIVE STOCK PLAN
 (Full Title of the Plan)

L. DECKER DAWSON, CHAIRMAN OF THE BOARD
 AND CHIEF EXECUTIVE OFFICER
 DAWSON GEOPHYSICAL COMPANY
 508 WEST WALL, SUITE 800
 MIDLAND, TEXAS 79701
 (915) 684-3000
 (Name and address, including zip code, and telephone number,
 including area code, of agent for service)

Copies to:

DAN G. LEROY
 COTTON, BLEDSOE, TIGHE & DAWSON
 500 WEST ILLINOIS, SUITE 300
 MIDLAND, TEXAS 79701

Approximate date of commencement of proposed sale to the public: As soon as
 practicable after the effective date of this registration statement.

CALCULATION OF REGISTRATION FEE

<Table>
 <Caption>

TITLE OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT (1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (1)	AMOUNT OF REGISTRATION FEE
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Common Stock \$.33 1/3 par value....	465,500	\$9.625	\$4,480,437.50	\$1,120.11

</Table>

- (1) Estimated solely for the purpose of computing the registration fee and computed in accordance with Rule 457(h) based upon the average of the high and low prices for securities of the same class as quoted on the Nasdaq National Market on August 1, 2001.

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PART I

INFORMATION REQUIRED IN THE SECTION 10(a) PROSPECTUS

Note: The document(s) containing the information concerning the Dawson Geophysical Company 2000 Incentive Stock Plan (the "Plan") required by Item 1 of Form S-8 and the statement of availability of Registrant information and other information required by Item 2 of this Form will be sent or given to employees eligible to participate in the Plan as specified by Rule 428. In accordance with Rule 428 and the requirements of Part I of Form S-8, such documents are not being filed with the Securities and Exchange Commission (the "Commission") either as part of this Registration Statement or as prospectuses or prospectus supplements. The Registrant shall maintain a file of such documents in accordance with the provisions of Rule 428. Upon request, the Registrant shall furnish to the Commission or its staff a copy or copies of any or all of the documents included in such file.

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PART II

INFORMATION REQUIRED IN REGISTRATION STATEMENT

ITEM 3. INCORPORATION OF DOCUMENTS BY REFERENCE.

The following documents are incorporated herein by reference: (1) the Annual Report on Form 10-K of Dawson Geophysical Company (the "Company") for the fiscal year ended September 30, 2000; (2) the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2000 and the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001 filed by the Company pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") since the end of the fiscal year covered by the 10-K Annual Report referred to in (1) above; and (3) the registration statement filed by the Company under Section 12 of the Exchange Act, and any amendments thereto, containing the description of the Common Stock.

All documents hereafter filed by the Company pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act prior to the filing of a post-effective amendment of this Registration Statement which indicates that all securities offered hereby have been sold or which deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference in this Registration Statement and to be a part hereof from the date of filing of such documents.

ITEM 4. DESCRIPTION OF SECURITIES.

The class of securities to be offered pursuant to this Registration Statement have been registered under Section 12 of the Exchange Act by the filing of a registration statement under the Exchange Act as described in Item 3 above.

ITEM 5. INTERESTS OF NAMED EXPERTS AND COUNSEL.

No expert named in the Registration Statement nor counsel for the Company (1) was employed for such purpose on a contingent basis; (2) will receive a substantial interest, direct or indirect, in the Company or its

subsidiaries; or (3) was a promoter, underwriter, voting trustee, director, officer or employee of the Company.

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ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Article Seven of the Articles of Incorporation, as amended, the Company provides as follows:

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

Article IX of the Bylaws of the Company provides that:

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

Article 2.02-1 of the Texas Business Corporation Act permits corporations to indemnify a person who was or is a director, officer, employee, or agent of a corporation or who serves at the corporation's request as a director, officer, partner, proprietor, trustee, employee, or agent of another corporation, partnership, trust, joint venture, or other enterprise, who was, is, or is threatened to be named a defendant in a legal proceeding by virtue of such person's position in the corporation or in an outside enterprise, but only if the person conducted himself in good faith and reasonably believed, in the case of conduct in the person's official capacity, that the conduct was in or, in the case of all other conduct, that the conduct was at least not opposed to the corporation's best interests, and, in the case of a criminal proceeding, the person had no reasonable cause to believe the conduct was unlawful. A person may be indemnified within the above limitations against judgments, penalties (including excise and

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similar taxes), fines, settlements, and reasonable expenses actually incurred; however, indemnification is limited to reasonable expenses actually incurred in a proceeding in which the person is found liable to the corporation or is found to have improperly received a personal benefit and shall not be made in respect of any proceeding in which the person shall have been found liable for willful or intentional misconduct in the performance of his duty to the corporation. A

corporation must indemnify a director, officer, employee, or agent against reasonable expenses incurred in connection with a proceeding in which the person is a party because of the person's corporate position, if the person was wholly successful, on the merits or otherwise, in the defense of the proceeding. Under certain circumstances, the corporation may also advance expenses to such person.

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

ITEM 7. EXEMPTION FROM REGISTRATION CLAIMED.

Not applicable.

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ITEM 8. EXHIBITS.

Exhibit No.	Description of Exhibit
4.1*	Restated and Amended Articles of Incorporation of the Company, filed as an exhibit to the Company's Form S-1 Registration Statement, Registration No. 33-85328.
4.2*	Bylaws of the Company, as amended; Bylaws filed as an exhibit to the Company's Form S-1 Registration Statement, Registration No. 33-85328, and Amendment to Bylaws filed as an exhibit to the Company's Form 8-K, dated July 13, 1999.
4.3*	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 as an exhibit to the Company's Form 8-K, dated July 13, 1999.
5.1**	Opinion of Cotton, Bledsoe, Tighe & Dawson, a Professional Corporation.
10.1**	Dawson Geophysical Company 2000 Incentive Stock Plan.
23.1**	Consent of KPMG LLP.
23.2**	Consent of Cotton, Bledsoe, Tighe & Dawson, a Professional Corporation (such consent is included in the Opinion filed as Exhibit 5.1 to this Registration Statement.)

*Incorporated by reference to the filing(s) indicated.
**Filed herewith.

ITEM 9. UNDERTAKINGS.

The Company hereby undertakes:

(1) to file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

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(ii) to reflect in the prospectus any facts or events arising after the effective date of this Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) to include any material information with respect to the plan of distribution not previously disclosed in this Registration Statement or any material change to such information in this Registration Statement;

provided, however, that paragraphs (1)(i) and (1)(ii) do not apply if the registration statement is on Form S-3, Form S-8, or Form F-3 and the information required to be included in the post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the Company pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in this Registration Statement.

(2) that, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof; and

(3) to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

The Company hereby further undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Company's Annual Report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of the Plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in this Registration Statement shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Midland, State of Texas, on this 31st day of July, 2001.

DAWSON GEOPHYSICAL COMPANY
(Registrant)

By: /s/ L. Decker Dawson

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

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the date indicated.

SIGNATURE ----- <S>	TITLE ----- <C>	DATE ----- <C>
/s/ L. Decker Dawson ----- L. Decker Dawson	Chairman of the Board, Chief Executive Officer and Director	July 31, 2001
/s/ Howell W. Pardue ----- Howell W. Pardue	Executive Vice President and Director	July 31, 2001
/s/ Paul H. Brown ----- Paul H. Brown	Director	July 31, 2001
/s/ Calvin J. Clements ----- Calvin J. Clements	Director	July 31, 2001
/s/ Matthew P. Murphy ----- Matthew P. Murphy	Director	July 31, 2001
/s/ Tim C. Thompson ----- Tim C. Thompson	Director	July 31, 2001
/s/ Christina W. Hagan ----- Christina W. Hagan	Vice President and Chief Financial Officer	July 31, 2001

<Table>		
<S>	<C>	<C>
/s/ Stephen C. Jumper	President and Director	July 31, 2001

Stephen C. Jumper		
/s/ C. Ray Tobias	Executive Vice President	July 31, 2001
-----	and Director	
C. Ray Tobias		
</Table>		

INDEX TO EXHIBITS

<Table>
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4.3*	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 as an exhibit to the Company's Form 8-K, dated July 13, 1999.
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10.1**	Dawson Geophysical Company 2000 Incentive Stock Plan.
23.1**	Consent of KPMG LLP.
23.2**	Consent of Cotton, Bledsoe, Tighe & Dawson, a Professional Corporation (such consent is included in the Opinion filed as Exhibit 5.1 to this Registration Statement.)

</Table>

*Incorporated by reference to the filing(s) indicated.
**Filed herewith.

COTTON, BLEDSOE, TIGHE & DAWSON
A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW
SUITE 300
500 WEST ILLINOIS
MIDLAND, TEXAS 79701-4337
P.O. BOX 2776 ZIP 79702-2776
TELEPHONE (915) 684-5782
FAX (915) 682-3672

August 1, 2001

Dawson Geophysical Company
508 W. Wall, Suite 800
Midland, Texas 79701

Re: Registration Statement on Form S-8
Dawson Geophysical Company 2000 Incentive Stock Plan

Gentlemen:

We have acted as counsel for Dawson Geophysical Company, a Texas corporation (the "Company") in connection with the registration under the Securities Act of 1933, as amended (the "Act"), of 465,500 shares (the "Shares") of the common stock, par value \$0.33 1/3 per share (the "Common Stock") of the Company reserved for issuance under the Dawson Geophysical Company 2000 Incentive Stock Plan (the "Plan"). A Registration Statement on Form S-8 (the "Registration Statement") covering the sale of the Shares was filed under the Act with the Securities and Exchange Commission (the "Commission").

In reaching the conclusions expressed in this opinion, we have examined signed copies of the Registration Statement and all exhibits thereto. We have also examined and relied upon originals or copies certified to our satisfaction, of (i) the Articles of Incorporation and Bylaws of the Company, (ii) minutes and records of the corporate proceedings of the Company with respect to the issuance of the Shares and related matters, (iii) the Plan, and (iv) such other agreements and instruments relating to the Company as we have deemed necessary or appropriate for the purposes of the opinions hereinafter expressed. In rendering such opinions, we have relied, to the extent we deemed reasonable, on certificates and certain other information provided to us by officers of the Company and public officials as to matters of fact of which the maker of such

Dawson Geophysical Company

August 1, 2001

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knowledge. Furthermore, in rendering such opinions we have assumed that the signatures on all documents examined by us are genuine, that all documents and corporate record books submitted to us as originals are authentic, accurate and complete, and that all documents submitted to us as copies are true, correct and complete copies of the originals thereof.

Based solely upon the foregoing, subject to the assumptions, limitations and qualifications set forth herein, and specifically limited in all respects to the laws of the State of Texas and the United States of America, we are of the opinion that the Shares registered pursuant to the Registration Statement have been duly and validly authorized by the Company, and when paid for, issued or sold and delivered in accordance with the terms of the Plan such Shares will be legally issued, fully paid and nonassessable.

We hereby consent to the use of this opinion as an exhibit to the Registration Statement. In giving this consent we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Act or the rules and regulations of the Commission promulgated thereunder.

This opinion is rendered only to the Company and solely for the benefit of the Company and the Commission in connection with the registration and the issuance of the Shares pursuant to the Registration Statement and the Plan, respectively. This opinion may not be otherwise used, circulated, quoted, relied upon, or referred to by you or the Commission for any other purpose or by any other person, firm or corporation for any purpose, without our prior written consent.

Yours very truly,

COTTON, BLEDSOE, TIGHE & DAWSON

/s/ Dan G. LeRoy

By:

Dan G. LeRoy

DAWSON GEOPHYSICAL COMPANY

2000 INCENTIVE STOCK PLAN

Dawson Geophysical Company, a Texas corporation, with principal offices located in Midland, Midland County, Texas (the "Company") hereby adopts "DAWSON GEOPHYSICAL COMPANY 2000 INCENTIVE STOCK PLAN."

1. PURPOSE

This Employee Incentive Stock Plan (the "Plan") is intended as an incentive and to encourage stock ownership by certain officers and key executive employees of Dawson Geophysical Company or of its subsidiary companies as that term is defined in Article 3 below (the "Subsidiaries"), so that they may acquire or increase their proprietary interest in the success of the Company and Subsidiaries and to encourage them to remain in the employ of the Company or of the Subsidiaries. It is further intended that options issued pursuant to this Plan shall constitute "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code of 1986, as now or hereafter amended (the "Code"), except as to those awards made pursuant to Article 11 of the Plan.

2. ADMINISTRATION

The Plan shall be administered by a committee appointed by the Board of Directors of the Company (the "Committee"). The Committee shall consist of not less than three members of the Company's Board of Directors. The Board of Directors may from time to time remove members from or add members to the Committee. Vacancies on the Committee, howsoever caused, shall be filled by the Board of Directors. The Committee shall select one of its members as Chairman and shall hold meetings at such times and places as it may determine. A majority of the Committee at which a quorum is present or acts reduced to or approved in writing by a majority of the members of the Committee shall be the valid acts of the Committee. No director while a member of the Committee shall be eligible to receive an option under the Plan. The Committee shall from time to time at its discretion make recommendations to the Board of Directors with respect to the key executive employees who shall be granted options and the amount of stock to be optioned to each. All members of the Committee and majority of directors of the Company shall be disinterested persons (as that term is hereinafter defined) for purposes of administering the Plan and determining the employees and amount of stock to be optioned to each. The term "disinterested person" for purposes of the Plan shall mean an administrator of a Plan who is not at the time he or she exercises discretion in administering the Plan eligible and has not at any time within one year prior thereto been eligible for selection as a person to whom stock options may be granted pursuant to the Plan.

The interpretation and construction by the Committee of any provisions of the Plan or any option granted under it shall be final unless otherwise determined by the Board of Directors. No member of the Board of Directors or the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any option granted under it.

3. ELIGIBILITY

The persons who shall be eligible to receive options shall be such executive and key employees (including officers, whether or not they are directors) of the Company or its Subsidiaries existing from time to time as the Board of Directors shall elect from time to time from among those nominated by the Committee. An optionee may hold more than one option but only on the terms and subject to the restrictions hereinafter set forth. No person shall be eligible to receive an option for a larger number of shares than is recommended for him or her by the Committee. No person owning more than ten percent (10%) of the total combined voting power of all classes of stock of the Company, its parent or subsidiary, shall be eligible to receive an incentive stock option unless the option price is at least one hundred ten percent (110%) of the fair market value of the optioned stock (as to which see paragraph 5 below).

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4. STOCK

The stock subject to the options shall be shares of the Company's authorized but unissued or reacquired \$0.33 1/3 par value per share common stock hereinafter sometimes called the "Stock." The aggregate number of shares which may be issued under options shall not exceed 500,000 shares of Stock. The limitations established by the preceding sentence shall be subject to adjustment as provided in Article 5(h) of the Plan.

If any outstanding option under the Plan for any reason expires or is terminated, the shares of the Stock allocable to the unexercised portion of such option may again be subjected to an option under the Plan.

The aggregate fair market value (determined at the time the option is granted) of the Stock with respect to which options are exercisable for the first time by any person eligible hereunder during any calendar year under this

Plan and any other plan qualifying under Section 422 of the Code which is maintained by the Company, its Parent and/or its Subsidiaries shall not exceed \$100,000.

5. TERMS AND CONDITIONS OF OPTIONS

Stock options granted pursuant to the Plan shall be authorized by the Board of Directors and shall be evidenced by agreements in such form as the Committee shall from time to time recommend and the Board of Directors shall from time to time approve, which agreements shall comply with and be subject to the following terms and conditions:

(a) Optionee's Agreement. Each optionee shall agree to remain in the employ of and to render to the Company or Subsidiaries his or her services for a period of five years from the date of the option, but such agreement shall not impose upon the Company or Subsidiaries any obligation to retain the optionee in their employ for any period.

(b) Number of Shares. Each option shall state the number of shares to which it pertains.

(c) Option Price. Each option shall state the option price, which shall be not less than 100% of the fair market value of the shares of Stock of the Company on the date of the granting of the option (110% in the case of an over 10% shareholder, as to which see paragraph 3 above). The fair market value per share shall be deemed to be the mean between the highest price and the lowest price of which the Stock shall have been sold, regular way, in the over-the-counter market or other applicable market on the day the option is granted; or if no sale of the Company's Stock shall have been made on any stock exchange on that day, on the next preceding day on which there was a sale of such Stock.

(d) Medium and Time of Payment. The option price shall be payable in United States dollars upon the exercise of the option and may be paid in cash or by check or payment may be made with Stock of the Company.

(e) Term and Exercise of Options. Subject to other terms and provisions herein contained, during the term of an option the shares with respect to which that option may be exercised shall become exercisable to the extent of 25% of the shares optioned on each of the four anniversaries of the date of grant. Subject to the foregoing, each option shall be exercisable in whole or in part at any time and from time to time during its term. Not less than one thousand (1,000) shares may be purchased at any one time unless the number purchased is the total number at the time purchasable under the option. During the lifetime of the optionee, the option shall be exercisable only by him or her and shall not be assignable or transferable by him or her and no other person shall acquire any rights therein. An option granted under the Plan must be exercised by the earlier of (a) five years from the date of the grant, or (b) the applicable time limit specified in paragraphs (f) and (g) of this Section 5. Any option not exercised within the

applicable aforementioned time period shall automatically terminate at the expiration of such period.

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(f) Termination of Employment Except Death. If an optionee shall cease to be employed by the Company or Subsidiaries for any reason, other than his or her death, and no longer shall be in the employ of any of them, such optionee shall have the right to exercise the option at any time within three months after such termination of employment (one year if the optionee is disabled within the meaning of Section 22(e) (3) of the Code) to the extent his or her right to exercise such option had not previously been exercised at the date of such termination. Whether authorized leave of absence or absence for military or governmental service shall constitute termination of employment, for the purposes of the Plan, shall be determined by the Committee, which determination, unless overruled by the Board of Directors, shall be final and conclusive.

(g) Death of Optionee and Transfer of Option. If the optionee shall die while in the employ of the Company or a Subsidiary or within a period of three months after the termination of his or her employment with the Company and all Subsidiaries and shall not have fully exercised the option, an option may be exercised, subject to the condition that no option shall be exercisable after the expiration of one year from the date it is granted to the extent that the optionee's right to exercise such option had accrued pursuant to Article 5(3) of the Plan at the time of his or her death and had not previously been exercised, at any time within one year after the optionee's death, by the executors or administrators of the optionee or by any person or persons who shall have acquired the option directly from the optionee by bequest or inheritance.

No option shall be transferable by the optionee otherwise than by will or the laws of descent and distribution.

(h) Recapitalization. Subject to any required action by the stockholders, the number of shares of Stock covered by each outstanding option and the price per share thereof in each such option shall be proportionately adjusted for any increase or decrease in the number of issued shares of Stock of the Company resulting from a subdivision or

consolidation of shares or the payment of a stock dividend (but only on the Stock) or any other increase or decrease in the number of such shares effected without receipt of consideration by the Company.

Subject to any required action by the stockholders, if the Company shall be the surviving company in any merger or consolidation, each outstanding option shall pertain to and apply to the securities to which a holder of the number of shares of Stock subject to the option would have been entitled. A dissolution or liquidation of the Company or a merger or consolidation in which the Company is not the surviving company shall cause each outstanding option to terminate, provided that each optionee shall, in such event, have the right immediately prior to such dissolution or liquidation or merger or consolidation in which the Company is not the surviving company to exercise his or her option in whole or in part.

Upon a change in the Stock of the Company as presently constituted which is limited to a change of all its authorized shares with par value into the same number of shares with a different par value or without par value, the shares resulting from any such change shall be deemed to be the Stock within the meaning of the Plan.

To the extent that the foregoing adjustments relate to stock or securities of the Company, such adjustments shall be made by the Committee, whose determination in that respect shall be final, binding and conclusive, provided that each option continues to qualify as an incentive stock option within the meaning of Section 422 of the Code.

Except as hereinbefore expressly provided in this Article 5(h), the optionee shall have no rights by reason of any subdivisions or consolidation of shares of stock of any class or the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class or by reason of any dissolution, liquidation, merger or consolidation or spin-off of assets or stock of another company, and any issue by the Company of share of stock of any class, or securities convertible into shares of stock of any class, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Stock subject to the option.

The grant of an option pursuant to the Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure or to merge or to consolidate or to dissolve, liquidate or sell, or transfer all or any part of its business or assets.

(i) Rights as a Stockholder. An optionee or a transferee of an option shall have no rights as a stockholder with respect to any shares covered by his or her option until the date of the issuance of a stock certificate to him or her for such shares. No adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distributions or other rights for which the record date is prior to the date such stock certificate is issued, except as provided in Article 5(g) hereof.

(j) Modification, Extension and Renewal of Options. Subject to the terms and conditions and within the limitations of the Plan, the Board of Directors may modify, extend or renew outstanding options granted under the Plan, or accept the surrender of outstanding options (to the extent not theretofore exercised) and authorize the granting of new options in substitution therefor (to the extent not theretofore exercised). The Board of Directors shall not, however, modify any outstanding options so as to specify a lower price or accept the surrender of outstanding options and authorize the granting of new options in substitution therefor specifying a lower price. Notwithstanding the foregoing, however, no modification of an option shall, without the consent of the optionee, alter or impair any rights or obligations under any option theretofore granted under the Plan.

(k) Investment Purpose. Each option under the Plan shall be granted on the condition that the purchases of Stock thereunder shall be for investment purposes and not with a view to resale or distribution except that if the Stock subject to such option or distribution is registered under the Securities Act of 1933, as amended, or if a resale of such stock without such registration would otherwise be permissible, such condition shall be inoperative if in the opinion of counsel for the Company such condition is not required under the Securities Act of 1933 or any other applicable law, regulation, or rule of any governmental agency.

(l) Other Provisions. The option agreements authorized under the Plan shall contain such other provisions, including, without limitation, restrictions upon the exercise of the option, as the Committee and the Board of Directors of the Company shall deem advisable. Any such option agreement shall contain such limitations and restrictions upon the exercise of the option as shall be necessary in order that such option will be an "incentive stock option" as defined in Section 422 of the

Code or to conform to any change in the law.

6. TERM OF PLAN

Options may be granted pursuant to the Plan from time to time within a period of ten years from the date the Plan is adopted, or the date the Plan is approved by the stockholders, whichever is earlier.

7. INDEMNIFICATION OF COMMITTEE

In addition to such other rights of indemnification as they may have as directors or as members of the Committee, the members of the Committee shall be indemnified by the Company against the reasonable expenses, including attorneys' fees actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan or any option granted thereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding that such Committee member is liable for negligence or misconduct in the performance of his or her duties; provided that within 60 days after institution of any such action, suit or proceeding a Committee member shall in writing offer the Company the opportunity, at its own expense, to handle and defend the same.

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8. AMENDMENT OF THE PLAN

The Board of Directors of the Company may, insofar as permitted by law, from time to time, with respect to any shares at the time not subject to options, suspend or discontinue the Plan or revise or amend it in any respect whatsoever except that, without approval of the stockholders no such revision or amendment shall change the number of shares subject to the Plan, change the designation of the class of employees eligible to receive options, decrease the price at which options may be granted, remove the administration of the Plan

from the Committee, or render any member of the Committee eligible to receive an option under the Plan while serving thereon. Furthermore, the Plan may not, without the approval of the stockholders, be amended in any manner that will cause options issued under it to fail to meet the requirements of incentive stock options as defined in Section 422 of the Code, except as to those shares awarded under Article 11 of this Plan.

9. APPLICATION OF FUNDS

The proceeds received by the Company from the sale of Stock pursuant to options will be used for general corporate purposes.

10. NO OBLIGATION TO EXERCISE OPTION

The granting of an option shall impose no obligation upon the optionee to exercise such option.

11. STOCK AWARDS

The Committee may award to officers, directors and employees of the Company shares of capital stock out of the 500,000 shares of Stock provided for in Article 4 of the Plan for the purpose of additional compensation for outstanding achievement and to encourage ownership of the Stock. These awards, in the discretion of the Committee, may be made with or without payment therefor by any officer, director or employee to whom such capital stock is made under such terms and conditions as the Committee may in its sole discretion provide. Such awards shall not constitute incentive stock options within the meaning of Section 422 of the Code and shall be limited to up to 50,000 shares of Stock of the 500,000 shares of Stock provided for under Article 4 of the Plan. Any shares not awarded under this Article 11 of the Plan may be the subject of incentive stock options under the Plan.

12. EFFECTIVE DATE

Adoption of this Plan and shareholders' approval shall be effective January 12, 1999.

CONSENT OF INDEPENDENT AUDITORS

The Board of Directors
Dawson Geophysical Company

We consent to the use of our reports incorporated herein by reference.

KPMG LLP

Midland, Texas
August 1, 2001