

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

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED OCTOBER 31, 2000

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

COMMISSION FILE NUMBER 000-25142

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

TEXAS
(State or other jurisdiction of
incorporation or organization)

76-0210849
(I.R.S. Employer
Identification No.)

44000 HIGHWAY 75 SOUTH
HUNTSVILLE, TEXAS 77340
(Address of principal executive offices)

(936) 291-2277
(Registrant's telephone number, including area code)

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

Indicate the number of shares outstanding of each of the issuer's classes of
common stock, as of the latest practicable date: 9,015,912 shares of Common
Stock, \$0.01 par value, were outstanding as of December 13, 2000.

MITCHAM INDUSTRIES, INC.
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PART I. FINANCIAL INFORMATION
 ITEM 1. FINANCIAL STATEMENTS

MITCHAM INDUSTRIES, INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (IN THOUSANDS)

ASSETS	October 31, 2000 ----- (Unaudited)	January 31, 2000 -----
CURRENT ASSETS:		
Cash	\$ 793	\$ 3,588
Marketable securities, at market	7,959	13,811
Accounts receivable, net	2,594	4,505
Notes receivable	1,607	1,183
Inventory	2,656	2,557
Income tax receivable	3,436	2,795
Deferred tax asset	335	220
Prepaid expenses and other current assets	491	175
	-----	-----
Total current assets	19,871	28,834
Seismic equipment lease pool, property and equipment	76,898	71,980
Accumulated depreciation of seismic equipment lease pool, property and equipment	(40,015)	(36,697)
Notes receivable	881	1,100
Deferred tax asset	2,046	2,488
	-----	-----
Total assets	\$ 59,681	\$ 67,705
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 5,425	\$ 5,927
Deferred revenue	721	809
Accrued liabilities and other current liabilities	319	694
	-----	-----
Total current liabilities	6,465	7,430
SHAREHOLDERS' EQUITY:		
Preferred stock, \$1.00 par value; 1,000,000 shares authorized; none issued and outstanding	--	--
Common stock, \$0.01 par value; 20,000,000 shares authorized; 9,591,112 and 9,551,112 shares, respectively, issued	96	96
Additional paid-in capital	61,601	61,459
Treasury stock, at cost	(2,932)	--
Accumulated deficit	(4,017)	(620)
Cumulative translation adjustment	(1,532)	(660)
	-----	-----
Total shareholders' equity	53,216	60,275
	-----	-----
Total liabilities and shareholders' equity	\$ 59,681	\$ 67,705
	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE
 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

MITCHAM INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS EXCEPT SHARE AND PER SHARE DATA)
(UNAUDITED)

	THREE MONTHS ENDED OCTOBER 31,		NINE MONTHS ENDED OCTOBER 31,	
	2000	1999	2000	1999
REVENUES:				
Short-term leasing	\$ 2,545	\$ 1,823	\$ 7,733	\$ 3,552
Leasing under lease/purchase agreements	202	8	570	210
Other equipment sales	1,006	603	3,755	942
Total revenues	3,753	2,434	12,058	4,704
COSTS AND EXPENSES:				
Direct costs	347	370	1,120	673
Cost of other equipment sales	851	448	2,659	569
General and administrative	1,078	845	3,121	2,795
Provision for doubtful accounts	25	50	100	175
Depreciation	3,268	2,374	9,260	6,972
Total costs and expenses	5,569	4,087	16,260	11,184
OPERATING LOSS	(1,816)	(1,653)	(4,202)	(6,480)
Other income - net	162	168	478	478
LOSS BEFORE INCOME TAXES	(1,654)	(1,485)	(3,724)	(6,002)
BENEFIT FOR INCOME TAXES	--	(415)	(327)	(1,598)
NET LOSS	\$ (1,654)	\$ (1,070)	\$ (3,397)	\$ (4,404)
Loss per common share:				
Basic	\$ (0.18)	\$ (0.11)	\$ (0.37)	\$ (0.46)
Diluted	\$ (0.18)	\$ (0.11)	\$ (0.37)	\$ (0.46)
Shares used in computing loss per common share:				
Basic	9,032,000	9,551,000	9,220,000	9,550,000
Dilutive effect of common stock equivalents	--	--	--	--
Diluted	9,032,000	9,551,000	9,220,000	9,550,000

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

MITCHAM INDUSTRIES, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (IN THOUSANDS)
 (UNAUDITED)

	NINE MONTHS ENDED OCTOBER 31,	
	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (3,397)	\$ (4,404)
Adjustments to reconcile net loss to net cash flows provided by operating activities:		
Depreciation	9,260	6,972
Provision for doubtful accounts, net of charge offs	(108)	(465)
Inventory	(87)	(26)
Accounts receivable	947	3,451
Federal income taxes	(313)	(2,107)
Accounts payable and other current liabilities	(676)	446
Other assets	(295)	(206)
	-----	-----
Net cash provided by operating activities	5,331	3,661
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of seismic equipment held for lease	(12,545)	(6,823)
Purchases of property and equipment	(179)	(188)
Sale (purchase) of marketable securities, net	5,852	2,214
Disposal of seismic equipment lease pool, property and equipment	1,536	577
	-----	-----
Net cash used in investing activities	(5,336)	(4,220)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchases of treasury stock	(2,932)	--
Proceeds from issuance of common stock upon exercise of warrants and options	142	--
	-----	-----
Net cash used in financing activities	(2,790)	--
NET DECREASE IN CASH	(2,795)	(559)
CASH, BEGINNING OF PERIOD	3,588	2,525
	-----	-----
CASH, END OF PERIOD	\$ 793	\$ 1,966
	=====	=====
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for:		
Interest	\$ --	\$ 28
Income taxes	\$ --	\$ 500
	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE
 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

MITCHAM INDUSTRIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The condensed consolidated financial statements of Mitcham Industries, Inc. ("the Company") have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. These condensed consolidated financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's latest Annual Report to Shareholders and the Annual Report on Form 10-K for the year ended January 31, 2000. In the opinion of the Company, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position as of October 31, 2000; the results of operations for the three and nine months ended October 31, 2000 and 1999; and cash flows for the nine months ended October 31, 2000 and 1999 have been included. The foregoing interim results are not necessarily indicative of the results of the operations for the full fiscal year ending January 31, 2001.

2. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

On or about April 23, 1998, several class action lawsuits were filed against the Company and its chief executive officer and then chief financial officer in the U.S. District Court for the Southern District of Texas, Houston Division. The first-filed complaint, styled Stanley Moskowitz ("Plaintiffs") v. Mitcham Industries, Inc., Billy F. Mitcham, Jr. and Roberto Rios ("Defendants"), alleged violations of Section 10(b), Rule 10b-5 and 20(a) of the Securities Exchange Act of 1934 and Sections 11 and 12(a)(2) of the Securities Act of 1933. On or about September 21, 1998, the complaints were consolidated into one action. On November 4, 1998, the Plaintiffs filed a consolidated amended complaint ("CAC"), which seeks class action status on behalf of those who purchased the Company's common stock from June 4, 1997 through March 26, 1998, and damages in an unspecified amount plus costs and attorney's fees. The CAC alleges that the Defendants made materially false and misleading statements and omissions in public filings and announcements concerning its business and its allowance for doubtful accounts. On or about January 15, 1999, the Defendants filed a motion to dismiss the CAC. On September 28, 1999, the Court granted in part and denied in part the Defendants' motion to dismiss, and granted Plaintiffs leave to amend on certain claims. On December 8, 1999, Plaintiffs filed their second consolidated amended complaint ("SCAC"). On December 14, 1999, Plaintiffs served discovery on Defendants. On January 28, 2000, Defendants filed a motion to dismiss the SCAC. On October 2, 2000, the Court granted in part and denied in part Defendants' motion to dismiss the SCAC. The Court dismissed with prejudice the claims asserted on behalf of the entire class under Sections 11 and 12(a)(2) of the 1933 Act. The Court, however, has allowed plaintiffs Moskowitz and Finkelstein to proceed with their Section 11 claims on an individual basis. As to the Section 10(b) claims, the Court affirmed with prejudice its prior order, which limited all allegations of misstatements by the Defendants to the June 4, 1997 to March 26, 1998 time period (i.e., the class period), and dismissed claims based on: (1) forward-looking statements entitled to safe-harbor protection under the Private Securities Litigation Reform Act of 1995; (2) allegations of improper revenue recognition; and (3) allegations based on analysts' statements. Defendants filed an answer to the remaining claims in the SCAC on December 6, 2000.

The Company is also involved in claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position, results of operations or liquidity.

3. TREASURY STOCK

In February 2000, the Board of Directors authorized the repurchase of up to 1,000,000 shares of the Company's common stock. The Company has repurchased 561,200 shares of its common stock at an average price of \$5.22 per share as of October 31, 2000 and has classified these shares as treasury stock in the accompanying financial statements. The Company expects it will continue to purchase its shares from time to time in the open market or in privately negotiated purchase transactions as market and financial conditions warrant.

4. RECLASSIFICATIONS

Certain 1999 amounts have been reclassified to conform to 2000 presentation.

5. SUBSEQUENT EVENT

On November 10, 2000, the Company closed an \$8.5 million term loan. The loan will amortize over 48 months and bears interest at the rate of prime plus one percent, adjusted daily. The first three monthly payments shall be interest only, with the remaining 45 monthly payments being interest and principal. As of December 14, 2000, the Company has drawn \$3.0 million under this loan agreement. The loan is collateralized by the lease pool equipment purchased for the Company's fiscal 2001 winter capital expenditure program.

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

OVERVIEW

The Company's sales are directly related to the level of worldwide oil and gas exploration activities and the profitability and cash flows of oil and gas companies and seismic contractors, which in turn are affected by expectations regarding the supply and demand for oil and natural gas, energy prices and finding and development costs. The Company believes that during the latter half of 1998, the exploration and production companies anticipated an extended period of low oil and gas prices and began to reduce their intended levels of expenditures for seismic data. Consolidation within the oil industry has also delayed seismic data acquisition projects.

Until the exploration and production companies can forecast with reasonable certainty that future oil prices will stabilize, seismic data acquisition activity is not expected to improve. Additional declines in oil prices, or expectations that the recent improvement in oil prices will not hold, could cause the Company's customers to further reduce their spending and further adversely affect the Company's results of operation and financial condition.

The Company leases and sells seismic data acquisition 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. The majority of all leases at October 31, 2000 were for a term of one year or less. Seismic equipment held for lease is carried at cost, net of accumulated depreciation.

SEASONALITY

Historically, seismic equipment leasing has been susceptible to weather patterns in certain geographic regions. There is some seasonality to the Company's expected lease revenues, especially from customers operating in Canada, where a significant percentage of 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 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. However, due to the significant decrease in world oil prices in 1998, demand for the Company's services

both in Canada and worldwide declined dramatically in the fourth quarter of fiscal 1999 and remained at historically low levels throughout fiscal 2000.

RESULTS OF OPERATIONS

For the three months ended October 31, 2000 and 1999

For the quarter ended October 31, 2000, total revenues increased by \$1.3 million to \$3.8 million from \$2.4 million in the corresponding period of the prior year. This quarter's results reflect a significant increase in all categories of revenues compared to total revenues for the same period of the prior year, mainly a reflection of the increased seismic activity worldwide.

Equipment sales and leasing revenues under lease/purchase agreements during the quarter ended October 31, 2000 were not significant, as the Company recorded no revenues from the exercise of the purchase option of lease/purchase contracts. During the quarter ended October 31, 2000, other equipment sales generated a gross margin of 15% as compared to 26% for the same period in 1999. Gross margins on equipment sales may vary significantly between periods due to the mix of new versus older equipment being sold.

General and administrative expenses increased by \$233,000 from the corresponding prior year period primarily due to an increase in rent and storage, compensation and Texas franchise tax expenses partially offset by a decrease in insurance expense and professional fees. Additionally, the Company incurred personnel and related costs during 2000 associated with international marketing efforts.

Depreciation expense for the quarter ended October 31, 2000 increased by \$894,000, or 38%, to \$3.3 million from \$2.4 million for the same period last year. The increase is primarily the result of capital additions to the seismic equipment lease pool during the past year.

The Company recorded a net loss for the quarter ended October 31, 2000 in the amount of \$1.7 million compared to a net loss of \$1.1 million for the same period of the previous year.

For the nine months ended October 31, 2000 and 1999

For the nine months ended October 31, 2000, total revenues increased by \$7.4 million to \$12.1 million from \$4.7 million in the corresponding period of the prior year. Approximately \$0.3 million of lease revenue is related to rentals of equipment that occurred during the prior fiscal year, which had not been recorded pending collection. These funds were collected in June. Year to date revenues through October 31, 2000 reflects a significant increase in all categories of revenues compared to total revenues for the same period of the prior year, mainly a reflection of the increased seismic activity worldwide.

Equipment sales and leasing revenues under lease/purchase agreements during the nine months ended October 31, 2000 were not significant, as the Company recorded no revenues from the exercise of the purchase option of lease/purchase contracts.

During the nine months ended October 31, 2000, other equipment sales generated a gross margin of 29% as compared to 40% for the same period in 1999. Gross margins on equipment sales may vary significantly between periods due to the mix of new versus older equipment being sold.

General and administrative expenses increased by \$326,000 from the corresponding prior year period primarily due to personnel and related costs associated with international marketing efforts, as well as an increase in insurance, compensation, convention, travel and business promotion expenses, partially offset by a decrease in professional fees.

Depreciation expense for the nine months ended October 31, 2000 increased by \$2.3 million, or 33%, to \$9.3 million from \$7.0 million for the same period last year. The increase is primarily the result of a larger seismic

equipment lease pool, on a cost basis, as compared to October 31, 1999. Additionally, the Company has sold older, more fully depreciated seismic equipment during the past year and replaced it with newer equipment, thus increasing depreciation expense. The Company's seismic equipment lease pool increased by \$7.6 million, on a cost basis, to \$75.1 million at October 31, 2000, from \$67.5 million at October 31, 1999.

The Company recorded a net loss for the nine months ended October 31, 2000 in the amount of \$3.4 million compared to a net loss of \$4.4 million for the same period of the previous year.

LIQUIDITY AND CAPITAL RESOURCES

As of October 31, 2000, the Company had net working capital of approximately \$13.4 million as compared to net working capital of \$21.4 million at January 31, 2000. Historically, the Company's principal liquidity requirements and uses of cash have been for capital expenditures and working capital and our principal sources of cash have been cash flows from operations and issuances of equity securities. Net cash provided by operating activities for the nine months ended October 31, 2000 was \$5.3 million, as compared to net cash provided by operating activities of \$3.7 million for the nine months ended October 31, 1999.

At October 31, 2000, the Company had trade accounts receivable of \$0.6 million that were more than 90 days past due. As of October 31, 2000, the Company's allowance for doubtful accounts was approximately \$1.2 million, which management believes is sufficient to cover any losses in its customer receivables, including any losses in its international customers' accounts.

Capital expenditures for the nine months ended October 31, 2000 totaled approximately \$12.7 million compared to capital expenditures of \$7.0 million for the corresponding period in the prior year. During the nine months ended October 31, 2000, the Company repurchased 561,200 shares of its common stock for an aggregate cost of \$2,932,000, or \$5.22 per share. The Company expects that its capital expenditure requirements for the fourth quarter will be approximately \$15.0. Management believes that cash on hand, cash provided by future operations and funds available under the Company's loan agreement will be sufficient to fund its anticipated capital and liquidity needs over the next twelve months.

On November 10, 2000, the Company closed an \$8.5 million term loan with First Victoria National Bank. The loan will amortize over 48 months and bears interest at the rate of prime plus one percent, adjusted daily. The first three monthly payments shall be interest only, with the remaining 45 monthly payments being interest and principal. As of December 14, 2000, the Company has drawn \$3.0 million under this loan agreement. The loan is collateralized by the lease pool equipment purchased for the Company's fiscal 2001 winter capital expenditure program.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company operates internationally, giving rise to exposure to market risks from changes in foreign exchange rates to the extent that transactions are not denominated in U.S. dollars. The Company typically denominates the majority of its lease and sales contracts in U.S. dollars to mitigate the exposure to fluctuations in foreign currencies.

FORWARD-LOOKING STATEMENTS AND RISK FACTORS

Certain information contained in this Quarterly Report on Form 10-Q (including statements contained in Part I, Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in Part II, Item 1. "Legal Proceedings"), as well as other written and oral statements made or incorporated by reference from time to time by the Company and its representatives in other reports, filings with the Securities and Exchange Commission, press releases, conferences, or otherwise, may be deemed to be forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. This information includes, without limitation, statements concerning the Company's future financial position and results of operations; planned capital expenditures; business strategy and other plans for future operations; the future mix of revenues and business;

commitments and contingent liabilities; and future demand for the Company's services and predicted improvement in energy industry and seismic service industry conditions. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. When used in this report, the words "anticipate," "believe," "estimate," "expect," "may," and similar expressions, as they relate to the Company and its management, identify forward-looking statements. The actual results of future events described in such forward-looking statements could differ materially from the results described in the forward-looking statements due to the risks and uncertainties set forth below and elsewhere within this Quarterly Report on Form 10-Q.

PROLONGED AND GRADUAL RECOVERY OF OIL AND GAS INDUSTRY AND REDUCED DEMAND FOR SERVICES

Demand for the Company's services depends on 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. Because of the prolonged and gradual recovery of the energy services sector, there has been a decreased demand for the Company's services. Increases in the price of oil have not yet countered decreased demand. As such, the seismic equipment sector may lag other sectors of the energy services industry in its turnaround. Any future fluctuations in the price of oil and gas in response to relatively minor changes in the supply and demand for oil and gas will continue to have a major effect on exploration, production and development activities and thus, on the demand for the Company's services.

LOSS OF SIGNIFICANT CUSTOMERS WILL ADVERSELY AFFECT THE COMPANY

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 as 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. In the fiscal year ended January 31, 2000, the single largest customer accounted for approximately 17% of the Company's total revenues. Because the Company's customer base is relatively small, the loss of one or more customers for any reason could adversely affect the Company's results of operations.

SIGNIFICANT DEFAULTS OF PAST-DUE CUSTOMER RECEIVABLES WOULD ADVERSELY AFFECT THE COMPANY'S RESULTS OF OPERATIONS

The Company has approximately \$6.3 million of customer accounts and notes receivable at October 31, 2000, of which \$0.6 million of customer accounts receivable is over ninety days past-due. At October 31, 2000, the Company has an allowance of \$1.2 million to cover losses in its receivable balances. Significant payment defaults by its customers in excess of the allowance would have a material adverse effect on the Company's financial position and results of operations.

DEPENDENCE ON 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 on 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.

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., 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 on 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 loss of the services of Mr. Mitcham could have a material adverse effect on the Company. In particular, 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.

TECHNOLOGICAL OBSOLESCENCE

The Company has a substantial capital investment in seismic data acquisition equipment. The development by manufacturers of seismic equipment of newer technology systems or component parts that have significant competitive advantages over seismic systems and component parts now in use could have an adverse effect on the Company's ability to profitably lease and sell its existing seismic equipment.

During the fiscal year ended January 31, 1999, the Company recorded a pretax asset impairment charge of \$15.1 million. Included in this charge is a \$900,000 lower of cost or market adjustment related to certain seismic equipment assets classified as inventory. The non-cash asset impairment charge was recorded in accordance with SFAS No. 121, which requires that long-lived assets and certain identifiable intangibles held and used by the Company be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The severity as well as the duration of the current oil and gas industry downturn is such an event. The Company's review of its long-lived assets indicated that the carrying value of certain of the Company's seismic equipment lease pool and inventory assets was more than the estimated undiscounted future net cash flows. As such, under SFAS No. 121, the Company wrote down those assets to their estimated fair market value based on discounted cash flows using an effective rate of 8.0%. Undiscounted future net cash flows were calculated based on individual types of seismic equipment using projected future utilization and lease rates over the estimated remaining useful lives of the assets. The Company's seismic equipment assets have been historically depreciated over 3-10 years. The impairment was recorded based on certain estimates and projections as stipulated in SFAS No. 121. There can be no assurance that the Company will not record asset impairment charges under SFAS No. 121 in the future.

INTERNATIONAL ECONOMIC AND POLITICAL INSTABILITY COULD ADVERSELY AFFECT THE COMPANY'S RESULTS OF OPERATIONS

The Company's results of operations are dependent upon the current political and economic climate of several international countries in which its customers either operate or are located. International sources accounted for approximately 71% of the Company's revenues in the fiscal year ended January 31, 2000, and 9% of international revenues were attributable to lease and sales activities in South America. Since the majority of the Company's lease and sales contracts with its customers are denominated in U.S. dollars, there is little risk of loss from fluctuations in foreign currencies. However, the Company's internationally-sourced revenues are still subject to the risk of currency exchange controls (in which payment could not be made in U.S. dollars), taxation policies, and appropriation, as well as to political turmoil, civil disturbances, armed hostilities, and other hazards. While the Company's results of operations have not been adversely affected by those risks to date, there is no assurance its business and results of operations won't be adversely affected in the future.

VULNERABILITY TO WEATHER CONDITIONS AND SEASONAL RESULTS

The first and fourth quarters of the Company's fiscal year have historically accounted 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. However, due to the significant decrease in world oil prices in 1998, demand for the Company's services both in Canada and worldwide declined dramatically in the fourth

quarter of fiscal 1999 and has remained at historically low levels throughout fiscal 2000. Accordingly, period-to-period comparisons are not necessarily meaningful and should not be relied on as indicative of future results.

DEPENDENCE ON KEY SUPPLIERS

The Company has and continues to rely on purchase agreements with Sercel and Pelton Company, Inc. To a lesser extent, the Company also relies on its suppliers for lease referrals. The termination of these agreements for any reason could materially adversely affect the Company's business. Any difficulty in obtaining seismic equipment from suppliers could have a material adverse effect on the Company's business, financial condition and results of operations.

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 contractors that may lease equipment that is temporarily idle.

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. Pressures from existing or new competitors could adversely affect the Company's business operations.

VOLATILE STOCK PRICES AND NO PAYMENT OF DIVIDENDS

Due to current energy industry conditions, energy and energy service company stock prices, including the Company's stock price, have been extremely volatile. Such stock price volatility could adversely affect the Company's business operations by, among other things, impeding its ability to attract and retain qualified personnel and to obtain additional financing if such financing is ever needed. The Company has historically not paid dividends on its common stock and does not anticipate paying dividends in the foreseeable future.

POSSIBLE ADVERSE EFFECT OF ANTI-TAKEOVER PROVISIONS; POTENTIAL 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 but 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.

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.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On or about April 23, 1998, several class action lawsuits were filed against the Company and its chief executive officer and then chief financial officer in the U.S. District Court for the Southern District of Texas, Houston Division. The first-filed complaint, styled Stanley Moskowitz ("Plaintiffs") v. Mitcham Industries, Inc., Billy F. Mitcham, Jr. and Roberto Rios ("Defendants"), alleged violations of Section 10(b), Rule 10b-5 and 20(a) of the Securities Exchange Act of 1934 and Sections 11 and 12(a)(2) of the Securities Act of 1933. On or about September 21, 1998, the complaints were consolidated into one action. On November 4, 1998, the Plaintiffs filed a consolidated amended complaint ("CAC"), which seeks class action status on behalf of those who purchased the Company's common stock from June 4, 1997 through March 26, 1998, and damages in an unspecified amount plus costs and attorney's fees. The CAC alleges that the Defendants made materially false and misleading statements and omissions in public filings and announcements concerning its business and its allowance for doubtful accounts. On or about January 15, 1999, the Defendants filed a motion to dismiss the CAC. On September 28, 1999, the Court granted in part and denied in part the Defendants' motion to dismiss, and granted Plaintiffs leave to amend on certain claims. On December 8, 1999, Plaintiffs filed their second consolidated amended complaint ("SCAC"). On December 14, 1999, Plaintiffs served discovery on Defendants. On January 28, 2000, Defendants filed a motion to dismiss the SCAC. On October 2, 2000, the Court granted in part and denied in part Defendants' motion to dismiss the SCAC. The Court dismissed with prejudice the claims asserted on behalf of the entire class under Sections 11 and 12(a)(2) of the 1933 Act. The Court, however, has allowed plaintiffs Moskowitz and Finkelstein to proceed with their Section 11 claims on an individual basis. As to the Section 10(b) claims, the Court affirmed with prejudice its prior order, which limited all allegations of misstatements by the Defendants to the June 4, 1997 to March 26, 1998 time period (i.e., the class period), and dismissed claims based on: (1) forward-looking statements entitled to safe-harbor protection under the Private Securities Litigation Reform Act of 1995; (2) allegations of improper revenue recognition; and (3) allegations based on analysts' statements. Defendants filed an answer to the remaining claims in the SCAC on December 6, 2000.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) REPORTS ON FORM 8-K
None

(b) EXHIBITS

- 10.1 - Loan Agreement between Mitcham Industries, Inc. and First Victoria National Bank dated November 10, 2000
- 10.2 - Commercial Security Agreement between Mitcham Industries, Inc. and First Victoria National Bank dated November 9, 2000
- 11 - Statement Re Computation of Loss Per Share
- 27 - Financial Data Schedule

SIGNATURES

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

MITCHAM INDUSTRIES, INC.

Date: December 15, 2000

/s/ P. BLAKE DUPUIS

P. BLAKE DUPUIS,
CHIEF FINANCIAL OFFICER
(AUTHORIZED OFFICER AND PRINCIPAL
ACCOUNTING OFFICER)

INDEX TO EXHIBITS

EXHIBIT NO. -----	DESCRIPTION -----
10.1 -	Loan Agreement between Mitcham Industries, Inc. and First Victoria National Bank dated November 10, 2000
10.2 -	Commercial Security Agreement between Mitcham Industries, Inc. and First Victoria National Bank dated November 9, 2000
11 -	Statement Re Computation of Loss Per Share
27 -	Financial Data Schedule

LOAN AGREEMENT

THE STATE OF TEXAS

COUNTY OF WALKER

WITNESSETH:

THIS AGREEMENT made and entered into on this 10th day of November 2000, by and between MITCHAM INDUSTRIES, INC., a Texas corporation, with principal offices at 44,000 Highway 75S, Huntsville, Texas 77340, in Walker County, Texas (herein referred to as "Borrower") and First Victoria National Bank, a national banking corporation, with its offices and domicile in Victoria, Victoria County, Texas, (herein referred to as "Lender") to induce Lender to extend credit to Borrower in the amounts evidenced by the promissory notes described in Paragraph II of this agreement (herein referred to as the "Loan").

In consideration of their mutual warranties, covenants and agreements contained herein and Lender's extension of credit to Borrower in the amount aforesaid, Borrower and Lender hereby warrant, covenant and agree as follows:

I. WARRANTIES OF BORROWER

A. That Borrower is a Texas corporation currently authorized to do business in the State of Texas, and that all franchise taxes, employment taxes, withholding taxes, income taxes, sales taxes, use taxes and all other taxes have been paid current to the date of this agreement.

B. That the execution by Borrower of this agreement and the other documents described herein has been duly authorized by its corporate board and that all of the agreements, indentures, or conveyances described herein to be made or undertaken by Borrower are within its corporate powers and not prohibited by law or its governing documents.

C. That this Loan Agreement and all promissory notes and security documents referenced herein are legal, valid and binding obligations of Borrower which are enforceable against him in accordance with the respective terms thereof.

D. That all audits and financial information submitted to Lender may be relied upon by Lender as fairly representing the financial condition of the companies or individuals to which the same relate, and that there has been no adverse material change in the financial condition of Borrower.

E. That there are no litigation, arbitration or governmental or regulatory proceedings pending or threatened against Borrower which, if adversely determined, could have a material adverse effect on Borrower's financial condition or affect the legality, validity or enforceability of this Loan Agreement or any promissory notes or security documents referenced herein and that Borrower has no material contingent liabilities or material forward commitments which are not disclosed in the financial information now held by Lender.

F. That there are no other liens or encumbrances against the property given as security for the payment of the hereinafter described loan, except as stated herein.

G. That, except as has been disclosed to Lender in writing of even date with this loan agreement and which writing shall be attached hereto, none of the property given as security for the payment of the herein described Loan is now or has at any time in the past been used for or contaminated by the generation, transportation, treatment, disbursal, storage, discharge or disposal of any pollutants, hazardous or toxic substances, or hazardous wastes as defined or regulated by any of the following federal statutes: (a) The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), as amended by the Superfund Amendments and Re-Authorization Act of 1986 ("SARA"), (b) the Resource Conservation and Recovery Act ("RCRA"), (c) the Toxic Substance Control Act ("TSCA"), (d) any amendments to or regulations promulgated by any agency under any of the above statutes, and (e) any other state or federal statute or regulation for the control of hazardous or toxic substances.

H. That Borrower presently has no claims or defenses against Lender arising out of this Loan Agreement or the promissory notes or security documents referenced herein, the indebtedness or obligations of any party governed thereby, or any action previously taken or not taken by Lender with respect thereto and that Borrower is aware that Lender is relying upon this warranty in connection with this extension of credit. Borrower hereby waives, releases and forever discharges Lender from and against any and all such claims, defenses and causes of action which might now exist against Lender or which arise out of this Loan Agreement or the promissory notes or security documents referenced herein, the indebtedness or obligations of any party governed thereby, or any action previously taken or not taken by Lender with respect thereto.

II. INDEBTEDNESS

A. Lender shall advance to Borrower, according to the terms thereof and subject to the limitations expressed therein and in this agreement, the principal sum of the following promissory note:

One certain promissory note of even date herewith executed by Borrower and payable to the order of Lender in the original principal sum of \$8,500,000.00, bearing interest at the Wall Street Journal Prime Rate, plus One percent (1%) per annum, as such rate is determined daily on the principal balance outstanding, providing for multiple advances, until the total amount of principal has been advanced, interest being payable monthly as it accrues, and being due on or before the 9th day of November, 2004.

B. Borrower agrees to execute and deliver to Lender such promissory note in the form prescribed by Lender and on terms described herein, evidencing the indebtedness created by such advances.

C. Borrower hereby acknowledges and agrees that Lender has and shall have the right, at any time, without the consent of or notice to Borrower, to grant participations in all or part of the obligations of Borrower evidenced by this note, together with any liens or collateral securing the payment hereof. In the event Lender elects to participate any Overline Portion (as hereinafter defined) of the obligations evidenced by this note and if Lender is unable to procure a participant or a participant fails or refuses to advance to Borrower any Overline Portion through no fault of Lender, it is agreed that Lender shall have no liability to Borrower to fund such Overline Portion, nor shall Lender have any obligation to procure funds from other sources or fund any amounts that would cause Lender to be in violation of any state or federal law with respect to Borrower being liable to Lender in an amount in excess of that permitted by such applicable law. The term "Overline Portion" shall mean the amount of loan proceeds in excess of the amount that Lender is permitted by applicable law or Lender's loan policy limitations to loan to Borrower.

D. Notwithstanding any other provision in this agreement or the provisions of any promissory note or other loan document to the contrary, Lender shall not charge or collect and Lender does not intend to contract for interest in excess of that permitted by law for loans of this kind, and to prevent such occurrence, Lender will, at maturity, or an earlier final payment of any promissory note described above, determine the total amount of interest that can be lawfully

charged or collected by applying the highest lawful rate of interest to the full periodic balances of principal for the period each is outstanding and unpaid and compare such amount with the total interest that has accrued under the terms of such note, and, if necessary to prevent usury, reduce the total amount of interest payable by Borrower to the lesser amount. If the amount of interest that has been collected exceeds the lawful amount, Lender shall either make direct refund of such excess to Borrower or credit it against other sums owed by Borrower to Lender, whichever Lender deems appropriate. If at any time the rate of interest provided for in any note shall exceed the highest lawful rate, the annual rate at which interest shall accrue on such note shall be limited to such highest lawful rate. The highest lawful rate shall thereafter be the rate at which interest is accrued on such note until the total amount of interest accrued equals the amount of interest that would have accrued if the interest rate provided in such note had at all times been in effect, after which the interest rate provided in such note, if it does not exceed the highest lawful rate, shall apply. As used herein, the term "highest lawful rate" means the highest rate of interest permitted to be charged or collected under the applicable state or federal law for this type of loan applied to the full periodic balances of principal advances for the period each is outstanding and unpaid.

III. SECURITY

A. As security for the loan, Borrower and Guarantors shall execute and deliver to, procure for, deposit with, and pay to Lender the following:

1. Commercial Security Agreement and financing statements in form and content acceptable to Lender, executed by Borrower and granting a purchase money security interest in all equipment purchased from Sercel, Ltd., GeoSpace Corp. and Mark Products and containing an assignment of all leases and revenues generated from such equipment. Such security agreement shall also cover all accounts receivable arising from Borrower's business operations, together with all instruments, chattel paper, general intangibles, proceeds and cash proceeds arising therefrom, securing payment of the note described in Paragraph II A. hereof evidencing a first lien and prior security interest in such collateral, whether now owned or hereinafter acquired by Borrower.
2. Such other documents and instruments as Lender may require for the perfection of liens and their registration under the laws of the State of Texas or of the United States.
3. Hazard insurance policy or policies in form and content and issued by a company or companies with loss payable endorsements acceptable to Lender, insuring all collateral given as security against loss or damage and against vandalism and malicious mischief and insuring said collateral

against the usual and customary risks and hazards as Lender may request, all of such policy or policies to be for a total amount acceptable to Lender.

B. Borrower shall execute and deliver to Lender such other documents and instruments as Lender may require to evidence the status or authority of Borrower and to evidence, govern or secure the payment of the Loan or any portion thereof.

IV. COVENANTS OF BORROWER AND GUARANTORS

A. For so long as any portion of the Loan remains unpaid, Borrower covenants and agrees as follows:

POSITIVE COVENANTS

1. That Borrower agrees to pay to Lender, upon demand, all expenses of every nature incurred by Lender in connection with the consummation of the transaction contemplated by this agreement, or the enforcement or preservation of Lender's rights hereunder, including attorney's fees and expenses of Lender's counsel, hazard insurance premiums, filing and recording fees, court costs, and other fees and reasonable expenses incurred by Lender.
2. That Borrower shall furnish or cause to be furnished at its expense to Lender financial statements or reports in form and content acceptable to Lender, within 45 days of the end of each quarter, which shall set forth an operating statement and balance sheet for Borrower herein; an ageing of notes, contract rights, accounts receivable and accounts payable of Borrower for the preceding quarter. Lender shall be allowed to make reasonable inspections of all assets securing said loan and shall further have the right to inspect the books of Borrower or other records relating to the affairs of Borrower. The reasonable costs of any such inspection are to be borne by Borrower.
3. That Borrower shall furnish at its expense to Lender annually, within 90 days after the end of Borrower's income tax reporting year, an audited report prepared by the Certified Public Accounting firm for Borrower, including a balance sheet, income statement, sources and uses of funds statement, and a reconciliation of net worth. Additionally, Borrower shall furnish their tax returns at its expense to Lender annually, within 150 days after the end of Borrower's income tax reporting year.
4. That while Borrower is indebted to Lender hereunder Borrower will:
 - a. Perform all of its obligations to appropriate regulatory agencies;
 - b. Punctually pay all indebtedness from time to time owing hereunder when due;
 - c. Perform all of its obligations under the Security Instruments described herein;
 - d. Promptly pay and discharge any and all indebtedness or obligations when due and owing, including all taxes of

every kind and character, all assessments, and other claims which might give rise to a lien on the property given as security for this loan or impair Borrower's obligation to conduct its business, except as it may in good faith contest or as to which a bona fide dispute may arise, provided provision is made to the satisfaction of Lender for eventual payment thereof in the event that it is found that such indebtedness or obligation or tax or claim is an obligation of Borrower, and when such dispute or contest is settled or determined, it will promptly pay the amount then due.

- e. Maintain and keep in force insurance of the types and in the amounts customarily carried by companies in similar lines of business, including adequate amounts of fire, windstorm, explosion, public liability, property damage, and workman's compensation insurance; all insurance is to be carried in company or companies satisfactory to Lender, and Borrower will deliver to Lender from time to time, at the request of Lender, a schedule setting forth all insurance in effect;
- f. Maintain a standard and modern accounting system in accordance with generally accepted principles of accounting, permit Lender to inspect its books of account and records at all reasonable times, furnish to Lender such information respecting the business affairs and financial condition of Borrower as Lender may reasonably request.
- g. Preserve all rights, privileges, franchises, licenses, and permits connected with its business and to the extent of its ability will conduct its business in an orderly, efficient manner without voluntary interruptions, and comply with all applicable laws and regulations of government agencies;
- h. Maintain, preserve and keep all properties and equipment in good repair, working order and condition, and from time to time make all necessary and proper repairs, renewals, replacements, and improvements thereto so that at all times the efficiency and value thereof shall be fully preserved and maintained, and maintain leases, licenses and permits, but nothing herein contained shall prevent Borrower from in good faith contesting or seeking legal construction of any dispute, terms or conditions of a contract, lease or other obligation; Lender may, at reasonable times, visit and inspect any of the properties of Borrower;
- i. To give notice in writing to Lender within 30 days of any proceedings by any public or private body, agency, or authority, pending or threatened, which may have a substantial adverse effect on Borrower, and of any litigation involving the possibility of judgments or liabilities in excess of an aggregate of \$1,000,000.00 not covered by insurance.
- j. To provide copies of all correspondence between Borrower and the Securities and Exchange Commission, whether such correspondence is prepared by Borrower or the

Securities and Exchange Commission, within thirty (30) days of delivery or receipt of such correspondence by Borrower.

- k. To provide monthly status reports of pending litigation between Borrower and Stanley Moskowitz, et al, in Cause No. 98-CV-1244, which cause of action was filed April 23, 1998, in the U. S. District Court, Southern District of Texas.
 - l. Borrower shall maintain operating accounts at one of the following Citizens Bank of Texas locations: Huntsville, Texas; New Waverly, Texas or The Woodlands, Texas.
5. That Borrower will indemnify Lender against and hold Lender harmless from any and all claims, liabilities, obligations, penalties, loss, damage or causes of action of any kind (including attorney's fees and costs of remediation necessarily incurred by Lender in connection therewith), whether arising under statute or regulation, common law, tort or contract, and whether claimed, asserted, or assessed, in any way by or necessarily paid by Lender to any private party or any governmental entity or agency or any number or combination thereof, and resulting or arising in any way from the generation, transportation, treatment, disbursal, storage, discharge or disposal of any pollutants, hazardous or toxic substances, or hazardous wastes by Borrower, its agents, employees, or contractors, at any location, or from the past, present or future use of any property given as security for this Loan for such purposes by any party, or from the presence of any pollutants, hazardous or toxic substances, or hazardous wastes on any such property, or from the falsity of any warranty made herein with regard to the presence or uses of such pollutants, hazardous or toxic substances, or hazardous wastes, or from the use by Borrower of any underground storage tanks or the presence of such tanks on any property given as security for this Loan, or in any way from the actual, threatened or alleged discharge, disbursal, release, storage, treatment, generation, disposal or escape of pollutants, or other toxic or hazardous substances, at any location, whether occurring before or after the date of this agreement.

NEGATIVE COVENANTS

- 6. Borrower will not, except with the prior written consent of Lender:
 - a. Permit any lien (other than for taxes not delinquent and for taxes and other items being contested in good faith) to exist on property given as security for this loan or on the income or profits thereof, excepting liens existing as of the date hereof and as otherwise provided herein.
 - b. Except in the normal course of business; amend, modify, terminate or otherwise alter the terms of any account, contract or lease, nor accept or surrender of any personal property subject thereto;
 - c. Assign any leases or the proceeds thereof to anyone except Lender;
- 7. That Borrower may not assign or otherwise transfer this Agreement or any rights hereunder, and that this Agreement shall be binding upon Borrower

and the representatives, heirs, executors, legal representatives and successors of Borrower.

8. That Borrower shall not incur any indebtedness or obligations (other than accounts payable which arise in the usual and normal course of Borrower's operations) or guarantee the debt or obligations of others in excess of \$20,000,000.00, without the prior written approval of Lender.
9. That, except after written notice to Lender and where such use and the activities relating thereto are in strict compliance with all applicable laws and regulations, Borrower shall not hereafter permit any property which is (a) given as security for this Loan, (b) used by Borrower for any business or other activities financed by Lender or (c) the source of repayment of this Loan, to be used in any way for the generation, transportation, treatment, disbursal, storage, discharge or disposal of any pollutants, hazardous or toxic substances, or hazardous wastes as defined or regulated by any of the following federal statutes: (a) The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), as amended by the Superfund Amendments and Re-Authorization Act of 1986 ("SARA"), (b) the Resource Conservation and Recovery Act ("RCRA"), (c) the Toxic Substance Control Act ("TSCA"), (d) any amendments to or regulations promulgated by any agency under any of the above statutes, and (e) any other state or federal statute or regulation for the control of hazardous or toxic substances.

V. COVENANTS OF LENDER

A. Subject to the terms of this agreement and of the notes and security instruments described herein, Lender covenants and agrees as follows:

1. That Lender shall be bound to make the advances herein on the following conditions up to the amount specified as the original principal sum of each note, subject to the following:
 - a. Compliance with all terms and conditions of Loan Commitment and Loan Agreement, with respect to said loan.
 - b. Payment of all fees and expenses contemplated by such loan commitment, including remittance of a Twenty-six Thousand Dollars (\$26,000.00) commitment fee to Lender.
 - c. Execution of all documents required by Lender.
 - d. Furnishing of financial statements evidencing sound and satisfactory financial condition of each Borrower.
2. Lender shall from time to time advance to Borrower portions of the principal amount of the note described in Paragraph II.A.1 hereof upon delivery of an appraisal in form and content satisfactory to Lender, establishing valuation of the geophysical seismic equipment to be purchased with proceeds of this loan in the amount of \$22,000,000.00 or more, along with purchase orders and other documentation from Sercel, Ltd., GeoSpace Corp, and Mark Products which evidences Borrower's purchase and provides a specific description of such collateral. The aggregate unpaid balance of all such advances at any one time outstanding

shall not exceed \$8,500,000.00. The provisions of said security agreement are hereby incorporated herewith by this reference.

VI. DEFAULT AND REMEDIES

A. The occurrence of any one of the following events of default shall, at the option of Lender and without notice or demand, except as described hereunder, make all or such parts of the sums owing from Borrower to Lender hereunder, as Lender in its discretion shall determine, immediately due and payable:

1. Failure of Borrower to pay within 10 days after demand any sum past due hereunder;
2. Failure of Borrower to pay within 5 days after demand any debt hereunder, the maturity of which has been accelerated;
3. The breach of any warranties of Borrower herein contained in any material respect;
4. Insolvency;
5. The making by Borrower of an assignment for the benefit of creditors;
6. The levy of any attachment, execution, or other like process against any of Borrower's property;
7. The voluntary suspension of business by Borrower;
8. The entry of any decree or order of a court having jurisdiction in the premises appointing a receiver of all or any substantial part of Borrower's property;
9. The breach by Borrower of any of the provisions of this Agreement, or of any of the promissory notes or security instruments described herein, if the same is not remedied within 10 days after written notice from Lender.

B. That no waiver of any default on the part of Borrower shall be considered waiver of any other or subsequent default and no forbearance, delay, or omission in exercising or enforcing the rights and powers of Lender shall be construed as a waiver of such rights and powers, and likewise no exercise or partial exercise of any rights or powers hereunder by Lender shall be held to preclude further exercise of such rights and powers, and every such right and power may be exercised from time to time.

C. The rights, powers and remedies given to Lender hereunder shall be in addition to all rights, powers and remedies given to Lender by law against Borrower and any other person.

D. No action shall be commenced by Borrower for any claim against Lender under

the terms of this Loan Agreement or arising from the subject loan relationship unless a notice in writing specifically setting forth the claim of Borrower shall have been given to Lender within six (6) months after the occurrence of the event which Borrower alleges gave rise to such claim. Failure to give such notice shall constitute a waiver of any such claim.

VII. GENERAL PROVISIONS

A. Any notice or demand required or permitted to be given hereunder by Lender may be given in writing by depositing such notice in the United States Mail, postage prepaid, addressed to Borrower at 44,000 Highway 75S, Huntsville, Texas 77340, Attn: Billy F. Mitcham, Jr., or such other place as Borrower shall have designated in writing. Notice shall be deemed to have been given 48 hours after being so deposited in the United States Mail.

B. This agreement shall be construed under and in accordance with the laws of the State of Texas, and all obligations of the parties created hereunder are performable in Victoria County, Texas. In any suit arising under this agreement or relating in any way to the obligations of the parties hereunder, venue shall be fixed in Victoria County, Texas. Notwithstanding the provisions of this paragraph, Chapter Fifteen of the Texas Credit Code, Art. 5069-15.01 et seq., shall not apply to the loan governed by this agreement or any part thereof.

C. In any case, if any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision hereof and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

D. This Agreement constitutes the sole and only agreement of the parties hereto and supersedes any prior understandings or written or oral agreements between the parties respecting the within subject matter.

E. This agreement shall apply to and govern the herein described extensions of credit and all renewals, extensions and rearrangements of such indebtedness of Borrower and Guarantors to Lender.

EXECUTED on the date first hereinabove mentioned in New Waverly, Walker County, Texas.

MITCHAM INDUSTRIES, INC.

ATTEST:

By /s/ BILLY F. MITCHAM, JR.

/s/ KIM WILLIAMS

Billy F. Mitcham, Jr.
Its CEO

BORROWER

FIRST VICTORIA NATIONAL BANK

ATTEST:

By /s/ JOHN D. HOWARD

/s/ KIM WILLIAMS

John D. Howard
Its Vice President

LENDER

THE STATE OF TEXAS
COUNTY OF WALKER

This instrument was acknowledged before me on November 10, 2000, by Billy F. Mitcham, Jr., as President of Mitcham Industries, Inc., on behalf of said corporation.

[STATE OF TEXAS NOTARY SEAL]

/s/ KIM WILLIAMS

Notary Public, State of Texas

THE STATE OF TEXAS
COUNTY OF WALKER

This instrument was acknowledged before me on November 10, 2000, by John D. Howard, as Vice President of First Victoria National Bank, on behalf of said corporation.

[STATE OF TEXAS NOTARY SEAL]

/s/ KIM WILLIAMS

Notary Public, State of Texas

COMMERCIAL SECURITY AGREEMENT

PRINCIPAL	LOAN DATE	MATURITY	LOAN NO.	CALL	COLLATERAL	ACCOUNT	OFFICE	INITIALS
\$8,500,000.00	11-09-2000	11-09-2004	0038862700	4A	30	NEW	171	

REFERENCES IN THE SHADED AREA ARE FOR LENDER'S USE ONLY AND DO NOT LIMIT THE APPLICABILITY OF THIS DOCUMENT TO ANY PARTICULAR LOAN OR ITEM.

Borrower:	MITCHAM INDUSTRIES INC. (TIN: 76-0210849) 44000 HWY 75 S HUNTSVILLE, TX 77340	Lender:	First Victoria National Bank Main Bank P O Box 1338 101 South Main Victoria, TX 77902-1338
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THIS COMMERCIAL SECURITY AGREEMENT is entered into between MITCHAM INDUSTRIES INC. (referred to below as "Grantor"); and First Victoria National Bank (referred to below as "Lender"). For valuable consideration, Grantor grants to Lender a security interest in the Collateral to secure the Indebtedness and agrees that Lender shall have the rights stated in this Agreement with respect to the Collateral, in addition to all other rights which Lender may have by law.

DEFINITIONS. The following words shall have the following meanings when used in this Agreement. Terms not otherwise defined in this Agreement shall have the meanings attributed to such terms in the Uniform Commercial Code. All references to dollar amounts shall mean amounts in lawful money of the United States of America.

AGREEMENT. The word "Agreement" means this Commercial Security Agreement, as this Commercial Security Agreement may be amended or modified from time to time, together with all exhibits and schedules attached to this Commercial Security Agreement from time to time.

COLLATERAL. The word "Collateral" means the following described property of Grantor, whether now owned or hereafter acquired, whether now existing or hereafter arising, and wherever located:

PURCHASE MONEY SECURITY INTEREST ON ALL EQUIPMENT AND INVENTORY PURCHASED FROM SERCEL, LTD., GEOSPACE CORP. AND MARK PRODUCTS; AND ASSIGNMENT OF ALL LEASES AND REVENUES GENERATED FROM SAID EQUIPMENT AND INVENTORY.

In addition, the word "Collateral" includes all the following, whether now owned or hereafter acquired, whether now existing or hereafter arising, and wherever located:

- (a) All other accessions, accessories, tools, parts, supplies, increases, and additions to and all replacements of and substitutions for any property described above.
- (b) All products and produce of any of the property described in this Collateral section.
- (c) All accounts, general intangibles, Instruments, rents, monies, payments, and all other rights, arising out of a sale, lease, or other disposition of any of the property described in this Collateral section.
- (d) All proceeds (including insurance proceeds) from the sale, destruction, loss, or other disposition of any of the property described in this Collateral section.
- (e) All records and data relating to any of the property described in this Collateral section, whether in the form of a writing, photograph, microfilm, microfiche, or electronic media, together with all of Grantors right, title, and interest in and to all computer software required to utilize, create, maintain, and process any such records or data on electronic media.

EVENT OF DEFAULT. The words "Event of Default" mean and include without limitation any of the Events of Default set forth below in the section titled "Events of Default".

GRANTOR. The word "Grantor" means MITCHAM INDUSTRIES INC., its successors and assigns

GUARANTOR. The word "Guarantor" means and includes without limitation each and all of the guarantors, sureties, and accommodation parties in connection with the Indebtedness.

INDEBTEDNESS. The word "Indebtedness" means the indebtedness evidenced by the Note, including all principal and earned interest, together with all other Indebtedness end costs and expenses for which Grantor is responsible

under this Agreement or under any of the Related Documents. In addition; the word "indebtedness" includes all other obligations, debts and liabilities, plus interest thereon, of Grantor, or any one or more of them, to Lender, as well as all claims by Lender against Grantor, or any one or more of them, whether existing now or later, whether they are voluntary or involuntary, due or not due, direct or indirect, absolute or contingent liquidated or unliquidated; whether Grantor may be liable individually or jointly with others; whether Grantor may be obligated as guarantor, surety, accommodation party or otherwise.

LENDER. The word "Lender" means First Victoria National Bank, its successors and assigns.

NOTE. The word "Note" means the note or credit agreement dated November 9, 2000, in the principal amount of \$8,500,000.00 from MITCHAM INDUSTRIES INC. to Lender, together with its renewals of, extensions of, modifications of, refinancing of, consolidations of and substitutions for the note or credit agreement.

RELATED DOCUMENTS. The words "Related Documents" mean and include without limitation all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the indebtedness.

OBLIGATIONS OF GRANTOR. Grantor warrants and covenants to lender as follows:

ORGANIZATION. Grantor is a corporation which is duly organized, validly existing, and in good standing under the laws of the State of Texas.

AUTHORIZATION. The execution, delivery, and performance of this Agreement by Grantor have been duly authorized by all necessary action by Grantor and do not conflict with, result in a violation of, or constitute a default under (a) any provision of its articles of incorporation or organization, or bylaws, or any agreement or other instrument binding upon Grantor or (b) any law, governmental regulation, court decree, or order applicable to Grantor.

PERFECTION OF SECURITY INTEREST. Grantor agrees to execute such financing statements and to take whatever other actions are requested by Lender to perfect and continue Lenders security interest in the Collateral. Upon request of Lender, Grantor will deliver to Lender any and all of the documents evidencing or constituting the Collateral, and Grantor will note Lenders interest upon any and all chattel paper if not delivered to Lender for possession by Lender. Grantor hereby appoints Lender as its irrevocable attorney-in-fact for the purpose of executing any documents necessary to perfect or to continue the security interest granted in this Agreement. Lender may at any time, and without further authorization from Grantor, file a carbon, photographic or other reproduction of any financing statement or of this Agreement for use as a financing statement. Grantor will reimburse Lender for all expenses for the perfection and the continuation of the perfection of Lender's security interest in the Collateral. Grantor promptly will notify Lender before any change in Grantor's name including any change to the assumed business names of Grantor. This is a continuing Security Agreement and will continue in effect even though all or any part of the indebtedness is paid in full and even though for a period of time Grantor may not be indebted to Lender.

NO VIOLATION. The execution and delivery of this Agreement will not violate any law or agreement governing Grantor or to which Grantor is a party, and its certificate or articles of incorporation and bylaws do not prohibit any term or condition of this Agreement.

ENFORCEABILITY OF COLLATERAL. To the extent the Collateral consists of accounts, chattel paper, or general intangibles, the Collateral is enforceable in accordance with its terms, is genuine, and complies with applicable laws concerning torte, content and manner of preparation and execution, and all persons appearing to be obligated on the Collateral have authority and capacity to contract and are in fact obligated as they appear to be on the Collateral.

LOCATION OF THE COLLATERAL. Grantor, upon request of Lender, will deliver to Lender in forth satisfactory to Lender a schedule of real properties and Collateral locations relating to Grantor's operations, including without limitation the following: (a) all real property owned or being purchased by Grantor, (b) all real property being rented or leased by Grantor, (c) all storage facilities owned, rented, leased, or being used by Grantor, and (d) all other properties where Collateral is or may be located. Except in the ordinary course of its business, Grantor shall not remove the Collateral from its existing locations without the prior written consent of Lender.

REMOVAL OF COLLATERAL. Grantor shall keep the Collateral (or to the extent the Collateral consists of intangible property such as accounts, the records concerning the collateral) at Grantor's address shown above, or all such other locations as are acceptable to Lender. Except in the

records concerning the Collateral) at Grantor's address shown above, or at such other locations as are acceptable to Lender. Except in the ordinary course of its business, including the sales of inventory, Grantor shall not remove the Collateral from its existing locations without the prior written consent of Lender. To the extent that the Collateral consists of vehicles, or other titled property, Grantor shall not take or permit any action which would require application for certificates of title for the vehicles outside the State of Texas, without the prior written consent of Lender.

TRANSACTIONS INVOLVING COLLATERAL. Except for inventory sold or accounts collected in the ordinary course of Grantor's business, Grantor shall not sell, offer to sell, or otherwise transfer or dispose of the Collateral. While Grantor is not in default under this Agreement, Grantor may sell inventory, but only in the ordinary course of its business and only to buyers who qualify as a buyer in the ordinary course of business. A sale in the ordinary course of Grantor's business does not include a transfer in partial or total satisfaction of a debt or any bulk sale. Grantor shall not pledge, mortgage, encumber or otherwise permit the Collateral to be subject to any lien, security interest, encumbrance, or charge, other than the security interest provided for in this Agreement, without the prior written consent of Lender. This includes security interests even if junior in right to the security interests granted under this Agreement. Unless waived by Lender, all proceeds from any disposition of the Collateral (for whatever reason) shall be held in trust for Lender and shall not be commingled with any other funds; provided however, this requirement shall not constitute consent by Lender to any sale or other disposition. Upon receipt, Grantor shall immediately deliver any such proceeds to Lender.

TITLE. Grantor represents and warrants to Lender that it holds good and marketable title to the Collateral, free and clear of all liens and encumbrances except for the lien of this Agreement. No financing statement covering any of the Collateral is on file in any public office other than those which reflect the security interest created by this Agreement or to which Lender has specifically consented. Grantor shall defend Lender's rights in the Collateral against the claims and demands of all other persons.

COLLATERAL SCHEDULES AND LOCATIONS. Insofar as the Collateral consists of inventory, Grantor shall deliver to Lender, as often as Lender shall require, such lists, descriptions, and designations of such Collateral as Lender may require to identify the nature, extent, and location of such Collateral. Such information shall be submitted for Grantor and each of its subsidiaries or related companies.

MAINTENANCE AND INSPECTION OF COLLATERAL. Grantor shall maintain all tangible Collateral in good condition and repair. Grantor will not commit or permit damage to or destruction of the Collateral or any part of the Collateral. Lender and its designated representatives and agents shall have the right at all reasonable times to examine, inspect, and audit the Collateral wherever located. Grantor shall immediately notify Lender of all cases involving the return, rejection, repossession, loss or damage of or to any Collateral; of any request for credit or adjustment or of any other dispute arising with respect to the Collateral; and generally of all happenings and events affecting the Collateral or the value or the amount of the Collateral.

TAXES, ASSESSMENTS AND LIENS. Grantor will pay when due all taxes, assessments and liens upon the Collateral, its use or operation, upon this Agreement, upon any promissory note or notes evidencing the Indebtedness, or upon any of the other Related Documents. Grantor may withhold any such payment or may elect to contest any lien if Grantor is in good faith conducting an appropriate proceeding to contest the obligation to pay and so long as Lender's Interest in the Collateral is not jeopardized in Lender's sole opinion. If the Collateral is subjected to a lien which is not discharged within fifteen (15) days, Grantor shall deposit with Lender cash, a sufficient corporate surety bond or other security satisfactory to Lender in an amount adequate to provide for the discharge of the lien plus any interest, costs, attorneys' fees or other charges that could accrue as a result of foreclosure or sale of the Collateral. In any contest Grantor shall defend itself and Lender and shall satisfy any final adverse judgment before enforcement against the Collateral. Grantor shall name Lender as an additional obligee under any surety bond furnished in the contest proceedings.

COMPLIANCE WITH GOVERNMENTAL REQUIREMENTS. Grantor shall comply promptly with all laws, ordinances, rules and regulations of all governmental authorities, now or hereafter in effect, applicable to the ownership, production, disposition, or use of the Collateral. Grantor may contest in good faith any such law, ordinance or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Lender's Interest in the Collateral, in Lender's opinion, is not jeopardized.

HAZARDOUS SUBSTANCES. Grantor represents and warrants that the Collateral never has been, and never will be so long as this Agreement remains a lien on the Collateral, used for the generation, manufacture, storage, transportation, treatment, disposal, release or threatened release of any hazardous waste or substance, as those terms are defined in the Comprehensive Environmental Response, Compensation, and Liability Act of

1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L No. 99-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., or other applicable state or Federal laws, rules, or regulations adopted pursuant to any of the foregoing. The terms "hazardous waste" and "hazardous substance" shall also include, without limitation, petroleum and petroleum by-products or any fraction thereof and asbestos. The representations and warranties contained herein are based on Grantor's due diligence in investigating the Collateral for hazardous wastes and substances. Grantor hereby (a) releases and waives any future claims against Lender for indemnity or contribution in the event Grantor becomes liable for cleanup or other costs under any such laws, and (b) agrees to indemnify and hold harmless Lender against any and all claims and losses resulting from a breach of this provision of this Agreement. This obligation to indemnify shall survive the payment of the Indebtedness and the satisfaction of this Agreement.

MAINTENANCE OF CASUALTY INSURANCE. Grantor shall procure and maintain all risks insurance, including without limitation fire, theft and liability coverage together with such other insurance as Lender may require with respect to the Collateral, in form, amounts, coverages and basis reasonably acceptable to Lender. **GRANTOR MAY FURNISH THE REQUIRED INSURANCE WHETHER THROUGH EXISTING POLICIES OWNED OR CONTROLLED BY GRANTOR OR THROUGH EQUIVALENT INSURANCE FROM ANY INSURANCE COMPANY AUTHORIZED TO TRANSACT BUSINESS IN THE STATE OF TEXAS.** If Grantor fails to provide any required insurance or fails to continue such insurance in force, Lender may, but shall not be required to, do so at Grantor's expense, and the cost of the insurance will be added to the Indebtedness. If any such insurance is procured by Lender at a rate or charge not fixed or approved by the State Board of Insurance, Grantor will be so notified, and Grantor will have the option for five (5) days of furnishing equivalent insurance through any insurer authorized to transact business in Texas. Grantor, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least ten (10) days' prior written notice to Lender and not including any disclaimer of the insurer's liability for failure to give such a notice. Each insurance policy also shall include an endorsement - providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Grantor or any other person. In connection with all policies covering assets in which Lender holds or is offered a security interest, Grantor will provide Lender with such loss payable or other endorsements as Lender may require. If Grantor at any time fails to obtain or maintain any insurance as required under this Agreement, Lender may (but shall not be obligated to) obtain such insurance as Lender deems appropriate, including if it so chooses "single interest insurance," which will cover only Lender's interest in the Collateral.

APPLICATION OF INSURANCE PROCEEDS. Grantor shall promptly notify Lender of any loss or damage to the Collateral. Lender may make proof of loss if Grantor fails to do so within fifteen (15) days of the casualty. All proceeds of any insurance on the Collateral, including accrued proceeds thereon, shall be held by Lender as part of the Collateral. If Lender consents to repair or replacement of the damaged or destroyed Collateral, Lender shall, upon satisfactory proof of expenditure, pay or reimburse Grantor from the proceeds for the reasonable cost of repair or restoration. If Lender does not consent to repair or replacement of the Collateral, Lender shall retain a sufficient amount of the proceeds to pay all of the Indebtedness, and shall pay the balance to Grantor. Any proceeds which have not been disbursed within six (6) months after their receipt and which Grantor has not committed to the repair or restoration of the Collateral shall be used to prepay the Indebtedness.

INSURANCE RESERVES. Lender may require Grantor to maintain with Lender reserves for payment of insurance premiums, which reserves shall be created by monthly payments from Grantor of a sum estimated by Lender to be sufficient to produce, at least fifteen (15) days before the premium due date, amounts at least equal to the insurance premiums to be paid. If fifteen (15) days before payment is due, the reserve funds are insufficient, Grantor shall upon demand pay any deficiency to Lender. The reserve funds shall be held by Lender as a general deposit and shall constitute a non-interest-bearing account which Lender may satisfy by payment of the insurance premiums required to be paid by Grantor as they become due. Lender does not hold the reserve funds in trust for Grantor, and Lender is not the agent of Grantor for payment of the insurance premiums required to be paid by Grantor. The responsibility for the payment of premiums shall remain Grantor's sole responsibility.

INSURANCE REPORTS. Grantor, upon request of Lender, shall furnish to Lender reports on each existing policy of insurance showing such information as Lender may reasonably request including the following: (a) the name of the insurer; (b) the risks insured; (c) the amount of the policy; (d) the property insured; (e) the then current value on the basis of which insurance has been obtained and the manner of determining that value; and (f) the expiration date of the policy. In addition, Grantor shall upon request by Lender (however not more often than annually) have an independent appraiser satisfactory to Lender determine, as applicable, the cash value or replacement cost of the Collateral.

GRANTOR'S RIGHT TO POSSESSION. Until default, Grantor may have possession of the tangible personal property and beneficial use of all the Collateral and may use it in any lawful manner not inconsistent with this Agreement or the Related Documents, provided that Grantor's right to possession and beneficial use shall

not apply to any Collateral where possession of the Collateral by Lender is required by law to perfect Lender's security interest in such Collateral. If Lender at any time has possession of any Collateral, whether before or after an Event of Default, Lender shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral if Lender takes such action for that purpose as Grantor shall request or as Lender, in Lender's sole discretion, shall deem appropriate under the circumstances, but failure to honor any request by Grantor shall not of itself be deemed to be a failure to exercise reasonable care. Lender shall not be required to take any steps necessary to preserve any rights in the Collateral against prior parties, nor to protect, preserve or maintain any security interest given to secure the Indebtedness.

EXPENDITURES BY 1 LENDER If not discharged [ILLEGIBLE]

required to be discharged or paid by Grantor under this Agreement, including without limitation all taxes, liens, security interests, encumbrances, and other claims, at any time levied or placed on the Collateral. Lender also may (but shall not be obligated to) pay all costs for insuring, maintaining and preserving the Collateral. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the Note rate from the date incurred or paid by Lender to the date of repayment by Grantor. All such expenses shall become a part of the Indebtedness and, at Lender's option, will (a) be payable on demand, (b) be added to the balance of the Note and be apportioned among and be payable with any Installment payments to become due during either (i) the term of any applicable Insurance policy or (ii) the remaining term of the Note, or (c) be treated as a balloon payment which will be due and payable at the Note's maturity. This Agreement also will secure payment of these amounts. Such right shall be in addition to all other rights and remedies to which Lender may be entitled upon the occurrence of an Event of Default.

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

DEFAULT ON INDEBTEDNESS. Failure of Grantor to make any payment when due on the Indebtedness.

OTHER DEFAULTS. Failure of Grantor to comply with or to perform any other term, obligation, covenant or condition contained in this Agreement or in any of the Related Documents or in any other agreement between Lender and Grantor.

FALSE STATEMENTS. Any warranty, representation or statement made or furnished to Lender by or on behalf of Grantor under this Agreement, the Note or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished.

DEFECTIVE COLLATERALIZATION. This Agreement or any of the Related Documents ceases to be in full force and effect (including failure of any collateral documents to create a valid and perfected security interest or lien) at any time and for any reason.

INSOLVENCY. The dissolution or termination of Grantor's existence as a going business, the Insolvency of Grantor, the appointment of a receiver for any part of Grantor's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or Insolvency laws by or against Grantor.

CREDITOR OR FORFEITURE PROCEEDINGS. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Grantor or by any governmental agency against the Collateral or any other collateral securing the Indebtedness. This includes a garnishment of any of Grantor's deposit accounts with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Grantor as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Grantor gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

EVENTS AFFECTING GUARANTOR. Any of the preceding events occurs with respect to any Guarantor of any of the Indebtedness or such Guarantor dies or becomes incompetent Lender, at its option, may, but shall not be required to, permit the Guarantor's estate to assume unconditionally the obligations arising under the guaranty in a manner satisfactory to Lender, and, in doing so, cure the Event of Default.

ADVERSE CHANGE. A material adverse change occurs in Grantor's financial condition.

RIGHT TO CURE. If any default, other than a Default on Indebtedness, is curable and if Grantor has not been given a prior notice of a breach of the same provision of this Agreement, it may be cured (and no Event of Default will have occurred) if Grantor, after Lender sends written notice demanding cure of such default, (a) cures the default within fifteen (15) days; or (b), if the cure requires more than fifteen (15) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

RIGHTS AND REMEDIES ON DEFAULT. If an Event of Default occurs under this Agreement, at any time thereafter, Lender shall have all the rights of a secured party under the Texas Uniform Commercial Code. In addition and without limitation, Lender may exercise any one or more of the following rights and remedies:

ACCELERATE INDEBTEDNESS. Lender may declare the entire Indebtedness immediately due and payable, without notice.

ASSEMBLE COLLATERAL. Lender may require Grantor to deliver to Lender all or any portion of the Collateral and any and all certificates of title and

other documents relating to the Collateral. Lender may require Grantor to assemble the Collateral and make it available to Lender at a place to be designated by Lender. Lender also shall have full power to enter, provided Lender does so without a breach of the peace or a trespass, upon the property of Grantor to take possession of and remove the Collateral. If the Collateral contains other goods not covered by this Agreement at the time of repossession, Grantor agrees Lender may take such other goods, provided that Lender makes reasonable efforts to return them to Grantor AFTER REPOSSESSION.

SELL THE COLLATERAL. Lender shall have full power to sell, lease, transfer, or otherwise deal with the Collateral or proceeds thereof in its own name or that of Grantor. Lender may sell the Collateral at public auction or private sale. Unless the Collateral threatens to decline speedily in value or is of a type customarily sold on a recognized market, Lender will give Grantor reasonable notice of the time after which any private sale or any other intended disposition of the Collateral is to be made. The requirements of reasonable notice shall be met if such notice is given at least ten (10) days before the time of the sale or disposition. All expenses relating to the disposition of the Collateral, including without limitation the expenses of retaking, holding, insuring, preparing for sale and selling the Collateral, shall become a part of the Indebtedness secured by this Agreement and shall be payable on demand, with Interest at the Note rate from date of expenditure until repaid.

APPOINT RECEIVER. To the extent permitted by applicable law, Lender shall have the following rights and remedies regarding the appointment of a receiver: (a) Lender may have a receiver appointed as a matter of right, (b) the receiver may be an employee of Lender and may serve without bond, and (c) all fees of the receiver and his or her attorney shall become part of the Indebtedness secured by this Agreement and shall be payable on demand, with Interest at the Note rate from date of expenditure until repaid.

COILED REVENUES, APPLY ACCOUNTS. Lender, either itself or through a receiver, may coiled the payments, rents, Income, and revenues from the Collateral. Lender may at any time in its discretion transfer any Collateral into its own name or that of its nominee and receive the payments, rents, income, and revenues therefrom and hold the same as security for the Indebtedness or apply it to payment of the Indebtedness in such order of preference as Lender may determine. Insofar as the Collateral consists of accounts, general intangibles, insurance policies, instruments, chattel paper, choices in action, or similar property, Lender may demand, collect, receipt for, settle, compromise, adjust, sue for, foreclose, or realize on the Collateral as Lender may determine, whether or not Indebtedness or Collateral is then due. For these purposes, Lender may, on behalf of and in the name of Grantor, receive, open and dispose of mail addressed to Grantor; change any address to which mail and payments are to be sent; and endorse notes, checks, drafts, money orders, documents of title, instruments and items pertaining to payment, shipment, or storage of any Collateral. To facilitate collection, Lender may notify account debtors and obligors on any Collateral to make payments directly to Lender.

OBTAIN DEFICIENCY. If Lender chooses to sell any or all of the Collateral, Lender may obtain a judgment against Grantor for any deficiency remaining on the Indebtedness due to Lender after application of all amounts received from the exercise of the rights provided In this Agreement. Grantor shall be liable for a deficiency even if the transaction described in this subsection is a sale of accounts or chattel paper.

OTHER RIGHTS AND REMEDIES. Lender shall have all the rights and remedies of a secured creditor under the provisions of the Uniform Commercial Code, as may be amended from time to time. In addition, Lender shall have and may exercise any or all other rights and remedies it may have available at law, in equity, or otherwise.

CUMULATIVE REMEDIES. All of Lender's rights and remedies, whether evidenced by this Agreement or the Related Documents or by any other writing, shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Grantor under this Agreement, after Grantor's failure to perform, shall not affect Lender's right to declare a default and to exercise the remedies.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Agreement:

AMENDMENTS. This Agreement, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration of or amendment to this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

APPLICABLE LAW. This Agreement has been delivered to Lender and accepted by Lender in the State of Texas. If there is a lawsuit, Grantor agrees upon Lender's request to submit to the jurisdiction of the courts of the State of Texas. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas and applicable Federal laws.

ATTORNEYS' FEES AND OTHER COSTS. Lender may hire an attorney to help collect the Note if Grantor does not pay, and Grantor will pay Lender's reasonable attorneys' fees. Grantor also will pay Lender all other amounts

actually incurred by Lender as court costs, lawful fees for filing, recording, or releasing to any public office any instrument securing the Note; the reasonable cost actually expended for repossessing, storing, preparing for sale, and selling any security; and fees for noting a lien on or transferring a certificate of title to any motor vehicle offered as security for the Note, or premiums or identifiable charges received in connection with the sale of authorized Insurance.

CAPTION HEADINGS. Caption headings in this Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Agreement.

MULTIPLE PARTIES; CORPORATE AUTHORITY. All obligations of Grantor under this Agreement shall be joint and several, and all references to Grantor shall mean each and every Grantor. This means that each of the persons signing below is responsible for all obligations in this Agreement.

NOTICES. All notices required to be given under this Agreement shall be given in writing, may be sent by telefacsimile (unless otherwise required by law), and shall be effective when actually delivered or when deposited with a nationally recognized overnight courier or deposited in the United States mail, first class, postage prepaid, addressed to the party to whom the notice is to be given at the address shown above. Any party may change its address for notices under this Agreement by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. To the extent permitted by applicable law, if there is more than one Grantor, notice to any Grantor will constitute notice to all Grantors. For notice purposes, Grantor will keep Lender informed at all times of Grantor's current address(es).

POWER OF ATTORNEY. Grantor hereby appoints Lender as its true and lawful attorney-in-fact, irrevocably, with full power of substitution to do the following: (a) to demand, collect, receive, receipt for, sue and recover all sums of money or other property which may now or hereafter become due, owing or payable from the Collateral; (b) to execute, sign and endorse any and all claims, instruments, receipts, checks, drafts or warrants issued in payment for the Collateral; (c) to settle or compromise any and all claims arising under the Collateral, and, in the place and stead of Grantor, to execute and deliver its release and settlement for the claim; and (d) to file any claim or claims or to take any action or institute or take part in any proceedings, either in its own name or in the name of Grantor, or otherwise, which in the discretion of Lender may seem to be necessary or advisable. This power is given as security for the Indebtedness, and the authority hereby conferred is and shall be irrevocable and shall remain in full force and effect until renounced by Lender.

SEVERABILITY. If a court of competent jurisdiction finds any provision of this Agreement to be invalid or unenforceable as to any person or circumstance, such finding shall not render that provision invalid or unenforceable as to any other persons or circumstances. If feasible, any such offending provision shall be deemed to be modified to be within the limits of enforceability or validity; however, if the offending provision cannot be so modified, it shall be stricken and all other provisions of this Agreement in all other respects shall remain valid and enforceable.

SUCCESSOR INTERESTS. Subject to the limitations set forth above on transfer of the Collateral, this Agreement shall be binding upon and inure to the benefit of the parties, their successors and assigns.

WAIVER. Lender shall not be deemed to have waived any rights under this Agreement unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Agreement shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Lender, nor any course of dealing between Lender and Grantor, shall constitute a waiver of any of Lender's rights or of any of Grantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Agreement, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

LOCK BOX, COLLATERAL ACCOUNT. If Lender requests (whether before or after the occurrence of an event of default), Grantor will direct each of its account debtors to make payments directly to a special lock box which is controlled by Lender. Grantor authorizes and directs Lender to deposit into a special collateral account, to be maintained and established by Lender, all checks, drafts and cash payments received in said lock box. All deposits in said collateral account are designated to be proceeds of collateral and shall not constitute payment of any obligation. However, Lender may apply collected funds in the collateral account to the payment of the Indebtedness in such order of application as Lender may determine, or permit Grantor to withdraw all or any part of the balance on deposit in said collateral account. If a collateral account is established, Grantor agrees that it will, immediately upon receipt, deliver to Lender for deposit into said collateral account, all payments received by it. Until deposited into said collateral account, all payments received by Grantor shall be held in trust for Lender and shall not be commingled with any funds or property of Grantor.

GRANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS COMMERCIAL SECURITY AGREEMENT, AND GRANTOR AGREES TO ITS TERMS. THIS AGREEMENT IS DATED NOVEMBER 9, 2000.

GRANTOR:

BY: /s/ BILLY F MITCHAM, JR

BILLY F MITCHAM, JR, PRESIDENT

MITCHAM INDUSTRIES, INC.
STATEMENT RE COMPUTATION OF LOSS
PER SHARE
(IN THOUSANDS EXCEPT SHARE AND PER SHARE DATA)

	THREE MONTHS ENDED OCTOBER 31,		NINE MONTHS ENDED OCTOBER 31,	
	2000	1999	2000	1999
COMPUTATION OF BASIC LOSS PER COMMON SHARE:				
Net loss	\$ (1,654)	\$ (1,070)	\$ (3,397)	\$ (4,404)
Weighted average number of common shares outstanding	9,032,000	9,551,000	9,220,000	9,550,000
Loss per common share	<u>\$ (0.18)</u>	<u>\$ (0.11)</u>	<u>\$ (0.37)</u>	<u>\$ (0.46)</u>
COMPUTATION OF LOSS PER COMMON SHARE ASSUMING DILUTION:				
Net loss	\$ (1,654)	\$ (1,070)	\$ (3,397)	\$ (4,404)
Weighted average number of common shares outstanding	9,032,000	9,551,000	9,220,000	9,550,000
Net effect of dilutive stock options and warrants based on the treasury stock method, using the average market price	--	--	--	--
Common shares outstanding assuming dilution	<u>9,032,000</u>	<u>9,551,000</u>	<u>9,220,000</u>	<u>9,550,000</u>
Loss per common share assuming dilution	<u>\$ (0.18)</u>	<u>\$ (0.11)</u>	<u>\$ (0.37)</u>	<u>\$ (0.46)</u>

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9-MOS

JAN-31-2001

FEB-01-2000

OCT-31-2000

793

7,959

6,267

1,185

2,656

19,871

76,898

40,015

59,681

6,465

0

0

0

96

53,120

59,681

3,755

12,058

2,659

16,260

13,501

100

0

(3,724)

(327)

(3,397)

0

0

0

(3,397)

(0.37)

(0.37)