Risk Factors Comparison 2024-04-01 to 2023-03-13 Form: 10-K

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An investment in our common stock is subject to a number of risks, including those discussed below. You should carefully consider these discussions of risk and the other information included in this Form 10- K. These risk factors could affect our actual results and should be considered carefully when evaluating us **and an investment in our common stock** . Although the risks described below are the risks that we believe are material, they are not the only risks relating to our business, our industry and our common stock. Additional risks and uncertainties, including those that are not yet identified or that we currently believe are immaterial, may also adversely affect our business, financial condition or results of operations. If any of the events described below occur, our business, financial condition or results of operations could be materially adversely affected. Current macroeconomic conditions, including inflationary pressures in the broader U. S. economy ~~,~~ **and** military conflicts between Russia and Ukraine and **in** the **Middle East** ~~COVID- 19 pandemic,~~ have had, and are expected to continue to have, an impact on oil and gas commodity prices and, therefore, demand for our services and, depending on the duration and severity, could have a material adverse effect on our business, financial condition, results of operations and cash flows. **Worldwide political, economic, and military** ~~Oil demand has deteriorated as a result of multiple global~~ events **have** ~~, including inflationary pressures in the broader U. S. economy relating to the continued~~ **contributed** ~~economic recovery from the COVID- 19 pandemic and corresponding preventative measures taken around the world~~ to **oil** ~~contain its spread~~ and **natural gas price volatility** ~~mitigate its public health effects,~~ and ~~the ongoing military conflict between Russia and Ukraine. Factors which~~ are likely to ~~affect commodity prices~~ **continue to do so** in **the** future ~~periods include, but are not limited to, the effect of U. S. energy, monetary and trade policies; U. S. and global economic and political conditions and developments; energy and environmental policies; operating curtailment of the U. S. oil and gas industry; and the severity and duration of the COVID- 19 outbreaks, which together have created future uncertainty for the demand and pricing for services, equipment, and raw materials in the petroleum industry~~ . We are monitoring the military conflict between Russia and Ukraine as well as the related export controls and financial and economic sanctions imposed on certain industry sectors and parties in Russia by the U. S., the U. K., the European Union and others. **We are also monitoring the impact of attacks on shipping in the Red Sea as a result of the unrest in the Middle East.** The broader consequences of the Russian- Ukrainian conflict **and unrest in the Middle East** , which may include further sanctions, embargoes, supply chain disruptions, regional instability and geopolitical shifts, may have adverse effects on global macroeconomic conditions, increase volatility in the price and demand for oil and natural gas, increase exposure to cyberattacks, cause disruptions in global supply chains, increase foreign currency fluctuations, cause constraints or disruption in the capital markets and limit sources of liquidity. We cannot predict the extent of the conflict' s effect on our business and results of operations as well as on the global economy and energy markets. **Additional factors** ~~We face various risks related to the COVID- 19 pandemic and any future health epidemics, pandemics and similar outbreaks,~~ which may **affect oil and natural gas prices include, but are not limited to, the effect of U. S. energy, monetary and trade policies; U. S. and global economic and political conditions and developments; U. S. and international energy and environmental policies; and any operating curtailment of the U. S. oil and gas industry. Together, these factors** have **created uncertainty for the demand and pricing for services, equipment, and raw** ~~material~~ **materials in the petroleum industry** ~~adverse effects on our business~~ , ~~financial condition, results of operations~~ and ~~cash flows. Our business and financial results~~ may ~~be negatively impacted by health epidemics, pandemics and similar outbreaks. The COVID- 19 pandemic and the measures and mandates to try to contain its spread and mitigate its public health effects, such as travel bans and restrictions, quarantines, shelter in place orders, and shutdowns, have impacted our workforce and operations, the operations of our customers, and those of our vendors and suppliers. The COVID- 19 pandemic continues~~ **continue** to ~~evolve, and~~ **do so in** the ~~extent to which the pandemic may impact our business, financial condition, results of operations and cash flows will depend highly on~~ future ~~developments, which are very uncertain and cannot be predicted.. And any future health epidemics, pandemics or similar outbreaks could also have a material adverse effect on our business, financial condition, results of operations or cash flows~~ . We derive substantially all of our revenues from providers of multi- client data libraries and companies in the oil and natural gas exploration and development industry. The oil and natural gas industry is a historically cyclical industry with levels of activity that are significantly affected by the levels and volatility of oil and natural gas prices. Demand for our services depends upon the level of expenditures by oil and natural gas companies for exploration, production, development and field management activities, which depend primarily on oil and natural gas prices, as well as capital allocation by our clients. Significant fluctuations in domestic oil and natural gas exploration activities and commodity prices have affected, and will continue to affect, demand for our services and our results of operations. We could be adversely impacted if the level of such exploration activities and the prices for oil and natural gas were to significantly decline in the future. In addition to the market prices of oil and natural gas, the willingness of our clients to explore, develop and produce depends largely upon prevailing industry conditions that are influenced by numerous factors over which our management has no control, including general economic conditions and the availability of credit. Any prolonged reduction in the overall level of exploration and development activities, whether resulting from changes in oil and natural gas prices or otherwise, could adversely impact us in many ways by negatively affecting: ● our revenues, cash flows, and profitability; ● our ability to maintain or increase our borrowing capacity; ● our ability to obtain additional capital to finance our business and the cost of that capital; and ● our ability to attract and retain skilled personnel whom we would need in the event of an upturn in the demand for our services. ~~Worldwide political, economic, and military events have contributed to oil and natural gas price volatility and are likely to continue to do so in the future.~~ Depending on the market prices of oil and natural gas, oil and natural gas exploration and development companies may cancel or curtail their capital expenditure and drilling programs, thereby reducing demand for our services, or may become unable to pay, or have to delay payment of, amounts owed to us for our services. Oil and natural gas prices have been highly volatile historically and, we believe, will continue to be so in the future. Many factors beyond our control affect oil and natural gas prices, including: ● the cost of exploring for, producing, and delivering oil and natural gas; ● the discovery rate of new oil and natural gas reserves; ● the rate of decline of existing and new oil and natural gas reserves; ● available pipeline and other oil and natural gas transportation capacity; ● the ability of oil and natural gas companies to raise capital and debt financing; ● actions by OPEC ; ~~7~~ ● political instability in the Middle East and other major oil and natural gas producing regions; ● economic conditions in the U. S. and elsewhere; **7** ● domestic and foreign tax policy; ● domestic and foreign energy policy including increased emphasis on alternative sources of energy; ● increased attention to environmental, social and governance matters, including climate change; ● weather conditions in the U. S., Canada and elsewhere; ● the pace adopted by foreign governments for the exploration, development, and production of their national reserves; ● the price of foreign imports of oil and natural gas; and ● the overall supply and demand for oil and natural gas. We are a" controlled company", **which** ~~controlled by Wilks, and as a result, are exempt~~ **exempts us** from certain corporate governance requirements that are designed to provide protection to stockholders of companies that are not controlled companies. As of ~~March 9~~ **December 31** , 2023, Wilks Brothers, LLC (" Wilks ") and its affiliates control **over 80** ~~approximately 74. 46~~ % of our combined voting power and **can** ~~is able to~~ elect all of the ~~Company' s~~ **members of our** board of directors. As a result, we are considered a " controlled company " for the purposes of the Nasdaq listing requirements. As a " controlled company, " we are permitted to, and we may, opt out of the Nasdaq listing requirements that would require (i) a majority of the members of our board of directors to be independent, (ii) that we establish a compensation committee and a nominating and governance committee, each comprised entirely of independent directors, or (iii) an annual performance evaluation of the nominating and governance and compensation committees. The Nasdaq listing requirements are intended to ensure that directors who meet the independence standards are free of any conflicting interest that could influence their actions as directors. Our ~~stockholders~~ **shareholders** may not have the same protections afforded to ~~stockholders~~ **shareholders** of companies that are subject to all of the applicable Nasdaq listing requirements. It is also possible that the interests of Wilks may in some circumstances conflict with our interests and the interests of the holders of our common stock. A limited number of clients operating in a single industry account for a significant portion of our revenues, and the loss of one of these clients could adversely affect our results of operations. We derive a significant amount of our revenues from a relatively small number of oil and gas exploration and development companies and providers of multi- client data libraries. During the twelve months ended December 31, ~~2022~~ **2023** , **our** ~~our~~ **four** ~~three~~ largest clients accounted for approximately ~~35~~ **73** % of our revenues. If these clients, or any of our other significant clients, were to terminate their contracts or fail to contract for our services in the future because they are acquired, alter their exploration or development strategy, experience financial difficulties or for any other reason, our results of operations could be adversely affected. Our clients could delay, reduce or cancel their service contracts with us on short notice, which may lead to lower than expected demand and revenues. Our order book reflects client commitments at levels we believe are sufficient to maintain operations on our existing crews for the indicated periods. However, our clients can delay, reduce or cancel their service contracts with us on short notice. If the oil and natural gas industry ~~incurs~~ **experiences** a downturn, it may result in an increase in delays, reductions or cancellations by our clients. In addition, the timing of the origination and completion of projects and when projects are awarded and contracted for is also uncertain. As a result, our order book as of any particular date may not be indicative of actual demand and revenues for any succeeding period. ~~8Our~~ - **Our** revenues, operating results and cash flows can be expected to fluctuate from period to period. Our revenues, operating results and cash flows may fluctuate from period to period. These fluctuations are attributable to the level of new business in a particular period, the timing of the initiation, progress or cancellation of significant projects, higher revenues and expenses on our dynamite contracts, and costs we incur to train new crews we may add in the future to meet increased client demand. Fluctuations in our operating results may also be affected by other ~~factors~~ **8factors** that are outside of our control such as permit delays, weather delays and crew productivity. Oil and natural gas prices have continued to be volatile and have resulted in significant demand fluctuations for our services. There can be no assurance of future oil and gas price levels or stability. Our operations in Canada are also seasonal as a result of the thawing season, and we have historically experienced limited Canadian activity during the second and third quarters of each year. The demand for our services would be adversely affected by a significant reduction in oil and natural gas prices and by climate change legislation or material changes to U. S. energy policy. Because our business has high fixed costs, the negative effect of one or more of these factors could trigger wide variations in our operating revenues, cash flows, EBITDA, margin, and profitability from quarter- to- quarter, rendering quarter- to- quarter comparisons unreliable as an indicator of performance. Due to the factors discussed above, you should not expect sequential growth in our quarterly revenues and profitability. We extend credit to our clients without requiring collateral, and a default by a client could have a material adverse effect on our operating revenues. We perform ongoing credit evaluations of our clients' financial conditions and, generally, require no collateral from our clients. It is possible that one or more of our clients will become financially distressed, which could cause them to default on their obligations to us and could reduce the client' s future need for seismic services provided by us. Our concentration of clients may also increase our overall exposure to these credit risks. A default in payment from one of our large clients could have a material adverse effect on our operating results for the period involved. We **have historically** ~~incur~~ **incurred net** losses. We incurred net losses of $ **12. 1 million** ~~20, 451, 000~~ for the **year** ~~twelve months~~ ended December 31, ~~2022~~ **2023 ,** and $ **18. 6 million** ~~29, 091, 000~~ for the **year** ~~twelve months~~ ended December 31, ~~2021~~ **2022** . Our ability to be profitable in the future will depend on many factors beyond our control, but primarily on the level of demand for land- based seismic data acquisition services by oil and natural gas exploration and development companies. Even if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis. The high fixed costs of our operations could result in continuing or increasing operating losses. Companies within our industry are typically subject to high fixed costs ~~which~~ **,** ~~consist~~ **consisting** primarily of depreciation (a non- cash ~~item~~ **expense**) and maintenance expenses associated with seismic data acquisition and equipment and crew costs. In addition, ongoing maintenance capital expenditures, as well as new equipment investment, can be significant. As a result, any extended periods of significant downtime or low productivity caused by reduced demand, weather interruptions, equipment failures, permit delays, or other causes could result in continuing or increasing operating losses. We have indebtedness from time to time under credit facilities with a commercial bank, and certain of our accounts receivable and a restricted IntraFi Network Deposit account are pledged as collateral for these obligations. Our ability to borrow may be limited if our accounts receivable decreases. From time to time, we may have indebtedness under credit facilities with a commercial bank. We maintain a restricted IntraFi Network Deposit account with our commercial bank which can be used as collateral against future borrowings. If we are unable to repay all secured borrowings when due, whether at maturity or if declared due and payable following a default, our lenders have the right to proceed against the deposit pledged to secure the indebtedness and may liquidate the IntraFi Network Deposit account in order to repay those borrowings, which could materially harm our business, financial condition and results of operations. Our ability to borrow funds under our revolving line of credit is tied to the value of our collateral account with our commercial bank as well as the amount of our eligible accounts receivable. If our accounts receivable decrease materially for any reason, including delays, reductions or cancellations by clients or decreased demand for our services, our ability to borrow to fund operations or other obligations may be limited. ~~9Our~~ - **Our** financial results could be adversely affected by asset impairments. We periodically review our portfolio of equipment and our intangible assets for impairment. Future events, including our financial performance, sustained decreases in oil and natural gas prices, reduced demand for our services, our market valuation or the market valuation of comparable companies, loss of a significant client' s business, or strategic ~~decisions~~ **9decisions** , could cause us to conclude that impairment indicators exist and ultimately that the ~~asset~~ values associated with our equipment or ~~our intangibles~~ - **intangible** ~~were to~~ **assets should** be impaired. If we ~~were to~~ impair our equipment or ~~intangibles~~ - **intangible assets** , these non- cash asset impairments could negatively affect our financial results in a material manner in the period in which ~~they~~ - **the impairments** are recorded, and the larger the amount of any impairment that may be taken, the greater the impact such impairment may have on our financial results. Our profitability is determined, in part, by the utilization level and productivity of our crews and is affected by numerous external factors that are beyond our control. Our revenues are determined, in part, by the contract price we receive for our services, the level of utilization of our data acquisition crews and the productivity of these crews. Crew utilization and productivity is partly a function of external factors, such as client cancellation or delay of projects, operating delays from inclement weather, obtaining land access rights and other factors, over which we have no control. If our crews encounter operational difficulties or delays on any data acquisition survey, our results of operations may vary, and in some cases, may be adversely affected. In recent years, most of our projects have been performed on a turnkey basis for which we were paid a fixed price for a defined scope of work or unit of data acquired. The revenue, cost and gross profit realized under our turnkey contracts can vary from our estimates because of changes in job conditions, variations in labor and equipment productivity or because of the performance of our subcontractors. Turnkey contracts may also cause us to bear substantially all of the risks of business interruption caused by external factors over which we may have no control, such as weather, obtaining land access rights, crew downtime or operational delays. These variations, delays and risks inherent in turnkey contracts may result in reducing our profitability. We face competition in our business, which could result in downward pricing pressure and the loss of market share. The seismic data acquisition services industry is a competitive business in the continental U. S. and Canada. Additionally, the seismic data acquisition business is extremely price competitive and has a history of periods in which seismic contractors bid jobs below cost and, therefore, adversely affected industry pricing. Many contracts are awarded on a bid basis, which may further increase competition based primarily on price. Further, the barriers to entry in the seismic industry are substantial but not prohibitive. The recent increase in channel count and number of energy source units required for larger projects makes it more costly and timely for new seismic companies or those outside of the U. S. to enter the domestic market and compete with us. Inclement weather may adversely affect our ability to complete projects and could, therefore, adversely affect our results of operations. Our seismic data acquisition operations could be adversely affected by inclement weather conditions. Delays associated with weather conditions could adversely affect our results of operations. For example, weather delays could affect our operations on a particular project or an entire region and could lengthen the time to complete data acquisition projects. In addition, even if we negotiate weather protection provisions in our contracts, we may not be fully compensated by our clients for delays caused by inclement weather. Our operations are subject to delays related to obtaining land access rights of way from third parties, which could affect our results of operations. Our seismic data acquisition operations could be adversely affected by our inability to obtain timely right of way usage from both public and private land and / or mineral owners. We cannot begin surveys on property without obtaining permits from governmental entities as well as the permission of the private landowners who own the land being surveyed. In recent years, it has become more difficult, costly and time- consuming to obtain access rights of way as drilling activities have expanded into more populated areas. Additionally, while landowners generally are cooperative in granting access rights, some have become more resistant to seismic and drilling activities occurring on their property. In addition, ~~10governmental~~ -- **governmental** entities do not always grant permits within the time periods expected. Delays associated with obtaining such rights of way could negatively affect our results of operations. ~~Capital~~ **10Capital** requirements for our operations are large. If we are unable to finance these requirements, we may not be able to maintain our competitive advantage. Seismic data acquisition and data processing technologies historically have progressed steadily, and we expect this trend to continue. In order to remain competitive, we must continue to invest additional capital to maintain, upgrade and expand our seismic data acquisition capabilities. Our working capital requirements remain high, primarily due to the expansion of our infrastructure in response to client demand for cableless recording systems and more recording channels, which has increased as the industry strives for improved data quality with greater subsurface resolution images. Our sources of working capital are limited. We have historically funded our working capital requirements primarily with cash generated from operations, cash reserves and, from time to time, borrowings from commercial banks. In recent years, we have funded some of our capital expenditures through equipment term loans and finance leases. In the past, we have also funded our capital expenditures and other financing needs through public equity offerings. If we were to expand our operations at a rate exceeding operating cash flow, if current demand or pricing of geophysical services were to decrease substantially, or if technical advances or competitive pressures required us to acquire new equipment faster than our cash flow could sustain, additional financing could be required. If we were not able to obtain such financing or renew our existing revolving line of credit when needed, it could have a negative impact on our ability to pursue expansion and maintain our competitive advantage. Technological change in our business creates risks of technological obsolescence and requirements for future capital expenditures. If we are unable to keep up with these technological advances, we may not be able to compete effectively. Seismic data acquisition technologies historically have steadily improved and progressed, and we expect this progression to continue. We are in a capital- intensive industry and, in order to remain competitive, we must continue to invest additional capital to maintain, upgrade and expand our seismic data acquisition capabilities. However, we may have limitations on our ability to obtain the financing necessary to enable us to purchase state- of- the- art equipment, and certain of our competitors may be able to purchase newer equipment when we may not be able to do so, thus affecting our ability to compete. We rely on a limited number of key suppliers for specific seismic services and equipment. We depend on a limited number of third parties to supply us with specific seismic services and equipment. From time to time, increased demand for seismic data acquisition services has decreased the available supply of new seismic equipment, resulting in extended delivery dates on orders of new equipment. Any delay in obtaining equipment could delay our deployment of additional crews and restrict the productivity of existing crews, adversely affecting our business and results of operations. In addition, any adverse change in the terms of our suppliers' arrangements could affect our results of operations. Some of our suppliers may also be our competitors. If competitive pressures were to become such that our suppliers would no longer sell to us, we would not be able to easily replace the technology with equipment that communicates effectively with our existing technology, thereby impairing our ability to conduct our business. We are dependent on our management team and key employees, and inability to retain our current team or attract new employees could harm our business. Our continued success depends upon attracting and retaining highly skilled professionals and other technical personnel. A number of our employees are highly skilled scientists and highly trained technicians. The loss, whether by death, departure or illness, of our senior executives or other key employees or our failure to continue to attract and retain skilled and technically knowledgeable personnel could adversely affect our ability to compete in the seismic services industry. We may experience significant competition for such personnel, particularly during periods of increased demand for seismic services. A limited number of our employees are under employment contracts, and we have no key man insurance. ~~11We~~ **We** are subject to Canadian foreign currency exchange rate risk. We conduct business in Canada which subjects us to foreign currency exchange rate risk. Currently, we do not hold or issue foreign currency forward contracts, option contracts or other derivative financial instruments to mitigate the ~~currency~~ **11currency** exchange rate risk. Our results of operations and our cash flows could be impacted by changes in foreign currency exchange rates. Our common stock has experienced, and may continue to experience, price volatility and low trading volume. Our stock price is subject to volatility. Overall market conditions, including a decline in oil and natural gas prices and other risks and uncertainties described in this " Risk Factors " section and in our other filings with the SEC, could cause the market price of our common stock to fall. Our high and low sales prices of our common stock for the twelve months ended December 31, ~~2022~~ **2023** were $ 2. ~~69~~ **65** and $ 1. ~~08~~ **28** , respectively. Further, the high and low sales prices of our common stock for the twelve months ended December 31, ~~2021~~ **2022** were $ ~~4~~ **2** . ~~47~~ **69** and $ 1. ~~83~~ **08** , respectively. Our common stock is listed on The NASDAQ Stock Market LLC (" NASDAQ ") under the symbol " DWSN. " However, daily trading volumes for our common stock are, and may continue to be, relatively small compared to many other publicly traded securities. In addition, as of ~~March 9~~ **December 31** , 2023, Wilks and its affiliates own **over 80** ~~approximately 74. 46~~ % of our common stock so the public market for our common stock is more limited, which can lead to increased volatility and low trading volumes. For example, during ~~2022~~ **2023** our daily trading volume was as low as 0 shares. It may be difficult for you to sell your shares in the public market at any given time at prevailing prices, and the price of our common stock may, therefore, be volatile. Our common stock traded below $ 5. 00 per share for the past year, and when it trades below $ 5. 00 per share it may be considered a low- priced stock and may be subject to regulations that limit or restrict the potential market for the stock. Our common stock may be considered a low- priced stock pursuant to rules promulgated under the Exchange Act, if it continues to trade below a price of $ 5. 00 per share. Under these rules, broker- dealers participating in transactions in low- priced securities must first deliver a risk disclosure document which describes the risks associated with such stock, the broker- dealer' s duties, the client' s rights and remedies, and certain market and other information, and make a suitability determination approving the client for low- priced stock transactions based on the client' s financial situation, investment experience and objectives. Broker- dealers must also disclose these restrictions in writing and provide monthly account statements to the client, and obtain specific written consent of the client. With these restrictions, the likely effect of designation as a low- price stock would be to decrease the willingness of broker- dealers to make a market for our common stock, to decrease the liquidity of the stock, and to increase the transaction costs of sales and purchases of such stocks compared to other securities. Our common stock traded below a price of $ 5. 00 per share for the duration of ~~2022~~ **2023** and we cannot guarantee that our common stock will trade at a price greater than $ 5. 00 per share ~~. We do not expect to pay cash dividends on our common stock for the foreseeable future, and, therefore, only appreciation of the price of our common stock may provide a return to shareholders. While there are currently no restrictions prohibiting us from paying cash dividends to our shareholders, our Board of Directors, after consideration of economic and market conditions affecting the energy industry in general, and the oilfield services business in particular, determined that we would not pay a cash dividend in respect of our common stock for the foreseeable future. Payment of any cash dividends in the future will be at the discretion of our board and will depend on our financial condition, results of operations, capital and legal requirements, and other factors deemed relevant~~

~~by the board. Certain provisions of our amended and restated certificate of formation, or other governing documents and agreements that currently exist or could exist in the future, may make it difficult for a third party to acquire us in the future or may adversely impact your ability to obtain a premium in connection with a future change of control transaction. Our amended and restated certificate of formation contains provisions that require the approval of holders of 80 % of our issued and outstanding shares before we may merge or consolidate with or into another corporation or entity or sell all, or substantially all, of our assets to another corporation or entity. Additionally, if we increase the size of our board to 12nine directors, we could, by resolution of the Board of Directors, stagger the directors' terms, and our directors could not be removed without approval of holders of 80 % of our issued and outstanding shares. These provisions could discourage or impede a tender offer, proxy contest or other similar transaction involving control of us. In addition, our Board of Directors has the right to issue preferred stock upon such terms and conditions as it deems to be in our best interest. The terms of such preferred stock may adversely impact the dividend and liquidation rights of our common shareholders without the approval of our common shareholders~~ . We may be subject to liability claims that are not covered by our insurance. Our business is subject to the general risks inherent in land-based seismic data acquisition activities. Our activities are often conducted in remote areas under dangerous conditions, including the detonation of dynamite. These operations are subject to risk of injury to personnel and damage to equipment. Our crews are mobile, and equipment and personnel are subject to vehicular accidents. These risks could cause us to experience equipment losses, injuries to our personnel, and interruptions in our business. In addition, we could be subject to personal injury or real property damage claims in the normal operation of our business. Such claims may not be covered under the indemnification provisions contained in our general service agreements to the extent that the damage is due to our negligence or intentional misconduct. Our general service agreements require us to have specific amounts of insurance. However, we do not carry insurance against certain risks that could cause losses, including business interruption resulting from equipment maintenance or weather delays. Further, there can be no assurance, however, that any insurance obtained by us will be adequate to cover all losses or liabilities or that this insurance will continue to be available or available on terms which are acceptable to us. Liabilities for which we are not insured, or which exceed the policy limits of our applicable insurance, could have a materially adverse effect on us. We may be held liable for the actions of our subcontractors. We often work as the general contractor on seismic data acquisition surveys and, consequently, engage a number of subcontractors to perform services and provide products. While we obtain contractual indemnification and insurance ~~covering~~ **12covering** the acts of these subcontractors and require the subcontractors to obtain insurance for our benefit, we could be held liable for the actions of these subcontractors. In addition, subcontractors may cause injury to our personnel or damage to our property that is not fully covered by insurance. We operate under hazardous conditions that subject us to risk of damage to property or personnel injuries and may interrupt our business. Our business is subject to the general risks inherent in land- based seismic data acquisition activities. Our activities are often conducted in remote areas under extreme weather and other dangerous conditions, including the use of dynamite as an energy source. These operations are subject to risk of injury to our personnel and third parties and damage to our equipment and improvements in the areas in which we operate. In addition, our crews often operate in areas where the risk of wildfires is present and may be increased by our activities. Since our crews are mobile, equipment and personnel are subject to vehicular accidents. We use diesel fuel which is classified by the U. S. Department of Transportation as a hazardous material. These risks could cause us to experience equipment losses, injuries to our personnel and interruptions in our business. Delays due to operational disruptions such as equipment losses, personnel injuries and business interruptions could adversely affect our profitability and results of operations. Loss of our information and computer systems could adversely affect our business. We are heavily dependent on our information systems and computer- based programs, including our seismic information, electronic data processing and accounting data. If any of such programs or systems were to fail or create erroneous information in our hardware or software network infrastructure, or if we were subject to cyberspace breaches or attacks, possible consequences include our loss of communication links, loss of seismic data and inability to automatically process commercial transactions or engage in similar automated or computerized business activities. Any such consequence could have a material adverse effect on our business. ~~13Our~~ -- **Our** business could be negatively impacted by security threats, including cyber- security threats and other disruptions. We face various security threats, including cyber- security threats to gain unauthorized access to sensitive information or to render data or systems unusable, threats to the safety of our employees, threats to the security of our facilities and infrastructure, and threats from terrorist acts. Cyber- security attacks in particular are evolving and include, but are not limited to, malicious software, attempts to gain unauthorized access to data and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information and corruption of data. Although we utilize various procedures and controls to monitor and protect against these threats and to mitigate our exposure to such threats, there can be no assurance that these procedures and controls will be sufficient in preventing security threats from materializing. If any of these events were to materialize, they could lead to losses of sensitive information, critical infrastructure, personnel or capabilities essential to our operations and could have a material adverse effect on our reputation, financial position, results of operations or cash flows. Our business is subject to government regulation, which may adversely affect our future operations. Our operations are subject to a variety of federal, state, provincial and local laws and regulations, including laws and regulations relating to the protection of the environment and archeological sites and those that may result from climate change legislation or executive orders that could negatively impact the exploration and production of oil and gas. Canadian operations have been historically cyclical due to governmental restrictions on seismic acquisition during certain periods. As a result, there is a risk that there will be a significant amount of unused equipment during those periods. We are required to expend financial and managerial resources to comply with such laws and related permit requirements in our operations, and we anticipate that we will continue to be required to do so in the future. Although such expenditures historically have not been material to us, the fact that such laws or regulations change frequently makes it impossible for us to predict the cost or impact of such laws and regulations on our future operations. The adoption of laws and regulations that have the effect of reducing or curtailing exploration and development activities by energy companies could also adversely affect our operations by reducing the demand for our services. Current and future legislation or regulation relating to climate change could negatively affect the exploration and production of oil and gas and adversely affect demand for our services. In response to concerns suggesting that emissions of certain gases, commonly referred to as " greenhouse gases " (" GHG ") (including carbon dioxide and methane), may be contributing to global climate change, legislative and regulatory ~~measures~~ **13measures** to address the concerns are in various phases of discussion or implementation at the national and state levels. Many states, either individually or through multi-state regional initiatives, have already taken legal measures intended to reduce GHG emissions, primarily through the planned development of GHG emission inventories and / or GHG cap and trade programs. Although various climate change legislative measures have periodically been introduced in the U. S. Congress, and there has been a wide- ranging policy debate both in the U. S. and internationally regarding the impact of these gases and possible means for their regulation, it is not possible at this time to predict whether or when Congress may act on climate change legislation. However, future actions that require substantial reductions in carbon emissions could be costly and difficult to implement. The U. S. Environmental Protection Agency (the " EPA ") has promulgated a series of regulations that require monitoring and reporting of GHG emissions on an annual basis from certain sources, including some in the oil and gas industry. While these rules do not control GHG emission levels from any facilities, they can cause covered facilities to incur monitoring and reporting costs. Moreover, lawsuits have been filed seeking to require individual companies to reduce GHG emissions from their operations. These and other lawsuits relating to GHG emissions may result in decisions by state and federal courts and agencies that could impact our operations. In addition, the U. S. was actively involved in the United Nations Conference on Climate Change in Paris, which led to the creation of the Paris Agreement. In April 2016, the U. S. signed the Paris Agreement, which requires countries to review and " represent a progression " in their nationally determined contributions, which set emissions reduction goals, every five years. In November 2020, the U. S. officially withdrew from the Paris Agreement. However, on January 20, 2021, President Biden signed an " Acceptance on Behalf of the United States of America " that will allow the U. S. to rejoin the Paris Agreement. The acceptance, deposited with the United Nations on January 20, reverses the prior withdrawal. The U. S. officially rejoined the Paris Agreement on February 19, 2021. The Paris Agreement requires countries to review and " represent a progression " in their nationally determined contributions, which set emissions reduction goals, every five years beginning in 2020. As part of rejoining the Paris Agreement, President Biden announced that the U. S. would commit ~~14to~~ **to** a 50 to 52 percent reduction from 2005 levels of GHG emissions by 2030 and set the goal of reaching net- zero GHG emissions by 2050. In addition, shortly after taking office in January 2021, President Biden issued a series of executive orders designed to address climate change. For example, the Executive Order on " Protecting Public Health and the Environment and Restoring Science to Tackle the Climate Crisis " sought to adopt new regulations and policies to address climate change and suspend, revise, or rescind, prior agency actions that were identified as conflicting with the Biden Administration' s climate policies. The United States Environmental Protection Agency has proposed strict new methane emission regulations for certain oil and gas facilities and the Inflation Reduction Act of 2022 establishes a charge on methane emissions above certain limits from the same facilities. Additional legislation or regulation by states and regions, the EPA, and / or any international agreements to which the U. S. may become a party that control or limit GHG emissions or otherwise seek to address climate change could adversely affect our operations. The increasing governmental focus on GHG emissions may result in new environmental laws or regulations that may negatively affect us, our suppliers and our clients. This could cause us to incur additional direct costs in complying with any new environmental regulations, as well as increased indirect costs resulting from our clients, suppliers or both incurring additional compliance costs that get passed on to us. Moreover, passage of climate change legislation, other federal or state legislative or regulatory initiatives, or international agreements that regulate or restrict emissions of GHG may curtail production and demand for fossil fuels such as oil and gas in areas where our clients operate and, thus, adversely affect future demand for our services. Reductions in our revenues or increases in our expenses as a result of climate control initiatives could have adverse effects on our business, financial position, results of operations and cash flows. In addition, activists concerned about the potential effects of climate change have directed their attention at sources of funding for fossil- fuel energy companies, which has resulted in certain financial institutions, funds and other sources of capital restricting or eliminating their investment in oil and natural gas activities. Ultimately, this could make it more difficult to secure funding for exploration and production activities, which may have an adverse impact on the demand for our services. New regulation or legislation that limits or prohibits hydraulic fracturing could negatively affect the exploration and production of oil and gas and adversely affect demand for our services. Hydraulic fracturing is an important and commonly used process in the completion of oil and gas wells. Hydraulic fracturing involves the injection of water, sand and chemical additives under pressure into rock formations to stimulate ~~gas~~ **14gas** production. Several political and regulatory authorities and governmental bodies have studied hydraulic fracturing and considered potential regulations, and certain environmental and other groups have devoted resources to campaigns aimed at restricting or eradicating hydraulic fracturing. Due to public concerns raised regarding potential impacts of hydraulic fracturing on groundwater quality, legislative and regulatory efforts at the federal level and in some states have been initiated to require or make more stringent the permitting and compliance requirements for hydraulic fracturing operations. Several states have adopted more stringent permitting, public disclosure or well construction legislation and / or regulations. Three states (New York, Maryland and Vermont) have banned the use of high- volume hydraulic fracturing. In addition to state laws, some local municipalities have adopted or are considering adopting land use restrictions, such as city ordinances, that may restrict or prohibit the performance of well drilling in general or hydraulic fracturing in particular. There have also been certain governmental reviews that focus on deep shale and other formation completion and production practices, including hydraulic fracturing. Governments may continue to study hydraulic fracturing. We cannot predict the outcome of future studies, but based on the results of these studies to date, federal and state legislatures and agencies may seek to further regulate or even ban hydraulic fracturing activities. These regulatory initiatives could each spur further action toward federal and / or state legislation and regulation of hydraulic fracturing activities. Additional regulation could materially reduce our business opportunities and revenues if our customers decrease their levels of activity in response to such regulation. Some parties also believe that there is a correlation between hydraulic fracturing and other oilfield related activities and the increased occurrence of seismic activity. When caused by human activity, such seismic activity is called induced seismicity. The extent of this correlation, if any, is the subject of studies of both state and federal agencies. In addition, a number of lawsuits have been filed against other industry participants alleging damages and regulatory violations in connection with such activity. These and other ongoing or proposed studies could spur initiatives to further regulate hydraulic fracturing and other aspects of the oil and gas industry. In light of concerns about induced seismicity, some state regulatory agencies have already modified their regulations or issued orders to address induced seismicity. ~~15The~~ -- **The** adoption of any future federal, state, foreign, regional or local laws that impact permitting requirements for, result in reporting obligations on, or otherwise limit or ban, the hydraulic fracturing process could make it more difficult to perform hydraulic fracturing. This could reduce demand for our services. Regulation that significantly restricts or prohibits hydraulic fracturing, or that requires hydraulic fracturing operations to meet permitting and financial assurance requirements, adhere to certain construction specifications, fulfill monitoring, reporting, and recordkeeping obligations, and meet plugging and abandonment requirements, could have a material adverse impact on our business. Additionally, legislation that requires the reporting and public disclosure of chemicals used in the fracturing process could make it easier for third parties opposing the hydraulic fracturing process to initiate legal proceedings based on allegations that specific chemicals used in the fracturing process could adversely affect groundwater. These legislative and regulatory initiatives imposing additional reporting obligations on, or otherwise limiting, the hydraulic fracturing process could make it more difficult or costly to complete natural gas wells. Shale gas cannot be economically produced without extensive fracturing. In the event such legislation is enacted, demand for our seismic acquisition services may be adversely affected. Item 1B. UNRESOLVED STAFF COMMENTSNone. Item ~~2~~ **1C** . **CYBERSECURITYWe have implemented** ~~PROPERTIESOur headquarters are located in~~ a **cybersecurity program** ~~34, 570 square foot leased property in Midland, Texas. We have two~~ - **to** ~~properties in Midland~~ **assess, identify, and manage risks from cybersecurity threats** that ~~we~~ **may result in material adverse effects** ~~own~~ - **on the confidentiality, integrity, and availability of our information systems. Primary responsibility for executing our cybersecurity program rests with our Vice President of Corporate Strategy and Planning, who has extensive cybersecurity and information technology knowledge and skills gained from over 30 years of related work experience. The Vice President of Corporate Strategy and Planning is responsible for implementing, monitoring and maintaining cybersecurity and data protection practices across our business and reports directly to our Chief Executive Officer. The Vice President of Corporate Strategy and Planning at times attends meetings of the Board to report on any material developments to our risk management practices** , including **our cybersecurity program** ~~a 61, 402 square foot property we use as a field office, equipment and fabrication facility, and maintenance and repair shop, along with a 6, 600 square foot property that we use as an inventory field office and storage facility~~ . ~~We also have additional offices in two other cities in Texas: Houston and Plano. Our Houston sales office is in an 8, 161 square foot facility. Our office in Plano, Texas consists of 5, 181 square feet of office space. We lease a 2, 630 square foot facility in Oklahoma City, Oklahoma as a sales office. We lease a~~ 15 ~~, 020 square foot facility in Calgary, Alberta consisting of office, warehouse and shop space. We believe that our existing facilities are being appropriately utilized in line with past experience and are well maintained, suitable for their intended use, and adequate to meet our current and future operating requirements. Item 3. LEGAL PROCEEDINGSFor a discussion of certain contingencies and legal proceedings affecting the Company, please refer to " Note 16, Commitments and Contingencies " to the Consolidated Financial Statements incorporated by reference herein. Item 4. MINE SAFETY DISCLOSURESNot applicable. 16~~