

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON DECEMBER 17, 1997

REGISTRATION NO. 333-40507

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 2

TO

FORM S-3
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

MITCHAM INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

TEXAS	5008	76-0210849
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

BILLY F. MITCHAM, JR.
POST OFFICE BOX 1175
44000 HIGHWAY 75 SOUTH
HUNTSVILLE, TEXAS 77342
(409) 291-2277

(Name, address, including zip code and telephone number, including
area code, of Registrant's principal executive offices and agent for service)

Copies to:

SABRINA A. MCTOPY
NORTON, JACOBS, KUHN & MCTOPY, L.L.P.
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2300 FIRST CITY TOWER
1001 FANNIN STREET
HOUSTON, TEXAS 77002-6760
(713) 758-2222

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as
practicable after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered
pursuant to dividend or reinvestment plans, please check the following box. []

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

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

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

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

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED(1)	PROPOSED MAXIMUM OFFERING PRICE PER SHARE(2)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(2)	AMOUNT OF REGISTRATION FEE
Common Stock, \$.01 par value ("Common Stock").....	2,093,000	\$21.375	\$44,737,875	\$19,583(3)

- (1) Includes 273,000 shares subject to an option granted to the Underwriters to cover over-allotments, if any.

- (2) Last reported sale price of Common Stock on the Nasdaq National Market on December 16, 1997.

- (3) This amount was paid with the filing of the initial registration statement and the maximum aggregate offering price has been reduced to reflect a decrease in the last reported sale price of the Common Stock since the initial filing.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.
=====

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION, DATED DECEMBER 17, 1997

PROSPECTUS

1,820,000 SHARES

LOGO

COMMON STOCK

Of the shares of common stock, \$.01 par value (the "Common Stock"), offered hereby, 1,800,000 shares are being sold by Mitcham Industries, Inc. (the "Company") and 20,000 shares are being sold by certain selling shareholders (the "Selling Shareholders"). The Company will not receive any of the proceeds from the sale of shares by the Selling Shareholders. The Common Stock is traded on the Nasdaq National Market under the symbol "MIND." On December 16, 1997, the last reported sale price of the Common Stock on the Nasdaq National Market was \$21.375 per share. See "Price Range of Common Stock."

SEE "RISK FACTORS" BEGINNING ON PAGE 7 FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO PUBLIC	UNDERWRITING DISCOUNT(1)	PROCEEDS TO COMPANY(2)	PROCEEDS TO SELLING SHAREHOLDERS
Per Share.....	\$	\$	\$	\$
Total(3).....	\$	\$	\$	\$

- (1) The Company and the Selling Shareholders have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933. See "Underwriting."
- (2) Before deducting expenses payable by the Company estimated to be \$300,000.
- (3) The Company has granted to the Underwriters a 30-day option to purchase up to an additional 273,000 shares of Common Stock on the same terms and conditions as set forth above, solely to cover over-allotments, if any. If such option is exercised in full, the total Price to Public, Underwriting Discount, Proceeds to Company and Proceeds to Selling Shareholders will be \$, \$, \$ and \$, respectively. See "Underwriting."

The shares of Common Stock are being offered by the several Underwriters subject to prior sale, when, as and if issued to and accepted by the Underwriters. The Underwriters reserve the right to reject orders in whole or in part. It is expected that delivery of the shares of Common Stock will be made against payment therefor in New York, New York on or about , 1997.

JEFFERIES & COMPANY, INC.
 RAUSCHER PIERCE REFSNES, INC.
 GAINES, BERLAND INC.

, 1997

[PICTURES OF AN I/O SYSTEM TWO, A SERCEL SYSTEM, EARTH VIBRATORS AND A PELTON VIBRATOR CONTROL SYSTEM.]

THE COMPANY LEASES, ON A SHORT-TERM BASIS, A FULL COMPLEMENT OF EQUIPMENT USED FOR SEISMIC DATA ACQUISITION, INCLUDING INPUT/OUTPUT AND SERCEL DATA ACQUISITION EQUIPMENT, EARTH VIBRATORS AND PELTON VIBRATOR CONTROL ELECTRONICS.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE COMMON STOCK, INCLUDING OVER-ALLOTMENT AND OTHER STABILIZING TRANSACTIONS AND THE IMPOSITION OF PENALTY BIDS. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING."

IN CONNECTION WITH THIS OFFERING, CERTAIN UNDERWRITERS AND SELLING GROUP MEMBERS (IF ANY) OR THEIR RESPECTIVE AFFILIATES MAY ENGAGE IN PASSIVE MARKET MAKING TRANSACTIONS IN THE COMMON STOCK ON THE NASDAQ NATIONAL MARKET IN ACCORDANCE WITH RULE 103 OF REGULATION M. SEE "UNDERWRITING."

PROSPECTUS SUMMARY

The following summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information and Consolidated Financial Statements (including the Notes thereto) appearing elsewhere in this Prospectus and incorporated herein by reference. The term "Company" refers to Mitcham Industries, Inc. and its wholly-owned subsidiary, Mitcham Canada Ltd., an Alberta corporation. Unless otherwise indicated, all financial and share information set forth in this Prospectus assumes no exercise of the Underwriters' over-allotment option.

THE COMPANY

GENERAL

Mitcham Industries, Inc. leases and sells geophysical and other equipment used primarily by seismic service companies in performing seismic data acquisition surveys on land and in transition zones (marsh and shallow water areas). The Company conducts its operations on a worldwide basis and is the leading independent seismic equipment lessor in North and South America. Demand for seismic services has increased significantly in the past several years due to advances in technology and the impact such advances have had on increasing drilling success rates, thereby reducing the overall costs of finding oil and gas. As a result, the Company and many seismic contractors have significantly expanded their seismic equipment fleets. From January 31, 1994 through October 31, 1997, the Company's equipment lease pool, at cost, increased from approximately \$957,000 to \$44.3 million, and the number of advanced seismic data acquisition recording channels in the equipment lease pool increased from 510 channels to 14,538 channels. The Company's sales of new and used seismic equipment have also increased significantly.

The Company owns a variety of technologically advanced equipment acquired from the leading seismic manufacturers. The Company's lease pool includes many types of equipment used in seismic data acquisition, including all components of land and transition zone seismic data acquisition systems, geophones and cables, earth vibrators, peripheral equipment and survey and other equipment. A substantial portion of the Company's lease equipment is provided by two manufacturers, Input/Output, Inc. ("I/O") and the Sercel subsidiaries of Compagnie Generale de Geophysique ("Sercel"). The Company believes that most of the advanced seismic data acquisition systems in use worldwide are either I/O or Sercel systems. In the last two years, the Company has significantly diversified its equipment lease pool. At October 31, 1997, approximately 53% of the Company's equipment lease pool, on a cost basis, consisted of advanced digital recording channels, with the remainder consisting of peripheral and other equipment.

The Company leases its equipment on a short-term basis, generally for three to nine months, to seismic contractors who need additional capacity to complete a seismic survey. In doing so, the Company enables its customers to achieve operating and capital investment efficiencies. Demand for short-term seismic equipment leases is affected by many factors including: (i) the highly variable size and technological demands of individual seismic surveys, (ii) seasonal weather patterns and sporadic demand for seismic services in certain regions, (iii) rapidly changing technology and (iv) costs of seismic equipment. The Company believes these factors allow seismic contractors to use short-term seismic equipment leasing as a cost-effective alternative to purchasing additional equipment. The Company's equipment lease rates vary according to an item's expected useful life, utilization and initial cost. For example, monthly lease rates for seismic recording channel boxes range between 6% and 8% of the original cost of the equipment.

A typical seismic crew uses a wide variety of equipment to perform seismic data acquisition surveys. The Company's customers may lease a small amount of equipment to expand an existing crew's capabilities or a complete seismic data acquisition system to equip an entire crew. The Company believes that it achieves high utilization of its equipment and operational efficiencies due to the large number of equipment items it has available for lease, which provides the flexibility to meet customers' needs. The Company's lease pool utilization for the nine months ended October 31, 1997 was approximately 71%. Due to the varying operating conditions created by seasonal weather patterns, the Company estimates its maximum lease pool utilization is approximately 75-80%.

Certain of the Company's leases contain a purchase option, allowing the customer to apply a portion of the lease payments to the eventual purchase of the equipment. Additionally, the Company sells a broad range of used seismic equipment on a worldwide basis and, in certain markets, acts as a sales representative or distributor for new seismic equipment.

The Company has supply and exclusive lease referral agreements with several leading seismic equipment manufacturers including I/O, Sercel and Pelton Company, Inc. ("Pelton"). The Company believes that these agreements provide it with a significant competitive advantage. Under these agreements, the Company is the exclusive worldwide short-term leasing representative for certain products, except in the case of the I/O Agreement, which limits the Company's exclusivity to the Western Hemisphere. Additional agreements exist with certain of these manufacturers allowing the Company to act as sales representative or distributor for such manufacturer's products in selected markets. These agreements have varying terms and expire in 1998 through 2000, subject to modification or extension.

THE INDUSTRY

Seismic surveys are a principal source of information used by oil and gas companies to identify geological conditions that are favorable for the accumulation of oil and gas and to evaluate the potential for successful drilling, development and production of oil and gas. Seismic technology has been used by the oil and gas industry since the 1920's and has advanced significantly with improvements in computing and electronic technologies. In recent years, the oil and gas industry has significantly expanded its use of 3-D seismic, which provides a more comprehensive subsurface image and is believed to have contributed to improved drilling success rates, particularly in mature oil and gas basins such as those in North America. Additionally, 2-D seismic data continues to be used in many areas where 3-D data acquisition is cost prohibitive or logistical access is limited.

Recent industry advances include the use of high resolution 2-D, three-component geophones ("3C-3D"), which enhance the 3-D image, and time lapse ("4-D") seismic, where surveys are periodically reacquired to allow the monitoring of a producing oil and gas field for optimal production and reserve recovery. These and other technical advances have contributed to increased drilling success rates and reduced oil and gas finding costs and consequently, have increased demand for seismic data acquisition equipment and services.

With the expanded use of seismic technology, particularly 3-D seismic, the size of data acquisition surveys has increased substantially in the past several years. Demand for higher resolution data, larger surveys and more rapid completion of such surveys is requiring seismic acquisition companies to use data acquisition systems with a greater number of seismic recording channels. Additionally, in many areas, such as North America, the size of seismic surveys varies significantly, requiring frequent changes in the configuration of equipment and crews used for seismic surveys. As a result of these advances, seismic survey channel count has increased from smaller 2-D surveys, which typically averaged 120 channels, to larger 3-D surveys which today average approximately 1,500 channels and often use 3,000 or more channels. The Company believes that many seismic service companies will continue to meet changes in equipment needs by leasing incremental equipment to expand crew size as necessary to meet specific survey requirements, and thereby reduce the substantial capital expenditures necessary to purchase such equipment.

BUSINESS STRATEGY

The Company's business strategy is to meet the expanding needs of users of seismic equipment through its leasing and support services. To accomplish this, the Company has identified the following major objectives:

- Enlarge and diversify the seismic equipment lease pool. Due to the increasing demand for seismic services and the expanding size and variability of seismic surveys, the Company intends to continue to increase the size and diversity of its equipment lease pool. The Company believes that the availability of a larger and more diverse seismic equipment lease pool will encourage seismic survey companies to lease, rather than purchase, such equipment, due to the capital and operating efficiencies provided by short-term leases. The Company is also evaluating the feasibility of broadening its equipment lease pool to include certain marine seismic equipment.

- Expand international operations. Historically, the Company's activities outside North America have consisted of equipment sales, with a limited amount of leasing activities. In fiscal 1998, the Company's leasing activities in South America and other international locations have increased significantly. The Company believes that it will be able to expand its international leasing activities as its equipment lease pool expands and as its customers' operations continue to grow in international markets. The Company receives referrals from Sercel and other manufacturers on a worldwide basis. The Company believes that its alliances with manufacturers will help it to further penetrate international markets, where such manufacturers are well-recognized and have well-developed business relationships.
- Develop and enhance alliances with major seismic equipment manufacturers. The Company's alliances with leading seismic equipment manufacturers such as I/O and Sercel allow it to expand its equipment lease pool on favorable terms and increase customer referrals. The Company believes such alliances improve its relations with customers and provide a significant competitive advantage. The Company has exclusive short-term lease agreements with four manufacturers and is seeking to expand the scope of existing alliances, as well as develop additional arrangements.
- Pursue additional business development opportunities. The Company regularly evaluates opportunities to expand its business activities within the oil service industry, particularly in the seismic sector. For example, the Company is evaluating a joint venture with a seismic acquisition company and a seismic data processing company to pursue multi-client seismic activities in selected areas of North America. Multi-client seismic data would be acquired and owned by the joint venture and marketed to numerous oil and gas companies for use in their exploration and production operations.

RECENT DEVELOPMENTS

In October 1997, the Company entered into a non-binding letter of intent to acquire all of the issued and outstanding capital stock of North American Western Data Services, Inc. ("Western Data"), which leases and sells geophysical surveying equipment to companies engaged in the seismic services industry. The total consideration to be paid by the Company is approximately \$3 million, subject to adjustment in certain instances, payable approximately 92% in shares of Common Stock and 8% in cash. No assurance can be given as to whether the acquisition of Western Data will be completed. Consummation of the transaction is subject to satisfactory completion by the Company of its due diligence review, execution of a definitive agreement and other customary conditions.

The Company's principal offices are located at 44000 Highway 75 South, (Post Office Box 1175), Huntsville, Texas, 77342, and its telephone number is (409) 291-2277.

THE OFFERING

Common Stock Offered by the Company.....	1,800,000 Shares
Common Stock Offered by the Selling Shareholders.....	20,000 Shares
Common Stock Outstanding before the Offering(1).....	7,510,759 Shares
Common Stock Outstanding after the Offering(1).....	9,310,759 Shares
Use of Proceeds.....	To purchase additional equipment for the Company's lease pool and for general corporate purposes, including working capital. See "Use of Proceeds."
Nasdaq National Market Symbol.....	MIND

(1) Based on the number of shares of Common Stock outstanding as of October 31, 1997. Does not include (i) 271,880 shares of Common Stock issuable upon the exercise of options granted and an additional 39,000 shares that may be granted in the future under stock option plans and (ii) 394,113 shares of Common Stock issuable upon the exercise of certain warrants. See "Description of Capital Stock and Other Securities."

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL AND OPERATING DATA

The following table sets forth certain historical consolidated financial and operating data of the Company for each of the three fiscal years ended January 31, 1997, which was derived from the Company's consolidated audited financial statements. Also set forth below is selected financial data for the nine months ended and as of October 31, 1996 and 1997, which was derived from the unaudited consolidated financial statements of the Company. In the opinion of management of the Company, the unaudited consolidated financial statements include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the financial data for such period. The results of operations for the nine months ended October 31, 1996 and 1997 are not necessarily indicative of results for a full fiscal year. The data should be read in conjunction with the Consolidated Financial Statements (including the Notes thereto) and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere herein.

	FISCAL YEAR ENDED JANUARY 31,			NINE MONTHS ENDED OCTOBER 31,	
	1995	1996	1997	1996	1997
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS AND CHANNELS)					
STATEMENT OF OPERATIONS DATA:					
Revenues:					
Leases of seismic equipment.....	\$2,424	\$5,157	\$ 8,345	\$ 5,356	\$10,901
Sales of seismic equipment.....	2,860	2,135	6,345	2,007	15,391
Total revenues.....	5,284	7,292	14,690	7,363	26,292
Costs and expenses:					
Seismic equipment subleases.....	245	251	203	111	238
Sales of seismic equipment.....	2,027	1,085	4,197	1,261	12,666
General and administrative.....	924	1,344	1,808	1,199	2,189
Provision for doubtful accounts.....	35	627	1,346	418	709
Depreciation.....	363	1,331	3,112	1,951	3,919
Total costs and expenses.....	3,594	4,638	10,666	4,940	19,721
Operating income.....	1,690	2,654	4,024	2,423	6,571
Interest income (expense), net.....	(209)	(21)	(240)	(170)	232
Other income.....	60	38	367	219	586
Income before income taxes.....	1,541	2,671	4,151	2,472	7,389
Provision for income taxes.....	541	958	1,449	854	2,503
Net income.....	\$1,000	\$1,713	\$ 2,702	\$ 1,618	\$ 4,886
Earnings per share, fully diluted.....	\$ 0.66	\$ 0.50	\$ 0.59	\$ 0.36	\$ 0.66
Weighted average shares outstanding (fully diluted).....	1,514	3,403	4,581	4,489	7,406
OTHER DATA:					
EBITDA (1).....	\$2,113	\$4,023	\$ 7,503	\$ 4,593	\$11,076
Capital expenditures.....	\$4,496	\$5,991	\$15,710	\$ 8,890	\$31,548
Seismic equipment lease pool, at cost (at period end).....	\$5,395	\$9,580	\$21,745	\$18,589	\$44,250
Number of recording channels (at period end).....	2,454	3,702	7,954	6,764	14,538

OCTOBER 31, 1997

	ACTUAL	AS ADJUSTED(2)
(IN THOUSANDS)		

BALANCE SHEET DATA:

Cash and cash equivalents.....	\$ 3,819	\$
Total assets.....	58,108	
Total debt, including current portion.....	--	--
Total shareholders' equity.....	38,954	

(1) EBITDA represents income before interest, taxes, depreciation and amortization. EBITDA is frequently used by securities analysts and is presented here to provide additional information about the Company's operations. EBITDA is not a measurement presented in accordance with generally accepted accounting principles. EBITDA should not be considered in isolation or as a substitute for net income, cash flow provided by operating activities or other income or cash flow data prepared in accordance with generally accepted accounting principles or as a measure of a company's

profitability or liquidity.

- (2) As adjusted to reflect receipt by the Company of estimated net proceeds from the issuance of 1,800,000 shares of Common Stock and the application of such proceeds. See "Use of Proceeds" and "Capitalization."

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The discussion in this Prospectus contains forward-looking statements that involve risks and uncertainties. The Company's actual future results could differ significantly from those discussed herein. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business," as well as those discussed elsewhere in this Prospectus. Statements contained in this Prospectus that are not historical facts are forward-looking statements that are subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995.

RISK FACTORS

In evaluating an investment in the Common Stock being offered hereby, prospective investors should consider carefully, among other things, the following risk factors.

POSSIBLE ADVERSE EFFECT OF VOLATILITY OF OIL AND GAS INDUSTRY AND DEMAND FOR SERVICES

Demand for the Company's services depends upon the level of spending by oil and gas companies for exploration, production and development activities, as well as on the number of crews conducting land and transition zone seismic data acquisition worldwide, and especially in North America. Fluctuations in the price of oil and gas in response to relatively minor changes in the supply and demand for oil and gas continue to have a major effect on these activities and thus, on the demand for the Company's services. Although published industry sources indicate that the number of seismic crews has decreased in the last five years, the Company believes that utilization of 3-D seismic equipment has increased. There can be no assurance of an increased demand for additional 3-D seismic equipment or as to the level of future demand for the Company's services. See "Business."

DEPENDENCE UPON ADDITIONAL LEASE CONTRACTS

The Company's seismic equipment leases typically have a term of three to nine months and provide gross revenues that recover only a portion of the Company's capital investment. The Company's ability to generate lease revenues and profits is dependent upon obtaining additional lease contracts after the termination of an original lease. However, lessees are under no obligation to, and frequently do not, continue to lease seismic equipment after the expiration of a lease. Although the Company has been successful in obtaining additional lease contracts with other lessees after the termination of the original leases, there can be no assurance that it will continue to do so. The Company's failure to obtain additional or extended leases beyond the initial term would have a material adverse effect on its operations and financial condition. See "Business -- Business and Operations."

DEPENDENCE ON KEY PERSONNEL

The Company's success is dependent on, among other things, the services of certain key personnel, including specifically Billy F. Mitcham, Jr., the Chairman of the Board, President and Chief Executive Officer of the Company. Mr. Mitcham's employment agreement has an initial term through January 15, 2002, and is automatically extended on a year-to-year basis until terminated by either party giving 30 days notice prior to the end of the current term (subject to earlier termination upon certain stated events). The agreement prohibits Mr. Mitcham from engaging in any business activities that are competitive with the Company's business and from diverting any of the Company's customers to a competitor, for two years after the termination of his employment. The Company has obtained a \$1.0 million key employee life insurance policy payable to the Company in the event of Mr. Mitcham's death. The loss of the services of Mr. Mitcham could have a material adverse effect on the Company. In particular, the Exclusive Lease Referral Agreement with I/O (the "I/O Agreement") is terminable at such time as Mr. Mitcham is no longer the President of the Company and the Exclusive Equipment Lease Agreement with Sercel is terminable at such time as he is no longer employed by the Company in a senior management capacity. See "Management -- Employment Agreement with Billy F. Mitcham, Jr."

CUSTOMER CONCENTRATION AND CREDIT LOSSES

The Company typically leases and sells significant amounts of seismic equipment to a relatively small number of customers, the composition of which changes from year to year as leases are initiated and concluded and customers' equipment needs vary. Therefore, at any one time, a large portion of the Company's revenues may be derived from a limited number of customers, and its ability to maintain profitability includes risks associated with the creditworthiness and profitability of those customers. In the fiscal years ended January 31, 1995, 1996 and 1997, the single largest customer accounted for approximately 16%, 18% and 15%, respectively, of the Company's total revenues. The termination of any large seismic lease could have a material adverse effect on the Company's operations if the Company does not replace such business on a timely basis. See "Business -- Customers; Sales and Marketing."

TECHNOLOGICAL OBSOLESCENCE

The Company has a substantial capital investment in seismic data acquisition equipment. In addition, under the I/O Agreement, the Company is required to make an additional investment in seismic and other peripheral equipment. The Company believes that the technology represented by the equipment in service and that which it is required to purchase from I/O will not become obsolete prior to the Company's recovery of its initial investment. However, there can be no assurance that manufacturers of seismic equipment will not develop alternative systems that would have competitive advantages over seismic systems now in use, thus having a potentially adverse effect on the Company's ability to profitably lease its existing seismic equipment. In the past, the Company has been successful in avoiding material losses caused by technological obsolescence by selling its older seismic equipment to seismic contractors and other parties. However, there can be no assurance that the Company will be able to sell its older seismic equipment in the future. See "Business -- Key Supplier Agreements."

VULNERABILITY TO WEATHER CONDITIONS AND SEASONAL RESULTS

The first and fourth quarters of the Company's fiscal year have historically accounted for and are expected to continue to account for a greater portion of the Company's revenues than do the second and third quarters of its fiscal year. This seasonality in revenues is primarily due to the increased seismic survey activity in Canada from October through March, which affects the Company due to its significant Canadian operations. This seasonal pattern may cause the Company's results of operations to vary significantly from quarter to quarter. Accordingly, period to period comparisons are not necessarily meaningful and should not be relied on as indicative of future results. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Seasonality" and "Business -- Business and Operations -- Seismic Equipment Leasing."

DEPENDENCE UPON KEY SUPPLIERS

The Company has and relies upon agreements with I/O, Sercel, Pelton, a manufacturer and supplier of vibrator control electronics, and StrucTec Systems, L.L.C. ("StrucTec"), a manufacturer of replacement battery packs and battery chargers, to purchase seismic equipment that the Company leases and sells to its customers and, to a lesser extent, to receive lease referrals. The termination of these agreements for any reason, including any failure by the Company to meet the minimum purchase requirements under the I/O Agreement, could materially adversely affect the Company's business. While the Company does not anticipate any difficulty in obtaining seismic equipment from its suppliers based upon past experience, any such occurrence could have a material adverse effect upon the Company's business, financial condition and results of operations. See "Business -- Key Supplier Agreements."

COMPETITION

Competition in the leasing of seismic equipment is fragmented, and the Company is aware of several companies that engage in seismic equipment leasing. The Company believes that its competitors, in general, do not have as extensive a seismic equipment lease pool as does the Company. The Company also believes

that its competitors do not have similar exclusive lease referral agreements with suppliers. Competition exists to a lesser extent from seismic data acquisition firms that may lease equipment that is temporarily idle. Under the I/O Agreement, I/O and its subsidiary, Global Charter Corporation ("Global") retain the right to continue to (i) lease channel boxes in certain situations where the Company and a prospective lessee cannot or do not enter into a lease, as more fully described in the I/O Agreement, (ii) lease channel boxes with a purchase option in North and South America and (iii) lease channel boxes outside of North and South America.

The Company has several competitors engaged in seismic equipment leasing and sales, including seismic equipment manufacturers, companies providing seismic surveys and oil and gas exploration companies that use seismic equipment, many of which have substantially greater financial resources than the Company. There are also several smaller competitors who, in the aggregate, generate significant revenue from the sale of seismic survey equipment. See "Business -- Key Supplier Agreements."

NO ANTICIPATED DIVIDENDS

The Company has never paid cash dividends on its Common Stock and does not presently anticipate paying any cash dividends on the Common Stock in the foreseeable future. In addition, the loan agreement between the Company and its commercial lender restricts the payment of dividends. See "Dividend Policy."

POSSIBLE ADVERSE EFFECT OF ANTI-TAKEOVER PROVISIONS; ISSUANCE OF PREFERRED STOCK

Certain provisions of the Company's Articles of Incorporation and the Texas Business Corporation Act may tend to delay, defer or prevent a potential unsolicited offer or takeover attempt that is not approved by the Board of Directors that the Company's shareholders might consider to be in their best interest, including an attempt that might result in shareholders receiving a premium over the market price for their shares. Because the Board of Directors is authorized to issue preferred stock with such preferences and rights as it determines, it may afford the holders of any series of preferred stock preferences, rights or voting powers superior to those of the holders of Common Stock. Although the Company has no shares of preferred stock outstanding and no present intention to issue any shares of its preferred stock, there can be no assurance that the Company will not do so in the future. See "Description of Capital Stock and Other Securities."

LIMITATION ON DIRECTORS' LIABILITY

The Company's Articles of Incorporation provide, as permitted by governing Texas law, that a director of the Company shall not be personally liable to the Company or its shareholders for monetary damages for breach of fiduciary duty as a director, with certain exceptions. These provisions may discourage shareholders from bringing suit against a director for breach of fiduciary duty and may reduce the likelihood of derivative litigation brought by shareholders on behalf of the Company against a director. See "Description of Capital Stock and Other Securities -- Limitation on Directors' Liability."

USE OF PROCEEDS

The net proceeds to the Company from the sale of the Common Stock being offered hereby (assuming a public offering price of \$ per share and after deducting underwriting discounts and estimated expenses of the Offering) are estimated to be approximately \$ million, (\$ million if the Underwriters' over-allotment option is exercised in full). The Company will not receive any proceeds from the sale of shares by the Selling Shareholders. Approximately \$ million of the net proceeds will be used to purchase additional seismic equipment for the Company's lease pool which the Company has ordered from manufacturers and for which the Company has obtained future lease commitments. The remaining net proceeds will be used for working capital and other general corporate purposes, including additional equipment purchases, and may be used in a potential investment in a joint venture to conduct multi-client seismic data acquisition activities. See "Business -- Business Strategy." Pending such application of the net proceeds of this Offering, the Company will invest the net proceeds in investment-grade short-term interest-bearing securities.

PRICE RANGE OF COMMON STOCK

The Common Stock is traded on the Nasdaq National Market under the symbol "MIND." Prior to April 26, 1996, the Common Stock was traded on the Nasdaq SmallCap Market.

The following table sets forth, for the periods indicated, the high and low bid prices of the Company's Common Stock as reported on the Nasdaq SmallCap Market and the high and low sales prices as reported on the Nasdaq National Market, as applicable, after April 26, 1996.

	HIGH ----	LOW ---
Fiscal Year Ended January 31, 1996:		
First Quarter.....	\$ 3 1/8	\$ 2 5/16
Second Quarter.....	4	2 5/16
Third Quarter.....	4 3/4	3 5/8
Fourth Quarter.....	5 5/8	3 3/4
Fiscal Year Ended January 31, 1997:		
First Quarter.....	\$ 8	\$ 5 1/8
Second Quarter.....	8	5 3/4
Third Quarter.....	6 1/2	5 3/8
Fourth Quarter.....	9 7/8	5 7/8
Fiscal Year Ended January 31, 1998:		
First Quarter.....	\$ 9 1/4	\$ 6 1/8
Second Quarter.....	15 3/8	6 5/8
Third Quarter.....	29 5/8	14 1/2
Fourth Quarter (through December 16, 1997).....	33 1/8	17 7/8

On December 16, 1997, the last reported sale price for the Common Stock on the Nasdaq National Market was \$21.375. As of October 31, 1997, there were 86 shareholders of record of the Common Stock.

DIVIDEND POLICY

The Company has not paid any cash dividends on the Common Stock since its inception, and the Board of Directors does not contemplate the payment of cash dividends in the foreseeable future. It is the present policy of the Board of Directors to retain earnings, if any, for use in developing and expanding the Company's business. In addition, the Company's bank loan agreement restricts the payment of dividends. In the future, payment of dividends by the Company will also depend on the Company's financial condition, results of operations and such other factors as the Board of Directors may consider. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

CAPITALIZATION

The following table sets forth the capitalization of the Company at October 31, 1997 and as adjusted to reflect the sale by the Company of 1,800,000 shares of Common Stock and the application of the estimated net proceeds therefrom, as described under "Use of Proceeds." This table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's Consolidated Financial Statements and Notes thereto that are included elsewhere in this Prospectus.

	OCTOBER 31, 1997	
	ACTUAL	AS ADJUSTED
	(IN THOUSANDS)	
Long-term debt, including current portion.....	\$ --	\$ --
Shareholders' equity:		
Preferred stock, \$1.00 par value; 1,000,000 shares authorized; none issued and outstanding.....	--	--
Common stock, \$.01 par value; 20,000,000 shares authorized; 7,510,759 shares issued and outstanding and 9,310,759 shares as adjusted(1).....	75	93
Additional paid-in capital.....	27,607	
Retained earnings.....	11,264	11,264
Cumulative translation adjustment.....	8	8
Total shareholders' equity.....	38,954	
Total capitalization.....	\$38,954	\$

(1) Does not include (i) 271,880 shares of Common Stock issuable upon the exercise of options granted and an additional 39,000 shares that may be granted in the future under stock option plans and (ii) 394,113 shares of Common Stock issuable upon the exercise of certain warrants. See "Description of Capital Stock and Other Securities."

SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth certain historical financial and operating data of the Company for each of the five fiscal years ended and as of January 31, 1997, which was derived from the Company's audited consolidated financial statements. Also set forth below is selected financial data for the nine months ended and as of October 31, 1996 and 1997, which was derived from the unaudited consolidated financial statements of the Company. In the opinion of management of the Company, the unaudited consolidated financial statements include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the financial data for such period. The results of operations for the nine months ended October 31, 1996 and 1997 are not necessarily indicative of results for a full fiscal year. The data should be read in conjunction with the Consolidated Financial Statements (including the Notes thereto) and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere herein.

	FISCAL YEAR ENDED JANUARY 31,					NINE MONTHS ENDED OCTOBER 31,	
	1993	1994	1995	1996	1997	1996	1997
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS AND CHANNELS)						
STATEMENT OF OPERATIONS DATA:							
Revenues:							
Leases of seismic equipment.....	\$1,266	\$1,601	\$2,424	\$ 5,157	\$ 8,345	\$ 5,356	\$10,901
Sales of seismic equipment.....	1,156	2,926	2,860	2,135	6,345	2,007	15,391
Total revenues.....	2,422	4,527	5,284	7,292	14,690	7,363	26,292
Costs and expenses:							
Seismic equipment subleases.....	915	896	245	251	203	111	238
Sales of seismic equipment.....	796	1,772	2,027	1,085	4,197	1,261	12,666
General and administrative.....	655	655	924	1,344	1,808	1,199	2,189
Provision for doubtful accounts.....	--	38	35	627	1,346	418	709
Depreciation.....	29	62	363	1,331	3,112	1,951	3,919
Total costs and expenses.....	2,395	3,423	3,594	4,638	10,666	4,940	19,721
Operating income.....	27	1,104	1,690	2,654	4,024	2,423	6,571
Interest income (expense), net.....	(4)	(16)	(209)	(21)	(240)	(170)	232
Other income.....	19	20	60	38	367	219	586
Income before income taxes.....	42	1,108	1,541	2,671	4,151	2,472	7,389
Provision for income taxes.....	7	405	541	958	1,449	854	2,503
Net income.....	\$ 35	\$ 703	\$1,000	\$ 1,713	\$ 2,702	\$ 1,618	\$ 4,886
Earnings per share, fully diluted.....	\$ 0.03	\$ 0.51	\$ 0.66	\$ 0.50	\$ 0.59	\$ 0.36	\$ 0.66
Weighted average shares outstanding (fully diluted).....	1,380	1,380	1,514	3,403	4,581	4,489	7,406
OTHER DATA:							
EBITDA(1).....	\$ 75	\$1,186	\$2,113	\$ 4,023	\$ 7,503	\$ 4,593	\$11,076
Capital expenditures.....	\$ 28	\$ 900	\$4,496	\$ 5,991	\$15,710	\$ 8,890	\$31,548
Seismic equipment lease pool, at cost (at period end).....	\$ 82	\$ 957	\$5,395	\$ 9,580	\$21,745	\$18,589	\$44,250
Number of recording channels (at period end).....	--	510	2,454	3,702	7,954	6,764	14,538

	JANUARY 31,					OCTOBER 31,	
	1993	1994	1995	1996	1997	1996	1997
	(IN THOUSANDS)						
BALANCE SHEET DATA:							
Cash and cash equivalents.....	\$ 127	\$ 639	\$ 874	\$ 637	\$ 301	\$ 3,330	\$ 3,819
Total assets.....	15	2,427	8,199	12,239	24,293	23,252	58,108
Total debt, including current portion.....	60	635	690	2,020	4,611	3,848	--
Total shareholders' equity.....	274	977	6,176	8,048	15,242	13,736	38,954

(1) EBITDA represents income before interest, taxes, depreciation and amortization. EBITDA is frequently used by securities analysts and is presented here to provide additional information about the Company's operations. EBITDA is not a measurement presented in accordance with generally accepted accounting principles. EBITDA should not be considered in isolation or as a substitute for net income, cash flow provided by operating activities or other income or cash flow data prepared in accordance with generally accepted accounting principles or as a measure of a company's profitability or liquidity.

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

The following discussion is intended to assist in understanding the Company's historical financial position at January 31, 1995, 1996 and 1997, and October 31, 1997, and results of operations and cash flows for each of the three years in the period ended January 31, 1997 and the unaudited nine-month periods ended October 31, 1996 and 1997. The Company's consolidated historical financial statements and notes thereto included elsewhere in this Prospectus contain detailed financial information that should be referred to in conjunction with the following discussion.

OVERVIEW

The Company leases and sells seismic equipment primarily to seismic data acquisition companies and oil and gas companies conducting land and transition zone seismic surveys worldwide. The Company provides short-term leasing of seismic equipment to meet a customer's requirements and offers maintenance and support during the lease term. All leases at October 31, 1997 were for a term of one year or less. Seismic equipment held for lease is carried at cost, net of accumulated depreciation.

For the years ended January 31, 1995, 1996 and 1997, revenues from foreign customers totaled \$1.8 million, \$3.8 million and \$6.8 million, respectively. While most of the Company's transactions with foreign customers are denominated in United States dollars, some of the Company's transactions with Canadian customers are denominated in Canadian dollars. The Company has not been subject to material gains or losses resulting from currency fluctuations and has not engaged in currency hedging activities.

SEASONALITY

Historically, seismic equipment leasing has been susceptible to weather patterns in certain geographic regions. There is some seasonality to the Company's lease revenues from customers operating in Canada, where a significant percentage of the seismic survey activity occurs in the winter months, from October through March. During the months in which the weather is warmer, certain areas are not accessible to trucks, earth vibrators and other heavy equipment because of the unstable terrain. This seasonal leasing activity by the Company's Canadian customers has historically resulted in increased lease revenues in the Company's first and fourth fiscal quarters. See "Business -- Business and Operations -- Seismic Equipment Leasing."

RESULTS OF OPERATIONS

Nine Months Ended October 31, 1997 Compared with Nine Months Ended October 31, 1996

Revenues of \$26.3 million for the nine months ended October 31, 1997 increased 257% over revenues of \$7.4 million for the same prior year period. Leasing services generated revenues of \$10.9 million for the nine months ended October 31, 1997, a \$5.5 million, or 104% increase, compared to leasing revenues for the same prior year period. This increase reflected additions to the equipment lease pool throughout fiscal 1997 and the first three quarters of fiscal 1998. Seismic equipment sales for the nine months ended October 31, 1997 were \$15.4 million, an increase of \$13.4 million, or 667%, from \$2.0 million for the same prior year period. The increase in sales was due primarily to the exercise of lease purchase option contracts in the period totaling \$12.0 million.

The Company's sublease costs increased by \$127,000, or 114%, and depreciation, which related primarily to equipment available for lease, increased by \$2.0 million, or 101%, due to the increase in the equipment lease pool, resulting in an increase in net leasing revenues of \$3.5 million.

Gross margins on seismic equipment sales were 18% and 37% for the nine months ended October 31, 1997 and 1996, respectively. Gross margins decreased substantially in the nine months ended October 31, 1997 because the Company sold primarily newer equipment when customers exercised purchase options on leased equipment that had only recently been purchased and added to the Company's equipment lease pool. In

the same prior year period and in the past, the Company sold primarily older, fully depreciated equipment, yielding significantly greater margins.

General and administrative expenses increased \$990,000, or 83%, for the nine months ended October 31, 1997, as compared to the same prior year period. Although general and administrative expenses increased due in part to increased personnel costs and costs associated with the office in Canada, general and administrative expenses decreased as a percentage of total revenues from 16% to 8% between the two periods.

The Company's provision for doubtful accounts expense increased to \$709,000 for the nine months ended October 31, 1997 from \$418,000 in the same prior year period. The increase was a result of additional provisions for the allowance account in connection with the bankruptcy filing of one of the Company's customers, Grant Geophysical, Inc. ("Grant"). The provision for doubtful accounts expense was 3% of total revenues in the nine months ended October 31, 1997, as compared to 6% of total revenues in the same prior year period. As of October 31, 1997, the Company's allowance for doubtful accounts was \$891,000. See "--Liquidity and Capital Resources."

Net income for the nine months ended October 31, 1997 was \$4.9 million, which increased by \$3.3 million, or 202%, as compared to the same prior year period.

Fiscal Year Ended January 31, 1997 Compared with Fiscal Year Ended January 31, 1996

Revenues for fiscal 1997 of \$14.7 million represented an increase of \$7.4 million, or 101%, over fiscal 1996 revenues of \$7.3 million. Leasing services generated revenues of \$8.3 million for fiscal 1997, an increase of \$3.2 million, or 62%, as compared to \$5.2 million for fiscal 1996. This increase reflected additions to the equipment lease pool throughout fiscal 1997 to meet lease demand. Seismic equipment sales for fiscal 1997 were \$6.3 million, an increase of \$4.2 million, or 197%, as compared to \$2.1 for fiscal 1996. The increase in sales was due primarily to the exercise of various lease purchase options throughout the year totaling \$3.5 million.

The Company's sublease costs decreased by \$48,000, or 19%, and depreciation, which related primarily to equipment available for lease, increased by \$1.8 million, or 134%, due to the increase in the equipment lease pool, resulting in an increase in net leasing revenues of \$1.5 million.

Gross margins on seismic equipment sales were 34% and 49% for fiscal 1997 and 1996, respectively. Gross margins decreased substantially in the fiscal year ended January 31, 1997 because the Company sold primarily newer equipment when customers exercised purchase options on leased equipment that had only recently been purchased and added to the Company's equipment lease pool. In the same prior year period and in the past, the Company sold primarily older, fully depreciated equipment, yielding significantly greater margins.

General and administrative expenses increased \$464,000, or 35%, in fiscal 1997 as compared to fiscal 1996 and were 12% and 18% of total revenues for fiscal 1997 and 1996, respectively. This decrease in general and administrative expenses as a percentage of total revenues was the result of overhead expenses remaining relatively constant as revenues increased, offset in part by increases in legal and accounting expenses associated with being a public company.

The Company's provision for doubtful accounts expense increased from \$627,000 in fiscal 1996 to \$1.3 million in fiscal 1997. The increase was a result of additional provisions for the allowance account. Of the increase, approximately \$500,000 was attributable to the bankruptcy filing of Grant. The provision for doubtful accounts expense was 9% of total revenues in fiscal 1997 and fiscal 1996. As of January 31, 1997, the Company's allowance for doubtful accounts was \$1.5 million. See "-- Liquidity and Capital Resources."

Net income for fiscal 1997 was \$2.7 million, which increased by \$989,000, or 58%, as compared to fiscal 1996.

Fiscal Year Ended January 31, 1996 Compared with Fiscal Year Ended January 31, 1995

Revenues for fiscal 1996 of \$7.3 million represented an increase of \$2.0 million, or 38%, over fiscal 1995 revenues of \$5.3 million. Leasing services generated revenues of \$5.2 million for fiscal 1996, an increase of \$2.7 million, or 113%, as compared to fiscal 1995. The majority of this increase was attributable to additions of lease pool equipment throughout fiscal 1996 to meet lease demand. Seismic equipment sales for the year ended January 31, 1996 were \$2.1 million, a decrease of \$725,000, or 25%, from fiscal 1995.

The Company's sublease costs increased by \$6,000, or 2%, and depreciation, which related primarily to equipment available for lease, increased by \$968,000, or 267%, due to the increase in the equipment lease pool, resulting in an increase in net leasing revenues of \$1.8 million.

Gross margins on seismic equipment sales were 49% and 29% for fiscal 1996 and 1995, respectively. The margin for fiscal 1996 was significantly higher because of a few high-margin transactions related to older more fully-depreciated equipment.

General and administrative expenses increased \$420,000, or 45%, in fiscal 1996 as compared to fiscal 1995 and were 18% and 17% of total revenues for fiscal 1996 and 1995, respectively. The increase was due primarily to increased personnel costs and higher legal and accounting expenses associated with being a public company.

The Company's provision for doubtful accounts expense increased from \$35,000 in fiscal 1995 to \$627,000 in fiscal 1996. The increase reflected the write-off of amounts due from a leasing customer which became severely past due and were ultimately settled for \$272,000 less than the amounts owed, and additional allowances provided for amounts due from a second leasing customer with an outstanding receivable of \$459,000 at January 31, 1996, the majority of which was past due at that date. The latter outstanding receivable was ultimately collected in full. The provision for doubtful accounts expense was 9% of total revenues in fiscal 1996 as compared to 1% of total revenues in fiscal 1995. As of January 31, 1996, the Company's allowance for doubtful accounts was \$347,000.

Net income for fiscal 1996 was \$1.7 million, which increased by \$713,000, or 71%, as compared to fiscal 1995.

LIQUIDITY AND CAPITAL RESOURCES

As of October 31, 1997, the Company had net working capital of approximately \$2.0 million and \$5.0 million of availability under its bank credit facilities. Net cash provided by operating activities for the nine months ended October 31, 1997 decreased by \$374,000, as compared to the same prior year period, primarily as a result of an increase in trade accounts receivable. At October 31, 1997, the Company had trade accounts receivable of \$2.9 million that were more than 90 days past due, with four customers owing an aggregate of \$1.5 million of such amount. As of such date, the Company's allowance for doubtful accounts was \$891,000. In addition, at such date, the Company had receivables due from one customer of approximately \$539,000, \$449,000 of which was more than 12 months past due.

Grant's plan of reorganization was approved by the bankruptcy court on September 30, 1997. As of October 31, 1997, the Company had received payments from Grant totaling \$1.2 million, which represents final settlement on the amounts owed the Company representing post-bankruptcy petition claims of approximately \$1.6 million. The Company expects to collect one-half of pre-bankruptcy petition claims, which total approximately \$755,000, prior to fiscal year end. All of the approximately \$750,000 that will not be collected from Grant has been written off. The Company is currently leasing seismic equipment to Grant.

During March 1997, the Company completed a public offering of 3,450,000 shares of Common Stock, of which 2,875,000 shares were sold by the Company and 575,000 shares were sold by selling shareholders. The net proceeds to the Company from the offering (after deducting underwriting discounts and commissions and expenses of the offering) were approximately \$18.2 million. The net proceeds were used to purchase additional 3-D seismic data acquisition equipment, to pay outstanding debt to its commercial lender under a revolving line of credit and a term loan and for certain other purposes.

Prior to December 8, 1997, the Company had a \$5.0 million line of credit with Bank One, Texas, N.A. ("Bank One"). At October 31, 1997, the Company had not drawn any amounts under that line of credit. As of December 8, 1997, the Company replaced the previous line of credit with a working capital revolving line of credit of up to \$15 million from Bank One (the "New Revolver"). Interest on advances under the New Revolver will be payable monthly at a variable rate which is based upon either, at the Company's option, LIBOR or Bank One's base lending rate. The LIBOR rate, if elected, will range between LIBOR plus 1.75% and LIBOR plus 2.75% depending upon the debt service coverage ratio the Company maintains. Similarly, the Bank One base lending rate, if elected, will range between the base rate minus 0.25% and the base rate plus 0.25%, again depending upon the Company's debt service coverage ratio. Additionally, the Company will owe Bank One each fiscal quarter a fee equal of 0.25% of the average daily unused portion of the New Revolver calculated for the previous quarter. Advances will be limited to the total of 80% of eligible accounts receivable and 50% of all eligible lease pool equipment. The New Revolver contains restrictions, among others, on the ability of the Company to incur indebtedness and pay dividends and requires the Company to meet certain financial covenants, including a minimum tangible net worth, a debt service coverage ratio, aging of accounts receivable and net income. The New Revolver will expire on December 8, 1999, at which time the unpaid principal amount of the New Revolver will be due and payable in full.

As of October 31, 1997, capital expenditures for fiscal 1998 totaled approximately \$31.5 million. The Company has budgeted capital expenditures of \$18.3 million for the remainder of fiscal 1998 and approximately \$25 million for fiscal 1999. Included in these budgeted amounts is approximately \$27 million of seismic equipment which the Company has ordered from manufacturers and for which the Company has obtained future lease commitments. At October 31, 1997, the Company had satisfied or exceeded the minimum purchase requirements for the period ended May 1998 under the I/O Agreement, and had exceeded the minimum purchase requirements under its Exclusive Equipment Lease Agreement with Sercel. The remaining \$4.7 million of seismic equipment required to be purchased under the I/O Agreement through May 2000 is included in the Company's fiscal 1998 and 1999 budgeted capital expenditures. See "Business -- Key Supplier Agreements." Management believes that the net proceeds of this Offering, cash provided by operations and funds available from its commercial lender will be sufficient to fund its operations and budgeted capital expenditures for the remainder of fiscal 1998 and 1999.

BUSINESS

GENERAL

Mitcham Industries, Inc. leases and sells geophysical and other equipment used primarily by seismic service companies in performing seismic data acquisition surveys on land and in transition zones (marsh and shallow water areas). The Company conducts its operations on a worldwide basis and is the leading independent seismic equipment lessor in North and South America. Demand for seismic services has increased significantly in the past several years due to advances in technology and the impact such advances have had on increasing drilling success rates, thereby reducing the overall costs of finding oil and gas. As a result, the Company and many seismic contractors have significantly expanded their seismic equipment fleets. From January 31, 1994 through October 31, 1997, the Company's equipment lease pool, at cost, increased from approximately \$957,000 to \$44.3 million, and the number of advanced seismic data acquisition recording channels in the equipment lease pool increased from 510 channels to 14,538 channels. The Company's sales of new and used seismic equipment have also increased significantly.

The Company owns a variety of technologically advanced equipment acquired from the leading seismic manufacturers. The Company's lease pool includes many types of equipment used in seismic data acquisition, including all components of land and transition zone seismic data acquisition systems, geophones and cables, earth vibrators, peripheral equipment and survey and other equipment. A substantial portion of the Company's lease equipment is provided by two manufacturers, Input/Output, Inc. and the Sercel subsidiaries of Compagnie Generale de Geophysique. The Company believes that most of the advanced seismic data acquisition systems in use worldwide are either I/O or Sercel systems. In the last two years, the Company has significantly diversified its equipment lease pool. At October 31, 1997, approximately 53% of the Company's equipment lease pool, on a cost basis, consisted of advanced digital recording channels, with the remainder consisting of peripheral and other equipment.

The Company leases its equipment on a short-term basis, generally for three to nine months, to seismic contractors who need additional capacity to complete a seismic survey. In doing so, the Company enables its customers to achieve operating and capital investment efficiencies. Demand for short-term seismic equipment leases is affected by many factors including: (i) the highly variable size and technological demands of individual seismic surveys, (ii) seasonal weather patterns and sporadic demand for seismic services in certain regions, (iii) rapidly changing technology and (iv) costs of seismic equipment. The Company believes these factors allow seismic contractors to use short-term seismic equipment leasing as a cost-effective alternative to purchasing additional equipment. The Company's equipment lease rates vary according to an item's expected useful life, utilization and initial cost. For example, monthly lease rates for seismic recording channel boxes range between 6% and 8% of the original cost of the equipment.

A typical seismic crew uses a wide variety of equipment to perform seismic data acquisition surveys. The Company's customers may lease a small amount of equipment to expand an existing crew's capabilities or a complete seismic data acquisition system to equip an entire crew. The Company believes that it achieves high utilization of its equipment and operational efficiencies due to the large number of equipment items it has available for lease, which provides the flexibility to meet customers' needs. The Company's lease pool utilization for the nine months ended October 31, 1997 was approximately 71%. Due to the varying operating conditions created by seasonal weather patterns, the Company estimates its maximum lease pool utilization is approximately 75-80%.

Certain of the Company's leases contain a purchase option, allowing the customer to apply a portion of the lease payments to the eventual purchase of the equipment. Additionally, the Company sells a broad range of used seismic equipment on a worldwide basis and, in certain markets, acts as a sales representative or distributor for new seismic equipment.

The Company has supply and exclusive lease referral agreements with several leading seismic equipment manufacturers including I/O, Sercel and Pelton. The Company believes that these agreements provide it with a significant competitive advantage. Under these agreements, the Company is the exclusive worldwide short-term leasing representative for certain products, except in the case of the I/O Agreement, which limits the

Company's exclusivity to the Western Hemisphere. Additional agreements exist with certain of these manufacturers allowing the Company to act as sales representative or distributor for such manufacturer's products in selected markets. These agreements have varying terms and expire in 1998 through 2000, subject to modification or extension. See "-- Key Supplier Agreements."

BUSINESS STRATEGY

The Company's business strategy is to meet the expanding needs of users of seismic equipment through its leasing and support services. To accomplish this, the Company has identified the following major objectives:

- Enlarge and diversify the seismic equipment lease pool. Due to the increasing demand for seismic services and the expanding size and variability of seismic surveys, the Company intends to continue to increase the size and diversity of its equipment lease pool. The Company believes that the availability of a larger and more diverse seismic equipment lease pool will encourage seismic survey companies to lease, rather than purchase, such equipment, due to the capital and operating efficiencies provided by short-term leases. The Company is also evaluating the feasibility of broadening its equipment lease pool to include certain marine seismic equipment.
- Expand international operations. Historically, the Company's activities outside North America have consisted of equipment sales, with a limited amount of leasing activities. In fiscal 1998, the Company's leasing activities in South America and other international locations have increased significantly. The Company believes that it will be able to expand its international leasing activities as its equipment lease pool expands and as its customers' operations continue to grow in international markets. The Company receives referrals from Sercel and other manufacturers on a worldwide basis. The Company believes that its alliances with manufacturers will help it to further penetrate international markets, where such manufacturers are well-recognized and have well-developed business relationships.
- Develop and enhance alliances with major seismic equipment manufacturers. The Company's alliances with leading seismic equipment manufacturers such as I/O and Sercel allow it to expand its equipment lease pool on favorable terms and increase customer referrals. The Company believes such alliances improve its relations with customers and provide a significant competitive advantage. The Company has exclusive short-term lease agreements with four manufacturers and is seeking to expand the scope of existing alliances, as well as develop additional arrangements.
- Pursue additional business development opportunities. The Company regularly evaluates opportunities to expand its business activities within the oil service industry, particularly in the seismic sector. For example, the Company is evaluating a joint venture with a seismic acquisition company and a seismic data processing company to pursue multi-client seismic activities in selected areas of North America. Multi-client seismic data would be acquired and owned by the joint venture and marketed to numerous oil and gas companies for use in their exploration and production operations.

SEISMIC TECHNOLOGY AND THE INDUSTRY

Seismic surveys are a principal source of information used by oil and gas companies to identify geological conditions that are favorable for the accumulation of oil and gas and to evaluate the potential for successful drilling, development and production of oil and gas. Seismic technology has been used by the oil and gas industry since the 1920's and has advanced significantly with improvements in computing and electronic technologies. In recent years, the oil and gas industry has significantly expanded its use of 3-D seismic which provides a more comprehensive subsurface image and is believed to have contributed to improved drilling success rates, particularly in mature oil and gas basins such as those in North America. Additionally, 2-D seismic data continues to be used in many areas where 3-D data acquisition is cost prohibitive or logistical access is limited.

Oil and gas exploration companies utilize seismic data generated from the use of digital seismic systems and peripheral equipment in determining optimal locations for drilling oil and gas wells, in the development of oil and gas reserves, and in reservoir management for the production of oil and gas. A complete digital seismic

data acquisition system generally consists of (i) a central electronics unit that records and stores digital data ("CEU"), (ii) seismic recording channel boxes that contain from one to six seismic channels ("channel boxes"), (iii) geophones, or seismic sensors, (iv) energy sources including dynamite, compressed air guns or earth vibrators that create the necessary acoustic wave to be recorded and (v) other peripheral, or accessory, equipment. Peripheral equipment includes geophysical cables that transmit digital seismic data from the channel boxes to the CEU, survey equipment, drilling equipment for shot holes and other equipment.

In seismic data acquisition, an acoustic wave is discharged at or below the earth's surface through the discharge of compressed air, the detonation of small explosive charges or the use of vibrators. As the acoustic wave travels through the earth, portions are reflected by variations in the underlying rock layers and the reflected energy is captured by the geophones, which are situated at intervals along paths from the point of acoustical impulse. The resulting signals are then transmitted to the channel boxes, which convert the reflected energy wave from analog to digital data and transmit this data via cable to the CEU. The CEU stores the seismic data on magnetic tape for processing. The digital data is then input into a specialized seismic processing system that uses sophisticated computer software programs to enhance the recorded signal and produce an image of the subsurface strata. By interpreting seismic data, oil and gas exploration companies create detailed maps of exploration prospects and oil and gas reservoirs.

In the past, the 2-D seismic survey was the standard data acquisition technique used to describe geologic formations over a broad area. 2-D seismic data can be visualized as a single vertical plane of subsurface information. Data gathered from a 3-D seismic survey is best visualized as a cube of information that can be sliced into numerous planes, providing different views of a geologic structure with much higher resolution than is available with traditional 2-D seismic survey techniques. 3-D seismic surveys require much larger data acquisition systems. By using a greater number of channels and flexible configuration, 3-D seismic data provides more extensive and detailed information regarding the subsurface geology than does 2-D data. As a result, 3-D data allows the geophysicists interpreting the data to more closely select the optimal location of a prospective drillsite or oil and gas reservoir.

In the exploration and development process, oil and gas companies establish requirements for seismic data acquisition programs based on their technical objectives. Because of the expense associated with drilling oil and gas wells, decisions whether or where to drill are critical to the overall process. Because 3-D seismic data increase drilling success rates and reduce costs, the Company believes that oil and gas companies are increasingly requiring 3-D seismic surveys in their activities. As a result of the increasing requirements for this higher resolution data, which in turn requires additional channels to collect and transmit the data, seismic data acquisition systems have been expanding in size during the past several years.

Recent industry advances include the use of high resolution 2-D, three-component geophones ("3C-3D"), which enhance the 3-D image, and time lapse ("4-D") seismic, where surveys are periodically reacquired to allow the monitoring of a producing oil and gas field for optimal production and reserve recovery. These and other technical advances have contributed to increased drilling success rates and reduced oil and gas finding costs and consequently, have increased demand for seismic data acquisition equipment and services.

With the expanded use of seismic technology, particularly 3-D seismic, the size of data acquisition surveys has increased substantially in the past several years. Demand for higher resolution data, larger surveys and more rapid completion of such surveys is requiring seismic acquisition companies to use data acquisition systems with a greater number of seismic recording channels. Additionally, in many areas, such as North America, the size of seismic surveys varies significantly, requiring frequent changes in the configuration of equipment and crews used for seismic surveys. As a result of these advances, seismic survey channel count has increased from smaller 2-D surveys, which typically averaged 120 channels, to larger 3-D surveys which today average approximately 1,500 channels and often use 3,000 or more channels. The Company believes that many seismic service companies will continue to meet changes in equipment needs by leasing incremental equipment to expand crew size as necessary to meet specific survey requirements, and thereby reduce the substantial capital expenditures necessary to purchase such equipment.

BUSINESS AND OPERATIONS

Seismic Equipment Leasing. The Company typically purchases new and used seismic equipment for short-term (less than one year) lease to its customers, which primarily include seismic service companies. After the termination of the original equipment lease, the Company enters into additional short-term leases with other customers, often leasing such equipment multiple times until the end of its useful life or its sale. The Company's equipment leasing services generally include the lease of the various components of seismic data acquisition systems and related equipment to meet a customer's job specifications. Such specifications frequently vary as to the number of required recording channels, geophones, energy sources (e.g., earth vibrators) and other equipment. The Company's customers generally lease seismic equipment to meet shortages of recording channels and related equipment for specific surveys. Typically, the Company does not lease all of the channel boxes and other peripheral equipment required for seismic surveys, although it has the capability to lease equipment for an entire seismic system and, from time to time, will do so.

The Company currently has an equipment lease pool comprising a total of approximately 14,500 seismic recording channels (each channel being capable of electronically converting seismic data from analog to digital format and transmitting the digital data), geophones and cables, earth vibrators, peripheral equipment and survey and other equipment. All of the Company's lease pool equipment is manufactured by leading seismic equipment manufacturers and is widely used in the seismic industry.

The Company's equipment leases generally have terms of three to nine months and are typically renewable on a month-to-month basis. The Company offers maintenance of its leased equipment during the lease term for malfunctions due to failure of material and parts and will provide replacement equipment as necessary. In addition, the Company provides telephone support services to answer its lease customers' questions.

The Company's equipment lease rates vary according to an item's expected useful life, utilization and initial cost. For example, monthly lease rates for seismic recording channel boxes range between 6% and 8% of the original cost of the equipment. Lease payments are due and payable on the first day of each month of the lease term. The lessee must also obtain and keep in force insurance for the replacement value of the equipment and a specified minimum amount of general liability and casualty insurance on the leased equipment during the term of the lease. Before equipment is delivered, the lessee must provide certification that the Company has been named an additional insured and loss payee on its policies. The lessee is responsible for all maintenance and repairs of leased equipment other than those arising from normal wear and tear. All taxes (other than U.S. federal income taxes) and assessments are the contractual obligation of the lessee. To the extent foreign taxes are not paid by the lessee, the relevant foreign taxing authority might seek to collect such taxes from the Company. To date, no such collection action has been taken against the Company.

A majority of the Company's leasing revenues have historically come from North American operations. Within North America, a significant portion of the Company's total revenues are attributable to Canadian operations. Management believes that the United States and Canada will continue to be the focal points of the Company's seismic equipment leasing operations for the foreseeable future, although the Company is pursuing an expanded presence in other international locations such as South America and the Far East.

Historically, seismic equipment leasing has been susceptible to weather patterns in certain geographic regions. There is some seasonality to the Company's lease operations in Canada, where a significant percentage of the seismic survey activity usually occurs in the winter season, from October through March. During the months in which the weather is warmer, certain areas are not accessible to trucks, earth vibrators and other heavy equipment because of the unstable terrain. In the United States, most of the seismic survey work is not usually affected by weather. As a result of weather conditions, the Company attempts to manage its equipment lease pool to meet seasonal demands. Equipment leased in Canada during the winter months may be moved to the United States in the warmer months.

Seismic Equipment Sales. The Company's equipment sales business serves a diverse base of industry, governmental, university and research customers. The Company typically buys used equipment for resale and new equipment in response to specific customer orders. On occasion, the Company will also hold equipment of third parties and sell such equipment on consignment.

KEY SUPPLIER AGREEMENTS

The I/O Agreement

Under the I/O Agreement, which was originally entered into in February 1994, the Company is the exclusive third-party recipient of requests from I/O customers and others to lease, on a short-term basis, channel boxes and certain peripheral equipment in North and South America through May 31, 2000. The Company may also acquire certain equipment from I/O at favorable prices based upon the volume of channel boxes purchased. Subject to certain exceptions, I/O may not recommend or suggest any competitor of the Company as a potential lessor of I/O channel boxes in North and South America. As a manufacturer of complete data acquisition systems that are compatible only with I/O channel boxes, I/O typically receives inquiries to lease I/O channel boxes from customers desiring to expand the capacities of their systems on a short-term basis.

A condition of the I/O Agreement is that the Company must purchase an aggregate of \$13.25 million of I/O 3-D channel boxes on or before May 31, 2000 in the following stated installments: (i) by November 30, 1996, at least \$3.0 million, (ii) from January 1, 1997 through May 31, 1997, at least \$1.25 million and (iii) in each of the years from June 1, 1997 through May 31, 1998, June 1 through May 31, 1999, and June 1, 1999 through May 31, 2000, at least \$3.0 million. As of October 31, 1997, the Company had purchased I/O equipment totaling \$8.6 million under the I/O Agreement, thereby exceeding its purchase requirements through May 1998.

Under the I/O Agreement, I/O must inform the Company by telephone, facsimile or letter of the identity of the third party prospective lessee and the terms, if any, that have been discussed regarding a proposed lease. The Company may then contact the prospective lessee and negotiate the terms of a proposed lease of channel boxes. If the Company (i) is unable to lease the channel boxes due to a shortage in its lease fleet, (ii) cannot agree with a prospective lessee on the terms of a proposed lease within 72 hours of the lessee's introduction to the Company or (iii) otherwise chooses not to lease to a prospective lessee, then I/O may lease channel boxes to the prospective lessee. I/O has indicated that the 72-hour time period may be extended as long as the Company and a prospective lessee are engaged in good faith negotiations and neither of them has terminated such negotiations.

Leases of channel boxes with purchase options are specifically excluded from the I/O Agreement. Therefore, I/O may continue to enter into leases with purchase options in North and South America during the term of the I/O Agreement. I/O may also continue to sell channel boxes during the term of the I/O Agreement.

The Company primarily purchases new channel boxes from I/O, but from time to time purchases channel boxes from I/O's existing lease fleet. All of the new channel boxes purchased from I/O have a warranty which covers, with certain exceptions, defects in workmanship for six months and defects in materials and parts for 12 months. Used channel boxes acquired from I/O's existing lease fleet will be refurbished by I/O and have a warranty which covers, with certain exceptions, defects in workmanship for three months.

The I/O Agreement is subject to termination by I/O upon the occurrence of (i) the Company's failure to comply with the terms of the I/O Agreement after having received written notice of its non-compliance, (ii) the Company's discontinuance as a going concern, (iii) the Company's default in the payment of any obligations to I/O after having received notice that payment is due, (iv) the Company's insolvency or bankruptcy, (v) Billy F. Mitcham, Jr. no longer owning at least 250,000 shares of Common Stock of the Company, (vi) Billy F. Mitcham, Jr. no longer remaining as the President of the Company, (vii) any transfer

of the I/O agreement by merger, consolidation, or liquidation or (viii) the Company's assignment, or attempted assignment of its rights under the agreement.

The Sercel Lease Agreement

In September 1996, the Company entered into the Exclusive Equipment Lease Agreement with Sercel (the "Sercel Lease Agreement"), under which the Company acts as Sercel's exclusive worldwide short-term leasing representative and Sercel must refer to the Company all requests it receives (other than requests from its affiliates) to lease its 3-D data acquisition equipment and other field equipment, through December 31, 1999. Subject to the exceptions discussed below, Sercel may not recommend or suggest any competitor of the Company as a potential lessor of such data acquisition equipment. In addition, the Company may not engage in financing leases and leases for a duration of more than one year.

A condition of the Sercel Lease Agreement is that the Company purchase an aggregate of \$10.2 million of Sercel data acquisition and other field equipment on or before December 31, 1999. At October 31, 1997, the Company had exceeded its purchase requirements under the Sercel Lease Agreement.

Sercel must inform the Company of the identity of the third party prospective lessee and the terms, if any, that have been discussed regarding a proposed lease. If the Company either (i) is unable to lease the Sercel equipment due to a shortage in its lease fleet, (ii) cannot agree with a prospective lessee on the terms of a proposed lease within five business days of the lessee's introduction to the Company or (iii) otherwise chooses not to lease to a prospective lessee, then Sercel may lease its equipment to the prospective lessee.

The agreement is subject to termination by Sercel (i) at any time upon (a) Sercel's reasonable belief that the Company has violated or intends to violate the Foreign Corrupt Practices Act of 1977, as amended, (b) the Company's refusal or inability to certify that it is in compliance with laws applicable to its activities or (c) the Company's insolvency, voluntary or involuntary bankruptcy, assignment for the benefit of creditors or discontinuance as a going concern and (ii) upon 90 days prior written notice if the Company no longer employs Billy F. Mitcham, Jr. in a senior management capacity.

The Sercel Sales Agreement

Through Mitcham Canada Ltd., the Company's wholly-owned subsidiary formed in September 1996, the Company entered into the Commercial Representation Agreement (the "Sercel Sales Agreement") with Georex, Inc. ("Georex"), a wholly-owned subsidiary of Sercel, under which the Company is Sercel's designated sales representative in Canada for its data acquisition and other field equipment through September 19, 1999, subject to earlier termination after September 20, 1998, on 90 days prior notice. If not sooner terminated, the agreement will automatically be extended for successive one-year periods after September 19, 1999. Under the agreement, the Company is entitled to receive a commission on all Sercel equipment and spare parts sold in Canada.

In November 1996, in connection with the Sercel Sales Agreement and the Sercel Lease Agreement, the Company established an office in Calgary, Alberta, Canada to sell, service and lease Sercel equipment and to lease and service equipment of other manufacturers. The Company is prohibited from selling certain seismic equipment that competes with Sercel equipment during the term of the agreement and for six months thereafter, except that the Company may sell individual components that compete with components of Sercel equipment, such as I/O channel boxes and Pelton vibrator control electronics, as well as any seismic equipment previously used in its lease fleet.

The Sercel Sales Agreement is subject to termination by Georex upon (i) Georex's reasonable belief that the Company has violated or intends to violate the Foreign Corrupt Practices Act of 1977, as amended, (ii) the Company's refusal or inability to certify that it is in compliance with laws applicable to its activities or (iii) the Company's insolvency, voluntary or involuntary bankruptcy, assignment for the benefit of creditors or discontinuance as a going concern.

Other Agreements

In May 1996, the Company entered into an exclusive lease referral agreement (the "Pelton Agreement") with Pelton. The Company believes Pelton is the leading manufacturer and supplier of vibrator control electronics. The terms of the Pelton Agreement regarding exclusive lease referrals and favorable prices are substantially similar to those of the I/O Agreement, except that the Company has the exclusive referral rights with respect to Pelton's vibrator control electronics worldwide, through December 31, 1998. Thereafter, such agreement is automatically extended until terminated by either party upon three months prior written notice.

In October 1997, the Company entered into the Exclusive Lease Representative and Distributor Agreement with StrucTec (the "StrucTec Agreement"), which manufactures and distributes replacement batteries and battery packs for seismic data acquisition equipment of several manufacturers. Under the StrucTec Agreement, through October 29, 1999, the Company is the exclusive worldwide short-term leasing representative and distributor of replacement batteries, battery packs and certain other peripheral equipment manufactured by StrucTec. The Company is also the exclusive worldwide distributor of StrucTec products, except that StrucTec may continue to sell its products to seismic equipment manufacturers.

The Company is also engaged in discussions with other seismic equipment manufacturers regarding terms pursuant to which the Company would act as an exclusive lease or sales representative with respect to their equipment.

CUSTOMERS; SALES AND MARKETING

The Company's major lease customers are seismic data acquisition companies and major and independent oil and gas companies. The Company typically has a small number of lease customers, the composition of which changes yearly as leases are negotiated and concluded and equipment needs vary. As of October 31, 1997, the Company had 26 lease customers with active leases of various lengths. Customers of the Company's used and new seismic equipment sales and service business include its lease customers, foreign governments, universities, engineering firms and research organizations worldwide.

The Company participates in both domestic and international trade shows and exhibitions to inform the oil and gas industry of its products and services. In addition to advertising in major geophysical trade journals, direct advertising in the form of a biannual listing of equipment offerings is mailed to over 3,000 oil and gas industry participants. The Company believes this mailing generates significant seismic equipment lease and sales revenues. In addition, the Company advertises its alliances with each of I/O, Sercel and Pelton in several major geophysical trade journals. The Company also maintains a web site on which it lists its seismic equipment for sale and lease.

The Company works with a network of representatives in several international markets, including Europe, the Far East and the Commonwealth of Independent States. These agents generate equipment sales and, to a lesser extent, equipment leasing business for the Company and are compensated on a commission basis. The Company also expends resources in the areas of customer service, product support and the maintenance of customer relationships. In November 1996, the Company established an office in Calgary, Alberta, Canada from which it leases and sells seismic equipment.

COMPETITION

Competition in seismic equipment leasing is fragmented, and the Company is aware of several companies that engage in seismic equipment leasing. The Company believes that its competitors, in general, do not have as extensive a seismic equipment lease pool as does the Company. The Company also believes that its competitors do not have similar exclusive lease referral agreements with suppliers. Competition exists to a lesser extent from seismic data acquisition firms that may lease equipment that is temporarily idle. Under the I/O Agreement, I/O and its subsidiary, Global Charter Corporation, retain the right to continue to (i) lease channel boxes in certain situations where the Company and a prospective lessee cannot or do not enter into a lease, as more fully described in the I/O Agreement, (ii) lease channel boxes with a purchase option in North and South America and (iii) lease channel boxes outside of North and South America. Global owns and

operates a lease fleet of rental seismic equipment, including 3-D channel boxes. Global leases seismic equipment subject to purchase options and arranges the financing for such leases. The Company does not believe those equipment leases compete with the Company's seismic equipment leases, as the Company does not typically engage in lease/purchase arrangements for I/O seismic equipment. See "Risk Factors -- Competition."

The Company competes for seismic equipment leases on the basis of (i) price and delivery, (ii) availability of both peripheral seismic equipment and complete data acquisition systems which may be configured to meet a customer's particular needs and (iii) length of lease term. The Company competes in the used equipment sales market with a broad base of seismic equipment owners, including seismic service companies which use and eventually dispose of seismic equipment, many of which have substantially greater financial resources than the Company. The Company believes there is one competitor in the used seismic equipment sales business that generates comparable revenues from such sales, as well as numerous, smaller competitors who, in the aggregate, generate significant revenue from such sales.

SUPPLIERS

The Company has several suppliers of seismic equipment for its lease fleet. The Company currently acquires the majority of the 3-D channel boxes for its lease fleet from I/O and Sercel and acquires the majority of its vibrator control electronics from Pelton. The Company believes that I/O and Sercel manufacture most of the land-based seismic systems and equipment in use. Other suppliers of peripheral seismic equipment include OYO Geospace Corporation (geophones, cables and seismic cameras), Charge-Air Compression Systems (compressors), Steward Cable (cables), Trace Exploration (seismic vibrators), Mark Products (geophones and cables) and Mertz, Inc. (seismic vibrators). From time to time, the Company purchases new and used peripheral seismic equipment from various other manufacturers. Management believes that its current relationships with its suppliers are satisfactory.

EMPLOYEES

As of October 31, 1997, the Company had 26 employees, none of whom is covered by a collective bargaining agreement. Twenty employees are involved in sales, management and administration and six work in field operations. The Company considers its employee relations to be satisfactory.

PROPERTIES

The Company owns its corporate office and warehouse facilities in Huntsville, Texas. Its headquarters facility consists of 25,000 square feet of office and warehouse space on approximately six acres. The Company also leases approximately 10,000 square feet of office and warehouse space at its facilities in Calgary, Alberta, Canada.

LEGAL PROCEEDINGS

The Company is not a party to any legal proceedings.

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth certain information with respect to the directors and executive officers of the Company:

NAME ----	AGE ---	POSITION -----
Billy F. Mitcham, Jr.....	49	Chairman of the Board of Directors, President and Chief Executive Officer
Paul C. Mitcham.....	33	Vice President -- Operations and Director
William J. Sheppard.....	49	Vice President -- International Operations and Director
Roberto Rios.....	39	Vice President -- Finance, Secretary, Treasurer and Director
Gordon M. Greve.....	62	Director
Randal Dean Lewis.....	54	Director
John F. Schwalbe.....	53	Director

Billy F. Mitcham, Jr. has been Chairman of the Board of Directors, President and Chief Executive Officer of the Company since its founding in 1987. He has more than 20 years of experience in the geophysical industry. From 1979 to 1987, he served in various management capacities with Mitcham Associates, Inc., a seismic equipment leasing company. From 1975 to 1979, Mr. Mitcham served in various capacities with Halliburton Services, an oilfield services company.

Paul C. Mitcham is Vice President -- Operations and a director of the Company and has been employed by the Company in various management positions since 1989. Prior to 1989, he worked in various field positions in the geophysical industry. Paul C. Mitcham is the brother of Billy F. Mitcham, Jr.

William J. Sheppard was elected Vice President -- International Operations and a director of the Company in 1994. Mr. Sheppard has more than 25 years of experience in the geophysical industry. From 1987 until 1994, Mr. Sheppard was the President of Alberta Supply Company, a Canadian seismic equipment sales and services company.

Roberto Rios was elected Vice President -- Finance, Secretary and Treasurer and a director of the Company in 1994. From 1990 through 1994, Mr. Rios held several senior-level positions, including Vice President and General Manager, with ADV0, Incorporated, a publicly-traded nationwide direct mail distribution company. From 1980 through 1989, he held several financial positions, including Controller, of The Shoppers' Guide, a company that produces a direct mail advertising guide and that is a subsidiary of Harte-Hanks Communications, Inc., a multimedia company. Mr. Rios is a Certified Public Accountant and a member of the American Institute of Certified Public Accountants.

Gordon M. Greve was elected a director of the Company in 1995. He held various management positions with Amoco Corporation from 1977 through 1994 and has more than 30 years of experience in the geophysical industry. With Amoco, he served as the Acting Vice President of Exploration Technology and Services from February through September 1994. He was manager of exploration from 1991 through 1994 and a manager in geophysics from 1986 to 1991. Mr. Greve served as the President of the Society of Exploration Geophysicists for the 1995-1996 term.

Randal Dean Lewis was elected a director of the Company in 1995. Mr. Lewis is the interim Dean of the Business School at Sam Houston State University and he has served in this capacity since 1995. From 1987 to 1995, Mr. Lewis was the Associate Dean and Professor of Marketing at Sam Houston State University. Prior to 1987, Mr. Lewis held a number of executive positions in the banking and finance industries.

John F. Schwalbe was elected a director of the Company in 1994. Mr. Schwalbe has been a Certified Public Accountant in private practice since 1978, with primary emphasis on tax planning, consultation and compliance.

EMPLOYMENT AGREEMENT WITH BILLY F. MITCHAM, JR.

Billy F. Mitcham, Jr.'s employment agreement with the Company is for a term of five years, beginning January 15, 1997, which term is automatically extended for successive one-year periods unless either party gives written notice of termination at least 30 days prior to the end of the current term. The agreement provides for an annual salary of \$150,000 and a bonus at the discretion of the Board of Directors. It may be terminated prior to the end of the initial term or any extension thereof if Mr. Mitcham dies; if it is determined that Mr. Mitcham has become disabled (as defined); if Mr. Mitcham gives three months prior notice of resignation; if the Company's Board of Directors gives Mr. Mitcham notice of termination "without cause"; or if the Board of Directors determines that Mr. Mitcham has breached the employment agreement in any material respect, has appropriated a material business opportunity of the Company or has engaged in fraud or dishonesty with respect to the Company's business or is convicted of or indicted for any felony criminal offense or any crime punishable by imprisonment. If Mr. Mitcham terminates his employment within 60 days following (i) a material reduction in his duties and responsibilities (without his consent) or (ii) a reduction in, or failure by the Company to pay when due, any portion of his salary, he will be entitled to payments equal to \$450,000, payable ratably over the 24 months following such termination. For a period of two years after the termination of the agreement, Mr. Mitcham is prohibited from engaging in any business activities that are competitive with the Company's business and from diverting any of the Company's customers to a competitor. The Company has no employment agreements with any of its other executive officers. See "Risk Factors -- Dependence on Key Personnel."

CERTAIN TRANSACTIONS AND RELATIONSHIPS

Effective September 20, 1993, the Company and Billy F. Mitcham, Jr. entered into a Voting Agreement (the "Voting Agreement") with Billy F. Mitcham, Sr., Paul C. Mitcham and two trusts established for the benefit of Mr. Mitcham, Jr.'s sons. Under the Voting Agreement, the holders of shares subject thereto have agreed that Mr. Mitcham, Jr. has the authority to vote an additional 279,490 shares of Common Stock. Mr. Mitcham, Jr. has voting control of an aggregate of 534,490 shares, or 7.1%, of Common Stock, as of October 31, 1997, and will have voting control of an aggregate of 484,490 shares, or 5.2%, after the Offering. The Voting Agreement will terminate on the earlier of the agreement of the parties, the transfer by the parties of their shares or the expiration of 25 years. See "Principal and Selling Shareholders."

Since April 1994, the Company has engaged Billy F. Mitcham, Sr. under a consulting agreement. Mr. Mitcham, Sr. has been involved in the energy industry since 1952 and was formerly the owner and the President of Mitcham Associates, Inc., which was previously engaged in the leasing and sale of seismic equipment. Mr. Mitcham, Sr. has served as an industry expert and consultant for the Company since 1987. The agreement calls for monthly payments to Mr. Mitcham, Sr. of \$5,500. The Company paid Mr. Mitcham, Sr. a total of \$66,000 under the agreement in fiscal 1997. The consulting agreement prohibits Mr. Mitcham, Sr. from providing consulting services to, and from contacting or soliciting in an effort to provide services to, any competitor of the Company for two years after the termination of his engagement. The current term of the agreement expires January 31, 1999, subject to earlier termination on the occurrence of certain stated events, and is renewable for successive one-year terms at the Company's option. The Company believes Mr. Mitcham, Sr. could successfully compete with the Company, given his contacts and extensive knowledge of the seismic leasing industry. For the above reasons, the Company believes the terms of Mr. Mitcham, Sr.'s consulting agreement are no less favorable than could be obtained from an unaffiliated third party with similar experience.

PRINCIPAL AND SELLING SHAREHOLDERS

The following table sets forth certain information with respect to beneficial ownership of Common Stock as of October 31, 1997 by (i) each of the Company's directors; (ii) each Selling Shareholder; (iii) each person who is known by the Company to own beneficially more than 5% of the Common Stock; and (iv) all executive officers and directors as a group.

NAME AND ADDRESS OF BENEFICIAL OWNER(1)	SHARES OWNED BEFORE OFFERING		NUMBER OF SHARES OFFERED	SHARES OWNED AFTER OFFERING	
	NUMBER	PERCENT		NUMBER	PERCENT
Billy F. Mitcham, Jr.....	676,062(2)	8.8%	20,000(3)	626,062	6.6%
Paul C. Mitcham.....	129,430(4)	1.7%	--	129,430	1.4%
Billy F. Mitcham III Trust.....	45,981(5)	*	10,000	35,981	*
Benjamin R. Mitcham Trust.....	45,981(5)	*	10,000	35,981	*
Roberto Rios.....	34,422(6)	*	--	34,422	*
William J. Sheppard.....	32,422(7)	*	--	32,422	*
Gordon M. Greve.....	2,000(8)	*	--	2,000	*
387 Horse Thief Lane Durango, Colorado 81301					
Randal Dean Lewis.....	1,000(8)	*	--	1,000	*
College of Business Administration P. O. Box 2056 Sam Houston State University Huntsville, Texas 77341					
John F. Schwalbe.....	3,000(8)	*	--	3,000	*
10700 Richmond Avenue #219 Houston, Texas 77042					
All executive officers and directors as a group (7 persons).....	748,906(9)	10%	20,000(3)	728,906	7.7%
FMR Corp.....	446,500(10)	5.9%	--	446,500	4.8%
82 Devonshire Street Boston, Massachusetts 02109					
Wellington Management Company, LLP.....	385,000(11)	5.1%	--	385,000	4.1%
75 State Street Boston, Massachusetts 02109					

* Less than 1%

(1) The business address of each shareholder is the same as the address of the Company's principal executive offices, unless otherwise indicated.

(2) Includes an aggregate of 279,490 shares of Common Stock owned by Billy F. Mitcham, Sr. (115,040 shares), Paul C. Mitcham (89,930 shares) and two trusts established for the benefit of Mr. Mitcham, Jr.'s sons (74,520 shares), and as to which shares Mr. Mitcham, Jr. has the right to vote under the Voting Agreement. Also includes shares underlying currently exercisable options to purchase an aggregate of 141,572 shares of Common Stock, as follows: Billy F. Mitcham, Jr. (38,880 shares), Billy F. Mitcham, Sr. (45,750 shares), Paul C. Mitcham (39,500 shares) and the two trusts (17,442 shares).

(3) Represents the shares being sold by the indicated Selling Shareholders, as to which Billy F. Mitcham, Jr. has the right to vote under the Voting Agreement.

(4) Includes shares underlying currently exercisable options to purchase 39,500 shares.

(5) Includes shares underlying currently exercisable warrants to purchase 8,721 shares.

- (6) Includes shares underlying currently exercisable options to purchase 30,000 shares and a currently exercisable warrant to purchase 2,422 shares.
- (7) Represents shares underlying currently exercisable options and warrants.
- (8) Represents shares underlying currently exercisable options.
- (9) Includes shares underlying currently exercisable options and warrants to purchase an aggregate of 212,416 shares of Common Stock, as follows: the 141,572 shares referred in footnote (2) above, Roberto Rios (32,422 shares), William J. Sheppard (32,422 shares), Gordon M. Greve (2,000 shares), Randal Dean Lewis (1,000 shares) and John F. Schwalbe (3,000 shares).
- (10) Based solely on information contained in a Schedule 13G, dated February 14, 1997, filed by FMR Corp. with the Securities and Exchange Commission (the "Commission").
- (11) Based solely upon information contained in a Schedule 13G, dated February 12, 1997, filed by Wellington Management Company, LLP with the Commission.

DESCRIPTION OF CAPITAL STOCK AND OTHER SECURITIES

The authorized capital stock of the Company consists of 20,000,000 shares of Common Stock, par value \$.01 per share, and 1,000,000 shares of Preferred Stock, par value \$1.00 per share. As of October 31, 1997, there were outstanding 7,510,759 shares of Common Stock, no shares of Preferred Stock, options to purchase up to 271,880 shares of Common Stock, and warrants to purchase up to 394,113 shares of Common Stock. Upon completion of this Offering, there will be 9,310,759 issued and outstanding shares of Common Stock.

The following description of the Company's capital stock and other securities and selected provisions of its Amended and Restated Articles of Incorporation (the "Amended Articles") and Restated Bylaws is a summary and is qualified in its entirety by the Company's Amended Articles and Restated Bylaws, copies of which have been filed with the Commission.

COMMON STOCK

Holders of the Common Stock are entitled to one vote per share for the election of directors and other corporate matters. Holders of Common Stock are not entitled to cumulative voting rights in connection with the election of directors. Therefore, the holders of a majority of the shares voting for the election of directors may elect all the directors. The Amended Articles permit actions to be taken by the shareholders of the Company without a meeting, by written consent, including a written consent signed by less than all of the shareholders of the Company. Section 9.10A of the Texas Business Corporation Act ("TBCA") requires that prompt notice of the taking of any action by shareholders without a meeting by less than unanimous written consent be given to all shareholders who did not consent in writing to the action.

Subject to the rights of any outstanding shares of Preferred Stock, the holders of Common Stock are entitled to dividends in such amounts and at such times as may be declared by the Board of Directors of the Company out of funds legally available therefor. Upon liquidation or dissolution, holders of the Common Stock are entitled to share ratably in all assets remaining available for distribution to them after payment or provision for all liabilities and any preferential rights of any Preferred Stock then outstanding. The Common Stock carries no preemptive rights. All outstanding shares of Common Stock are, and the shares of Common Stock to be sold by the Company in the Offering will be, upon payment therefor as contemplated herein, validly issued, fully paid and nonassessable securities of the Company.

WARRANTS

As of October 31, 1997, there were outstanding warrants to acquire an aggregate of 394,113 shares of Common Stock at exercise prices from \$3.50 to \$28.12 per share, at a weighted average price of \$8.75 per share, expiring on various dates through October 28, 2002.

The warrants contain provisions providing for appropriate adjustment in the event of any merger, consolidation, recapitalization, reclassification, stock dividend, stock split or similar transaction. The warrants contain net issuance provisions permitting the holder thereof to elect to exercise the warrants in whole or in part and instruct the Company to withhold from the shares issuable upon exercise a number of shares, valued at the current fair market value on the date of exercise, to pay the exercise price. Such net exercise provision has the effect of requiring the Company to issue shares of Common Stock without a corresponding increase in capital. A net exercise of the warrants will have the same dilutive effect on the interests of the Company's shareholders as will a cash exercise.

OPTIONS

As of October 31, 1997, there were outstanding options to acquire an aggregate of 271,880 shares of Common Stock, 204,130 of which are currently exercisable. Such options were exercisable at prices ranging from \$2.88 per share to \$22 per share, at a weighted average exercise price of \$7.88 per share, expiring on various dates through October 3, 2007.

PREFERRED STOCK

The Board of Directors of the Company is empowered, without approval of the Company's shareholders, to cause shares of Preferred Stock to be issued in one or more series and to establish the number of shares to be included in each such series and the designations, preferences, limitations and relative rights, including voting rights, of the shares of any series. Because the Board of Directors has the power to establish the preferences and rights of each series, it may afford the holders of any series of Preferred Stock preferences, powers and rights, voting or otherwise, senior to the rights of holders of Common Stock. This includes, among other things, voting rights, conversion privileges, dividend rates, redemption rights, sinking fund provisions and liquidation rights which shall be superior to the Common Stock. The issuance of shares of Preferred Stock could have the effect of delaying or preventing a change in control of the Company. No shares of Preferred Stock will be outstanding at the consummation of this Offering, and the Board of Directors has no current plans to issue any shares of Preferred Stock.

BUSINESS COMBINATION LAW

The Company is subject to Part Thirteen of the TBCA, known as the "Business Combination Law." The Business Combination Law prohibits certain mergers, sales of assets, reclassifications and other transactions between shareholders beneficially owning 20% or more of the outstanding stock of an "issuing public corporation" (such shareholders being defined as affiliated shareholders) for a period of three years following the affiliated shareholder acquiring shares representing 20% or more of the corporation's voting power, unless two-thirds of the unaffiliated shareholders approve the transactions at a meeting held no earlier than six months after the shareholder acquires that ownership. However, the provisions requiring such a vote of shareholders will not apply to any transaction with an affiliated shareholder if the transaction or the purchase of shares by the affiliated shareholder is approved by the board of directors before the affiliated shareholder acquires beneficial ownership of 20% of the shares or if the affiliated shareholder was an affiliated shareholder prior to December 31, 1996, and continued as such through the date of the transaction.

An "issuing public corporation" is defined as a corporation organized under the laws of Texas that has: (i) 100 or more shareholders, (ii) any class or series of its voting shares registered under the Exchange Act of 1934, as amended, or similar or successor statute or (iii) any class or series of its voting shares qualified for trading in a national market system. The Business Combination Law also contains an opt-out provision that allows a corporation to elect out of the statute by adopting a by-law or charter amendment prior to December 31, 1997, but the Company does not intend to do so.

Under certain circumstances, the Business Combination Law makes it more difficult for an affiliated shareholder to effect various business combinations with a corporation for a three-year period. The provisions of the Business Corporation Law may encourage companies interested in acquiring the Company to negotiate in advance with the Board of Directors of the Company, since the shareholder approval requirement would be avoided if a majority of the directors then approve, before the shareholder becomes an affiliated shareholder, either the business combination or the transaction that results in the shareholder becoming an affiliated shareholder.

LIMITATION ON DIRECTORS' LIABILITY

The Amended Articles limit the liability of the Company's directors to the Company or its shareholders (in their capacity as directors but not in their capacity as officers) to the fullest extent permitted by Texas law. Specifically, directors of the Company will not be personally liable for monetary damages for an act or omission in the director's capacity as a director except for liability (i) for any breach of the director's duty of loyalty to the Company or its shareholders, (ii) for acts or omissions not in good faith that constitute a breach of duty of the director to the Company or that involve intentional misconduct or a knowing violation of law, (iii) for any transaction from which the director derived an improper personal benefit or (iv) an act or omission for which the liability of the director is expressly provided for by an applicable statute.

The inclusion in the Company's Amended Articles of the limitation of the personal liability of the Company's directors to the Company may have the effect of reducing the likelihood of derivative litigation

against those directors, and may deter shareholders or management from bringing a lawsuit against those directors for breach of their duty of care, even though such an action, if successful, might otherwise have benefitted the Company and its shareholders.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Stock is North American Transfer Co. Its address is 147 West Merrick Road, Freeport, New York 11520.

UNDERWRITING

Subject to the terms and conditions set forth in the Underwriting Agreement, the Company and the Selling Shareholders have agreed to sell to the Underwriters named below (the "Underwriters"), for whom Jefferies & Company, Inc., Rauscher Pierce Refsnes, Inc. and Gaines, Berland Inc. are acting as representatives (the "Representatives"), and the Underwriters have severally agreed to purchase the number of shares of Common Stock set forth opposite their respective names in the table below at the public offering price less the underwriting discount set forth on the cover page of this Prospectus:

UNDERWRITER -----	NUMBER OF SHARES -----
Jefferies & Company, Inc.....	
Rauscher Pierce Refsnes, Inc.....	
Gaines, Berland Inc.....	
Total.....	----- 1,820,000 =====

The Underwriting Agreement provides that the obligation of the Underwriters to purchase the shares of Common Stock is subject to certain conditions. The Underwriters are committed to purchase all of the shares of Common Stock offered (other than those covered by the over-allotment option described below), if any are purchased.

The Underwriters propose to offer the Common Stock to the public initially at the public offering price set forth on the cover page of this Prospectus and to certain dealers at such price less a concession not in excess of \$ per share. The Underwriters may allow, and such dealers may reallow, a discount not in excess of \$0.10 per share to certain other dealers. After the public offering of Common Stock, the public offering price and concessions to selected dealers and the reallowance to other dealers may be changed by the Representatives.

The Company has granted the Underwriters an option, exercisable for 30 days from the date of this Prospectus, to purchase up to 273,000 additional shares of Common Stock at the public offering price, less the underwriting discount. To the extent such option is exercised, each Underwriter will become obligated, subject to certain conditions, to purchase additional shares of Common Stock proportionate to such Underwriter's initial commitment as indicated in the preceding table. The Underwriters may exercise such right of purchase only for the purpose of covering over-allotments, if any, made in connection with the shares of Common Stock.

The Company, the directors and executive officers of the Company and the Selling Shareholders have agreed not to offer for sale, sell or otherwise dispose of any shares for Common Stock, or any securities convertible into or exchangeable for shares of Common Stock, for a period of 180 days from the date of this Prospectus, without the prior written consent of Jefferies & Company, Inc.

The Representatives have informed the Company and the Selling Shareholders that they do not expect the Underwriters to confirm sales of shares of Common Stock offered by this Prospectus to any accounts over which they exercise discretionary authority.

The Representatives have advised the Company that, pursuant to Regulation M under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), certain persons participating in the Offering may engage in transactions, including stabilizing bids, syndicate covering transactions or the imposition of penalty bids, which may have the effect of stabilizing or maintaining the market price of the Common Stock at a level above that which might otherwise prevail in the open market. A "stabilizing bid" is a bid for or the purchase of the Common Stock on behalf of the Underwriters for the purpose of fixing or maintaining the price of the Common Stock. A "syndicate covering transaction" is the bid for or the purchase of the Common Stock on behalf of the Underwriters to reduce a short position incurred by the Underwriters in connection with the

Offering. A "penalty bid" is an arrangement permitting the Representatives to reclaim the selling concession otherwise accruing to an Underwriter or syndicate member in connection with the Offering if the Common Stock originally sold by such Underwriter or syndicate member is purchased by the Representatives in a syndicate covering transaction and has therefore not been effectively placed by such Underwriter or syndicate member. The Representatives have advised the Company that such transactions may be effected on the Nasdaq National Market or otherwise and, if commenced, may be discontinued at any time.

In connection with the Offering, certain Underwriters and selling group members (if any) who are qualified market makers on The Nasdaq Stock Market may engage in passive market making transactions in the Common Stock on The Nasdaq Stock Market in accordance with Rule 103 of Regulation M during the business day prior to the pricing of the Offering before the commencement of offers or sales of the Common Stock. Passive market makers must comply with applicable volume and price limitations and must be identified as such. In general, a passive market maker must display its bid at a price not in excess of the highest independent bid for such security, if all independent bids are lowered below the market maker's bid, however, such bid must then be lowered when certain purchase limits are exceeded.

The Company and the Selling Shareholders have agreed to indemnify the Underwriters against certain civil liabilities that may be incurred in connection with the Offering, including liabilities under the Securities Act of 1933 (the "Securities Act"), or to contribute to payments the Underwriters may be required to make in respect thereof.

LEGAL MATTERS

Certain legal matters with respect to the Common Stock offered hereby will be passed upon for the Company by Norton, Jacobs, Kuhn & McTopy, L.L.P. and for the Underwriters by Vinson & Elkins L.L.P., Houston, Texas. Carl L. Norton owns 16,000 shares of Common Stock. The Norton Family Trust, of which Carl L. Norton is a beneficiary, and Sabrina A. McTopy own warrants to acquire an additional aggregate of 118,230 shares of Common Stock. Carl L. Norton and Sabrina A. McTopy are partners in Norton, Jacobs, Kuhn & McTopy, L.L.P.

EXPERTS

The Consolidated Financial Statements of the Company as of January 31, 1996 and 1997 and for each of the years in the three-year period ended January 31, 1997 included in this Prospectus have been audited by Hein + Associates LLP, independent certified public accountants, as set forth in their report appearing elsewhere herein, and is included herein in reliance upon such report and upon the authority of such firm as experts in accounting and auditing.

AVAILABLE INFORMATION

The Company has filed with the Commission a Registration Statement on Form S-3 under the Securities Act with respect to the Common Stock offered by this Prospectus. This Prospectus does not contain all of the information set forth in such Registration Statement, certain parts of which were omitted in accordance with the rules and regulations of the Commission. For further information with respect to the Company and to the securities offered hereby, reference is made to such Registration Statement, including the exhibits thereto. Statements contained in this Prospectus as to the contents of any contract or other document are not necessarily complete, and in each instance reference is made to the copy of such contract or other document filed as an exhibit to the Registration Statement, each such statement being qualified in all respects by such reference.

The Company is subject to the informational requirements of the Exchange Act and in accordance therewith files periodic reports, proxy and information statements and other information filed with the Commission. Reports, proxy statements, and other information filed by the Company with the Commission are available at the web site that the Commission maintains at <http://www.sec.gov>. and can be inspected and

copied at the public reference facilities maintained by the Commission at its principal offices at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington D.C. 20549 and at the regional offices of the Commission located at 7 World Trade Center, New York, New York, 10048, and the Chicago Regional Office, Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material may also be obtained from the Public Reference Section of the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. The Common Stock is quoted on the Nasdaq National Market and such reports, proxy and information statements and other information concerning the Company are available at the offices of the Nasdaq National Market located at 1735 K Street, N.W., Washington, D.C. 20006.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents filed with the Commission by the Company are incorporated herein by reference:

- (1) The Company's Annual Report on Form 10-KSB for the year ended January 31, 1997;
- (2) The Company's Quarterly Report on Form 10-QSB for the quarter ended April 30, 1997;
- (3) The Company's Quarterly Report on Form 10-QSB/A for the quarter ended July 31, 1997;
- (4) The Company's Quarterly Report on Form 10-QSB for the quarter ended October 31, 1997;
- (5) The Company's Current Report on Form 8-K, dated February 24, 1997;
- (6) The Company's Proxy Statement, dated May 12, 1997, for the Company's 1997 Annual Meeting of Shareholders; and
- (7) The description of the Common Stock contained in the Company's Registration Statement on Form 8-A, effective December 19, 1994.

All documents filed by the Company pursuant to Section 13(a), 13(c), 14, or 15(d) of the Exchange Act after the date of this Prospectus and prior to the termination of this Offering shall be deemed to be incorporated by reference herein and to be a part hereof from the date of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

THE COMPANY WILL PROVIDE WITHOUT CHARGE TO EACH PERSON TO WHOM A COPY OF THIS PROSPECTUS IS DELIVERED, UPON THE WRITTEN OR ORAL REQUEST BY SUCH PERSON, A COPY OF ANY OR ALL OF THE FOREGOING DOCUMENTS INCORPORATED HEREIN BY REFERENCE, EXCEPT THAT EXHIBITS TO SUCH DOCUMENTS WILL NOT BE PROVIDED UNLESS THEY ARE SPECIFICALLY INCORPORATED BY REFERENCE INTO SUCH DOCUMENTS. WRITTEN OR TELEPHONE REQUESTS FOR SUCH COPIES SHOULD BE DIRECTED TO THE COMPANY AT 44000 HIGHWAY 75 SOUTH, (POST OFFICE BOX 1175), HUNTSVILLE, TEXAS 77342, ATTENTION: ROBERTO RIOS, TELEPHONE NUMBER (409) 291-2277.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors and Shareholders
Mitcham Industries, Inc.
Huntsville, Texas

We have audited the accompanying consolidated balance sheets of Mitcham Industries, Inc. and Subsidiary as of January 31, 1996 and 1997, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the years in the three year period ended January 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mitcham Industries, Inc. and Subsidiary as of January 31, 1996 and 1997, and the results of their operations and their cash flows for each of the years in the three year period ended January 31, 1997, in conformity with generally accepted accounting principles.

/s/ HEIN + ASSOCIATES LLP

Hein + Associates LLP

Houston, Texas
March 12, 1997

MITCHAM INDUSTRIES, INC.
CONSOLIDATED BALANCE SHEETS

ASSETS

	JANUARY 31,		OCTOBER 31,
	1996	1997	1997
			(UNAUDITED)
Current assets:			
Cash.....	\$ 637,000	\$ 301,000	\$ 3,819,000
Accounts receivable, net of allowance for doubtful accounts of \$347,000, \$1,500,000 and \$891,000 at January 31, 1996 and 1997 and October 31, 1997, respectively.....	2,277,000	3,598,000	10,366,000
Installment trade receivables.....	193,000	1,141,000	3,894,000
Inventory.....	206,000	473,000	1,527,000
Prepaid expenses and other current assets.....	274,000	100,000	93,000
Income taxes recoverable.....	--	--	177,000
	-----	-----	-----
Total current assets.....	3,587,000	5,613,000	19,876,000
Seismic equipment lease pool, net of accumulated depreciation.....	8,115,000	17,963,000	37,450,000
Property and equipment, net of accumulated depreciation.....	472,000	619,000	782,000
Other assets.....	65,000	98,000	--
	-----	-----	-----
Total assets.....	\$12,239,000	\$24,293,000	\$58,108,000
	=====	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:			
Notes payable to bank.....	\$ 400,000	\$ 999,000	\$ --
Current installments of long-term debt.....	447,000	938,000	--
Accounts payable.....	491,000	1,941,000	16,040,000
Income taxes payable.....	311,000	267,000	--
Deferred income taxes payable.....	544,000	902,000	113,000
Accrued liabilities and other current liabilities.....	474,000	685,000	1,744,000
	-----	-----	-----
Total current liabilities.....	2,667,000	5,732,000	17,897,000
	-----	-----	-----
Long-term debt:			
Long-term debt, net of current installments.....	1,155,000	2,674,000	--
Capital lease obligations, net of current portion.....	18,000	--	--
Deferred income taxes.....	351,000	645,000	1,257,000
	-----	-----	-----
Total liabilities.....	4,191,000	9,051,000	19,154,000
Commitments and contingencies			
Shareholders' equity:			
Preferred stock, \$1.00 par value; 1,000,000 shares authorized; none issued and outstanding.....	--	--	--
Common stock, \$.01 par value; 20,000,000 shares authorized; 3,221,000, 4,474,880 and 7,510,759 shares, respectively, issued and outstanding...	32,000	45,000	75,000
Additional paid-in capital.....	4,340,000	8,819,000	27,607,000
Retained earnings.....	3,676,000	6,378,000	11,264,000
Cumulative translation adjustment.....	--	--	8,000
	-----	-----	-----
Total shareholders' equity.....	8,048,000	15,242,000	38,954,000
	-----	-----	-----
Total liabilities and shareholders' equity.....	\$12,239,000	\$24,293,000	\$58,108,000
	=====	=====	=====

The accompanying Notes are an integral part of these financial statements.

MITCHAM INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF INCOME

	YEARS ENDED JANUARY 31,			NINE MONTHS ENDED OCTOBER 31,	
	1995	1996	1997	1996	1997
	(UNAUDITED)				
Revenues:					
Leases of seismic equipment....	\$2,424,000	\$5,157,000	\$ 8,345,000	\$5,356,000	\$10,901,000
Sales of seismic equipment.....	2,860,000	2,135,000	6,345,000	2,007,000	15,391,000
Total revenues.....	5,284,000	7,292,000	14,690,000	7,363,000	26,292,000
Costs and expenses:					
Seismic equipment subleases....	245,000	251,000	203,000	111,000	238,000
Sales of seismic equipment.....	2,027,000	1,085,000	4,197,000	1,261,000	12,666,000
General and administrative.....	924,000	1,344,000	1,808,000	1,199,000	2,189,000
Provision for doubtful accounts.....	35,000	627,000	1,346,000	418,000	709,000
Depreciation.....	363,000	1,331,000	3,112,000	1,951,000	3,919,000
Total costs and expenses....	3,594,000	4,638,000	10,666,000	4,940,000	19,721,000
Operating income.....	1,690,000	2,654,000	4,024,000	2,423,000	6,571,000
Other income (expense):					
Interest, net.....	(209,000)	(21,000)	(240,000)	(170,000)	232,000
Other, net.....	60,000	38,000	367,000	219,000	586,000
Total other income (expense).....	(149,000)	17,000	127,000	49,000	818,000
Income before income taxes.....	1,541,000	2,671,000	4,151,000	2,472,000	7,389,000
Provision for income taxes.....	541,000	958,000	1,449,000	854,000	2,503,000
Net income.....	\$1,000,000	\$1,713,000	\$ 2,702,000	\$1,618,000	\$ 4,886,000
Earnings per common and common equivalent share:					
Primary.....	\$ 0.66	\$ 0.52	\$ 0.60	\$ 0.37	\$ 0.67
Assuming full dilution.....	0.66	0.50	0.59	0.36	0.66
Shares used in computing earnings per common and common equivalent share:					
Primary.....	1,514,000	3,306,000	4,522,000	4,431,000	7,330,000
Assuming full dilution.....	1,514,000	3,403,000	4,581,000	4,489,000	7,406,000

The accompanying Notes are an integral part of these financial statements.

MITCHAM INDUSTRIES, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	CUMULATIVE TRANSLATION ADJUSTMENT	TOTAL
	SHARES	AMOUNT				
Balances, February 1, 1994.....	1,380,000	\$14,000	\$ --	\$ 963,000	\$ --	\$ 977,000
Issuance of common stock, net of offering expenses.....	1,790,000	18,000	4,181,000	--	--	4,199,000
Net income.....	--	--	--	1,000,000	--	1,000,000
Balances, January 31, 1995.....	3,170,000	32,000	4,181,000	1,963,000	--	6,176,000
Compensation on stock options issued to employees.....	--	--	37,000	--	--	37,000
Issuance of common stock upon exercise of warrants.....	51,000	--	122,000	--	--	122,000
Net income.....	--	--	--	1,713,000	--	1,713,000
Balances, January 31, 1996.....	3,221,000	32,000	4,340,000	3,676,000	--	8,048,000
Issuance of common stock upon exercise of warrants.....	1,254,000	13,000	4,479,000	--	--	4,492,000
Net income.....	--	--	--	2,702,000	--	2,702,000
Balances, January 31, 1997.....	4,475,000	45,000	8,819,000	6,378,000	--	15,242,000
Issuance of common stock, net of offering expenses (unaudited)....	2,875,000	29,000	18,138,000	--	--	18,167,000
Issuance of common stock upon exercise of warrants and options (unaudited).....	161,000	1,000	650,000	--	--	651,000
Cumulative translation adjustment (unaudited).....	--	--	--	--	8,000	8,000
Net income (unaudited).....	--	--	--	4,886,000	--	4,886,000
Balances, October 31, 1997, (unaudited).....	<u>7,511,000</u>	<u>\$75,000</u>	<u>\$27,607,000</u>	<u>\$11,264,000</u>	<u>\$ 8,000</u>	<u>\$38,954,000</u>

The accompanying Notes are an integral part of these financial statements.

MITCHAM INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEARS ENDED JANUARY 31,			NINE MONTHS ENDED OCTOBER 31,	
	1995	1996	1997	1996	1997
				(UNAUDITED)	
Cash flows from operating activities:					
Net income.....	\$ 1,000,000	\$ 1,713,000	\$ 2,702,000	\$ 1,618,000	\$ 4,886,000
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation.....	363,000	1,331,000	3,112,000	1,951,000	3,919,000
Provision for doubtful accounts, net of chargeoffs.....	(3,000)	257,000	1,153,000	268,000	(609,000)
Loss on disposal of assets.....	12,000	--	--	--	--
Deferred income taxes.....	467,000	284,000	608,000	666,000	(177,000)
Trade accounts receivable.....	(1,404,000)	(742,000)	(3,422,000)	(1,158,000)	(8,912,000)
Accounts payable and other current liabilities.....	71,000	554,000	193,000	(193,000)	4,513,000
Other, net.....	(46,000)	(171,000)	(126,000)	(540,000)	(1,382,000)
Net cash provided by (used in) operating activities.....	460,000	3,226,000	4,220,000	2,612,000	2,238,000
Cash flows from investing activities:					
Purchases of seismic equipment held for lease.....	(1,938,000)	(5,321,000)	(14,011,000)	(5,750,000)	(20,624,000)
Purchases of property and equipment.....	(22,000)	(444,000)	(231,000)	(131,000)	(279,000)
Proceeds from sale of lease pool equipment and property and equipment.....	--	846,000	2,603,000	--	7,976,000
Net cash used in investing activities.....	(1,960,000)	(4,919,000)	(11,639,000)	(5,881,000)	(12,927,000)
Cash flows from financing activities:					
Proceeds from short-term borrowings.....	1,413,000	400,000	1,000,000	--	--
Payments on short-term borrowings.....	(4,242,000)	(256,000)	(401,000)	(400,000)	(1,937,000)
Proceeds from long-term debt.....	500,000	1,372,000	3,126,000	3,126,000	--
Payments on long-term debt and capitalized lease obligations.....	(97,000)	(182,000)	(1,134,000)	(834,000)	(2,674,000)
Capitalized stock issuance costs and deferred financing charges.....	(25,000)	--	--	--	--
Proceeds from issuance of common stock, net of offering expenses.....	4,186,000	122,000	4,492,000	4,070,000	18,818,000
Net cash provided by financing activities.....	1,735,000	1,456,000	7,083,000	5,962,000	14,207,000
Net increase (decrease) in cash.....	235,000	(237,000)	(336,000)	2,693,000	3,518,000
Cash, beginning of period.....	639,000	874,000	637,000	637,000	301,000
Cash, end of period.....	\$ 874,000	\$ 637,000	\$ 301,000	\$ 3,330,000	\$ 3,819,000
Supplemental cash flow information:					
Cash paid for:					
Interest.....	\$ 196,000	\$ 78,000	\$ 385,000	\$ 289,000	\$ 143,000
Taxes.....	800	384,000	865,000	515,000	2,835,000
Equipment acquired under capital lease.....	\$ 36,000	\$ --	\$ --	\$ --	\$ --
Equipment purchases in accounts payable.....	--	226,000	1,468,000	3,009,000	10,645,000
Equipment purchased with vendor financing....	2,500,000	--	--	--	--

The accompanying Notes are an integral part of these financial statements.

MITCHAM INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(INFORMATION SUBSEQUENT TO JANUARY 31, 1997 IS UNAUDITED)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization -- Mitcham Industries, Inc. (the Company), is a Texas corporation formed on January 29, 1987. The Company and its wholly-owned Canadian subsidiary provide full-service equipment leasing, sales and services to the seismic industry worldwide, primarily in North and South America.

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned Canadian subsidiary. All intercompany transactions and balances have been eliminated in consolidation.

Description of leasing arrangements -- The Company leases various types of seismic equipment to seismic data acquisition companies. All leases at October 31, 1997 are for one year or less. Lease revenue is recognized ratably over the term of the lease.

Equipment sold on the installment basis -- The Company periodically sells seismic equipment on an installment basis. The terms of the sale agreements generally require twelve payments, with two payments due upon delivery of the equipment and the remaining payments due over the succeeding ten months. To the extent a down payment equal to at least 16.5% of the sales price is not received, the gross profit from the sale is deferred until sufficient payments have been received to warrant full revenue recognition.

Lease/purchase transactions -- The Company periodically leases equipment with an option to purchase. The percentage of the lease payments that may be credited towards the purchase price is recorded as deferred revenues until the customer exercises the option to purchase the equipment; at which time the transaction is recorded as a sale.

Inventories -- Inventories consist primarily of used seismic equipment purchased in bulk liquidation sales. Inventories are valued at the lower of cost or market using the average cost method.

Seismic equipment held for lease -- Seismic equipment held for lease consists primarily of remote signal conditioners (channel boxes) and peripheral equipment and is carried at cost, net of accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the equipment, which is seven years for channel boxes and three to seven years for other peripheral equipment.

Property and equipment -- Property and equipment is carried at cost, net of accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the property and equipment. The estimated useful lives of equipment range from three to seven years. Buildings are depreciated over 40 years and property improvements over 10 years.

Income taxes -- The Company accounts for its taxes under the liability method, whereby the Company recognizes on a current and long-term basis, deferred tax assets and liabilities which represent differences between the financial and income tax reporting bases of its assets and liabilities. Historically the Company has paid income taxes on the cash basis of accounting. Beginning in fiscal 1998, the Company will no longer be eligible to report on the cash basis of accounting for federal income tax reporting purposes.

Cash equivalents -- For purposes of presenting cash flows, the Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Earnings per share -- Primary earnings per common and common equivalent share and earnings per common and common equivalent share assuming full dilution are computed on the weighted average number of shares outstanding adjusted for the incremental shares attributed to outstanding options and warrants to purchase common stock.

Use of estimates -- The preparation of the Company's financial statements in conformity with generally accepted accounting principles requires the Company's management to make estimates and assumptions that

MITCHAM INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from these estimates.

Industry concentration -- The Company's revenues are derived from seismic equipment leased to companies providing seismic acquisition services. The seismic industry has rapidly expanded its 3-D seismic acquisition capabilities over the past few years as this technology has gained broader market acceptance from oil and gas exploration companies. With this expansion, many of the seismic acquisition companies in North America, while experiencing rapid growth in 3-D seismic acquisition revenues, have not experienced corresponding increases in profitability and have become increasingly leveraged. Should the financial performance of the companies in this industry not improve, the Company could be exposed to additional credit risk and be subjected to declining demand for its leasing services.

New accounting pronouncements -- The Financial Accounting Standards Board (FASB) issued SFAS No. 121 entitled Impairment of Long-Lived Assets. SFAS No. 121, which became effective beginning February 1, 1996, provides that in the event that facts and circumstances indicate that the cost of operating assets or other assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset would be compared to the carrying amount of the asset to determine if a writedown to market value or discounted cash flow is required. SFAS No. 121 did not have a material impact on its operating results or financial condition of the Company upon implementation.

The FASB also issued SFAS No. 123, Accounting for Stock Based Compensation, effective for fiscal years beginning after December 15, 1995. This statement allows companies to choose to adopt the statement's new rules for accounting for employee stock-based compensation plans. For those companies which choose not to adopt the new rules, the statement requires disclosures as to what earnings per share would have been if the new rules had been adopted. Management adopted the disclosure requirements of this statement during fiscal 1997. See Note 12 for further discussion.

The FASB also issued SFAS No. 128, entitled Earnings Per Share, during February 1997. The new statement, which is effective for financial statements issued after December 31, 1997, including interim periods, establishes standards for computing and presenting earnings per share. The new statement requires retroactive restatement of all prior-period earnings per share data presented. The Company does not believe the new statement will have a material impact upon previously presented earnings per share information.

The FASB also issued SFAS No. 130, Reporting Comprehensive Income and SFAS No. 131, Disclosures About Segments of an Enterprise and Related Information. SFAS No. 130 establishes standards for reporting and display of comprehensive income, its components and accumulated balances. Comprehensive income is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. Among other disclosures, SFAS No. 130 requires that all items that are required to be recognized under current accounting standards as components of comprehensive income be reported in a financial statement that displays with the same prominence as other financial statements. SFAS No. 131 supersedes SFAS No. 14, Financial Reporting for Segments of a Business Enterprise. SFAS No. 131 establishes standards on the way that public companies report financial information about operating segments in annual financial statements and requires reporting of selected information about operating segments in interim financial statements issued to the public. It also establishes standards for disclosures regarding products and services, geographic areas and major customers. SFAS No. 131 defines operating segments as components of a company about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

SFAS Nos. 130 and 131 are effective for financial statements for periods beginning after December 15, 1997 and require comparative information for earlier years to be restated. Because of the recent issuance of these standards, management has been unable to fully evaluate the impact, if any, the standards may have on

MITCHAM INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

the future financial statement disclosures. Results of operations and financial position, however, will be unaffected by implementation of these standards.

Foreign Currency Translation -- All balance sheet accounts of the Canadian subsidiary are translated at the current exchange rate as of the end of the accounting period. Income statement items are translated at average currency exchange rates. The resulting translation adjustment is recorded as a separate component of shareholders' equity.

Unaudited Interim Information -- The accompanying financial information as of October 31, 1997 and for the nine month periods ended October 31, 1996 and 1997 has been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements reflect all adjustments, consisting of normal recurring accruals, which are, in the opinion of management, necessary to fairly present such information in accordance with generally accepted accounting principles.

2. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	JANUARY 31,		OCTOBER 31, 1997
	1996	1997	
Land.....	\$ 25,000	\$ 25,000	\$ 25,000
Building and improvements.....	346,000	360,000	392,000
Furniture and fixtures.....	153,000	288,000	535,000
Autos and trucks.....	37,000	122,000	122,000
	561,000	795,000	1,074,000
Less accumulated depreciation.....	(889,000)	(176,000)	(292,000)
	\$472,000	\$619,000	\$ 782,000
	=====	=====	=====

3. NOTES PAYABLE TO BANK

On January 31, 1996, the Company executed a new line of credit with a bank. The Company may borrow up to \$1,000,000 under the line of credit which bears interest at prime plus 0.5% (9% at January 31, 1997). Advances under the line of credit are collateralized by accounts receivable and inventory. Borrowings under the line were limited to 80% of eligible accounts receivable and 50% of eligible inventory, as defined. This line was replaced by the credit facility discussed in Note 4.

MITCHAM INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

4. LONG-TERM DEBT

Long-term debt consists of the following:

	JANUARY 31,		OCTOBER 31, 1997
	1996	1997	
Note payable to a bank due in monthly installments of \$13,889 plus interest at 1% over its base lending rate (10.5% and 10.75% at January 31, 1995 and 1996), due June 1997, collateralized by lease pool equipment.....	\$ 234,000	\$ --	\$ --
Note payable to a bank, due in monthly installments of \$2,803, including interest at 9%, due September 1998, collateralized by land and a building.....	274,000	264,000	--
Note payable to a bank, due in monthly installments of \$833 plus interest at its base lending rate plus 1% (9.75% at January 31, 1996), due September 2000, collateralized by land and a building.....	48,000	--	--
Note payable to a bank under a \$4,206,000 term loan facility, due in monthly installments of \$26,270, including interest at 9.5%, through March 2000, collateralized primarily by lease pool equipment and an assignment of leases.....	1,046,000	3,348,000	--
	1,602,000	3,612,000	--
Less current maturities.....	(447,000)	(938,000)	--
	\$1,155,000	\$2,674,000	--
	=====	=====	=====

All long-term debt balances outstanding as of March 1997 were paid off with the proceeds of the offering of common stock discussed in Note 14.

In January 1997, the Company established a second revolving line of credit for up to \$4.0 million (the "Equipment Revolver") to be used solely for short-term financing of up to 75% of the seismic equipment purchased by the Company for approved lease/purchase contracts, and a second term loan of \$1.0 million (the "Second Term Loan") to be used solely for long-term financing of up to 80% of the purchase price of other seismic equipment. Interest on the Equipment Revolver and the Second Term Loan accrues at a floating rate of interest equal to the bank's rate of interest ("Base Rate") plus 0.5%. Interest on amounts advanced under the Equipment Revolver is payable monthly, and the principal amount is due six months after the date of the initial advance; provided, however, that if the lessee under a lease/purchase contract does not purchase the seismic equipment subject to the lease, and there has been no default (as defined) under the lease, then the Company may extend the maturity date for an additional 18 months (the "Extended Term"). In such event, the principal amount of and interest on the amount advanced under the Equipment Revolver would be payable in ratable monthly installments over the Extended Term. Interest on the principal amount of the Second Term Loan is payable in ratable monthly installments over a two-year period through and including January 1999. No advances had been made on either of these two credit facilities at October 31, 1997.

As of December 8, 1997, the Company replaced the previous line of credit with a working capital revolving line of credit of up to \$15 million from Bank One (the "New Revolver"). Interest on advances under the New Revolver will be payable monthly at a variable rate which is based upon either, at the Company's option, LIBOR or Bank One's base lending rate. The LIBOR rate, if elected, will range between LIBOR plus 1.75% and LIBOR plus 2.75% depending upon the debt service coverage ratio the Company maintains. Similarly, the Bank One base lending rate, if elected, will range between the base rate minus 0.25% and the base rate plus 0.25%, again depending upon the Company's debt service coverage ratio. Additionally, the

MITCHAM INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Company will owe Bank One each fiscal quarter a fee equal of 0.25% of the average daily unused portion of the New Revolver calculated for the previous quarter. Advances will be limited to the total of 80% of eligible accounts receivable and 50% of all eligible lease pool equipment. The New Revolver contains restrictions, among others, on the ability of the Company to incur indebtedness and pay dividends and requires the Company to meet certain financial covenants, including a minimum tangible net worth, a debt service coverage ratio, aging of accounts receivable and net income. The New Revolver will expire on December 8, 1999, at which time the unpaid principal amount of the New Revolver will be due and payable in full. The Company's subsidiary, Mitcham Canada Ltd., has guaranteed full repayment of the New Revolver.

5. LEASES

The Company leases and subleases seismic equipment to customers under operating leases with non-cancelable terms of one year or less. These leases are generally renewable on a month-to-month basis. All taxes (other than U.S. federal income taxes) and assessments are the contractual responsibility of the lessee. To the extent the foreign taxes are not paid by the lessee, the relevant foreign taxing authorities might seek to collect such taxes from the Company. Under the terms of its lease agreements, any amounts paid by the Company to such foreign taxing authorities may be billed and collected from the lessee. If the Company is unable to collect the foreign taxes it paid on behalf of its lessees, the Company may have foreign tax credits in the amounts paid which could be applied against its U.S. income tax liability subject to certain limitations. The Company is not aware of any foreign tax obligations as of October 31, 1997.

The Company leases seismic equipment from others under month-to-month operating leases. Lease expense incurred by the Company in connection with such leases amounted to \$245,000, \$251,000 and \$203,000 for the years ended January 31, 1995, 1996 and 1997, respectively, and \$111,000 and \$238,000 for the nine months ended October 31, 1996 and 1997, respectively.

A summary of the equipment held for lease to others is as follows:

	JANUARY 31,		OCTOBER 31,
	1996	1997	1997
Remote signal conditioners (channel boxes)...	\$ 6,764,000	\$13,274,000	\$23,566,000
Other peripheral equipment.....	2,816,000	8,471,000	20,684,000
Less: accumulated depreciation.....	(1,465,000)	(3,782,000)	(6,800,000)
	<u>\$ 8,115,000</u>	<u>\$17,963,000</u>	<u>\$37,450,000</u>

MITCHAM INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

6. INCOME TAXES

The components of income tax expense are as follows:

	JANUARY 31,		
	1995	1996	1997
Current:			
Federal.....	\$ 71,000	\$698,000	\$ 775,000
State.....	3,000	(24,000)	22,000
	74,000	674,000	797,000
Deferred.....	467,000	284,000	652,000
	\$541,000	\$958,000	\$1,449,000
	=====	=====	=====

The components of the Company's deferred tax liability are as follows:

	JANUARY 31,	
	1996	1997
Deferred tax asset -- allowance for doubtful accounts.....	\$ 123,000	\$ 536,000
Deferred tax liabilities:		
Conversion from accrual to cash method of accounting.....	(667,000)	(1,660,000)
Depreciation.....	(351,000)	(423,000)
Deferred tax liability, net.....	\$(895,000)	\$(1,547,000)
	=====	=====

The following is a reconciliation of expected to actual income tax expense:

	YEARS ENDED JANUARY 31,		
	1995	1996	1997
Federal income tax expense at 34%.....	\$524,000	\$913,000	\$1,411,000
State income taxes and nondeductible expenses.....	17,000	45,000	38,000
	\$541,000	\$958,000	\$1,449,000
	=====	=====	=====

7. RELATED PARTY TRANSACTIONS

The Company completed transactions with companies controlled by a shareholder of the Company or in which a shareholder of the Company has a substantial ownership interest. The following is a summary of transactions with these companies:

	YEARS ENDED JANUARY 31,		
	1995	1996	1997
Office and warehouse rent expense.....	\$48,000	\$ 32,000	\$ --
Equipment lease expense and purchases.....	11,000	28,000	--
Seismic equipment sales.....	--	--	--
Purchase of office and warehouse.....	--	325,000	--

MITCHAM INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

8. SALES AND MAJOR CUSTOMERS

The components of sales revenue are as follows:

	YEARS ENDED JANUARY 31,			NINE MONTHS ENDED OCTOBER 31,	
	1995	1996	1997	1996	1997
Sales -- seismic equipment.....	\$2,860,000	\$2,135,000	\$2,809,000	\$2,007,000	\$ 3,424,000
Sales -- seismic equipment under lease purchase options.....	--	--	3,536,000	--	11,967,000
	<u>\$2,860,000</u>	<u>\$2,135,000</u>	<u>\$6,345,000</u>	<u>\$2,007,000</u>	<u>\$15,391,000</u>

A summary of the Company's revenues from foreign customers by geographic region is as follows:

	YEARS ENDED JANUARY 31,		
	1995	1996	1997
Canada.....	\$ 346,000	\$1,022,000	\$3,287,000
UK/Europe.....	339,000	699,000	1,657,000
South America.....	--	949,000	1,271,000
Asia.....	885,000	943,000	393,000
Other.....	222,000	213,000	178,000
Totals.....	<u>\$1,792,000</u>	<u>\$3,826,000</u>	<u>\$6,786,000</u>

One customer represented 16% and 18% of the Company's total revenues for fiscal 1995 and 1996, respectively, and three customers represented 15%, 14% and 12%, respectively, of fiscal 1997 total revenues. Three customers represented 20%, 12% and 10%, respectively, of total revenues for the nine months ended October 31, 1997. No other customer exceeded 10% of revenues for fiscal 1995, 1996 and 1997 and the nine months ended October 31, 1997.

9. CONCENTRATIONS OF CREDIT RISK

As of January 31, 1996 and 1997 and October 31, 1997, amounts due from customers which exceeded 10% of accounts receivable amounted to an aggregate of \$1.1 million from three customers, \$1.7 million from two customers, and \$7.4 million from three customers, respectively.

One of the Company's significant customers filed for bankruptcy protection during December 1996. Revenues derived from this customer amounted to 15% of total revenues for the fiscal year ended January 31, 1997. As of that date, amounts due from this customer totaled approximately \$1.2 million. As of January 31, 1997, the Company's allowance for doubtful accounts was \$1.5 million, which amount was intended to fully reserve all amounts due from this customer and provide for any potential loss associated with the Company's remaining trade accounts receivable. For the nine months ended October 31, 1997, this customer represented approximately 7% of the Company's revenues. Through October 1997, the Company has received payments from this customer totaling \$1.2 million, which represents final settlement on the amounts owed the Company representing post-bankruptcy petition claims of approximately \$1.6 million. The Company expects to collect one-half of pre-bankruptcy petition claims, which are approximately \$755,000 as of October 31, 1997. All of the approximately \$750,000 that will not be collected from Grant has been written off. The Company's allowance for doubtful accounts balance at October 31, 1997 is \$891,000.

The Company maintains deposits with banks which exceed the Federal Deposit Insurance Corporation (FDIC) insured limit and has a money market account included in its cash balances which is not FDIC insured. Management believes the risk of loss in connection with these accounts is minimal.

MITCHAM INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

10. SHAREHOLDERS' EQUITY

The Company has 1,000,000 shares of preferred stock authorized, none of which are outstanding as of July 31, 1997. The preferred stock may be issued in multiple series with various terms, as authorized by the Company's Board of Directors. The Company has 20,000,000 shares of common stock authorized, of which 7,510,759 are issued and outstanding as of October 31, 1997. Warrants to acquire 892,750 shares of the Company's common stock at \$3.50 per share issued in connection with the Company's 1995 initial public offering were exercised during fiscal 1997. During March 1997, the Company consummated a public offering of its common stock, as more fully discussed in Note 14, in which it sold to underwriters 2,875,000 shares of common stock.

The Company issued warrants to various shareholders during fiscal 1995 to acquire 49,500 shares of the Company's common stock at \$5.00 per share. The number of shares and exercise price of the warrants were adjusted to 63,953 and \$3.87, respectively, during fiscal 1996 as a result of the anti-dilution provisions of the warrants. Of these warrants, 49,113 remained unexercised at October 31, 1997.

In July 1995, the Company issued warrants to acquire 35,000 shares of its common stock to a public relations firm engaged by the Company. The warrants are exercisable at \$3.50 per share for a period of five years from their issuance and 10,000 remain unexercised at October 31, 1997.

In January 1995, the Company issued warrants to acquire 85,000 units (consisting of two shares of common stock and one warrant to purchase one share of common stock at \$4.20 per share) at \$7.97 per unit to underwriters in connection with the Company's initial public offering. The securities underlying these warrants, as well as the common stock underlying currently outstanding warrants, are subject to certain piggy-back registration rights. As of October 31, 1997, 5,000 of these warrants remained unexercised.

In August 1996, in exchange for services, the Company issued warrants to its legal counsel to purchase 50,000 shares of its common stock for \$6.43 per share, exercisable for a period of four years from issuance. Of this amount, warrants to acquire 40,000 shares are unexercised at October 31, 1997. In December 1996, in exchange for services, the Company issued warrants to its legal counsel to purchase 50,000 shares of its common stock at \$9.28 per share, exercisable beginning December 14, 1997 for a period of four years from their issuance. In October 1997, in exchange for services, the Company issued warrants to its legal counsel to purchase 25,000 shares of its common stock for \$28.12 per share, exercisable beginning October 28, 1998 for a period of four years from their issuance.

Warrants to acquire 200,000 shares of the Company's common stock were issued to underwriters in connection with the Company's secondary offering in March 1997. The warrants are exercisable at \$8.40 per share for a period of two years from their issuance and are unexercised at October 31, 1997.

11. COMMITMENTS AND CONTINGENCIES

Equipment purchases -- On February 22, 1994, the Company executed an agreement with Input/Output, Inc. (I/O) under which I/O will notify the Company of any inquiries it receives to lease I/O's channel boxes and other peripheral equipment in North and South America and will allow the Company the opportunity to provide such leasing. In the event the Company and a prospective customer are unable to reach agreement on such leases in a 72-hour period, I/O shall have the right to offer the equipment for lease to the prospective customer. Effective June 1, 1996, the Company entered into an agreement with I/O to amend the terms of and extend the Exclusive Lease Referral Agreement through May 31, 2000. Under the I/O Agreement as amended, the Company must purchase an aggregate of \$13.25 million of I/O equipment as follows: \$3.0 million of I/O equipment between June 1 and November 30, 1996 (the "Renewal purchase"), with a minimum of \$1.5 million to be purchased by August 31, 1996. Thereafter, from January 1, 1997 through May 31, 1997, the Company must purchase at least an aggregate of \$1.25 million of I/O equipment. In each of the years from June 1, 1997 through May 31, 1997, June 1 through May 31, 1999 and June 1, 1999 through May 31, 2000, the Company must purchase at least an aggregate of \$3.0 million of I/O equipment (of

MITCHAM INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

an aggregate additional \$10.25 million after the \$3.0 million Renewal Purchase is made). As of October 31, 1997, the Company believes it has fulfilled the terms of the agreement, including the minimum purchase commitments through such date.

In September 1996, the Company entered into two agreements with the Sercel subsidiaries of Compagnie Generale de Geophysique ("Sercel"). One agreement, the Exclusive Equipment Lease Agreement provides that until December 31, 1999, the Company will be Sercel's short-term leasing representative throughout the world and that Sercel will refer to the Company all requests it receives from its customers to lease its 3-D data acquisition equipment and other field equipment. The second agreement, the Commercial Representation Agreement, provides that until September 19, 1999, subject to certain termination after September 19, 1998, the Company will be Sercel's exclusive sales agent in Canada. In connection with entering into this agreement, the Company established an office in Calgary, Alberta, Canada in November 1996. As of October 31, 1997, the Company believes it has fulfilled the terms of the agreement, including the minimum purchase commitments.

These agreements are subject to termination under certain circumstances including, among others, non-payment of amounts due, insolvency of the Company, and the current President of the Company no longer being employed.

Employment Agreement -- Effective January 15, 1997, the Company entered into an employment agreement with the Company's President for a term of five years, beginning January 15, 1997, which term is automatically extended for successive one-year periods unless either party gives written notice of termination at least 30 days prior to the end of the current term. The agreement provides for an annual salary of \$150,000, subject to increase by the Board of Directors. It may be terminated prior to the end of the initial term or any extension thereof if the President dies; if it is determined that the President has become disabled; if the Board of Directors determines that the President has breached the employment agreement in any material respect, has appropriated a material business opportunity of the Company or has engaged in fraud or dishonesty with respect to the Company's business that is punishable by imprisonment. If the President's employment is terminated by the Company prior to the end of the initial five-year term other than for a reason enumerated above, the President will be entitled to payments equal to \$450,000, payable ratably over the 24 months following such termination. For a period of two years after the termination of the agreement, the President is prohibited from engaging in any business activities that are competitive with the Company's business and from diverting any of the Company's customers to a competitor.

Consulting agreements -- The Company has a contract with the father of the Company's President, to provide sales consulting services. The agreement calls for payments of \$5,500 per month through April 1999, subject to earlier termination on the occurrence of certain events.

12. STOCK OPTION PLANS

The Company has a stock option plan under which options to purchase a maximum of 400,000 shares of common stock may be issued to officers, employee directors, key employees and consultants of the Company. The stock option plan provides both for the grant of options intended to qualify as "incentive stock options" under the Internal Revenue Code of 1986, as amended (the Code), as well as options that do not so qualify.

MITCHAM INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Activity in the 1994 Stock Option Plan and Director Plan (as defined below), for the years ended January 31, 1995, 1996 and 1997 and the nine months ended October 31, 1997 was as follows:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE
	-----	-----
Outstanding, January 31, 1994.....	--	\$ --
Exercised.....	--	--
Granted.....	183,250	5.00
Expired.....	--	--
	-----	-----
Outstanding, January 31, 1995.....	183,250	5.00
Exercised.....	--	--
Granted.....	68,000	3.27
Expired.....	--	--
	-----	-----
Outstanding, January 31, 1996.....	251,250	4.54
Exercised.....	--	--
Granted.....	43,500	5.87
Expired.....	(1,000)	--
	-----	-----
Outstanding, January 31, 1997.....	293,750	4.73
Exercised.....	(89,120)	4.68
Granted.....	67,750	21.52
Expired.....	(500)	3.29
	-----	-----
Outstanding, October 31, 1997.....	271,880	\$ 8.91
	=====	=====

As of October 31, 1997, options to acquire 204,130 shares of the Company's common stock were fully vested and exercisable at a weighted average exercise price of \$4.73 per share. The remaining options which have a weighted average exercise price of \$21.52 per share, will vest in fiscal 1999.

If not previously exercised, options outstanding at October 31, 1997, will expire as follows: 39,880 options expire on May 9, 1999; 9,000 options expire on August 14, 2001; 67,250 options expire on May 9, 2004; 1,000 options expire on March 16, 2005; 2,000 options expire on June 8, 2005; 51,000 options expire on December 4, 2005; 3,000 options expire on June 12, 2006; 31,000 options expire on August 14, 2006; 3,000 options expire on June 11, 2007; and 64,750 expire on October 3, 2007.

With respect to incentive stock options, no option may be granted more than ten years after the effective date of the stock option plan or exercised more than ten years after the date of grant (five years if the optionee owns more than 10% of the common stock of the Company at the date of grant). Additionally, with regard to incentive stock options, the exercise price of the option may not be less than 100% of the fair market value of the common stock at the date of grant (110% if the optionee owns more than 10% of the common stock of the Company). Subject to certain limited exceptions, options may not be exercised unless, at the time of exercise, the optionee is in the service of the Company. As of October 31, 1997, options to purchase an aggregate of 262,880 shares of common stock are issued and outstanding under the 1994 Stock Option Plan, 107,130 of which are exercisable at a price of \$5.00 per share, 51,000 of which are exercisable at \$3.29 per share, 39,000 of which are exercisable at \$5.75 per share, 1,000 of which are exercisable at \$6.00 per share and 64,750 of which are exercisable at \$22.00 per share.

The Company has a non-employee director stock option plan (the Director Plan) which provides for the grant of options that do not qualify as "incentive stock options" under the Code. Options granted under the Director Plan must have an exercise price at least equal to the fair market value of the Company's common

MITCHAM INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

stock on the date of grant. Pursuant to the Director Plan, options to purchase 1,000 shares of common stock are granted to each non-employee director upon his election to the Board and every year thereafter so long as he is re-elected to the Board of Directors. Options granted under the Director Plan are fully vested one year after their grant and expire ten years after the date of the grant. As of October 31, 1997 options to purchase an aggregate of 9,000 shares of common stock are issued and outstanding under the Director Plan, 1,000 of which are exercisable at \$2.88 per share, 2,000 of which are exercisable at \$3.13 per share, 3,000 of which are exercisable at \$5.75 per share and 3,000 of which are exercisable at \$11.13 per share.

The Company applies APB Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations in accounting for its plans. Accordingly, no compensation cost has been recognized for its stock option plans. Had compensation expense for the Company's stock-based compensation plans been determined based on the fair value at the grant dates for awards under those plans, consistent with the method of SFAS No. 123, the Company's net income and income per common share would have been decreased to the pro forma amounts indicated below:

	YEARS ENDED JANUARY 31,	
	1996	1997
Net income		
As reported.....	\$1,713,000	\$2,702,000
Pro forma.....	1,657,000	2,443,000
Net income per common share (primary)		
As reported.....	\$.52	\$.60
Pro forma.....	.50	.54

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions; risk free rates of 5.4% to 7%; volatility of 48.4%; no assumed dividend yield; and expected lives of five to ten years.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments consist of trade receivables and payables and notes payable to banks. The Company believes the carrying value of these financial instruments approximate their estimated fair value.

14. PUBLIC OFFERINGS OF COMMON STOCK

During March 1997, the Company completed a public offering of a total of 3,450,00 shares of its common stock, of which 2,875,000 shares were sold by the Company and 575,000 shares were sold by the selling shareholders. The net proceeds to the Company from the offering (after deducting underwriting discounts and commissions and estimated expenses of the offering) were approximately \$18.2 million.

The Company has filed a registration statement with the Securities and Exchange Commission for an offering of 1,820,000 shares of its common stock, of which 1,800,000 shares are being sold by the Company and 20,000 shares are being sold by selling shareholders. The Company has granted an option to the underwriters to purchase up to 273,000 shares on the same terms to satisfy over-allotments in the sale of the 1,820,000 shares.

NO DEALER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS, IN CONNECTION WITH THE OFFER MADE BY THIS PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR ANY OF THE UNDERWRITERS. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR SOLICITATION BY ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFER TO SELL OR SOLICITATION IS NOT AUTHORIZED OR IN WHICH THE PERSON MAKING SUCH OFFER IS NOT QUALIFIED TO DO SO OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH SOLICITATION.

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1,820,000 SHARES

[MITCHAM INDUSTRIES, INC. LOGO]

COMMON STOCK

PROSPECTUS

JEFFERIES & COMPANY, INC.

RAUSCHER PIERCE REFSNES, INC.

GAINES, BERLAND INC.

, 1997

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth all expenses payable by the Company in connection with the issuance and distribution of the shares of Common Stock registered hereby, other than underwriting discounts and commissions. All amounts shown are estimates, except the Commission and NASD filing and Nasdaq listing fees.

Securities and Exchange Commission filing fee.....	\$ 19,583
NASD filing fee.....	6,963
Nasdaq listing fee.....	17,500
Printing expenses.....	90,000
Legal fees and expenses.....	90,000
Accounting fees and expenses.....	60,000
Blue Sky fees and expenses.....	2,500
Transfer Agent fees.....	1,500
Miscellaneous expenses.....	11,954

TOTAL.....	\$300,000
	=====

- - - - -

* To be added by amendment

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Article Nine of the Company's Amended and Restated Articles of Incorporation (the "Articles") eliminates or limits the personal liability of directors for damages for an act or omission in the director's capacity as a director, except for (i) a breach of a director's duty of loyalty to the Company or its shareholders; (ii) an act or omission not in good faith that constitutes a breach of duty of the director to the Company 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 directors' office; or (iv) an act or omission for which the liability of a director is expressly provided for by an applicable statute.

Article Eleven of the Articles makes mandatory the indemnification of directors permitted under Section B of Article 2.02-1 of the Texas Business Corporation Act ("TBCA") and permits the Company to advance the reasonable expenses of a director upon compliance with the requirements of Sections K and L thereof.

Article 2.02-1 of the TBCA provides as follows:

A. In this article:

(1) "Corporation" includes any domestic or foreign predecessor entity of the corporation in a merger, consolidation, or other transaction in which the liabilities of the predecessor are transferred to the corporation by operation of law and in any other transaction in which the corporation assumes the liabilities of the predecessor but does not specifically exclude liabilities that are the subject matter of this article.

(2) "Director" means any person who is or was a director of the corporation and any person who, while a director of the corporation, is or was serving at the request of the corporation as a director, officer, partner, venturer, proprietor, trustee, employee, agent, or similar functionary of another foreign or domestic corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan, or other enterprise.

(3) "Expenses" include court costs and attorneys' fees.

(4) "Official capacity" means

(a) when used with respect to a director, the office of director in the corporation, and

(b) when used with respect to a person other than a director, the elective or appointive office in the corporation held by the officer or the employment or agency relationship undertaken by the employee or agent in behalf of the corporation, but

(c) in both Paragraphs (a) and (b) does not include service for any other foreign or domestic corporation or any partnership, joint venture, sole proprietorship, trust, employee benefit plan, or other enterprise.

(5) "Proceeding" means any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, arbitral, or investigative, any appeal in such an action, suit, or proceeding, and any inquiry or investigation that could lead to such an action, suit, or proceeding.

B. A corporation may indemnify a person who was, is or is threatened to be made a named defendant or respondent in a proceeding because the person is or was a director only if it is determined in accordance with Section F of this article that the person:

(1) conducted himself in good faith;

(2) reasonably believed:

(a) in the case of conduct in his official capacity as a director of the corporation, that his conduct was in the corporation's best interests; and

(b) in all other cases, that his conduct was at least not opposed to the corporation's best interests; and

(3) in the case of any criminal proceeding, had no reasonable cause to believe his conduct was unlawful.

C. Except to the extent permitted by Section E of this article, a director may not be indemnified under Section B of this article in respect of a proceeding:

(1) in which the person is found liable on the basis that personal benefit was improperly received by him, whether or not the benefit resulted from an action taken in the person's official capacity; or

(2) in which the person is found liable to the corporation.

D. The termination of a proceeding by judgment, order, settlement, or conviction, or on a plea of nolo contendere or its equivalent is not of itself determinative that the person did not meet the requirements set forth in Section B of this article. A person shall be deemed to have been found liable in respect of any claim, issue or matter only after the person shall have been so adjudged by a court of competent jurisdiction after exhaustion of all appeals therefrom.

E. A person may be indemnified under Section B of this article against judgments, penalties (including excise and similar taxes), fines, settlements, and reasonable expenses actually incurred by the person in connection with the proceeding; but if the person is found liable to the corporation or is found liable on the basis that personal benefit was improperly received by the person, the indemnification (1) is limited to reasonable expenses actually incurred by the person in connection with the proceeding and (2) 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.

F. A determination of indemnification under Section B of this article must be made:

(1) by a majority vote of a quorum consisting of directors who at the time of the vote are not named defendants or respondents in the proceeding;

(2) if such a quorum cannot be obtained, by a majority vote of a committee or the board of directors, designated to act in the matter by a majority vote of all directors, consisting solely of two or more directors who at the time of the vote are not named defendants or respondents in the proceeding;

(3) by special legal counsel selected by the board of directors of a committee of the board by vote as set forth in Subsection (1) or (2) of this section, or if such a quorum cannot be obtained and such a committee cannot be established, by a majority vote of all directors; or

(4) by the shareholders in a vote that excludes the shares held by directors who are named defendants or respondents in the proceeding.

G. Authorization of indemnification and determination as to reasonableness of expenses must be made in the same manner as the determination that indemnification is permissible, except that if the determination that indemnification is permissible is made by special legal counsel, authorization of indemnification and determination as to reasonableness of expenses must be made in the manner specified by Subsection (3) of Section F of this article for the selection of special legal counsel. A provision obtained in the articles of incorporation, the bylaws, a resolution of shareholders or directors, or an agreement that makes mandatory the indemnification permitted under Section B of this article shall be deemed to constitute authorization of indemnification in the manner required by this section even though such provision may not have been adopted or authorized in the same manner as the determination that indemnification is permissible.

H. A corporation shall indemnify a director against reasonable expenses incurred by him in connection with a proceeding in which he is a named defendant or respondent because he is or was a director if he has been wholly successful, on the merits or otherwise, in the defense of the proceeding.

I. If, in a suit for the indemnification required by Section H of this article, a court of competent jurisdiction determines that the director is entitled to indemnification under that section, that court shall order indemnification and shall award to the director the expenses incurred in securing the indemnification.

J. If, upon application of a director, a court of competent jurisdiction determines, after giving any notice the court considers necessary, that the director is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, whether or not he has met the requirements set forth in Section B of this article or has been adjudged liable in the circumstances described by Section C of this article, the court may order the indemnification that the court determines is proper and equitable; but if the person is found liable to the corporation or is found liable on the basis that personal benefit was improperly received by the person, the indemnification shall be limited to reasonable expenses actually incurred by the person in connection with the proceeding.

K. Reasonable expenses incurred by a director who was, is, or is threatened to be made a named defendant or respondent in a proceeding may be paid or reimbursed by the corporation, in advance of the final disposition of the proceeding and without any of the determinations specified in Sections F and G of this article, after the corporation receives a written affirmation by the director of his good faith belief that he has met the standard of conduct necessary for indemnification under this article and a written undertaking by or on behalf of the director to repay the amount paid or reimbursed if it is ultimately determined that he has not met that standard or if it is ultimately determined that indemnification of the director against expenses incurred by him in connection with that proceeding is prohibited by Section E of this article. A provision contained in the articles of incorporation, the bylaws, a resolution of shareholders or directors, or an agreement that makes mandatory the payment or reimbursement permitted under this section shall be deemed to constitute authorization of that payment or reimbursement.

L. The written undertaking required by Section K of this article must be an unlimited general obligation of the director but need not be secured. It may be accepted without reference to financial ability to make repayment.

M. A provision for a corporation to indemnify or to advance expenses to a director who was, is or is threatened to be made a named defendant or respondent in a proceeding, whether contained in the articles of incorporation, the bylaws, a resolution of shareholders or directors, an agreement, or otherwise, except in

accordance with Section R of this article, is valid only to the extent it is consistent with this article as limited by the articles of incorporation, if such a limitation exists.

N. Notwithstanding any other provision of this article, a corporation may pay or reimburse expenses incurred by a director in connection with his appearance as a witness or other participation in a proceeding at a time when he is not a named defendant or respondent in the proceeding.

O. An officer of the corporation shall be indemnified as, and to the same extent, provided by Sections H, I, and J of this article for a director and is entitled to seek indemnification under those sections to the same extent as a director. A corporation may indemnify and advance expenses to an officer, employee, or agent of the corporation to the same extent that it may indemnify and advance expenses to directors under this article.

P. A corporation may indemnify and advance expenses to persons who are or were not officers, employees, or agents of the corporation but who are or were serving at the request of the corporation as a director, officer, partner, venturer, proprietor, trustee, employee, agent, or similar functionary of another foreign or domestic corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan, or other enterprise to the same extent that it may indemnify and advance expenses to directors under this article.

Q. A corporation may indemnify and advance expenses to an officer, employee, agent, or person identified in Section P of this article and who is not a director such further extent, consistent with law, as may be provided by its articles of incorporation, bylaws, general or specific action of its board of directors, or contract or as permitted or required by common law.

R. A corporation may purchase and maintain insurance or another arrangement on behalf of any person who is or was a director, officer, employee, or agent of the corporation or who is or was serving at the request of the corporation as a director, officer, partner, venturer, proprietor, trustee, employee, agent, or similar functionary of another foreign or domestic corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan, or other enterprise, against any liability asserted against him and incurred by him in such a capacity or arising out of his status as such a person, whether or not the corporation would have the power to indemnify him against that liability under this article. If the insurance or other arrangement is with a person or entity that is not regularly engaged in the business of providing insurance coverage, the insurance or arrangement may provide for payment of a liability with respect to which the corporation would not have the power to indemnify the person only if including coverage for the additional liability has been approved by the shareholders of the corporation. Without limiting the power of the corporation to procure or maintain any kind of insurance or other arrangement, a corporation may, for the benefit of persons indemnified by the corporation, (1) create a trust fund; (2) establish any form of self-insurance; (3) secure its indemnity obligation by grant of a security interest or other lien on the assets of the corporation; or (4) establish a letter of credit, guaranty, or surety arrangement. The insurance or other arrangement may be procured, maintained, or established within the corporation or with any insurer or other person deemed appropriate by the board of directors regardless of whether all or part of the stock or other securities of the insurer or other person are owned in whole or part by the corporation. In the absence of fraud, the judgment of the board of directors as to the terms and conditions of the insurance or other arrangement and the identity of the insurer or other person participating in an arrangement shall be conclusive and the insurance or arrangement shall not be voidable and shall not subject the directors approving the insurance or arrangement to liability, on any ground, regardless of whether directors participating in the approval are beneficiaries of the insurance or arrangement.

S. Any indemnification of or advance of expenses to a director in accordance with this article shall be reported in writing to the shareholders with or before the notice or waiver of notice of the next shareholders' meeting or with or before the next submission to shareholders of a consent to action without a meeting pursuant to Section A, Article 9.10, of this Act and, in any case, within the 12-month period immediately following the date of the indemnification or advance.

T. For purposes of this article, the corporation is deemed to have requested a director to serve an employee benefit plan whenever the performance by him of his duties to the corporation also imposes duties on or otherwise involves services by him to the plan or participants or beneficiaries of the plan. Excise taxes assessed on a director with respect to an employee benefit plan pursuant to applicable law are deemed fines.

Action taken or omitted by him with respect to an employee benefit plan in the performance of his duties for a purpose reasonably believed by him to be in the interest of the participants and beneficiaries of the plan is deemed to be for a purpose which is not opposed to the best interests of the corporation.

U. The articles of incorporation of a corporation may restrict the circumstances under which the corporation is required or permitted to indemnify a person under Section H, I, J, O, P, or Q of this article.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits

EXHIBIT NO. -----	DESCRIPTION -----
1*	-- Form of Underwriting Agreement
3.1	-- Amended and Restated Articles of Incorporation of Mitcham Industries, Inc.(1) (Exhibit 3.1)
3.2	-- Amended and Restated Bylaws of Mitcham Industries, Inc.(1) (Exhibit 3.2)
4.1	-- Copy of specimen stock certificate evidencing Common Stock of Mitcham Industries, Inc.(2) (Exhibit 4.1)
5*	-- Opinion of Norton, Jacobs, Kuhn & McTopy, L.L.P. as to the legality of the securities being registered
10.1**	-- Amendment No. 1 to the Commercial Representation Agreement between Mitcham Canada, Ltd. and Georex, Inc.
10.2**	-- Exclusive Lease Representative and Distributor Agreement between Mitcham Industries, Inc. and StrucTec Systems, L.L.C.
10.3*	-- Second Amendment to Exclusive Lease Referral Agreement between Mitcham Industries, Inc. and Pelton Company, Inc.
10.4*	-- Letter Loan Agreement between Mitcham Industries, Inc. and Bank One, Texas, National Association
10.5*	-- Promissory Note in the original principal amount of \$15,000,000, made payable to the order of Bank One, Texas, National Association
21**	-- Subsidiaries of the Company (Exhibit 11)
23.1*	-- Consent of Hein + Associates LLP
23.2*	-- Consent of Norton, Jacobs, Kuhn & McTopy, L.L.P. (included in Exhibit 5).
24**	-- Power of Attorney

* Filed herewith

** Previously filed

(1) Incorporated by reference to the indicated exhibit number of the Registrant's Registration Statement on Form SB-2 (File No. 33-81164-D), filed with the SEC on July 5, 1994.

(2) Incorporated by reference to the indicated exhibit number of the Registrant's Amendment No. 2 to the Registration Statement on Form SB-2, filed with the SEC on November 9, 1994.

(b) Financial Statement Schedules

SCHEDULE -----	DESCRIPTION -----
Schedule II, including Independent Auditor's Report on Financial Statement Schedule	Statement of Valuation and Qualifying Accounts

ITEM 17. UNDERTAKINGS.

(a) The undersigned Registrant hereby undertakes that:

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

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

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

(c) The registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefits plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in this Registration Statement shall be deemed to be in 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.

SIGNATURES

In accordance with the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements of filing on Form S-3 and has duly authorized this Amendment No. 2 to be signed on its behalf by the undersigned, thereto duly authorized in the City of Huntsville, State of Texas, on December 16, 1997.

MITCHAM INDUSTRIES, INC.

By: /s/ BILLY F. MITCHAM, JR.

 Billy F. Mitcham, Jr.,
 Chairman of the Board, President
 and Chief Executive Officer

In accordance with the requirements of the Securities Act of 1933, as amended, this Amendment No. 2 has been signed by the following persons in the capacities indicated on December 16, 1997.

SIGNATURE

TITLE/CAPACITY

 /s/ BILLY F. MITCHAM, JR.

 Chairman of the Board, President and Chief
 Executive Officer

 Billy F. Mitcham, Jr.

 /s/ PAUL C. MITCHAM*

 Vice President -- Operations and Director

 Paul C. Mitcham

 /s/ ROBERTO RIOS

 Vice President -- Finance, Secretary,
 Treasurer and Director

 Roberto Rios

 /s/ WILLIAM J. SHEPPARD*

 Vice President -- International Operations and
 Director

 William J. Sheppard

 /s/ JOHN F. SCHWALBE*

 Director

 John F. Schwalbe

 /s/ RANDAL DEAN LEWIS*

 Director

 Randal Dean Lewis

 /s/ GORDON M. GREVE*

 Director

 Gordon M. Greve

 *By: /s/ BILLY F. MITCHAM, JR.

 Billy F. Mitcham, Jr.,
 Attorney-in-Fact

INDEPENDENT AUDITOR'S REPORT
ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors and Shareholders
Mitcham Industries, Inc.
Huntsville, Texas

We have audited in accordance with generally accepted auditing standards, the consolidated financial statements of Mitcham Industries, Inc. and Subsidiary included in this Registration Statement and have issued our report thereon dated March 12, 1997. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The financial statement schedule listed in Item 16(b) herein (Schedule II -- Valuation and Qualifying Accounts) is the responsibility of the Company's management and is presented for purpose of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. The financial statement schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects with the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ HEIN + ASSOCIATES LLP

Hein + Associates LLP

Houston, Texas
March 12, 1997

SCHEDULE II
MITCHAM INDUSTRIES, INC.
VALUATION AND QUALIFYING ACCOUNTS

COL. A	COL. B	COL. C(1)	COL. D	COL. E
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO COSTS AND EXPENSES	DEDUCTIONS -- DESCRIBE	BALANCE AT END OF PERIOD
January 31, 1995				
Allowance for doubtful accounts.....	\$ 93,000	\$ 35,000	\$ 38,000(A)	\$ 90,000
January 31, 1996				
Allowance for doubtful accounts.....	\$ 90,000	\$ 627,000	\$370,000(A)	\$ 347,000
January 31, 1997				
Allowance for doubtful accounts.....	\$347,000	\$ 1,346,000	\$193,000(A)	\$1,500,000

(A) Represents recoveries and uncollectible accounts written off.

Column C(2) has been omitted, as all answers would be "none."

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MITCHAM INDUSTRIES, INC.
(A TEXAS CORPORATION)

1,820,000 SHARES OF COMMON STOCK

UNDERWRITING AGREEMENT

December _____, 1997

Jefferies & Company, Inc.
Rauscher Pierce Refsnes, Inc.
Gaines, Berland Inc.
As Representatives of
the Several Underwriters

c/o Jefferies & Company, Inc.
Attn: Syndicate Department
650 Fifth Avenue, 4th Floor
New York, New York 10019

Dear Sirs:

Mitcham Industries, Inc., a Texas corporation (the "Company"), and certain selling shareholders (the "Selling Shareholders") of the Company named in Schedule I hereto, hereby confirm their agreement with you as representatives (the "Representatives") of the underwriters named in Schedule II hereto (the "Underwriters"), with respect to the issuance and sale by the Company of an aggregate of 1,800,000 shares (the "Primary Shares") and the sale by the Selling Shareholders of 20,000 shares (the "Shareholders' Shares") of the Company's Common Stock, \$.01 par value (the "Common Stock"), and the purchase of the Primary Shares and the Shareholders' Shares by the Underwriters, acting severally and not jointly. The Company also has agreed to sell up to 273,000 shares (the "Additional Shares") of Common Stock to cover over-allotments, if any. The Primary Shares, the Shareholders' Shares and the Additional Shares are hereinafter collectively referred to as the "Shares."

You have advised us that you desire to purchase the Shares and that you propose to make a public offering of the Shares as soon as you deem advisable after the Registration Statement referred to below becomes effective upon the terms set forth in the Prospectus referred to below.

The terms that follow, when used in this Agreement, shall have the meanings indicated. The term "the Effective Date" shall mean each date that the Registration Statement and any post-effective amendment or amendments thereto became or become effective and each date after the date hereof on which a document incorporated by reference in the Registration Statement is filed.
"Preliminary

Prospectus" shall mean any preliminary prospectus referred to in Section 1(a)(i) below and any preliminary prospectus included in the Registration Statement at the Effective Date that omits Rule 430A Information (as defined below). "Registration Statement" shall mean the registration statement referred to in Section 1(a)(i) below, including incorporated documents, exhibits and financial statements, as amended at the Representation Date (as defined below) (or, if not effective at the Representation Date, in the form in which it shall become effective) and, in the event any post-effective amendment thereto becomes effective prior to the Closing Date (as defined in Section 2 hereof), shall also mean such registration statement as so amended. Such term shall include Rule 430A Information deemed to be included therein at the Effective Date as provided by Rule 430A (as defined below). If the Company files an additional registration statement to register additional shares of Common Stock pursuant to Rule 462(b) (defined below) (the "Additional Registration Statement"), all references in this Underwriting Agreement to "Registration Statement" shall mean the Additional Registration Statement, as amended at the Effective Date, including the contents of the initial registration statement incorporated by reference therein and including all information (if any) deemed to be a part of the Additional Registration Statement as of its effective time pursuant to Rule 430A(b). The prospectus constituting a part of the Registration Statement (including the Rule 430A Information), as from time to time amended or supplemented, is hereinafter referred to as the "Prospectus", except that if any revised prospectus shall be provided to the Underwriters by the Company that differs from the prospectus on file at the Securities and Exchange Commission (the "Commission") at the Effective Date (whether or not such revised prospectus is required to be filed by the Company pursuant to Rule 424 of the Act Regulations), the term "Prospectus" shall refer to each such revised prospectus from and after the time it is first provided to the Underwriters for such use. "Rule 158", "Rule 415", "Rule 424", "Rule 430A", "Rule 462" and "Regulation S-K" refer to such rules or regulation under the Securities Act of 1933, as amended (the "Act"; and the rules and regulations under the Act, the "Act Regulations"). "Rule 430A Information" means information with respect to the Shares and the offering thereof permitted to be omitted from the Registration Statement when it becomes effective pursuant to Rule 430A. "Exchange Act" refers to the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder. Any reference herein to the Registration Statement, a Preliminary Prospectus or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 which were filed under the Exchange Act on or before the Effective Date of the Registration Statement or the issue date of such Preliminary Prospectus or the Prospectus, as the case may be; and any reference herein to the terms "amend", "amendment" or "supplement" with respect to the Registration Statement, any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include the filing of any document under the Exchange Act after the Effective Date of the Registration Statement, or the issue date of any Preliminary Prospectus or the Prospectus, as the case may be, deemed to be incorporated therein by reference.

SECTION 1. Representations and Warranties.

(a) The Company represents and warrants to the Underwriters as of the date hereof (such date being referred to as the "Representation Date") and as of the Closing Date, as follows:

(i) the Company meets the requirements for use of Form S-3 under the Act and has filed with the Commission a registration statement on such Form (Registration No. 333-40507), including a related preliminary prospectus, and one or more amendments thereto, including the related preliminary prospectus, each of which has previously been furnished to the Underwriters, for the registration under the Act of the offering and sale of the Shares. Such registration statement and any post-effective amendment thereto, each in the form heretofore delivered to you, have been declared effective by the commission in such form. No other document with respect to such registration statement has heretofore been filed with the Commission and no stop order suspending the effectiveness of such registration statement has been issued and no proceeding for that purpose has been initiated or threatened by the Commission. The Company will file with the Commission (A) prior to effectiveness of such registration statement, a further amendment to such registration statement (including the form of final prospectus), (B) after effectiveness of such registration statement, if applicable, an additional registration statement pursuant to Rule 462(b) or (C) after effectiveness of such registration statement or such additional registration statement, a final prospectus in accordance with Rules 430A and 424(b)(1) or (4) or Rule 434 of the Act Regulations. The Company has included in such registration statement, as amended at the Effective Date, all information (other than Rule 430A Information in the case of clause (B)) required by the Act and the Act Regulations to be included in the Prospectus with respect to the Shares and the offering thereof. As filed, such amendment and form of final Prospectus, or such final Prospectus, shall contain all Rule 430A Information, together with all other such required information, with respect to the Shares and the offering thereof and, except to the extent the Underwriters shall agree in writing to a modification, shall be in all substantive respects in the form furnished to the Underwriters prior to the date hereof;

(ii) on the Effective Date, the Representation Date and the Closing Date, the Registration Statement did and will, and when the Prospectus is first filed (if required) in accordance with Rule 424(b) the Prospectus will, comply in all material respects with the applicable requirements of the Act and the Act Regulations and the Exchange Act; on the Effective Date, the Representation Date and the Closing Date, the Registration Statement did not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading; and, on the Effective Date, the Representation Date and the Closing Date, and on the date of any filing pursuant to Rule 424(b), the Prospectus did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, that the Company makes no representation or warranty as to the information provided in writing to the Company by or on behalf of the Selling Shareholders or the Underwriters, expressly for use in the Registration Statement or Prospectus. The Company agrees that the only information provided in writing by or on behalf of the Underwriters to the Company, expressly for use in the Registration Statement or the Prospectus, is that information contained in the table and the second, fifth, sixth, seventh and eighth paragraphs following the table in the section of

the Prospectus entitled "Underwriting" and the last paragraph on the cover page of the Prospectus;

(iii) no order preventing or suspending the use of any Preliminary Prospectus has been issued by the Commission, and each Preliminary Prospectus, at the time of filing thereof, conformed in all material respects to the requirements of the Securities Act and the rules and regulations of the Commission thereunder, and did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by or on behalf of the Selling Shareholders or the Underwriters through Jefferies & Company, Inc. expressly for use therein;

(iv) the Company is a corporation duly organized and validly existing in good standing under the laws of the State of Texas, with full corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement and the Prospectus, and is duly registered and qualified to conduct its business and is in good standing in each jurisdiction where the nature or location of its properties (owned or leased) or the conduct of its business requires such registration or qualification, except where the failure so to register or qualify would not have a Material Adverse Effect. As used herein, the term "Material Adverse Effect" shall mean an adverse effect on the financial condition, business, properties, net worth or results of operations of the Company or its Subsidiary (as hereinafter defined) that would be, singly or in the aggregate, material to the Company and the Subsidiary, taken as a whole, whether or not occurring in the ordinary course of business (a "Material Adverse Effect");

(v) the only significant Subsidiary (as defined in the Act Regulations) of the Company is the Subsidiary listed on Schedule III hereto (the "Subsidiary"). The Subsidiary is a corporation duly organized and validly existing in good standing under the laws of its jurisdiction of incorporation with full corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement and in the Prospectus, and is duly registered and qualified to conduct its business and is in good standing in each jurisdiction where the nature or location of its properties (owned or leased) or the conduct of its business requires such registration or qualification, except where the failure so to register or qualify would not have a Material Adverse Effect;

(vi) each of the Company and the Subsidiary has all necessary authorizations, approvals, orders, licenses, rights-of-way, operating rights, easements, certificates and permits of and from, and has made all declarations and filings with, all regulatory or governmental officials and bodies, all self-regulatory organizations and all courts and other tribunals ("Permits"), to own or lease its respective properties and to conduct its respective businesses described in the Prospectus and the Registration Statement, except where failure

to have obtained or made the same would not have a Material Adverse Effect, and neither the Company nor the Subsidiary has received any notice of proceedings relating to the revocation or modification of any such Permits, if the failure to be so licensed or approved or if the subject of an unfavorable decision, ruling or finding, would have a Material Adverse Effect; the Company and the Subsidiary has fulfilled and performed all its current material obligations with respect to such Permits and no event has occurred that allows, or after notice or lapse of time, or both, would allow, revocation or termination thereof or result in any other material impairment of the rights of the holder of any such Permit except where the nonfulfillment or non-performance or event would not have a Material Adverse Effect; and the Company and the Subsidiary is in compliance with all applicable laws, rules, regulations, orders and consents, the violation of which would have a Material Adverse Effect. The property and business of the Company and the Subsidiary conform in all material respects to the descriptions thereof contained in the Prospectus and the Registration Statement;

(vii) the Company has the authorized capitalization set forth in the Prospectus under the heading "Description of Capital Stock," and

(viii) all of the Company's authorized and outstanding capital stock has been duly authorized, validly issued and is fully paid and nonassessable and the capitalization of the Company conforms to the descriptions thereof and the statements made with respect thereto in the Registration Statement and the Prospectus as of the date set forth therein. There are no outstanding securities convertible into or exchangeable for, and no outstanding options, warrants or other rights to purchase, any shares of the capital stock of the Company, nor any agreements or commitments to issue any of the same, except as described in the Registration Statement and the Prospectus, and there are no preemptive or other rights to subscribe for or to purchase, and no restrictions upon the voting or transfer of, any capital stock of the Company pursuant to the Company's Amended and Restated Certificate of Incorporation or Amended and Restated By-laws or any agreement or other instrument to which the Company is a party, except as described in the Registration Statement and the Prospectus;

(ix) all the outstanding shares of capital stock of the Subsidiary have been duly authorized and are validly issued, fully paid and nonassessable and were not issued in violation of or subject to any preemptive or similar rights. There are no outstanding securities convertible into or exchangeable for, and no outstanding options, warrants or other rights to purchase, any shares of the capital stock of any Subsidiary, nor any agreements or commitments to issue any of the same. Except as otherwise set forth in the Registration Statement and the Prospectus, all outstanding shares of capital stock of the Subsidiary are owned by the Company, directly or indirectly through another Subsidiary, free and clear of any security interests, liens, encumbrances, equities or other claims;

(x) each of the Company and the Subsidiary has good and indefeasible title to all real property and good and marketable title to all personal property owned by it, including those properties described in the Registration Statement and Prospectus, in each case free and

clear of all liens, charges, encumbrances and restrictions, except such as are described in the Registration Statement and Prospectus or such as would not have a Material Adverse Effect. Each of the Company and the Subsidiary has valid, subsisting and enforceable leases for the properties described in the Registration Statement and the Prospectus as leased by it with such exceptions as are described in the Registration Statement and the Prospectus or that in the aggregate would not have a Material Adverse Effect;

(xi) the Company has all requisite power, authority, authorizations, approvals, orders, licenses, certificates and permits to enter into this Agreement and to carry out the provisions and conditions hereof, and to issue and deliver the Shares to the Underwriters as provided herein. This Agreement has been duly authorized, executed and delivered by the Company;

(xii) the Shares to be issued and sold by the Company have been duly and validly authorized for issuance by the Company, and the Company has full corporate power and authority to issue, sell and deliver the Shares; and, when such Shares are issued and delivered against payment therefor as provided by this Agreement, the Shares will have been validly issued, fully paid and nonassessable, and the issuance of such Shares will not be subject to any statutory preemptive rights or similar statutory rights or any other preemptive or similar rights. All corporate action required to be taken by the Company for the authorization, issuance and sale of the Shares has been duly and validly taken;

(xiii) Hein + Associates LLP are independent accountants with respect to the Company and the Subsidiary as required by the Act;

(xiv) the consolidated financial statements and related notes and schedules included in the Registration Statement or in the Prospectus present fairly the financial position of the Company and the Subsidiary, on the basis stated in the Registration Statement, as of the respective dates thereof and the consolidated statements of income, shareholders' equity and cash flows of the Company and the Subsidiary, for the respective periods covered thereby, in conformity with generally accepted accounting principles applied on a consistent basis throughout the entire period involved, except as otherwise disclosed in the Registration Statement and the Prospectus. The selected financial information included in the Registration Statement or the Prospectus presents fairly the information shown therein and has been compiled on a basis consistent with that of the audited financial statements of the Company included therein. The pro forma financial information in the Registration Statement or in the Prospectus complies in all material respects with the applicable accounting requirements of Article 11 of Regulation S-X promulgated by the Commission and presents fairly the information shown therein; the assumptions used in the preparation thereof are reasonable and the adjustments used therein are appropriate to give effect to the transactions or circumstances referred to therein. No other financial statements or schedules

of the Company and the Subsidiary are required by the Exchange Act, the Act or the Act Regulations to be included in the Registration Statement or Prospectus;

(xv) the Shares conform in all material respects to the descriptions thereof in the Registration Statement and Prospectus;

(xvi) since the respective dates as of which information is provided in the Registration Statement and Prospectus, except as otherwise specifically stated therein, there has been no change or development with respect to the condition (financial or otherwise) or business of the Company and the Subsidiary, taken as a whole, whether or not arising in the ordinary course of business, that would have a Material Adverse Effect;

(xvii) neither the Company nor any Subsidiary is in violation of its certificate of incorporation or by-laws or other organizational documents. Neither the Company nor any Subsidiary is, nor with the passage of time or the giving of notice or both would be, in violation of any law, ordinance, administrative or governmental rule or regulation applicable to the Company or the Subsidiary, or of any judgment, order or decree of any court or governmental agency or body or of any arbitrator having jurisdiction over the Company or the Subsidiary, or in default in the performance or observance of any obligation, agreement, covenant or condition contained in any mortgage, loan agreement, note, bond, debenture, credit agreement or any other evidence of indebtedness or in any agreement, contract, indenture, lease or other instrument to which the Company or the Subsidiary is a party or by which it may be bound, or to which any of the property or assets of the Company or the Subsidiary is subject, the effect of which violation or default in performance or observance would have a Material Adverse Effect;

(xviii) there is no action, suit or proceeding pending before or by any court, arbitrator or governmental agency or body or, to the Company's knowledge, threatened against the Company or the Subsidiary or to which any of their respective property is subject (A) that is required to be described in the Registration Statement or the Prospectus but is not described as required or (B) that, if adversely determined, could reasonably be expected to have a Material Adverse Effect. There is no agreement, contract, indenture, lease or other document or instrument that is required to be described in the Registration Statement or Prospectus or to be filed as an exhibit to the Registration Statement that is not described or filed as required;

(xix) except for the Selling Shareholders, no person has any right to the registration of any security of the Company by reason of the filing of the Registration Statement with the Commission or the consummation of the transactions contemplated hereby, which right has not been waived or lapsed;

(xx) other than as set forth in the Registration Statement and the Prospectus, there are no legal or governmental proceedings pending to which the Company or the Subsidiary

is a party or of which any property of the Company or subsidiary is the subject; and, to the best of the Company's knowledge, no such proceedings are threatened or contemplated by any Governmental Agency or threatened by others;

(xxi) the Company is not an "investment company" within the meaning of the Investment Company Act of 1940 and is not subject to registration under such Act;

(xxii) as of the date of the Prospectus, neither the Company nor the Subsidiary currently is planning any probable acquisitions for which disclosure of pro forma financial information would be required by the Act;

(xxiii) except as disclosed in the Registration Statement and the Prospectus (or any amendment or supplement thereto), since the respective dates as of which information is given in the Registration Statement and the Prospectus (or any amendment or supplement thereto), except as otherwise stated therein, (A) neither the Company nor the Subsidiary (1) has issued any securities other than in connection with the exercise of any outstanding options, (2) incurred any material liability or obligations, direct or contingent, for borrowed money, (3) entered into any transaction, not in the ordinary course of business, that is material to the Company and the Subsidiary, taken as a whole, (4) entered into any transaction with an affiliate of the Company (as the term "affiliate" is defined in Rule 405 of the Act Regulations) that would otherwise be required to be disclosed in the Prospectus or the Registration Statement, or (5) declared or paid any dividend on its capital stock, or made any other distribution to its equity holders, (B) there has not been any material change in the capital stock or other equity, or material increase in the short-term or long-term debt, of the Company or the Subsidiary and (C) there has been no change or development with respect to the condition (financial or otherwise) or business of the Company and the Subsidiary, taken as a whole, whether or not arising in the ordinary course of business, that would have a Material Adverse Effect;

(xxiv) each of the Company and the Subsidiary, directly or indirectly, maintains insurance covering its properties, operations, personnel and businesses; in the Company's reasonable judgment, such insurance provides coverage against such losses and risks as is adequate in accordance with customary industry practice to protect the Company and its businesses; neither the Company nor the Subsidiary has received notice from any insurer or agent of such insurer that substantial capital improvements or other expenditures will have to be made in order to continue such insurance; all such insurance is outstanding and duly in force;

(xxv) the Company has not distributed and, prior to the later to occur of (A) the Closing Date and (B) completion of the distribution of the Shares, will not distribute without your prior consent any offering material in connection with the offering and sale of the Shares other than the Registration Statement, the Prospectus or other materials, if any, permitted by the Act;

(xxvi) prior to the Closing Date, the Shares will be duly authorized for listing on the Nasdaq National Market upon official notice of issuance;

(xxvii) neither the Company nor the Subsidiary is involved in any labor dispute or, to the knowledge of the Company, is any dispute threatened, other than disputes that would not have a Material Adverse Effect;

(xxviii) neither the Company nor the Subsidiary nor, to the best of either of their knowledge, any employee or agent of the Company or the Subsidiary, has made any payment of funds of the Company or the Subsidiary or received or retained any funds of a character required to be disclosed in the Prospectus;

(xxix) the Company and the Subsidiary have filed (or have obtained extensions thereto) all federal, state and local or foreign tax returns that are required to be filed, which returns are complete and correct in all material respects, and have paid all taxes shown on such returns and all assessments with respect thereto to the extent that the same have become due, except those taxes that are being contested or protested in good faith by the Company or its Subsidiary or which the failure to file or pay would not have a Material Adverse Effect;

(xxx) except for the shares of capital stock of the Subsidiary and the Company's other subsidiary listed on Schedule III, neither the Company nor the Subsidiary owns any shares of stock or any other securities of any corporation or has any equity interest in any firm, partnership, association or other entity other than as reflected in the consolidated financial statements included in the Registration Statement and the Prospectus;

(xxxi) neither the execution or delivery of this Agreement, the offer, issuance, sale or delivery of the Shares nor the consummation by the Company of the terms of this Agreement (A) requires the consent, approval, authorization or order of any court or governmental agency or body, except such as have been obtained under the Act and such as may be required under the state securities or blue sky laws of any jurisdiction in connection with the purchase and distribution of the Shares by the Underwriters or such as may be required by the National Association of Securities Dealers, Inc. (the NASD") and such other approvals as have been obtained, (B) will conflict with, result in a breach of, or constitute a default under the terms of any indenture, agreement, lease or other instrument to which the Company or the Subsidiary is a party or by which any of them or any of their respective properties may be bound, or will result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or the Subsidiary pursuant to the terms of any agreement or instrument to which any of them is a party or by which any of them may be bound or to which any of the property or assets of any of them is subject, (C) will conflict with or violate any law, order, statute, regulation, consent or memorandum of understanding applicable to the Company or the Subsidiary of any court, regulatory body, administrative agency, governmental body or arbitrator having jurisdiction over the Company or the Subsidiary (in the case of (B) or (C) above, where such conflict, breach, default or

violation, individually or in the aggregate, would have a Material Adverse Effect), or (D) will conflict with or violate the certificate of incorporation or by-laws or other organizational documents of the Company or any subsidiary;

(xxxii) the Company has not taken, directly or indirectly, any action designed to cause or result in or that has constituted or that might reasonably be expected to constitute, the stabilization or manipulation of the price of the shares of Common Stock to facilitate the sale or resale of the Shares;

(xxxiii) the Company and the Subsidiary (A) are in compliance with any and all applicable federal, state, local and foreign laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"), (B) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their business and (C) are in compliance with all terms and conditions of any such permit, license or approval, except where such noncompliance with Environmental Laws, failure to receive required permits, licenses or approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not have a Material Adverse Effect; and

(xxxiv) there are no costs or liabilities, to the Company's knowledge after due inquiry, associated with the effect of Environmental Laws on the business, operations and properties of the Company and its Subsidiary that would have a Material Adverse Effect.

(b) Each Selling Shareholder, severally and not jointly, represents and warrants to the Underwriters as of the Representation Date and as of the Closing Date, as follows:

(i) Such Selling Shareholder now has, and on the Closing Date will have, valid title to the Shares to be sold by the Selling Shareholder pursuant to this Agreement, free and clear of any security interests, liens, encumbrances, equities or other claims, including, without limitation, any restrictions or transfer (except for restrictions imposed by applicable federal or state securities laws) other than as specified on the certificate(s) representing such Shares.

(ii) Such Selling Shareholder now has, and on the Closing Date will have, full legal right, power and authorization, and any approval required by law (except such as may be required under the Act or such as may be required by the NASD or under state securities of blue sky laws governing the purchase and distribution of the Shares), to sell, assign, transfer and deliver the Shares to be sold by the Selling Shareholders pursuant to this Agreement in the manner provided in this Agreement, and upon delivery of and payment for such Shares hereunder, the several Underwriters will acquire valid title to such Shares free and clear of any adverse claims, assuming that the Underwriters have acquired such Shares for value, in good faith and without notice of any adverse claim.

(iii) This Agreement, the Power of Attorney and the Custody Agreement referred to in (vii) below have been duly authorized, executed and delivered by or on behalf of such Selling Shareholder.

(iv) Neither the execution and delivery of this Agreement, the Power of Attorney or the Custody Agreement by or on behalf of the Selling Shareholder nor the consummation of the transactions herein contemplated by or on behalf of such Selling Shareholder requires any consent, approval, authorization or order of, or filing or registration with, any court, regulatory body, administrative agency or other governmental body, agency or official (except such as may be required under the Act or such as may be required by the NASD or under state securities or blue sky laws governing the purchase and distribution of the Shares) or conflicts or will conflict with or constitutes or will constitute a breach of, or default under, or violates or will violate, any agreement, indenture or other instrument to which the Selling Shareholder is a party or by which the Selling Shareholder is or may be bound or to which any of the Selling Shareholder's property or assets is subject, or any statute, law, rule, regulation, ruling, judgment, injunction, order or decree applicable to the Selling Shareholder or to any property or assets of the Selling Shareholder, which breach, default or violation would impair the Selling Shareholder's ability to perform under this Agreement and would have any adverse impact on the Company or the Underwriters under this Agreement.

(v) The information with respect to the Selling Shareholder contained in the section entitled "Selling Shareholders" in the Prospectus does not and will not on the Closing Date contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(vi) Such Selling Shareholder has not taken, directly or indirectly, any action designed to or that might reasonably be expected to cause or result in stabilization or manipulation of the price of the Common Stock to facilitate the sale or resale of the Shares, except for the lock-up arrangements described in the Prospectus.

(vii) Certificates in negotiable form representing all of the Shares to be sold by such Selling Shareholder hereunder have been placed in custody under a Custody Agreement, in the form heretofore furnished to you (the "Custody Agreement"), duly executed and delivered by such Selling Stockholder to Norton, Jacobs, Kuhn & McTopy, L.L.P. ("NJKM"), as custodian (the "Custodian"), and such Selling Stockholder has duly executed and delivered a Power of Attorney, in the form heretofore furnished to you (the "Power of attorney"), appointing Billy F. Mitcham, Jr. and Robert Rios and each of them as such Selling Shareholder's attorney-in- fact (the "Attorney-in-Fact") with authority to execute and deliver this Agreement on behalf of such Selling Shareholder, to determine the purchase price to be paid by the Underwriters to the Selling Shareholders, to authorize the delivery of the Shares to be sold by such Selling Shareholder hereunder and otherwise to act on behalf

of such Selling Shareholder in connection with the transactions contemplated by this Agreement and the Custody Agreement.

(viii) The Shares represented by the certificates held in custody for such Selling Shareholder under the Custody Agreement are subject to the interests of the Underwriters hereunder; the arrangements made by such Stockholder for such custody, and the appointment by such Selling Shareholder of the Attorney-in-Fact by the Power of Attorney, are to that extent irrevocable except as otherwise provided herein and therein; the obligations of the Selling Shareholders hereunder shall not be terminated by operation of law, whether by the death or incapacity of any individual Selling Shareholder or, in the case of an estate or trust, by the death or incapacity of any executor or trustee or the termination of such estate or trust, or in the case of a partnership or corporation, by the dissolution of such partnership or corporation, or by the occurrence of any other event; if any individual Selling Shareholder or any such executor or trustee should die or become incapacitated, or if any such estate or trust should be terminated, or if any such partnership or corporation should be dissolved, or if any other such event should occur, before the delivery of the Shares hereunder, certificates representing the Shares shall be delivered by or on behalf of the Selling Shareholder in accordance with the terms and conditions of this Agreement and of the Custody Agreement; and actions taken by the Attorney-in-Fact pursuant to the Powers of Attorney shall be as valid as if such death, incapacity, termination, dissolution or other event had not occurred, regardless of whether or not the Custodian, the Attorney-in-Fact, or either of them, shall have received notice of such death, incapacity, termination, dissolution or other event.

(ix) In order to document the Underwriters' compliance with the reporting and withholding provisions of the Tax Equity and Fiscal Responsibility Act of 1982 with respect to the transactions herein contemplated, such Selling Shareholder will deliver to you prior to or at the First Time of Delivery (as hereinafter defined) a properly completed and executed United States Treasury Department Form W-9 (or other applicable form or statement specified by Treasury Department regulations in lieu thereof).

(c) Any certificate signed by any officer of the Company or the Selling Shareholders delivered to the Underwriters or to counsel for the Underwriters pursuant to the terms of this Agreement shall be deemed a representation and warranty by the Company or the Selling Shareholders, as the case may be, to each Underwriter as to the matters covered thereby.

SECTION 2. Sale and Delivery to the Underwriters; Closing.

(a) Subject to the terms and conditions set forth herein, and subject to adjustments as you may determine to avoid fractional shares:

(i) the Company agrees to sell to each Underwriter, severally and not jointly, and, on the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, each Underwriter, severally and not jointly, agrees to

purchase from the Company, at a purchase price of _____ per share (the "Initial Price"), the aggregate number of Primary Shares that bears that same proportion to the aggregate number of Primary Shares to be issued and sold by the Company as the number of shares set forth opposite the name of such Underwriter in Schedule II (or such number of Primary Shares increased as provided in Section 9 hereof) bears to the aggregate number of Shares to be sold by the Company and the Selling Shareholders. The Company will have no obligation to sell to the Underwriters any of such Primary Shares that are being issued and sold by the Company hereunder unless the Underwriters purchase all of the Primary Shares hereunder; and

(ii) the Selling Shareholders agree, severally and not jointly, to sell to each Underwriter, severally and not jointly, and, on the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, each Underwriter, severally and not jointly, agrees to purchase from the Selling Shareholders at the Initial Price, the aggregate number of Shareholders' Shares that bears the same proportion to the aggregate number of Shareholders' Shares to be sold by the Selling Shareholder as the number of Shareholders' Shares set forth opposite the name of such Underwriter in Schedule II hereto (or such number of Shareholders' Shares increased as provided in Section 9 hereof) bears to the aggregate number of Shares to be sold by the Company and the Selling Shareholders, and the Selling Shareholders will have no obligation to sell to the Underwriters any of the Shareholders' Shares to be sold by the Selling Shareholders hereunder unless the Underwriters purchase all of such Shareholders' Shares hereunder.

(b) The Company grants to the Underwriters an option to purchase all or any part of the Additional Shares at the Initial Price. Additional Shares shall be purchased from the Company, severally and not jointly, for the accounts of the Underwriters in proportion to the number of Primary Shares set forth in Schedule II hereto opposite the name of such Underwriter. Such option may be exercised only to cover over-allotments in the sale of the Primary Shares by the Underwriters and may be exercised in whole or in part at any time on or before 12:00 noon, New York City time, on the business day before the Primary Shares Closing Date (as hereinafter defined), and only once thereafter within 30 days after the date of the Prospectus, in each case upon written or telegraphic notice, or oral or telephonic notice confirmed by written or facsimile notice, by the Underwriters to the Company no later than 12:00 noon, New York City time, on the business day before the Primary Shares Closing Date or at least two business days before the Additional Shares Closing Date (as hereinafter defined), as the case may be, setting forth the number of Additional Shares to be purchased and the time and date (if other than the Primary Shares Closing Date) of such purchase.

(c) Payment of the purchase prices for, and delivery of, the Primary Shares and the Shareholders Shares to be purchased by the Underwriters shall be made at the offices of Jefferies & Company, Inc., 39 Broadway, New York, New York 10006, or at such other place as shall be agreed upon by the Underwriters and the Company, at 10:00 A.M., New York City time, on the third or fourth business day following the date of the Registration Statement becomes effective (or, if the Company elected to rely upon Rule 430A, the fourth business day after the date of execution of this

Agreement), or such other time not later than ten business days after such date as shall be agreed upon by the Underwriters and the Company (such time and date of payment and delivery being herein called the "Primary Shares Closing Date"). Payment shall be made to the Company and the Selling Shareholders, as the case may be, by wire transfer in same day funds payable to the order of the Company or the Selling Shareholders, as applicable, against delivery to the Underwriters of the Primary Shares or Shareholders' Shares.

(d) Payment of the purchase price for, and delivery of, the Additional Shares to be purchased by the Underwriters shall be made at the office as set forth above or at such other place as shall be agreed upon by the Underwriters and the Company at the time and on the date (which may be the same as, but in no event shall be earlier than, the Primary Shares Closing Date) specified in the notice referred to in Section 2(b) (such time and date of delivery and payment being herein called the "Additional Shares Closing Date"). The Primary Shares Closing Date and the Additional Shares Closing Date are called, individually, the "Closing Date" and together, the "Closing Dates." Payment shall be made to the Company by wire transfer in same day funds payable to the order of the Company against delivery to the Underwriters of the Additional Shares.

(e) Certificates representing the Shares shall be issued in such denominations and registered in such names as the Underwriters may request in writing at least two business days before the Primary Shares Closing Date or, in the case of Additional Shares, on the day of notice of exercise of the option as described in Section 2(b). The certificates representing the Shares will be made available for examination and packaging by the Underwriters not later than 1:00 P.M., New York City time, on the last business day prior to the Primary Shares Closing Date (or the Additional Shares Closing Date in the case of the Additional Shares) at such place as is designated by the Underwriters.

SECTION 3. Covenants of the Company. The Company covenants with each of the Underwriters as follows:

(a) the Company will use its best efforts to cause the Registration Statement, if not effective at the Representation Date, and any amendment thereof, to become effective, as promptly as possible after the filing thereof. The Company will not file any amendment to the Registration Statement or any amendment or supplement to the Prospectus to which the Underwriters shall reasonably object in writing after a reasonable opportunity to review such amendment or supplement. Subject to the foregoing sentences in this clause (a), if the Registration Statement has become or becomes effective pursuant to Rule 430A, or filing of the Prospectus or supplement to the Prospectus is otherwise required under Rule 424(b), the Company will cause the Prospectus, properly completed, or such supplement thereto to be filed with the Commission pursuant to the applicable paragraph of Rule 424(b) within the time period prescribed and will provide evidence satisfactory to the Underwriters of such timely filing. The Company will promptly advise the Underwriters (i) when the Registration Statement, if not effective at the Representation Date, and any amendment thereto, shall have become effective, (ii) when the Prospectus, and any supplement thereto, shall have been filed (if required) with the Commission pursuant to Rule 424(b), (iii) when any amendment to the Registration Statement shall have been filed or become effective, (iv) of any

request by the Commission for any amendment of the Registration Statement or supplement to any Prospectus or for any additional information, (v) of the receipt by the Company of any notification of, or if the Company otherwise has knowledge of, the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the institution or threatening of any proceeding for that purpose and (vi) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Shares for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose. The Company will use its best efforts to prevent the issuance of any such stop order and, if issued, to obtain as soon as possible the lifting thereof;

(b) if, at any time when a Prospectus relating to the Shares is required to be delivered under the Act or the Act Regulations, any event occurs as a result of which the Prospectus as then amended or supplemented would contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, or if it shall be necessary to amend the Registration Statement or amend or supplement the Prospectus to comply with the Act or the Act Regulations, the Company promptly will prepare and file with the Commission, subject to the second sentence of paragraph (a) of this Section 3, an amendment or supplement that will correct such statement or omission or effect such compliance;

(c) the Company consents to the use of the Prospectus in accordance with the provisions of the Act and with the securities or blue sky laws of the jurisdictions in which the Shares are offered by the Underwriters and by all dealers to whom Shares may be sold, both in connection with the offering and sale of the Shares and for such period of time thereafter as the Prospectus is required by the Act to be delivered in connection with the sales by any Underwriter or dealer. The Company will comply with all requirements imposed upon it by the Act, as now and hereafter amended, so far as necessary to permit the continuance of sales of or dealing in the Shares in accordance with the provisions hereof and the Prospectus;

(d) as soon as practicable, the Company will make generally available to its security holders and to the Underwriters a consolidated earnings statement or statements of the Company and the Subsidiary covering a twelve-month period beginning after the Effective Date that will satisfy the provisions of Section 11(a) of the Act and Rule 158 under the Act Regulations;

(e) the Company will furnish to the Representatives, without charge, four signed copies of the Registration Statement (including exhibits thereto and all documents incorporated by referenced therein) and, so long as delivery of a prospectus by an Underwriter or dealer may be required by the Act, or the Act Regulations, as many copies of the Prospectus and all amendments and supplements thereto as the Underwriters may reasonably request;

(f) during the period of five years hereafter, the Company will furnish to you, as soon as practicable after the end of each fiscal year, a copy of its annual report to shareholders for such year; and the Company will furnish to you (i) as soon as available, a copy of each report or definitive proxy statement of the Company filed with the Commission under the Exchange Act or mailed to

the shareholders, and (ii) from time to time, such other information concerning the Company as you may reasonably request, provided that prior to the Company's furnishing any such other information that is non-public, you shall enter into an agreement, in such form as the Company shall reasonably request, with respect to the confidentiality of such information;

(g) the Company will not, and will cause each of its executive officers and directors to enter into agreements with the Underwriters in the form set forth in Exhibit A to the effect that they will not, for a period of 180 days following the date of the Prospectus, without prior written consent of Jefferies & Company, Inc., offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce the offering of, any shares of Common Stock or any securities convertible into, or exchangeable for, shares of Common Stock; provided, however, that the Company may issue and sell Common Stock pursuant to any stock bonus plan, stock grant plan or stock option plan in effect as of the date of the Prospectus;

(h) the Company will comply with all the provisions of any undertakings contained in the Registration Statement;

(i) the Company will apply the net proceeds from the offering and sale of the Shares to be sold by the Company in accordance with the description set forth in the "Use of Proceeds" section of the Prospectus;

(j) the Company will cooperate with the Underwriters and their counsel in connection with endeavoring to obtain and maintain the qualification or registration, or exemption from qualification, of the Shares for offer and sale under the applicable securities laws of such states and other jurisdictions of the United States as the Underwriters may designate; provided, that in no event shall the Company be obligated to qualify to do business in any jurisdiction where it is not now so qualified or to take any action that would subject it to taxation or general service of process in any jurisdiction where it is not now so subject; and

(k) the Company will cause the Shares to be duly listed on the Nasdaq National Market.

SECTION 4. Covenants of the Selling Shareholders. The Selling Shareholders covenant with each of the Underwriters as follows:

(a) The Selling Shareholders shall cooperate to the extent reasonably necessary to cause the Registration Statement, if not effective at the Representation Date, and any amendment thereof, to become effective, as promptly as possible after the filing thereof.

(b) Without prejudice to any rights the Selling Shareholders may have against the Company, the Selling Shareholders shall pay all federal and other taxes, if any, on the transfer or sale of the Shares being sold by the Selling Shareholders to the Underwriters.

(c) The Selling Shareholders shall do or perform all things required to be done or performed by the Selling Shareholders prior to the Primary Shares Closing Date to satisfy all conditions precedent to delivery of and the payment for the Shares to be sold by the Selling Shareholders pursuant to this Agreement.

(d) The Selling Shareholders will not at any time, directly or indirectly, take any action intended, or that might reasonably be expected, to cause or result in, or that will cause, stabilization of the price of the shares of Common Stock to facilitate the sale or resale of any of the Shares.

(e) The Selling Shareholders will advise the Representatives promptly, and if requested by the Representatives will confirm such advice in writing, of any change in the information relating to the Selling Shareholders contained in the Registration Statement under the caption "Selling Shareholders."

SECTION 5. Payment of Expenses. The Company will pay, or reimburse if paid by the Underwriters, all actual and reasonable costs and expenses incident to the performance of the obligations of the Company and the Selling Shareholders under this Agreement, including (i) the fees, disbursements and expenses of counsel and accountants for the Company and the Selling Shareholders and all other expense in connection with the preparation, printing and filing of the Registration Statement, any Preliminary Prospectus, the Prospectus, and any amendments or supplements thereto, and the mailing and delivery of copies thereof to the Underwriters and dealers; (ii) the cost of reproducing the Agreement Among Underwriters, this Agreement, the Selling Agreement, any Dealer Agreements, the Underwriters' Questionnaire and the Blue Sky Memorandum (in both preliminary and final form); (iii) all expenses in connection with qualification of the Shares for offering and sale under state securities laws as provided in Section 3(j) hereof, including filing and registration fees and the fees, disbursements and expenses of counsel for the Underwriters in connection with such qualification and in connection with Blue Sky surveys; (iv) the filing fees incident to securing any required review by the NASD; (v) the cost of preparing stock certificates; (vi) all fees of the Company's transfer agent and registrar; (vii) any fees for including the Shares on the Nasdaq National Market; and (viii) all other costs and expenses incident to the performances of its obligations hereunder that are not otherwise specifically provided for in this Section.

If this Agreement is terminated by the Underwriters because of any failure or refusal on the part of the Company or the Selling Shareholders to comply with the terms or fulfill any of the conditions of this Agreement, the Company shall reimburse the Underwriters for all of their reasonable out-of-pocket expenses, including the reasonable fees and disbursements of counsel for the Underwriters. The Company shall not in any event be liable to any of the Underwriters for consequential damages including loss of anticipated profits from the transactions covered by this Agreement.

SECTION 6. Conditions of the Underwriters' Obligation. The obligation of the Underwriters to purchase the Shares hereunder is subject to the continued accuracy of the representations and warranties of the Company and the Selling Shareholders herein contained, to the accuracy of the

statements of the Company and the Selling Shareholders made in any certificates pursuant to the provision hereof, to the performance by the Company and the Selling Shareholders of its obligations hereunder and to the following further conditions:

(a) the Registration Statement shall have come effective, and you shall have received notice thereof, not later than ____ p.m., Washington D.C. time, on the date hereof, or such later time and date as shall be approved by the Representatives and the Company and shall remain effective at the Closing Date. No stop order suspending the effectiveness of the Registration Statement shall have been issued under the Act or proceedings therefor initiated or threatened by the Commission. No order suspending the effectiveness of the Registration Statement or the qualification or registration of the Shares under the securities or blue sky laws of any jurisdiction shall be in effect or proceedings therefor initiated or threatened by the Commission or the authorities of any such jurisdiction. If the Company has elected to rely upon Rule 430A, the price of the Shares and any price-related or other information previously omitted from the effective Registration Statement pursuant to Rule 430A shall have been transmitted to the Commission for filing pursuant to Rule 424(b) within the prescribed time period, and, prior to the Closing Date, the Company shall have provided evidence satisfactory to the Underwriters of such timely filing, or a post-effective amendment providing such information shall have been promptly filed and declared effective in accordance with the requirement of Rule 430A;

(b) subsequent to the execution and delivery of this Agreement, there shall not have occurred (i) any change, or any development involving a prospective change, in or affecting particularly the business, properties, condition (financial or other) or results of operations of the Company and the Subsidiary, taken as a whole, which, in the reasonable judgment of the Underwriters, materially impairs the investment quality of the Shares and constitutes a Material Adverse Effect; (ii) any material loss or interference with the business or properties of the Company or the Subsidiary from fire, explosion, flood or other casualty, whether or not covered by insurance, or from any labor dispute or any court or legislative or other governmental action, order or decree, that is not set forth in the Registration Statement and the Prospectus, if in the reasonable judgment of the Underwriters any such development makes it impracticable or inadvisable to proceed with completion of the sale of and payment for the Shares; (iii) any suspension or limitation of trading in securities generally on the New York Stock Exchange or The Nasdaq National Market, or any setting or minimum prices for trading on such exchange or system, or any suspension of trading of any securities of the Company on any exchange or system or in the over-the-counter market; (iv) any banking moratorium declared by federal or New York authorities; or (v) any outbreak or escalation of major hostilities in which the United States is involved, any declaration of war by Congress or any other substantial national or international calamity or emergency if, in the reasonable judgment of the Underwriters, the effect of any such outbreak, escalation, declaration, calamity or emergency makes it impractical or inadvisable to proceed with completion of the sale of and payment for the Shares;

(c) since the respective dates as of which information is given in the Registration Statement and the Prospectus, there shall have been no litigation or other proceeding instituted

against the Company or the Subsidiary or any of their respective officers or directors in their capacities as such, before or by any federal, state or local court, commission, regulatory body, administrative agency or other governmental body, domestic or foreign, or arbitrator, in which litigation or proceeding an unfavorable ruling, decision or finding would have a Material Adverse Effect;

(d) each of the representations and warranties of each Selling Shareholder contained herein shall be true and correct at the Closing Date, as if made at the Closing Date, and all covenants and agreements contained herein to be performed on the part of each Selling Shareholder, and all conditions contained herein to be fulfilled or complied with by each Selling Shareholder at or prior to the Closing Date, shall have been duly performed, fulfilled or complied with, and the Representatives shall have received a certificate to such effect, dated the Closing Date and signed by or on behalf of the Selling Shareholders;

(e) the Underwriters shall have received an opinion from Norton, Jacobs, Kuhn & McTopy, L.L.P., counsel for the Company, satisfactory in form and substance to counsel for the Underwriters, dated as of each Closing Date, to the effect set forth in Exhibit B;

(f) the Underwriters shall have received a favorable opinion, dated as of each Closing Date, of Vinson & Elkins L.L.P., counsel for the Underwriters, with respect to such matters as may be reasonably requested by the Underwriters, and you shall have provided such counsel with such papers and information as they may reasonably request to enable them to provide such opinion;

(g) on the Primary Shares Closing Date, the Underwriters shall have received an opinion from legal counsel for the Selling Shareholders, satisfactory in form and substance to counsel for the Underwriters, dated as of the Primary Shares Closing Date, to the effect set forth in Exhibit C;

(h) the following conditions contained in clauses (i), (ii) and (iii) of this Section 6(h) shall have been satisfied on and as of each Closing Date and the Company shall have furnished to the Underwriters a certificate of the Company, signed by the President and the principal financial or accounting officer of the Company, dated such Closing Date to the effect that the signers or such certificate have carefully examined the Registration Statement, the Prospectus, any supplement or amendment to the Prospectus, and this Agreement and that:

(i) the representations and warranties of the Company in this Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date and the Company has complied with all the agreements and satisfied all the conditions under this Agreement on its part to be performed or satisfied at or prior to the Closing Date;

(ii) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or, to the Company's knowledge, threatened; and

(iii) since the date of the most recent financial statements included in the Prospectus, there has been no change to the financial condition of the Company that would have a Material Adverse Effect.

(i) At the Representation Date and at each Closing Date, Hein + Associates LLP shall have furnished to the Underwriters and the Company and the Selling Shareholders a letter or letters, dated respectively as of the date of this Agreement and each Closing Date, in form and substance satisfactory to the Underwriters, containing statements and information of the type customarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial and statistical information pertaining to the Company and the Subsidiary in the Registration Statement and the Prospectus.

(j) At the Representation Date, the Company shall have furnished to the Underwriters a letter substantially in the form of Exhibit A hereto from each executive officer and director of the Company and the Selling Shareholders, addressed to the Underwriters, in which each such person agrees not to offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce an offering of, any shares of Common Stock beneficially owned by such person or any securities convertible into, or exchangeable for, shares of Common Stock for a period of 180 days following the date of the Prospectus without the prior written consent of Jefferies & Company, Inc.

(k) At the Closing Date, counsel for the Underwriters shall have been furnished with such information, certificates and documents as they may reasonably require for the purpose of enabling them to pass upon the issuance and sale of the Shares as contemplated herein and related proceedings, or to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained, or otherwise in connection with the offering contemplated hereby; and all opinions and certificates mentioned above or elsewhere in this Agreement shall be reasonably satisfactory in form and substance to the Underwriters and counsel for the Underwriters.

If any condition specified in this Section 6 shall have not been fulfilled in all material respects when and as required to be fulfilled, this Agreement may be terminated by the Underwriters by notice to the Company and such termination shall be without liability of any party to any other party except as provided in Section 5.

SECTION 7. Indemnification and Contribution.

(a) The Company agrees to indemnify, defend and hold harmless each Underwriter and its respective officers, shareholders, employees, directors and agents and any person who controls any Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act from and against any loss expense, damage, liability or claim (including the reasonable cost of investigating such claim) that, jointly or severally, any such Underwriter or any such officer, shareholder, employee, director, agent or controlling person may incur under the Act, the Exchange Act or otherwise, as such expenses are incurred, insofar as such loss, expense, damage, liability or

claim arises out of or is based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or in the Registration Statement as amended by any post-effective amendment thereof) or any omission or alleged omission to state a material fact required to be stated in such Registration Statement or necessary to make the statements made therein not misleading or any untrue statement or alleged untrue statement of a material fact contained in a Prospectus (the term Prospectus for the purpose of this Section 7 being deemed to include any Preliminary Prospectus, the Prospectus, the Prospectus as amended or supplemented and any document filed under the Exchange Act and incorporated by reference into the Prospectus) or any omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, the Company will not be liable in any such case to the extent any such loss, expense, damage, liability or claim arises out of or is based upon any untrue statement or omission or alleged untrue statement or omission that has been made therein or omitted therefrom in reliance upon and in conformity with the information provided in writing to the Company by or on behalf of the Selling Shareholders or any Underwriter, expressly for use in the Registration Statement or the Prospectus; and provided, further that with respect to any untrue statement or omission or alleged untrue statement or omission made in any Preliminary Prospectus the indemnity agreement contained in this Section 7(a) shall not inure to the benefit of any such indemnified Underwriter or its respective officers, shareholders, employees, directors and agents, and the Company shall not be liable to any such indemnified Underwriter or its respective officers, shareholders, employees, directors and agents, from whom the person asserting any such losses, claims, expense, damage, or liabilities purchased the Shares concerned, to the extent that any such loss, claim, expense, damage or liability of such indemnified Underwriter or its respective officers, shareholders, employees, directors, and agents results from the fact that there was not sent or given to such person at or prior to the written confirmation of the sale of such shares to such person, a copy of the Prospectus, as the same may be amended or supplemented, and the untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact in such Preliminary Prospectus was corrected in such Prospectus and the Company had previously furnished copies thereof to such indemnified Underwriter on a timely basis to permit the Prospectus (as the same may be amended or supplemented) to be sent or given. The Company agrees that the only such information provided in writing by or on behalf of any Underwriter to the Company, expressly for use in the Registration Statement or the Prospectus, is that information contained in the table and the second, fifth, sixth, seventh and eighth paragraphs following the table in the section of the Prospectus entitled "Underwriting" and the last paragraph on the cover page of the Prospectus. The foregoing indemnity agreement shall be in addition to any liability that the Company may otherwise have.

(b) The Selling Shareholders agree to indemnify, defend and hold harmless each Underwriter and its respective officers, shareholders, employees and directors and any person who controls any Underwriter within the meaning of Section 15 of the Act from and against any loss, expense, liability or claim (including the reasonable cost of investigating such claim) that, jointly or severally, any such Underwriter or any such officer, shareholder, employee, director or controlling person may incur under the Act, the Exchange Act or otherwise, as such expenses are incurred,

insofar as such loss, expense, liability or claim arises out of or is based upon any untrue statement or alleged untrue statement of a material fact supplied by the Selling Shareholders for use in the Registration Statement (or in the Registration Statement as amended by any post-effective amendment thereof) or any omission or alleged omission to state a material fact required to be stated in such Registration Statement or necessary to make the statements made therein not misleading or any untrue statement or alleged untrue statement of a material fact contained in a Prospectus (the term Prospectus for the purpose of this Section 7 being deemed to include any Preliminary Prospectus, the Prospectus, the Prospectus as amended or supplemented and any document filed under the Exchange Act and incorporated by reference into the Prospectus) or any omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that with respect to any untrue statement or omission or alleged untrue statement or omission made in any Preliminary Prospectus, the indemnity agreement contained in this Section 7(b) shall not inure to the benefit of any such indemnified Underwriter or its respective officers, shareholders, employees and directors, and the Selling Shareholders shall not be liable to any such indemnified Underwriter or its respective officers, shareholders, employees and directors, from whom the person asserting any such losses, claims, damage, or liabilities purchased the Shares concerned, to the extent that any such loss, claim, damage or liability of such indemnified Underwriter or its respective officers, shareholders, employees and directors results from the fact that there was not sent or given to such person at or prior to the written confirmation of the sale of such shares to such person, a copy of the Prospectus, as the same may be amended or supplemented, and the untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact in such Preliminary Prospectus was corrected in such Prospectus and the Company had previously furnished copies thereof to such indemnified Underwriter on a timely basis to permit the Prospectus (as the same may be amended or supplemented) to be sent or given, and provided further, that the liability of the Selling Shareholders pursuant hereto shall not exceed an amount equal to the net proceeds received by the Selling Shareholders from the sale of its Shares hereunder to the Underwriter. The Underwriters agree that the only information provided in writing by or on behalf of the Selling Shareholders expressly for use in the Registration Statement is that information contained in the section of the Prospectus entitled "Selling Shareholders."

(c) Each Underwriter agrees to indemnify, defend and hold harmless the Selling Shareholders, the Company and their respective officers, shareholders, employees and directors and any person who controls either of them within the meaning of Section 15 of the Act or Section 20 of the Exchange Act from and against any loss, expense, damage, liability or claim (including the reasonable cost of investigating such claim) that the Selling Shareholders, the Company or any such officer, shareholder, employee, director or controlling person may incur under the Act, the Exchange Act or otherwise to the same extent as the provisions of Section 7(a) above, but only insofar as such loss, expense, damage, liability or claim arises out of or is based upon any untrue statement or omission or alleged untrue statement or omission made in reliance or in conformity with information relating to such Underwriter furnished in writing to the Company by or on behalf of such Underwriter, expressly for use in the Registration Statement or the Prospectus. The Selling Shareholders and the Company agree that the only information provided in writing by or on behalf

of the Underwriters to the Company, expressly for use in the Registration Statement or the Prospectus, is that information contained in the table and the second, fifth, sixth, seventh and eighth paragraphs following the table in the section of the Prospectus entitled "Underwriting" and the last paragraph on the cover page of the Prospectus.

(d) If any action is brought against an indemnified party under this Section 7, the indemnified party or parties shall promptly notify the indemnifying party in writing of the institution of such action (provided that the failure to give such notice shall not relieve the indemnifying party of any liability that it may have pursuant to this Agreement, unless and to the extent the indemnifying party did not otherwise learn of such action and such failure has resulted in the forfeiture of substantive rights or defenses by the indemnifying party) and the indemnifying party shall assume the defense of such action, including the employment of counsel and payment of reasonable expenses. The indemnified party or parties shall have the right to employ its or their own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of the indemnified party or parties unless (i) the employment of such counsel shall have been authorized in writing by the indemnifying party in connection with the defense of such action, (ii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to take charge of the defense of such action within a reasonable time after notice of the institution of such action or (iii) the named parties to any such proceeding (including any impleaded parties) include both an indemnified party and an indemnifying party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between the named parties (in which case the indemnifying party shall not have the right to direct the defense of such action on behalf of the indemnified party or parties), in any of which events such fees and expenses shall be borne by the indemnifying party and paid as incurred; provided that the indemnifying party shall only be responsible for the fees and expenses of one counsel for the indemnified party or parties hereunder. Anything in this paragraph to the contrary notwithstanding, the indemnifying party shall not be liable for any settlement of any such claim or action effected without its written consent, which consent shall not be unreasonably withheld.

(e) If the indemnification provided for in this Section 7 is unavailable to an indemnified party under subsection (a), (b) or (c) of this Section 7 in respect of any losses, damages, expenses, liabilities or claims referred to therein, then each applicable indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, damages, expenses, liabilities or claims (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Selling Shareholders on the one hand and the Underwriters on the other hand from the offering of the Shares or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Selling Shareholders on the one hand and the Underwriters on the other hand in connection with the statements or omissions that resulted in such losses, damages, expenses, liabilities or claims, as well as any other relevant equitable considerations. The relative benefits received by the Company and the Selling Shareholders on the one hand and the Underwriters on the other hand shall be deemed to be in the same proportion as the total proceeds from the offering (net of underwriting discounts

and commissions but before deducting expenses) received by the Company and the Selling Shareholders bear to the total underwriting discounts and commissions received by the Underwriters. The relative fault of the Company and the Selling Shareholders on the one hand and of the Underwriters on the other hand shall be determined by reference to, among other things, whether the untrue statement or alleged untrue statement of a material fact or omission or alleged omission relates to information supplied by the Company, the Selling Shareholders or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid or payable by a party as a result of the losses, damages, expenses, liabilities and claims referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred by such party in connection with investigating or defending any claim or action.

(f) The Company, the Selling Shareholders and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 7 were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in Section 7(e) above. Notwithstanding the provisions of this Section 7, (i) no Underwriter shall be required to contribute any amount in excess of the underwriting discount received by it by reason of such untrue statement or alleged untrue statement or omission or alleged omission, (ii) the Selling Shareholders shall not be required to contribute any amount in excess of the gross proceeds received by the Selling Shareholders from the sale of the shares pursuant to this Agreement, and (iii) no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

SECTION 8. Representations, Warranties and Agreements to Survive Delivery. The respective indemnity and contribution agreements contained in Section 7, and the covenants, representations and warranties of the Company and the Selling Shareholders contained in this Agreement or contained in certificates of officers of the Company and the Selling Shareholders submitted pursuant hereto, shall remain in full force and effect, regardless of any investigation, or statement as to the results thereof, made by or on behalf of any Underwriter or any of its respective officers, employees, directors, shareholders, agents or any person who controls any Underwriters, or by or on behalf of the Company or the Selling Shareholders or any of the officers or directors or any controlling person of the Company or the Selling Shareholders, as the case may be, and will survive delivery of and payment for the Shares.

SECTION 9. Default of Underwriters. If any Underwriter or Underwriters default in their obligations to purchase Shares hereunder on either the Primary Shares Closing Date or the Additional Shares Closing Date and the aggregate number of Shares that such defaulting Underwriter or Underwriters agreed but failed to purchase does not exceed 10% of the total number of Shares that the Underwriters are obligated to purchase on such Closing Date, the Representatives may make arrangements satisfactory to the Company and the Selling Shareholders for the purchase of such Shares by other persons, including any of the Underwriters, but if no such arrangements are made by such Closing Date the non-defaulting Underwriters shall be obligated severally, in proportion to

their respective commitments hereunder, to purchase the Shares that such defaulting Underwriters agreed but failed to purchase on such Closing Date. If any Underwriter or Underwriters so default and the aggregate number of Shares with respect to which such default or defaults occur exceeds 10% of the total number of Shares that the Underwriters are obligated to purchase on such Closing Date and arrangements satisfactory to the Representatives and the Company and the Selling Shareholders for the purchase of such Shares by other persons are not made within 36 hours after such default, this Agreement will terminate without liability on the part of any non-defaulting Underwriter, the Company or the Selling Shareholders, except as provided in this Section 9 (provided that if such default occurs with respect to the Additional Shares after the Primary Shares Closing Date, this Agreement will not terminate as to the Primary Shares). As used in this Agreement, the term "Underwriter" includes any person substituted for an Underwriter under this Section. Nothing herein will relieve a defaulting Underwriter from liability for its default.

SECTION 10. Notices. All notices and other communications hereunder will be in writing and shall be deemed to have been duly given if mailed or transmitted by standard form of telecommunication. Notices to the Underwriters shall be directed to the Underwriters in care of:

Jefferies & Company, Inc.
11100 Santa Monica Boulevard
Los Angeles, California 90071
Attention: Jerry Gluck, Esq.

with a copy to:

Alan P. Baden
Vinson & Elkins L.L.P.
2300 First City Tower
1001 Fannin Street
Houston, Texas 77002-6760

or, if sent to the Company, directed to:

Mitcham Industries, Inc.
P. O. Box 1175
44000 Highway 75 South
Huntsville, Texas 77342
Attention: Billy F. Mitcham, Jr.

with a copy to:

Sabrina A. McTopy
Norton, Jacobs, Kuhn & McTopy, L.L.P.
1111 Bagby, Suite 2450
Houston, Texas 77002-2546

or, if sent to the Selling Shareholders, directed to:

10700 Richmond Avenue #219
Houston, Texas 77042

SECTION 11. Parties. This Agreement shall inure to the benefit of and be binding upon the Underwriters, the Company and the Selling Shareholders and their respective successors and legal representatives. Nothing expressed or mentioned in this Agreement is intended or shall be construed to provide any person, firm or corporation, other than the Underwriters and the Company and the Selling Shareholders and their respective successors and legal representatives and the controlling persons, officers, employees, directors and shareholders referred to in Sections 7 and 8 and their respective heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein or therein contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the Underwriters, the Company and the Selling Shareholders and their respective successors and legal representatives, and such controlling persons, shareholders, officers and directors and their respective heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Shares from any Underwriter shall be deemed to be a successor by reason merely of such purchase.

SECTION 12. Governing Law and Time. This Agreement shall be governed and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed in such State. Specified times of day refer to New York time, unless otherwise specified.

SECTION 13. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement among the Company and the Underwriters in accordance with its terms.

Very truly yours,
MITCHAM INDUSTRIES, INC.

By: _____
Name: Billy F. Mitcham, Jr.
Title: President, Chief Executive Officer
and Chairman of the Board

SELLING SHAREHOLDERS

By: _____
Name: Billy F. Mitcham, Jr.
Title: As Attorney-In-Fact Acting On
Behalf of the Selling Shareholders
Billy F. Mitcham III Trust and
Benjamin R. Mitcham Trust

The foregoing Agreement is hereby confirmed and accepted as of the date first above written.

JEFFERIES & COMPANY, INC.
RAUSCHER PIERCE REFSNES, INC.
GAINES, BERLAND INC.

As Representatives of the Several Underwriters

JEFFERIES & COMPANY, INC.

By: _____
Name: _____
Title: _____

SCHEDULE I
SELLING SHAREHOLDERS

Billy F. Mitcham III Trust	10,000 Shares
Benjamin R. Mitcham Trust	10,000 Shares

SCHEDULE II
UNDERWRITERS

Name of Underwriter

Number of
Primary Shares
to be Purchased

SCHEDULE III

SUBSIDIARIES

Significant Subsidiary - Mitcham Canada Ltd.

Other Subsidiary - Mitcham Acquisition Ore, Inc., a Texas corporation wholly owned by the Company, organized on December __, 1997. For the purpose of an anticipated tax-free reorganization under Section 368(a)(2)(c) of the Internal Revenue Code of 1986, as amended, with North American Western Data System, Inc., as disclosed in the Prospectus under "Recent Developments."

_____, 1997

Jefferies & Company, Inc.
Rauscher Pierce Refsnes, Inc.
Gaines, Berland Inc.
c/o Jefferies & Company, Inc.
11100 Santa Monica Boulevard
Los Angeles, California 90025

Dear Sirs:

The undersigned understands that Jefferies & Company, Inc., Rauscher Pierce Refsnes, Inc., and Gaines, Berland Inc., as Representatives of the several underwriters (the "Underwriters"), are entering into an Underwriting Agreement with Mitcham Industries, Inc. (the "Company"), providing for the public offering (the "Public Offering") of the Company's common stock, par value \$0.01 per share (the "Common Stock"), pursuant to the Company's Registration Statement on Form S-3 (Reg. No. 333-40507) (the "Registration Statement").

In order that the Company may pursue the Public Offering, the undersigned, during the period commencing the date hereof and ending ___ days after the date of the final prospectus relating to the Public Offering:

(i) agrees not to (x) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock (including, without limitation, shares of Common Stock or securities convertible into or exercisable or exchangeable for Common Stock which may be deemed to be beneficially owned by the undersigned in accordance with the rules and regulations of the Securities and Exchange Commission by virtue of the undersigned's power to dispose, or direct the disposition of, such shares or securities) or (y) enter into any swap or other arrangement that transfers all or a portion of the economic consequences associated with the ownership of any Common Stock (regardless of whether any of the transactions described in clause (x) or (y) is to be settled by the delivery of Common Stock, or such other securities, in cash or otherwise), without the prior written consent of Jefferies & Company, Inc., provided that the foregoing restrictions shall not apply to intra-family transfers and transfers for estate planning purposes;

(ii) agrees not to make any demand for, or exercise any right with respect to, the registration of any shares of Common Stock or any securities convertible into

or exercisable or exchangeable for Common Stock, without the prior written consent of Jefferies & Company, Inc.;

(iii) authorizes the Company to cause the transfer agent to decline to transfer and/or to note stop transfer restrictions on the transfer books and records of the Company with respect to any shares of Common Stock and any securities convertible into or exercisable or exchangeable for Common Stock for which the undersigned is the record holder and, in the case of any such shares or securities for which the undersigned is the beneficial but not the record holder by virtue of the undersigned's power to dispose, or direct the disposition of, such shares or securities, agrees to use reasonable efforts to cause the record holder to cause the transfer agent to decline to transfer and/or to note stop transfer restrictions on such books and records with respect to such shares or securities.

It is understood and agreed that the restrictions set forth herein are not applicable to the shares of Common Stock being sold by the undersigned in the Public Offering, if any.

The undersigned hereby represents and warrants that the undersigned has full power and authority to enter into the agreements set forth herein, and that, upon request, the undersigned will execute any additional documents necessary or desirable in connection with the enforcement hereof. All authority herein conferred or agreed to be conferred shall survive the death or incapacity of the undersigned and any obligations of the undersigned shall be binding upon the heirs, personal representatives, successors, and assigns of the undersigned.

Very truly yours,

(Name)

(Address)

(Social Security No.)

Number of shares of Common Stock owned: -----

Certificate Numbers:

Number of shares of Common Stock issuable upon exercise of stock options: -----

(i) each of the Company and the Subsidiary has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Texas and the province of Alberta, Canada, respectively, with corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement and the Prospectus;

(ii) each of the Company and the Subsidiary is duly registered and qualified to conduct its business and is in good standing in each jurisdiction where the nature or location of its properties (owned or leased) or the conduct of its business requires such registration or qualification, except where the failure so to register or qualify would not have a Material Adverse Effect;

(iii) each outstanding share of Common Stock has been duly and validly authorized and issued and is fully paid and nonassessable, and has not been issued and is not owned or held in violation of any preemptive right of shareholders. The Company owns all of the shares of capital stock of the Subsidiary and such shares have been duly and validly authorized and issued, are fully paid and non-assessable, and to such counsel's knowledge are owned directly or indirectly by the Company, free and clear of all liens, claims, security interests, restrictions, shareholders' agreements, voting trusts and any other encumbrances whatsoever. There is no commitment, plan or arrangement to issue, and no outstanding option, warrant or any security or other instrument which by its terms is convertible into, exercisable for or exchangeable for capital stock of the Company, except as described in the Prospectus. There is outstanding no security or other instrument which by its terms is convertible into, exercisable for or exchangeable for capital stock of the Company or the Subsidiary, except as described in the Prospectus;

(iv) to such counsel's knowledge, there is no pending or threatened action, suit or proceeding before any court or governmental agency, authority or body or any arbitrator involving the Company or the Subsidiary required to be disclosed in the Prospectus that is not adequately disclosed in the Prospectus;

(v) to such counsel's knowledge, there is no contract or other document of a character which is required to be filed as an exhibit to the Registration Statement which has not been filed or incorporated by reference as an exhibit as required;

(vi) the Registration Statement has become effective under the Act; any required filing of the Prospectus, and any supplements thereto, pursuant to Rule 424(b) has been made in the manner and within the time period required by Rule 424(b); to such counsel's knowledge, no stop order suspending the effectiveness of the Registration Statement has been issued, and no proceedings for that purpose have been instituted or threatened;

(vii) the statements in the Registration Statement and Prospectus, insofar as they are descriptions of contracts, agreements or other legal documents, are accurate in all material respects and present fairly the information required to be shown;

(viii) this Agreement has been duly authorized, executed and delivered by the Company and the Company has full corporate power and authority to enter into this Agreement; no consent, approval, authorization or order of any court or governmental agency or body is required in connection with the execution and delivery of this Agreement or for the issuance and sale by the Company of the Shares, except such as have been obtained under the Act;

(ix) neither the execution and delivery of this Agreement, nor the consummation of the transactions herein contemplated, will result in a breach of, or constitute a default under, (a) the terms of any indenture or other agreement or instrument (i) to which the Company or the Subsidiary is a party or by which either is bound and (ii) that is either filed as an exhibit to the Registration Statement or is identified to such counsel as being material to the Company and the Subsidiary, taken as a whole, and listed on a schedule to such counsel's opinion, (b) any law, statute, rule, order, regulation or decree of any court, regulatory body, administrative agency, governmental body or arbitrator having jurisdiction over the Company or any Subsidiary of which such counsel is aware and that is known by such counsel to be applicable to the Company or any Subsidiary (in any case under (a) or (b) where such conflict, breach or default would have a Material Adverse Effect and other than Federal or state securities or blue sky laws, as to which such counsel need not express an opinion in this subparagraph) or (c) the certificate of incorporation or by-laws of the Company;

(x) the Shares have been duly and validly authorized by the Company for issuance, and the Company has full corporate power and authority to issue, sell and deliver the Shares; and, when the Shares are issued and delivered against payment therefor as provided by this Agreement, the Shares will have been validly issued and will be fully paid and nonassessable, and the issuance of such Shares will not be subject to any statutory preemptive rights or similar statutory rights; the certificates for the Shares are in due and proper form under Texas law and the by-laws of the Company and conform with the form of certificates duly authorized by the Board of Directors of the Company; the Shares, when issued, will conform in all material respect to the description thereof contained in the Prospectus and the Registration Statement under the caption "Description of Capital Stock";

(xi) neither the Company nor the Subsidiary is an "investment company" as defined under the Investment Company Act or subject to registration under such Act; and

(xii) the Registration Statement and the Prospectus (except the financial statements, supporting schedules and other information of a financial nature included therein, as to which such counsel does not express any opinion) comply as to form in all material respects with the requirements of the Act and the applicable Act Regulations.

In passing upon the form of the Registration Statement and the Prospectus, such counsel has necessarily assumed the correctness and completeness of the statements made therein. Such counsel is not passing upon and does not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement or the Prospectus (except to the extent set forth in subparagraph (vi) and the last sentence of subparagraph (ix)), and such counsel has not independently verified the accuracy, completeness or fairness of such statements (except as aforesaid). Without limiting the foregoing, such counsel assumes no responsibility for and has not independently verified the accuracy, completeness or fairness of the financial statements and other

financial data included in the Registration Statement and has not examined the financial or reserve records from which such statements and data are derived. Such counsel notes that, although certain portions of the Registration Statement have been included therein on the authority of "experts" within the meaning of the Act, such counsel is not an expert with respect to any portion of the Registration Statement. However, such counsel shall state that such counsel has participated in conferences with officers and other representatives of the Company, representatives of the independent accountants of the Company, and with the underwriters' representatives and counsel, at which the contents of the Registration Statement and Prospectus and related matters were discussed. Such counsel has also reviewed certain corporate documents furnished to them by the Company. Based on such participation and review (relying as to materiality to a certain extent upon the officers and the other representatives of the Company), and subject to the limitations described above, such counsel shall state that no information has come to such counsel's attention that causes them to believe that the Registration Statement, at the time it became effective or as of the Closing Date, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that the Prospectus, as of its date or as of the Closing Date, included or includes an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

The opinions of such counsel relate solely to, are based solely upon and are limited exclusively to the laws of the State of Texas and the federal laws of the United States of America, to the extent applicable.

(i) the Agreement has been duly executed and delivered by or on behalf of the Selling Shareholder;

(ii) to such counsel's knowledge, the Selling Shareholder has full power and authority to sell, assign, transfer and deliver the Shares;

(iii) to such counsel's knowledge, the execution and delivery of the Agreement by or on behalf of the Selling Shareholder and the sale of the Shares pursuant to the terms thereof will not conflict with or violate, result in a breach of or constitute a default under the terms or provisions of any agreement, indenture, mortgage or other instrument to which the Selling Shareholder is a party or by which it or any of its assets or property is bound and which has been identified to such counsel as being material to the Selling Shareholder and its subsidiaries, taken as a whole, or any court order or decree or any laws, rule, or regulation (except such as may be required under the Act or such as may be required by the NASD or under state securities or blue sky laws governing the purchase and distribution of the Shares) applicable to the Selling Shareholder or to any of the property or assets of the Selling Shareholder, which breach, default or violation would impair the Selling Shareholder's ability to sell the Shares pursuant to the terms of the Agreement; and

(iv) upon delivery of the Shares that the Selling Shareholder has agreed to sell pursuant to the Agreement and payment therefor as contemplated therein and assuming the Underwriters are acquiring the Shares in good faith without notice of any adverse claims, the Underwriters will acquire valid title to such Shares free and clear of any adverse claims.

[NORTON, JACOBS, KUHN & MCTOPY, L.L.P. LETTERHEAD]

December 16, 1997

Mitcham Industries, Inc.
44000 Highway 75 South
Huntsville, Texas 77342

Gentlemen:

We have acted as counsel for Mitcham Industries, Inc., a Texas corporation (the "Company"), with respect to certain legal matters in connection with the Registration Statement on Form S-3, Registration No. 333-40507 (the "Registration Statement"), filed by the Company in connection with the registration under the Securities Act of 1933, as amended (the "Act") of up to 2,093,000 shares of its Common Stock, par value \$0.01 per share (the "Shares") consisting of up to 2,073,000 Shares offered by the Company and up to 20,000 Shares offered by certain shareholders of the Company. In connection with this opinion, we have examined such certificates, documents and instruments as we have considered necessary and appropriate.

Based upon the foregoing, it is our opinion that the Shares have been duly authorized for issuance and, when issued and delivered as described in the Underwriting Agreement (the "Underwriting Agreement"), the form of which is filed as Exhibit 1 to the Registration Statement, will be validly issued, fully paid and non-assessable.

We hereby consent to the filing of this opinion with the Securities and Exchange Commission as Exhibit 5 to the Registration Statement and further consent to the statements made in the Registration Statement regarding our firm and the use of our name under the heading "Legal Matters" in the Prospectus constituting a part of such Registration Statement. In giving this consent, we do not admit we are in the category of persons whose consent is required under Section 7 of the Act and the rules and the regulations thereunder.

We are licensed to practice in the State of Texas only and do not express any opinion as to matters governed by the laws of any jurisdiction other than the laws of the State of Texas or the laws of the United States of America.

Very truly yours,

NORTON, JACOBS, KUHN & MCTOPY, L.L.P.

/s/ NORTON, JACOBS, KUHN & MCTOPY, L.L.P.

SECOND AMENDMENT
TO
EXCLUSIVE LEASE REFERRAL AGREEMENT

This Second Amendment (the "Amendment") to the Exclusive Lease Referral Agreement entered into on May 14, 1996, between Mitcham Industries, Inc. a Texas corporation, ("Mitcham") and Peleton Company, Inc., an Oklahoma corporation ("Peleton") (the "Agreement") is entered into on this 24th day of November, 1997. For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Mitcham and Peleton do hereby agree as follows:

1. Section 11 of the Agreement is amended by this Amendment to read in its entirety as follows:

"11. TERM. This Agreement shall be effective beginning May 14, 1996 (the "Effective Date") and will remain in effect through December 31, 1998 (the "Term"). Thereafter, it shall continue to be effective until terminated by either party giving the other three months prior notice."

2. All other terms and conditions of the Agreement remain unmodified.

3. The Agreement is ratified and confirmed as being in full force and effect in accordance with its terms and provisions, as amended by this Amendment.

IN WITNESS WHEREOF, this Amendment has been executed on behalf of the parties by their duly authorized representatives as of the date first written above.

MITCHAM:
Mitcham Industries, Inc.

PELTON:
Pelton Company, Inc.

/s/ BILLY F. MITCHAM, JR.

/s/ KIM L. MITCHELL

By: Billy F. Mitcham, Jr.

By: Kim L. Mitchell

Title: President, Chief Executive
Officer and Chairman of
the Board

Title: Chairman and President

[BANK ONE, TEXAS, N.A. LETTERHEAD]

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LETTER LOAN AGREEMENT

December 8, 1997

Mitcham Industries, Inc.
P. O. Box 1175
Huntsville, Texas 77342-1175

Ladies and Gentlemen:

This Letter Loan Agreement (the "Loan Agreement") will serve to set forth the terms of the financing transactions by and between Mitcham Industries, Inc., a Texas corporation ("Borrower"), and BANK ONE, TEXAS, NATIONAL ASSOCIATION ("Bank"):

1. LOAN. Subject to the terms and conditions set forth in this Loan Agreement and the other agreements, instruments and documents at any time evidencing, securing, governing, guaranteeing and/or pertaining to the Indebtedness, as hereinafter defined (collectively, together with this Loan Agreement, referred to hereinafter as the "Loan Documents"), Bank and Borrower hereby agree as follows:

(a) Revolving Line of Credit. Subject to the terms and conditions set forth herein, Bank agrees to lend to Borrower, on a revolving basis from time to time during the period commencing on the date hereof and continuing through and including 11:00 a.m. (Houston, Texas time) on December 8, 1999, (the "Termination Date"), such amounts as Borrower may request hereunder (the "Revolving Line of Credit"); provided, however, the total principal amount outstanding at any time shall not exceed the lesser of (i) an amount equal to the Borrowing Base (as hereinafter defined), or (ii) \$15,000,000.00 (the "Committed Sum"). If at any time the aggregate principal amount outstanding under the Revolving Line of Credit shall exceed an amount equal to the Borrowing Base, Borrower agrees to immediately repay to Bank such excess amount, plus all accrued but unpaid interest thereon. Subject to the terms and conditions hereof, Borrower may borrow, repay and reborrow hereunder. All sums advanced hereunder, together with all accrued but unpaid interest thereon, shall be due and payable in full on the Termination Date.

As used in this Loan Agreement, the term "Borrowing Base" shall have the meaning set forth hereinbelow:

An amount equal to eighty (80%) of the Borrower's Eligible Accounts, plus fifty percent (50%) of all equipment leased by Borrower to companies or other entities whose principal place of business is located in the United States or Canada.

As used herein, the term "Eligible Accounts" shall mean at any time, an amount equal to the aggregate net invoice or ledger amount owing on all trade accounts receivable of Borrower for goods sold or leased or services rendered in the ordinary course of business, in which the Bank has a perfected, first priority lien, after deducting (without duplication): (i) each such account that is unpaid ninety (90) days or more after the original invoice date thereof, (ii) the amount of all discounts, allowances, rebates, credits and adjustments to such accounts (iii) the amount of all contra accounts, setoffs, defenses or counterclaims asserted by or available to the account debtors, (iv) all accounts with respect to which goods are placed on consignment or subject to a guaranteed sale or other terms by reason of which payment by the account debtor may be conditional, (v) the amount billed for or representing retainage, if any, until all prerequisites to the immediate payment of retainage have been satisfied, (vi) all accounts owing by account debtors for which there has been instituted a proceeding in bankruptcy or reorganization under the United States Bankruptcy Code or other law, whether state or federal, now or hereafter existing for relief of debtors, (vii) all accounts owing by any affiliates of Borrower, (viii) all accounts in which the account debtor is the United States or any department, agency or instrumentality of the United States, except to the extent an acknowledgment of assignment to Bank of such account in compliance with the Federal Assignment of Claims Act and other applicable laws has been received by Bank, (ix) all accounts due Borrower by any account debtor whose principal place of business is located outside the United States of America and its territories, unless such accounts are secured by ExIm Bank or guaranteed by a letter of credit in a form and issued by an institution acceptable to Bank in its sole discretion, (x) all accounts subject to any provision prohibiting assignment or requiring notice of or consent to such assignment, (xi) that portion of all account balances owing by any single account debtor which exceeds twenty-five percent 25% of the aggregate of all accounts otherwise deemed eligible hereunder which are owing to Borrower by all account debtors, and (xii) any other accounts deemed unacceptable by Bank in its sole and absolute discretion; provided, however, if more than twenty percent (20%) of the then balance owing by any single account debtor does not qualify as an Eligible Account under the foregoing

provisions, then the aggregate amount of all accounts owing by such account debtor shall be excluded from Eligible Accounts.

The advances under the Revolving Line of Credit shall be collectively called the "Loan". The term "Indebtedness", as used herein, shall mean the Loan and all other indebtedness owing from time to time to Bank by Borrower.

2. **PROMISSORY NOTE.** The Loan shall be evidenced by one promissory note (herein called, together with any renewals, extensions and increases thereof, the "Note") of even date herewith, duly executed by Borrower, in the stated principal amount of Fifteen Million and No/100 Dollars (\$15,000,000.00) and in form and substance acceptable to Bank. Interest on the Note shall accrue at the rate set forth therein. The principal of and interest on the Note shall be due and payable in accordance with the terms and conditions set forth in the Note and in this Loan Agreement.

3. **GUARANTORS.** As a condition precedent to the Bank's obligation under this Loan Agreement to make the Loan to Borrower, Borrower agrees to cause all current and future subsidiaries of Borrower (whether one or more, the "Guarantors") to each execute and deliver to Bank contemporaneously herewith an unlimited guaranty agreement, in form and substance satisfactory to Bank.

4. **REPRESENTATIONS AND WARRANTIES.** Borrower hereby represents and warrants, and upon each request for an advance under the Revolving Line of Credit further represents and warrants, to Bank as follows:

(a) **Existence.** Borrower is a corporation duly organized, validly existing and in good standing under the laws of the State of Texas and all other states where it is doing business, and has all requisite power and authority to execute and deliver this Loan Agreement and the other Loan Documents.

(b) **Binding Obligations.** The execution, delivery, and performance of this Loan Agreement and all of the other Loan Documents by Borrower have been duly authorized by all necessary corporate action by Borrower, and constitute legal, valid and binding obligations of Borrower, enforceable in accordance with their respective terms, except as limited by bankruptcy, insolvency or similar laws of general application relating to the enforcement of creditors' rights and except to the extent specific remedies may generally be limited by equitable principles.

(c) **No Consent.** The execution, delivery and performance of this Loan Agreement and the other Loan

Documents, and the consummation of the transactions contemplated hereby and thereby, do not (i) conflict with, result in a violation of, or constitute a default under (A) any provision of Borrower's articles of incorporation or bylaws or any agreement or other instrument binding upon Borrower, or (B) any law, governmental regulation, court decree or order applicable to Borrower, or (ii) require the consent, approval or authorization of any third party.

(d) Financial Condition. Each financial statement of Borrower supplied to the Bank, including those dated _____, 19____ was prepared in accordance with generally accepted accounting principles, consistently applied, in effect on the date such statements were prepared and truly discloses and fairly presents Borrower's financial condition as of the date of each such statement, and there has been no material adverse change in such financial condition or results of operations of Borrower subsequent to the date of the most recent financial statement supplied to the Bank.

(e) Litigation. There are no actions, suits or proceedings, pending or, to the knowledge of Borrower, threatened against or affecting Borrower or the properties of Borrower, before any court or governmental department, commission or board, which, if determined adversely to Borrower, would have a material adverse effect on the financial condition, properties, or operations of Borrower.

(f) Taxes; Governmental Charges. Borrower has filed all federal, state and local tax reports and returns required by any law or regulation to be filed by it and has either duly paid all taxes, duties and charges indicated due on the basis of such returns and reports, or made adequate provision for the payment thereof, and the assessment of any material amount of additional taxes in excess of those paid and reported is not reasonably expected.

5. CONDITIONS PRECEDENT TO ADVANCES. Bank's obligation to make any advance under this Loan Agreement and the other Loan Documents shall be subject to the conditions precedent that, as of the date of such advance and after giving effect thereto (i) all representations and warranties made to Bank by Borrower and any of the Guarantors in this Loan Agreement and the other Loan Documents shall be true and correct, as of and as if made on such date, (ii) no material adverse change in the financial condition of Borrower or any of the Guarantors since the effective date of the most recent financial statements furnished to Bank by Borrower or any of the Guarantors shall have occurred and be continuing, (iii) no

event has occurred and is continuing, or would result from the requested advance, which with notice or lapse of time, or both, would constitute an Event of Default, (iv) Bank's receipt of all Loan Documents appropriately executed by Borrower and all other proper parties, and (v) Bank has received a notice of borrowing with respect to such requested advance.

6. AFFIRMATIVE COVENANTS. Until (i) the Note and all other obligations and liabilities of Borrower under this Loan Agreement and the other Loan Documents are fully paid and satisfied, and (ii) Bank has no further commitment to lend hereunder, Borrower agrees and covenants that it will, unless Bank shall otherwise consent in writing:

(a) Records; Right of Inspection. Maintain its books and records in accordance with generally accepted accounting principles, applied on a consistent basis, and permit Bank to visit its properties and installations to examine, audit and make and take away copies or reproductions of Borrower's books and records, at all reasonable times.

(b) Right to Additional Information. Furnish Bank with such additional information and statements, lists of assets and liabilities, tax returns, and other reports with respect to Borrower's financial condition and business operations as Bank may reasonably request from time to time.

(c) Taxes. Pay and discharge when due all of its indebtedness and obligations, including without limitation, all assessments, taxes, governmental charges, levies and liens, of every kind and nature, imposed upon Borrower or its properties, income, or profits, prior to the date on which penalties would attach, and all lawful claims that, if unpaid, might become a lien or charge upon any of Borrower's properties, income, or profits; provided, however, Borrower will not be required to pay and discharge any such assessment, tax, charge, levy, lien or claim so long as (i) the legality of the same shall be contested in good faith by appropriate judicial, administrative or other legal proceedings, and (ii) Borrower shall have established on its books adequate reserves with respect to such contested assessment, tax, charge, levy, lien or claim in accordance with generally accepted accounting principles, consistently applied.

(d) Compliance with Laws. Conduct its business in an orderly and efficient manner consistent with good business practices, and perform and comply with all statutes, rules, regulations and/or ordinances imposed by any governmental unit upon Borrower or its businesses,

operations and properties (including without limitation, all applicable environmental statutes, rules, regulations and ordinances).

(e) Insurance. Maintain insurance, including but not limited to, fire insurance, comprehensive property damage, public liability, worker's compensation, business interruption and other insurance deemed necessary or otherwise required by Bank.

(f) Notice of Litigation. Promptly after the commencement thereof, notify Bank of all actions, suits and proceedings before any court or any governmental department, commission or board affecting Borrower or any of its properties.

(g) Notice of Change in Financial Condition. Promptly inform Bank of (i) any and all material adverse changes in Borrower's financial condition, and (ii) all claims made against Borrower which could materially affect the financial condition of Borrower.

(h) Notice of Indebtedness. Promptly inform Bank of the creation, incurrence or assumption by Borrower of any actual or contingent liabilities not permitted under this Loan Agreement.

(i) Evidence of Tax Payments. Upon demand of Bank, provide Bank with evidence of payment of all assessments, taxes, charges, levies, liens and claims on or against Borrower's properties, income or profits, and authorize the appropriate governmental official to deliver to Bank at any time a written statement of any assessments, taxes, charges, levies, liens and claims against Borrower's properties, income or profits.

(j) Additional Documentation. Execute and deliver, or cause to be executed and delivered, any and all other agreements, instruments or documents which Bank may reasonably request in order to give effect to the transactions contemplated under this Loan Agreement and the other Loan Documents.

7. NEGATIVE COVENANTS. Until (i) the Note and all other obligations and liabilities of Borrower under this Loan Agreement and the other Loan Documents are fully paid and satisfied, and (ii) the Bank has no further commitment to lend hereunder, Borrower will not, without the prior written consent of Bank:

(a) Nature of Business. Make any material change in the nature of its business as carried on as of the date hereof.

(b) Liquidation, Mergers, Consolidations. Liquidate, merge or consolidate with or into any other entity.

(c) Sale of Assets. Sell, transfer or otherwise dispose of any of its assets or properties, other than in the ordinary course of business.

(d) Liens. Create, incur or assume any lien or encumbrance on any of its assets or properties, including without limitations, the Collateral.

(e) Indebtedness. Create, incur or assume any indebtedness for borrowed money or issue or assume any other note, debenture, bond or other evidences of indebtedness, or guarantee any such indebtedness or such evidences of indebtedness of others, other than (i) borrowings that do not exceed \$1,000,000.00 in the aggregate principal balance during each fiscal year of Borrower, (ii) borrowings from Bank, or (iii) borrowings outstanding on the date hereof and disclosed in writing to Bank.

(f) Change in Management. Permit a change in the position of President held by Billy F. Mitcham, Jr.

(g) Loans. Make any loans to any person or entity, including any Affiliate (as defined below) of Borrower, except advances or extension of credit in the form of accounts receivable incurred in the ordinary course of business.

(h) Transaction with Affiliates. Enter into any transaction, including, without limitation, the purchase, sale or exchange of property or the rendering of any service, with any Affiliate (as hereinafter defined) of Borrower, except in the ordinary course of and pursuant to the reasonable requirements of Borrower's business and upon fair and reasonable terms no less favorable to Borrower than would be obtained in a comparable arm's-length transaction with a person or entity not an Affiliate of Borrower.

As used herein, the term "Affiliate" means any individual or entity directly or indirectly controlling, controlled by, or under common control with, another individual or entity.

8. FINANCIAL COVENANTS. Until (i) the Note and all other obligations and liabilities of Borrower under this Loan Agreement and the other Loan Documents are fully paid and satisfied, and (ii) the Bank has no further commitment to lend hereunder, Borrower will maintain the following financial covenants on a consolidated basis:

(a) Tangible Net Worth. Borrower will maintain, at all times, its Tangible Net Worth at not less than \$33,500,000.00, which Tangible Net Worth shall increase each fiscal quarter by an amount equal to fifty percent (50%) of Borrower's net income for such quarter.

(b) Debt Service. Borrower will maintain, as of the last day of each fiscal quarter, a ratio (the "Debt Service Coverage Ratio") of (a) net income after taxes plus depreciation, amortization and other non-cash expenses for the 12 month period ending with such fiscal quarter, less Distributions for such 12 month period, to (b) current maturities of long-term debt (including an amount equal to one-third (1/3) of the outstanding balance under the Revolving Line of Credit) plus, without duplication, interest expense for such quarter, of not less than 1.25 to 1.0.

(c) Dividends. Following the occurrence and continuance of an Event of Default, or if an Event of Default would result from such distribution or dividend, Borrower agrees not to declare or pay any dividends on any shares of Borrower's capital stock, make any other distributions with respect to any payment on account of the purchase, redemption, or other acquisition or retirement of any shares of Borrower's capital stock, or make any other distribution, sale, transfer or lease of any of Borrower's assets other than in the ordinary course of business, unless any such amounts are directly utilized for the payment of principal or interest on indebtedness and obligations owing from time to time by Borrower to Bank. Borrower shall not pay any dividends on any shares of Borrower's capital stock, make any other distributions with respect to any payment on account of the purchase, redemption, or other acquisition or retirement of any shares of Borrower's capital stock to Borrower's Affiliates at any time, regardless of the existence of an Event of Default.

(d) Accounts Receivable. Borrower's accounts receivable greater than 90 days from date of invoice shall not exceed 40% of Borrower's total accounts receivable; provided, however, that any overdue accounts receivable owed by a "Qualified Bankrupt Account Debtor" (as such term is defined below) shall, solely for purposes of this loan covenant, be excluded from the foregoing calculation. For purposes hereof, the term "Qualified Bankrupt Account Debtor" shall mean an account debtor of the Borrower, which account debtor is in Chapter 11 bankruptcy or other similar reorganization proceeding, where, based upon the good-faith judgment of the Borrower and its bankruptcy legal counsel, the

prospects for ultimate recovery of a substantial majority of such account debtor's account receivable outstanding balance is reasonably likely.

(e) Net Loss. Borrower shall not sustain a net loss for any two consecutive calendar quarters as shown by the financial statements required under Section 9(b) and (c) hereof.

As used herein, the term "Tangible Net Worth" means, as of any date, Borrower's total assets excluding all intangible assets, less total liabilities excluding any indebtedness owing by Borrower which has been subordinated by written agreement to all indebtedness now or hereafter owing by Borrower to Lender, such agreement to be in form and substance acceptable to Lender. As used herein, "Distributions" shall mean all dividends and other distributions made by Borrower to its shareholders or partners, as the case may be, other than salary, bonuses and other compensation for services. Unless otherwise specified, all accounting and financial terms and covenants set forth above are to be determined according to generally accepted accounting principles, consistently applied. "Affiliate" means any individual or entity directly or indirectly controlling, controlled by, or under common control with, another individual or entity.

9. REPORTING REQUIREMENTS. Until (i) the Note and all other obligations and liabilities of Borrower under this Loan Agreement and the other Loan Documents are fully paid and satisfied, and (ii) the Bank has no further commitment to lend hereunder Borrower will, unless Bank shall otherwise consent in writing, furnish to Bank:

(a) Notice of Default. As soon as possible and in any event within ten (10) days after the occurrence of each Event of Default, as defined herein, or each event which, with the giving of notice or lapse of time or both, would constitute an Event of Default, continuing on the date of such statement, the written statement of the President and/or the Chief Financial Officer of Borrower setting forth the details of such Event of Default or event and the action which Borrower proposes to take with respect thereto.

(b) Interim Financial Statements. As soon as available, and in any event within forty- five (45) days after the end of each quarter of each fiscal year of Borrower, a balance sheet and income statement of Borrower as of the end of such fiscal quarter, all in form and substance and in reasonable detail satisfactory to Bank and duly certified (subject to year-end review adjustments) by the President and/or Chief Financial Officer of Borrower (i) as being true and correct in all material aspects to the best of his or her knowledge and

(ii) as having been prepared in accordance with generally accepted accounting principles, consistently applied.

(c) Annual Financial Statements. As soon as available and in any event within one hundred twenty (120) days after the end of each fiscal year of Borrower, a balance sheet and income statement of Borrower as of the end of such fiscal year, in each case audited by independent public accountants of recognized standing acceptable to Bank, together with a certificate of such accountants to Bank stating that in the course of the regular audit of the business of Borrower, which audit was conducted by such accountants in accordance with generally accepted standards, such accountants obtained no knowledge that an Event of Default or an event which, with notice or lapse of time or both, would constitute an Event of Default, has occurred and is continuing, or if, in the opinion of such accountants, an Event of Default or such an event has occurred and is continuing, a statement as to the nature thereof.

(d) Compliance Certificate. Within forty-five (45) days after the end of each fiscal quarter of Borrower, a certificate from the President or Chief Financial Officer of Borrower stating that Borrower is in full compliance with all of its obligations under this Loan Agreement and the other Loan Documents and is not in default of any term or provision hereof or thereof, and demonstrating compliance with all financial ratios and covenants set forth in this Loan Agreement.

(e) Borrowing Base Certificate. Within forty-five (45) days after the end of each month, a borrowing base certificate signed by the President or Chief Financial Officer of Borrower, in form and substance satisfactory to Bank, along with such supporting documentation as Bank may request.

(f) Accounts Aging. Within forty-five (45) days after the end of each month, a current aging analysis of Borrower's accounts receivable, in form and substance satisfactory to Bank. Borrower shall provide Bank with a current aging analysis of Borrower's accounts payable, in form and substance satisfactory to Bank, within ten (10) days of each request therefor by Bank.

(g) Additional Information. Borrower shall provide Bank with such other information respecting the business, properties or condition of the operations, financial or otherwise, of Borrower as Bank may from time to time request, including but not limited to periodic listing of Borrower's inventory.

(h) Equipment Location. Borrower shall provide Bank with a report stating the location of all equipment owned by Borrower within forty-five (45) days after the end of each fiscal quarter of Borrower.

(i) Additional Information. Borrower shall provide Bank with such other information respecting the business, properties or condition of the operations, financial or otherwise, of Borrower as Bank may from time to time request, including but not limited to periodic listing of Borrower's inventory.

10. EVENTS OF DEFAULT. Each of the following shall constitute an "Event of Default" under this Loan Agreement:

(a) The failure, refusal or neglect of Borrower to make any payment of principal or interest on the Indebtedness, or any portion thereof, as the same shall become due and payable.

(b) The failure of Borrower to timely and properly observe, keep or perform any covenant, agreement, warranty or condition required herein or in any of the other Loan Documents and, with respect to the covenants contained in Subparagraphs 9(a)-(e), such failure continues for a period of thirty (30) days after the occurrence thereof.

(c) The occurrence of an event of default under any of the other Loan Documents or under any other agreement now existing or hereafter arising between Bank and Borrower.

(d) Any representation contained herein or in any of the other Loan Documents made by Borrower or any Guarantor is false or misleading in any material respect.

(e) The occurrence of any event which permits the acceleration of the maturity of any indebtedness owing by Borrower to any third party under any agreement or understanding.

(f) If Borrower or any Guarantor: (i) becomes insolvent, or makes a transfer in fraud of creditors, or makes an assignment for the benefit of creditors, or admits in writing its inability to pay its debts as they become due; (ii) generally is not paying its debts as such debts become due; (iii) has a receiver, trustee or custodian appointed for, or take possession of, all or substantially all of the assets of such party, either in a proceeding brought by such party or in a proceeding

brought against such party and such appointment is not discharged or such possession is not terminated within sixty (60) days after the effective date thereof or such party consents to or acquiesces in such appointment or possession; (iv) files a petition for relief under the United States Bankruptcy Code or any other present or future federal or state insolvency, bankruptcy or similar laws (all of the foregoing hereinafter collectively called "Applicable Bankruptcy Law") or an involuntary petition for relief is filed against such party under any Applicable Bankruptcy Law and such involuntary petition is not dismissed within sixty (60) days after the filing thereof, or an order for relief naming such party is entered under any Applicable Bankruptcy Law, or any composition, rearrangement, extension, reorganization or other relief of debtors now or hereafter existing is requested or consented to by such party; (v) fails to have discharged within a period of sixty (60) days any attachment, sequestration or similar writ levied upon any property of such party; or (vi) fails to pay within thirty (30) days any final money judgment against such party.

(g) The liquidation, dissolution, merger or consolidation of Borrower or any Guarantor (excluding any merger of any Guarantor with and into Borrower).

Nothing contained in this Loan Agreement shall be construed to limit the events of default enumerated in any of the other Loan Documents and all such events of default shall be cumulative.

11. REMEDIES. Upon the occurrence of any one or more of the foregoing Events of Default, (a) the entire unpaid balance of principal of the Note and all other Indebtedness, together with all accrued but unpaid interest thereon, and all other Indebtedness shall, at the option of Bank, become immediately due and payable without further notice, demand, presentation, notice of dishonor, notice of intent to accelerate, notice of acceleration, protest or notice of protest of any kind, all of which are expressly waived by Borrower, and (b) Bank may, at its option, cease further advances under any of the Note; provided, however, concurrently and automatically with the occurrence of an Event of Default under subparagraph (f) in the immediately preceding paragraph (i) further advances under the Note shall cease, and (ii) the Note and all other Indebtedness shall, without any action by Bank, become due and payable, without further notice, demand, presentation, notice of dishonor, notice of acceleration, notice of intent to accelerate, protest or notice of protest of any kind, all of which are expressly waived by Borrower. All rights and remedies of Bank set forth in this Loan Agreement and in any of the other Loan Documents may also be exercised by Bank, at its option to be

exercised in its sole discretion, upon the occurrence of an Event of Default.

12. RIGHTS CUMULATIVE. All rights of Bank under the terms of this Loan Agreement shall be cumulative of, and in addition to, the rights of Bank under any and all other agreements between Borrower and Bank (including, but not limited to, the other Loan Documents), and not in substitution or diminution of any rights now or hereafter held by Bank under the terms of any other agreement.

13. WAIVER AND AGREEMENT. Neither the failure nor any delay on the part of Bank to exercise any right, power or privilege herein or under any of the other Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise of such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege. No waiver of any provision in this Loan Agreement or in any of the other Loan Documents and no departure by Borrower therefrom shall be effective unless the same shall be in writing and signed by Bank, and then shall be effective only in the specific instance and for the purpose for which given and to the extent specified in such writing. No modification or amendment to this Loan Agreement or to any of the other Loan Documents shall be valid or effective unless the same is signed by the party against whom it is sought to be enforced.

14. BENEFITS. This Loan Agreement shall be binding upon and inure to the benefit of Bank and Borrower, and their respective successors and assigns, provided, however, that Borrower may not, without the prior written consent of Bank, assign any rights, powers, duties or obligations under this Loan Agreement or any of the other Loan Documents.

15. NOTICES. All notices, requests, demands or other communications required or permitted to be given pursuant to this Agreement shall be in writing and given by (i) personal delivery, (ii) expedited delivery service with proof of delivery, or (iii) United States mail, postage prepaid, registered or certified mail, return receipt requested, sent to the intended addressee at the address set forth on the signature page hereof (if to Bank, to the attention of the Corporate Banking I Group) and shall be deemed to have been received either, in the case of expedited delivery service, as of the date of first attempted delivery at the address and in the manner provided herein, or in the case of mail, upon deposit in a depository receptacle under the care and custody of the United States Postal Service. Either party shall have the right to change its address for notice hereunder to any other location within the continental United States by notice to the other party of such new address at least thirty (30) days prior to the effective date of such new address.

16. CONSTRUCTION. This Loan Agreement and the other Loan Documents have been executed and delivered in the State of Texas, shall be governed by and construed in accordance with the laws of the State of Texas, and shall be performable by the parties hereto in Houston, Harris County, Texas.

17. INVALID PROVISIONS. If any provision of this Loan Agreement or any of the other Loan Documents is held to be illegal, invalid or unenforceable under present or future laws, such provision shall be fully severable and the remaining provisions of this Loan Agreement or any of the other Loan Documents shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance.

18. EXPENSES. Borrower shall pay all costs and expenses (including, without limitation, reasonable attorneys' fees) in connection with (i) the preparation of this Loan Agreement and the other Loan Documents, and any and all extensions, renewals, amendments, supplements, extensions or modifications thereof, (ii) any action required in the course of administration of the indebtedness and obligations evidenced by the Loan Documents, and (iii) any action in the enforcement of Bank's rights upon the occurrence of Event of Default.

19. ENTIRE AGREEMENT. This Loan Agreement (together with the other Loan Documents) contains the entire agreement among the parties regarding the subject matter hereof and supersedes all prior written and oral agreements and understandings among the parties hereto regarding same.

20. CONFLICTS. In the event any term or provision hereof is inconsistent with or conflicts with any provisions of the other Loan Documents, the terms and provisions contained in this Loan Agreement shall be controlling.

21. COUNTERPARTS. This Loan Agreement may be separately executed in any number of counterparts, each of which shall be an original, but all of which, taken together, shall be deemed to constitute one and the same agreement.

If the foregoing correctly sets forth our mutual agreement, please so acknowledge by signing and returning this Loan Agreement to the undersigned.

Very truly yours,

BANK ONE, TEXAS, N.A.

By: /s/ JOHN E. ELAM

Name: John E. Elam

Title: Vice President

Bank's Address:
910 Travis
Houston, Texas 777002
Attn: Corporate Banking I Group

ACCEPTED AS OF THE DATE
FIRST WRITTEN ABOVE.

BORROWER:

MITCHAM INDUSTRIES, INC.,
a Texas corporation

By: /s/ BILLY F. MITCHAM, JR.

Name: Billy F. Mitcham, Jr.

Title: President and CEO

Borrower's Address:

P. O. Box 1175
Huntsville, Texas 77342-1175

PROMISSORY NOTE

15,000,000.00

December 8, 1997

FOR VALUE RECEIVED, on or before December 8, 1999 ("Maturity Date"), the undersigned and if more than one, each of them, jointly and severally (hereinafter referred to as "Borrower"), promises to pay to the order of BANK ONE, TEXAS, NATIONAL ASSOCIATION ("Bank") at its offices in Houston, Harris County, Texas, at 910 Travis, Houston, Texas 77002, the principal amount of FIFTEEN MILLION AND NO/100 DOLLARS (\$15,000,000.00) ("Total Principal Amount"), or such amount less than the Total Principal Amount which is outstanding from time to time if the total amount outstanding under this Promissory Note ("Note") is less than the Total Principal Amount, together with interest on such portion of the Total Principal Amount which has been advanced to Borrower from the date advanced until paid at a fluctuating rate per annum which shall from day to day be equal to the lesser of (a) the Maximum Rate (as hereinafter defined), or (b) a rate ("Contract Rate"), calculated on the basis of the actual days elapsed but computed as if each year consisted of 360 days, equal to, at Borrower's option, either (A): the sum of (i) the one month London Interbank Offered Rate as announced on page 5 of the Telerate Screen, or such other nationally recognized rate quoting service selected by Bank ("LIBOR") plus (ii) an additional percentage which shall be determined based on the Borrower's Debt Service Coverage Ratio (as defined in the Loan Agreement) for the preceding fiscal quarter of Borrower, in accordance with Schedule I attached hereto and incorporated by reference herein for all purposes (the "LIBOR Rate"), or (B): the sum of (i) the Bank One Base Rate of Interest ("Base Rate") as established from time to time by Bank (which may not be the lowest, best or most favorable rate of interest which Bank may charge on loans to its customer) plus (ii) an additional percentage which shall be determined based on the Borrower's Debt Service Coverage Ratio (as defined in the Loan Aer, in accordance with Schedule I (the "Bank One Rate").

Borrower shall notify Bank in writing of its choice of either the LIBOR Rate or the Bank One Rate for the next fiscal quarter of Borrower within three Business Days of the end of the preceding fiscal quarter; if Borrower fails to so notify Bank, then the interest rate that applied for the previous fiscal quarter shall continue to apply. Each change in the LIBOR Rate or the Bank One Rate, as applicable, shall become effective without notice to Borrower on the effective date of each change in the Maximum Rate, LIBOR, or the Base Rate, as the case may be; provided, however, that if at any time the Contract Rate shall exceed the Maximum Rate, thereby causing the interest on this Note to be limited to

the Maximum Rate, then any subsequent reduction in LIBOR or the Base Rate shall not reduce the rate of interest on this Note below the Maximum Rate until the total amount of interest accrued on this Note equals the amount of interest which would have accrued on this Note if the Contract Rate had at all times been in effect.

In addition to the interest due hereunder, Borrower shall pay to Bank, on the first day of each fiscal quarter of Borrower, a fee equal to 0.25% of the average daily difference between the Total Principal Amount and the amount outstanding hereunder calculated for the quarter preceding the date of such fee payment.

The principal of and all accrued but unpaid interest on this Note shall be due and payable as follows:

(a) interest shall be due and payable monthly as it accrues, commencing on the 1st day of January, 1998 and continuing on the 1st day of each successive month thereafter during the term of this Note; and

(b) the outstanding principal balance of this Note, together with all accrued but unpaid interest, shall be due and payable on the Maturity Date.

To the extent that any interest is not paid on or before the fifth day after it becomes due and payable, Bank may, at its option, add such accrued interest to the principal of this Note. Notwithstanding anything herein to the contrary, upon an Event of Default (as hereinafter defined) or at maturity whether by acceleration or otherwise, all principal of this Note shall, at the option of Bank, bear interest at the Maximum Rate until paid.

This Note evidences obligations and indebtedness from time to time owing by Borrower to Bank pursuant to that certain Loan Agreement of even date herewith by and between Borrower and Bank ("Loan Agreement").

This Note, the Loan Agreement and all other documents evidencing, securing, governing, guaranteeing and/or pertaining to this Note, including but not limited to those documents described above, are hereinafter collectively referred to as the "Loan Documents." The holder of this Note is entitled to the benefits and security provided in the Loan Documents.

Under the Loan Agreement, Borrower may request advances and make payments hereunder from time to time, provided that it is understood and agreed that the aggregate principal amount outstanding from time to time hereunder shall not at any time exceed the Committed Sum (as defined in the Loan Agreement). The unpaid balance of this Note shall increase and decrease with each

new advance or payment hereunder, as the case may be. This Note shall not be deemed terminated or canceled prior to the Maturity Date, although the entire principal balance hereof may from time to time be paid in full. Borrower may borrow, repay and reborrow hereunder. All regularly scheduled payments of the indebtedness evidenced by this Note and by any of the other Loan Documents shall be applied first to any accrued but unpaid interest then due and payable hereunder or thereunder and then to the principal amount then due and payable. All non-regularly scheduled payments shall be applied to such indebtedness in such order and manner as the holder of this Note may from time to time determine in its sole discretion. All payments and prepayments of principal of or interest on this Note shall be made in lawful money of the United States of America in immediately available funds, at the address of Bank indicated above, or such other place as the holder of this Note shall designate in writing to Borrower. If any payment of principal of or interest on this Note shall become due on a day which is not a Business Day (as hereinafter defined), such payment shall be made on the next succeeding Business Day and any such extension of time shall be included in computing interest in connection with such payment. As used herein, the term "Business Day" shall mean any day other than a Saturday, Sunday or any other day on which national banking associations are authorized to be closed. The books and records of Bank shall be prima facie evidence of all outstanding principal of and accrued and unpaid interest on this Note.

Borrower agrees that no advances under this Note shall be used for personal, family or household purposes, and that all advances hereunder shall be used solely for business, commercial, investment or other similar purposes.

Borrower agrees that upon the occurrence of any one or more of the following events of default ("Event of Default"):

(a) failure of Borrower to pay any installment of principal of or interest on this Note or on any other indebtedness of Borrower to Bank when due; or

(b) the occurrence of any event of default specified in any of the other Loan Documents; or

(c) the bankruptcy or insolvency of, the assignment for the benefit of creditors by, or the appointment of a receiver for any of the property of, or the liquidation, termination, dissolution or death or legal incapacity of, any party liable for the payment of this Note, whether as maker, endorser, guarantor, surety or otherwise;

the holder of this Note may, at its option, without further notice or demand, (i) declare the outstanding principal balance of and accrued but unpaid interest on this Note at once due and payable, (ii) refuse to advance any additional amounts under this Note, (iii) pursue any and all other rights, remedies and recourses available to the holder hereof, including but not limited to any such rights, remedies or recourses under the Loan Documents, at law or in equity, or (iv) pursue any combination of the foregoing.

The failure to exercise the option to accelerate the maturity of this Note or any other right, remedy or recourse available to the holder hereof upon the occurrence of an Event of Default hereunder shall not constitute a waiver of the right of the holder of this Note to exercise the same at that time or at any subsequent time with respect to such Event of Default or any other Event of Default. The rights, remedies and recourses of the holder hereof, as provided in this Note and in any of the other Loan Documents, shall be cumulative and concurrent and may be pursued separately, successively or together as often as occasion therefore shall arise, at the sole discretion of the holder hereof. The acceptance by the holder hereof of any payment under this Note which is less than the payment in full of all amounts due and payable at the time of such payment shall not (i) constitute a waiver of or impair, reduce, release or extinguish any right, remedy or recourse of the holder hereof, or nullify any prior exercise of any such right, remedy or recourse, or (ii) impair, reduce, release or extinguish the obligations of any party liable under any of the Loan Documents as originally provided herein or therein.

This Note and all of the other Loan Documents are intended to be performed in accordance with, and only to the extent permitted by, all applicable usury laws. If any provision hereof or of any of the other Loan Documents or the application thereof to any person or circumstance shall, for any reason and to any extent, be invalid or unenforceable, neither the application of such provision to any other person or circumstance nor the remainder of the instrument in which such provision is contained shall be affected thereby and shall be enforced to the greatest extent permitted by law. It is expressly stipulated and agreed to be the intent of the holder hereof to at all times comply with the usury and other applicable laws now or hereafter governing the interest payable on the indebtedness evidenced by this Note. If the applicable law is ever revised, repealed or judicially interpreted so as to render usurious any amount called for under this Note or under any of the other Loan Documents, or contracted for, charged, taken, reserved or received with respect to the indebtedness evidenced by this Note, or if Bank's exercise of the option to accelerate the maturity of this Note, or if any prepayment by Borrower results in Borrower having paid any interest in excess of that permitted by law, then it is the express intent of Borrower and Bank that all

excess amounts theretofore collected by Bank be credited on the principal balance of this Note (or, if this Note and all other indebtedness arising under or pursuant to the other Loan Documents have been paid in full, refunded to Borrower), and the provisions of this Note and the other Loan Documents immediately be deemed reformed and the amounts thereafter collectable hereunder and thereunder reduced, without the necessity of the execution of any new document, so as to comply with the then applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder or thereunder. All sums paid, or agreed to be paid, by Borrower forrance, detention, taking, charging, receiving or reserving of the indebtedness of Borrower to Bank under this Note or arising under or pursuant to the other Loan Documents shall, to the maximum extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such indebtedness until payment in full so that the rate or amount of interest on account of such indebtedness does not exceed the usury ceiling from time to time in effect and applicable to such indebtedness for so long as such indebtedness is outstanding. To the extent federal law permits Bank to contract for, charge or receive a greater amount of interest, Bank will rely on federal law instead of V.T.C.A., Finance Code, Chapter 303, as amended, for the purpose of determining the Maximum Rate. Additionally, to the maximum extent permitted by applicable law now or hereafter in effect, Bank may, at its option and from time to time, implement any other method of computing the Maximum Rate under such Chapter 303, as amended, or under other applicable law by giving notice, if required, to Borrower as provided by applicable law now or hereafter in effect. Notwithstanding anything to the contrary contained herein or in any of the other Loan Documents, it is not the intention of Bank to accelerate the maturity of any interest that has not accrued at the time of such acceleration or to collect unearned interest at the time of such acceleration.

In no event shall V.T.C.A., Finance Code, Chapter 346 (which regulates certain revolving loan accounts and revolving tri-party accounts) apply to this Note. To the extent that V.T.C.A., Finance Code, Chapter 303, as amended, is applicable to this Note, the "indicated rate ceiling" specified in such article is the applicable ceiling; provided that, if any applicable law permits greater interest, the law permitting the greatest interest shall apply.

If this Note is placed in the hands of an attorney for collection, or is collected in whole or in part by suit or through probate, bankruptcy or other legal proceedings of any kind, Borrower agrees to pay, in addition to all other sums payable hereunder, all costs and expenses of collection, including but not limited to reasonable attorneys' fees.

Borrower and any and all endorsers and guarantors of this Note severally waive presentment for payment, notice of nonpayment, protest, demand, notice of protest, notice of intent to accelerate, notice of acceleration and dishonor, diligence in enforcement and indulgences of every kind and without further notice hereby agree to renewals, extensions, exchanges or releases of collateral, taking of additional collateral, indulgences or partial payments, either before or after maturity.

THIS NOTE HAS BEEN EXECUTED UNDER, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS, EXCEPT AS SUCH LAWS ARE PREEMPTED BY APPLICABLE FEDERAL LAWS.

BORROWER:

MITCHAM INDUSTRIES, INC.
a Texas corporation

By: _____
Name: _____
Title: _____

Schedule I

IF DEBT SERVICE COVERAGE RATIO IS LESS THAN:	LIBOR PLUS	BASE RATE PLUS
2.25x	1.75%	-0.25%
2.00x	2.00%	-0.25%
1.75x	2.25%	0.00%
1.50x	2.50%	0.25%
1.25x	2.75%	0.25%

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We consent to the use of our reports on the consolidated financial statements and related financial statement schedule as of January 31, 1996 and 1997 and for each of the years in the three year period ended January 31, 1997, dated March 12, 1997, in this Registration Statement on Form S-3 and to the reference to our firm under the heading "Experts."

/s/ HEIN + ASSOCIATES LLP

HEIN + ASSOCIATES LLP

Houston, Texas
December 16, 1997