

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JANUARY 31, 1997

REGISTRATION NO. 333-19997

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 1

TO

FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

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

TEXAS

5008

76-0210849

(State or other jurisdiction of incorporation or organization)

(Primary Standard Industrial Classification Code Number)

(I.R.S. Employer Identification No.)

BILLY F. MITCHAM, JR.
POST OFFICE BOX 1175
44000 HIGHWAY 75 SOUTH
HUNTSVILLE, TEXAS 77342

(409) 291-2277

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

Copies to:

SABRINA A. MCTOPY
NORTON, JACOBS, KUHN & MCTOPY, L.L.P.
1111 BAGBY, SUITE 2450
HOUSTON, TEXAS 77002-2546
(713) 659-1131

ALAN P. BADEN
VINSON & ELKINS L.L.P.
2800 FIRST CITY TOWER
HOUSTON, TEXAS 77002-6760
(713) 758-2222

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

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

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

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

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

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED(1)	PROPOSED MAXIMUM OFFERING PRICE PER SHARE(2)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(2)	AMOUNT OF REGISTRATION FEE
Common Stock, \$.01 par value ("Common Stock").....	3,450,000	\$8.50	\$29,325,000	
Representatives' Warrants.....	200,000	\$.001	\$200	
Common Stock underlying the Representatives' Warrants(3).....	200,000	\$10.20	\$2,040,000	

Total.....

\$31,365,200

\$9,505

-
- (1) Includes 450,000 shares subject to an option granted to the Underwriters to cover over-allotments, if any.
 - (2) Estimated solely for purposes of calculating the registration fee.
 - (3) The Registration Statement also covers any additional securities that may become issuable pursuant to the anti-dilution provisions of the Representatives' Warrants.

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

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

SUBJECT TO COMPLETION, DATED JANUARY 31, 1997

3,000,000 SHARES

[MITCHAM LOGO]
 COMMON STOCK

Of the 3,000,000 shares of Common Stock offered hereby, 2,500,000 shares are being offered by Mitcham Industries, Inc. (the "Company"), and 500,000 shares are being offered by the selling shareholders (the "Selling Shareholders"). The Company will not receive any proceeds from the sale of shares by the Selling Shareholders.

The Common Stock is quoted on the Nasdaq National Market under the symbol "MIND." The last reported sale price of the Common Stock on January 22, 1997, as reported by the Nasdaq National Market, was \$8.00 per share. See "Price Range of Common Stock."

FOR A DISCUSSION OF CERTAIN MATERIAL FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE COMMON STOCK, SEE "RISK FACTORS" COMMENCING ON PAGE 6 HEREOF.

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

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS(1)	PROCEEDS TO COMPANY(2)	PROCEEDS TO SELLING SHAREHOLDERS(2)
Per share.....	\$	\$	\$	\$
Total(3).....	\$	\$	\$	\$

- (1) The Company and the Selling Shareholders have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. Does not reflect additional compensation to the Underwriters in the form of (i) a non-accountable expense allowance of \$ (\$ if the Underwriters' over-allotment option is exercised in full) and (ii) warrants to purchase an aggregate of 200,000 shares of Common Stock at 120% of the Price to Public for two years beginning one year after the effective date of the Registration Statement of which this Prospectus is a part. For additional information with respect to the arrangements between the Company and the Representatives, see "Underwriting."
- (2) Before deducting offering expenses payable by the Company, estimated to be approximately \$225,000.
- (3) The Company and the Selling Shareholders have granted to the Underwriters a 30-day option to purchase up to 450,000 additional shares of Common Stock solely to cover over-allotments, if any, on the same terms and conditions as the shares offered hereby. If such option is exercised in full, the total Price to Public, Underwriting Discounts and Commissions, Proceeds to Company and Proceeds to Selling Shareholders will be \$, \$, \$ and \$, respectively. See "Underwriting."

 The shares of Common Stock are offered by the several Underwriters named herein, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. It is expected that delivery of such shares will be made at the offices of Rodman & Renshaw, Inc., New York, New

York, on or about , 1997.

RODMAN & RENSHAW, INC. SIMMONS & COMPANY

INTERNATIONAL

The date of this Prospectus is , 1997.

[ILLUSTRATIONS]

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NASDAQ NATIONAL MARKET, IN THE OVER-THE-COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

IN CONNECTION WITH THIS OFFERING, CERTAIN UNDERWRITERS AND SELLING GROUP MEMBERS (IF ANY) OR THEIR RESPECTIVE AFFILIATES MAY ENGAGE IN PASSIVE MARKET MAKING TRANSACTIONS IN THE COMMON STOCK ON THE NASDAQ NATIONAL MARKET IN ACCORDANCE WITH RULE 10B-6A UNDER THE EXCHANGE ACT. SEE "UNDERWRITING."

PROSPECTUS SUMMARY

The following summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information and financial statements (including the notes thereto) appearing elsewhere in this Prospectus and incorporated herein by reference. The term "Company" refers to Mitcham Industries, Inc. and its wholly-owned subsidiary, Mitcham Canada Ltd., an Alberta corporation. Unless otherwise indicated, all financial and share information set forth in this Prospectus assumes no exercise of the Underwriters' over-allotment option and a public offering price of \$8.00 per share. See "Glossary of Terms" for certain terms relating to the seismic industry used in this Prospectus. Investors should carefully consider the information set forth in "Risk Factors" beginning on page 6.

THE COMPANY

Mitcham Industries, Inc. leases and sells seismic data acquisition equipment to companies engaged in the oil and gas industry. The Company believes it is the leading independent lessor of land-based three-dimensional ("3-D") seismic data acquisition equipment, including channel boxes and other peripheral equipment. Seismic data acquisition equipment is used in the identification and graphic definition of subsurface geologic structures and formations that potentially contain oil and gas. Channel boxes are remote data acquisition units that collect and transmit seismic data. The Company has exclusive lease referral and supply agreements with the two principal manufacturers of land-based 3-D seismic equipment, Input/Output, Inc. ("I/O") and Societe Etudes Recherches et Construction Electroniques, S.A. ("SERCEL"). From January 1, 1994 through December 31, 1996, the Company's lease fleet of 3-D channel boxes increased from 85 to approximately 2,000 (or from 510 channels to approximately 12,000 channels). Earnings before interest, taxes, depreciation and amortization ("EBITDA") of approximately \$4.0 million for the fiscal year ended January 31, 1996 represented an increase of 90.4% over the fiscal year ended January 31, 1995, and EBITDA of approximately \$4.6 million for the nine months ended October 31, 1996 represented an increase of 82.6% over the same prior year period.

Demand for channel boxes has increased significantly in recent years primarily due to the increasing use of 3-D seismic surveys. Current 3-D seismic techniques use a greater number of channels and channel boxes than two dimensional ("2-D") surveys, thereby providing higher resolution data for a better representation of the earth's subsurface. Additionally, oil and gas companies are contracting for 3-D surveys over larger geographical areas and often specify an increase in the concentration of channel boxes as a means of increasing data resolution. Consequently, seismic survey companies frequently use more than twice the number of channels for surveys than they typically own. The Company believes that many companies providing land-based seismic surveys will meet this additional requirement by leasing channel boxes and supporting peripheral equipment on a short-term basis rather than making the substantial capital expenditures necessary to purchase such equipment.

The Company leases its seismic equipment primarily to seismic data acquisition companies and major oil and gas exploration companies conducting land-based seismic data acquisition surveys. The leases generally have terms between three and nine months and are renewable thereafter on a month-to-month basis. Rates for 3-D channel boxes range from between 6% to 8% per month of the equipment's purchase price. For the nine months ending October 31, 1996, the Company maintained a utilization rate of its 3-D channel boxes in excess of 80%.

The Company has entered into supply and exclusive referral agreements with each of I/O and SERCEL. The Company believes that most of the land-based 3-D seismic systems and equipment currently in use and being put into use are I/O and SERCEL systems. The agreement with I/O, originally entered into in February 1994, has been the source of a majority of the Company's lease pool equipment to date. Pursuant to this agreement, I/O must refer to the Company, on an exclusive basis, any requests it receives to lease its 3-D channel boxes and certain peripheral equipment in North and South America. A condition of the agreement with I/O is that the Company must purchase, at favorable rates, \$13.3 million of equipment from I/O by May 31, 2000. Through December 31, 1996, the Company has met \$4.8 million of this requirement.

In September 1996, the Company entered into two agreements with SERCEL. One agreement provides that until December 31, 1999, the Company will be SERCEL's exclusive worldwide leasing agent and that

SERCEL must refer to the Company all requests it receives to lease its 3-D data acquisition equipment and peripheral equipment. This agreement also provides that the Company must purchase, at favorable rates, up to \$10.2 million of 3-D data acquisition equipment and other field equipment from SERCEL. Through December 31, 1996, the Company has met \$4.5 million of this requirement. The second agreement provides that until September 19, 1999, subject to earlier termination after September 20, 1997, the Company will be SERCEL's exclusive sales agent in Canada. See "Business -- I/O Agreement" and "-- SERCEL Agreements."

BUSINESS STRATEGY

The Company's business strategy is to meet the expanding needs of users of 3-D seismic equipment through its leasing and support services. In order to accomplish this, the Company has identified the following major objectives:

- Enlarge and diversify its lease pool of seismic equipment. To meet customer demand, the Company will continue to increase its lease pool of channel boxes and peripheral seismic equipment, such as seismic vibrators, vibrator control electronics and geophones. The Company believes that the availability of a larger and more complete pool of 3-D seismic equipment for lease will encourage seismic survey companies to increasingly lease, rather than purchase, such equipment. The Company is also evaluating the feasibility of a lease pool of marine seismic equipment.
- Expand its international presence. The Company receives referrals from SERCEL on a worldwide basis and is its exclusive sales agent in Canada, where the Company has an office in Calgary, Alberta. The Company believes that its alliances with I/O and SERCEL will help the Company to further penetrate, on a cost-effective basis, international markets, where such manufacturers are well-recognized and have well-developed business relationships. The Company is also evaluating the feasibility of opening additional foreign offices.
- Develop and enhance alliances with major seismic equipment manufacturers. The Company uses alliances with manufacturers such as I/O and SERCEL to acquire and build its lease pool of equipment and increase customer referrals. The Company continues to seek to expand the scope of these alliances, as well as develop similar arrangements with other equipment manufacturers.

The Company was formed in January 1987. Its principal offices are located at 44000 Highway 75 South, (Post Office Box 1175), Huntsville, Texas, and its telephone number is (409) 291-2277.

THE OFFERING

Common Stock Offered by the Company.....	2,500,000
Common Stock Offered by the Selling Shareholders...	500,000
Common Stock to be Outstanding after the Offering.....	6,974,880 shares (1)
Use of Proceeds.....	To purchase additional 3-D seismic data acquisition equipment for the Company's lease pool, for repayment of debt and for other working capital purposes. See "Use of Proceeds."
Nasdaq National Market Symbol.....	"MIND"

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(1) Does not include (i) 293,750 shares of Common Stock issuable upon the exercise of options granted and an additional 106,250 shares that may be granted in the future under stock option plans, (ii) 246,723 shares of Common Stock issuable upon the exercise of certain warrants and (iii) 200,000 shares of Common Stock issuable upon the exercise of the Representatives' Warrants. See "Description of Capital Stock and Other Securities." Does not reflect the exercise of a warrant for 8,380 shares of Common Stock to be sold in the Offering by one of the Selling Shareholders. See "Principal and Selling Shareholders."

SUMMARY FINANCIAL DATA
(IN THOUSANDS, EXCEPT PER SHARE DATA)

The following table sets forth selected financial data of the Company for each of the four fiscal years ended January 31, 1996, which was derived from the Company's audited financial statements, and the fiscal year ended January 31, 1992, which was derived from unaudited financial statements of the Company. Also set forth below is selected financial data for the nine months ended October 31, 1995 and 1996 and at October 31, 1996, which was derived from the unaudited financial statements of the Company. In the opinion of management of the Company, the unaudited financial statements include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the financial data for such period. The results of operations for the nine months ended October 31, 1995 and 1996 are not necessarily indicative of results for a full fiscal year. The data should be read in conjunction with the Financial Statements (including the notes thereto) and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere herein.

	FISCAL YEAR ENDED JANUARY 31,					NINE MONTHS ENDED OCTOBER 31,	
	1992	1993	1994	1995	1996	1995	1996
	(UNAUDITED)					(UNAUDITED)	
SELECTED STATEMENTS OF OPERATIONS DATA:							
Revenues:							
Leases of seismic equipment.....	\$ 602	\$1,266	\$1,601	\$2,424	\$5,157	\$3,431	\$5,356
Sales of seismic equipment.....	1,510	1,156	2,926	2,860	2,135	1,643	2,007
Total.....	2,112	2,422	4,527	5,284	7,292	5,074	7,363
Expenses:							
Seismic equipment subleases.....	335	915	896	245	251	222	111
Sales of seismic equipment.....	1,002	796	1,772	2,027	1,085	1,000	1,261
General and administrative.....	651	655	655	924	1,344	990	1,199
Depreciation.....	17	29	62	363	1,331	825	1,951
Provision for doubtful accounts....	--	--	38	35	627	372	418
Total expenses.....	2,005	2,395	3,423	3,594	4,638	3,409	4,940
Other income (expense).....	(44)	15	4	(149)	17	20	49
Income before income taxes.....	63	42	1,108	1,541	2,671	1,685	2,472
Provision for income taxes.....	19	7	405	541	958	605	854
Net income.....	\$ 44	\$ 35	\$ 703	\$1,000	\$1,713	\$1,080	\$1,618
SELECTED PER SHARE DATA:							
Net income(1).....	\$ 0.03	\$ 0.03	\$ 0.51	\$ 0.66	\$ 0.52	\$ 0.34	\$ 0.37
Weighted average common shares outstanding(2).....							
	1,380	1,380	1,380	1,514	3,306	3,170	4,431
SELECTED CASH FLOW AND OTHER DATA:							
EBITDA(3).....	\$ 74	\$ 75	\$1,186	\$2,113	\$4,023	\$2,516	\$4,593
Capital expenditures.....	\$ --	\$ 28	\$ 900	\$4,496	\$5,765	\$4,099	\$8,890

	AT JANUARY 31,					AT OCTOBER 31, 1996	
	1992	1993	1994	1995	1996	ACTUAL	AS ADJUSTED(5)
	(UNAUDITED)					(UNAUDITED)	
SELECTED BALANCE SHEET DATA:							
Total assets.....	\$ 581	\$615	\$2,427	\$8,199	\$12,239	\$23,252	\$ 36,987
Total liabilities.....	342	341	1,450	2,023	4,191	9,516	5,116
Long-term debt(4).....	--	--	--	261	1,173	2,910	--
Shareholders' equity.....	239	274	977	6,176	8,048	13,736	31,871

- (1) There was no dilutive effect to earnings per share for the fiscal years ended January 31, 1992, 1993, 1994 and 1995 and for the nine months ended October 31, 1995. Fully diluted earnings per share was \$0.50 for the fiscal year ended January 31, 1996 and \$0.36 for the nine months ended October 31, 1996.
- (2) The fully diluted weighted average common shares outstanding was 3,403,000 at January 31, 1996 and 4,489,000 at October 31, 1996.
- (3) EBITDA is income before interest, taxes, depreciation and amortization. EBITDA is a financial measure commonly used in the Company's industry and should not be considered in isolation or as a substitute for net income, cash flow provided by operating activities or other income or cash flow data prepared in accordance with generally accepted accounting principles or as a measure of a company's profitability or liquidity.
- (4) Long-term debt includes long-term debt net of current maturities and capital lease obligations net of current portion.
- (5) As adjusted to reflect receipt by the Company of estimated net proceeds from the issuance of 2,500,000 shares of Common Stock and the application of such proceeds. See "Use of Proceeds" and "Capitalization."

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

RISK FACTORS

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

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

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

DEPENDENCE UPON ADDITIONAL LEASE CONTRACTS; UNCERTAIN FUTURE RESULTS

The Company's operating risks occur primarily in its seismic equipment leasing business. The Company's leases typically have a term of three to nine months and provide gross revenues equal to approximately 20% to 70% of the original acquisition cost of the equipment, thereby recovering only a portion of the Company's capital investment. The Company's ability to generate lease revenues, and thus its profitability, is dependent upon obtaining additional lease contracts after the termination of an initial 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 three to nine month equipment leases, there can be no assurance that it will continue to do so. The Company's failure to obtain additional or extended leases beyond the initial term would have a material adverse effect on its operations and financial condition. See "Business -- Operations."

DEPENDENCE ON KEY PERSONNEL

The Company's success is dependent on, among other things, the services of Billy F. Mitcham, Jr., the Chairman of the Board, President and Chief Executive Officer of the Company. Mr. Mitcham's employment agreement has an initial term through January 15, 2002, and is automatically extended on a year-to-year basis until terminated by either party giving 30 days notice prior to the end of the current term, (subject to earlier termination upon certain stated events). The agreement provides for an annual salary of \$150,000 and a bonus at the discretion of the Company's Board of Directors. The agreement also prohibits Mr. Mitcham from engaging in any business activities that are competitive with the Company's business and from diverting any of the Company's customers to a competitor, for two years after the termination of his employment. The Company has obtained a \$1.0 million key employee life insurance policy payable to the Company in the event of Mr. Mitcham's death. The loss of the services of Mr. Mitcham could have a material adverse effect on the Company. In particular, the Exclusive Lease Referral Agreement with I/O (the "I/O Agreement") is terminable at such time as Mr. Mitcham is no longer the President of the Company and the Exclusive Equipment Lease Agreement with SERCEL (the "SERCEL Lease Agreement") is terminable at such time

he is no longer employed by the Company in a senior management capacity. See "Management -- Employment Agreement with Billy F. Mitcham, Jr."

CUSTOMER CONCENTRATION AND CREDIT LOSSES

The Company typically leases and sells significant amounts of seismic equipment to a relatively small number of customers, the composition of which changes from year to year as leases are negotiated and concluded and equipment needs vary. Therefore, at any one time, a large portion of the Company's revenues may be derived from a limited number of customers, and its ability to maintain profitability includes risks associated with the creditworthiness and profitability of those customers. In the fiscal years ended January 31, 1994, 1995 and 1996, the single largest customer accounted for approximately 36%, 16% and 18%, respectively, of the Company's total revenues. The termination of any large seismic lease could have a material adverse effect on the Company's operations if the Company does not replace such business on a timely basis. See "Business -- Customers; Sales and Marketing."

Grant Geophysical, Inc. ("Grant") filed for bankruptcy protection during December 1996. Revenues derived from Grant amount to 18.5% of total revenues for the eleven-month period ended December 31, 1996. As of that date, amounts due from Grant totalled approximately \$1.0 million. During December 1996, the Company increased its allowance for trade accounts receivable from \$615,000 at October 31, 1996 to \$1.5 million at December 31, 1996, which amount was intended to fully reserve all amounts due from Grant and provide for any potential loss associated with the Company's remaining trade accounts receivable. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

TECHNOLOGICAL OBSOLESCENCE

The Company has a substantial capital investment in 3-D seismic equipment. In addition, under the I/O Agreement and the SERCEL Lease Agreement, the Company is required to make a substantial additional investment in 3-D seismic and other peripheral equipment. The Company believes that the technology represented by the 3-D equipment in service and to be acquired from I/O and SERCEL will not become obsolete prior to the Company's recovery of its initial investment. However, there can be no assurance that manufacturers of seismic equipment will not develop alternative systems that would have competitive advantages over seismic systems now in use, thus having a potentially adverse effect on the Company's ability to profitably lease its existing 3-D seismic equipment. In the past, the Company has been successful in avoiding material losses caused by technological obsolescence by selling its older technology 2-D seismic equipment in the international market and, to a lesser extent, to smaller seismic survey firms in the domestic market. However, there can be no assurance that the Company will be able to sell technologically obsolete equipment in the future. See "Business -- I/O Agreement" and "-- SERCEL Agreements."

VULNERABILITY TO WEATHER CONDITIONS AND SEASONAL RESULTS

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

DEPENDENCE UPON KEY SUPPLIERS

The Company relies upon and has agreements with I/O, SERCEL and Pelton Company, Inc. ("Pelton"), a manufacturer and supplier of vibrator control electronics, to manufacture and sell to the

Company the seismic equipment that the Company leases and sells to its customers and, to a lesser extent, to refer leasing customers to the Company. The termination of the agreements for any reason, including any failure by the Company to meet the minimum purchase requirements under the I/O Agreement or the SERCEL Lease Agreement, could materially adversely affect the Company's business. While the Company does not anticipate any difficulty in obtaining seismic equipment or lease referrals from I/O, SERCEL or Pelton based upon past experience or in meeting the minimum purchase requirements under the I/O Agreement or the SERCEL Lease Agreement, any such occurrence could have a material adverse effect upon the Company's business, financial condition and results of operations. See "Business -- I/O Agreement," "-- SERCEL Agreements" and "-- Pelton Agreement."

COMPETITION

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

The Company has several competitors engaged in seismic equipment sales, including companies providing land-based seismic surveys and major oil and gas exploration companies that use seismic equipment, many of which have substantially greater financial resources than the Company. There are also numerous smaller competitors who, in the aggregate, generate significant revenue from the sale of seismic survey equipment. See "Business -- I/O Agreement," "-- SERCEL Agreements" and "-- Competition."

SHARES ELIGIBLE FOR FUTURE SALE

Sales of significant amounts of Common Stock in the public market following this Offering could adversely affect prevailing market prices. The Company's executive officers and directors, who collectively own 1,183,070 shares, or 26.4%, of the outstanding Common Stock, have agreed that for a period of 180 days after the date of this Prospectus they will not offer for sale, sell or otherwise dispose of any shares of Common Stock (other than the 325,000 shares being sold herein by the executive officers and directors who are Selling Shareholders) or any securities convertible into or exchangeable for shares of Common Stock, without the prior written consent of Rodman & Renshaw, Inc. on behalf of the Underwriters. Upon the expiration of such agreements, all of the shares held by such persons will be eligible for sale subject to the volume limitations and other restrictions of Rule 144 under the Securities Act of 1933, as amended (the "Securities Act"). There are also outstanding under the Company's 1994 Stock Option Plan and 1994 Non-Employee Director Stock Option Plan (collectively, the "Stock Option Plans") options to purchase 293,750 shares of Common Stock, of which 250,250 are currently exercisable. The Company has registered under the Securities Act the shares issuable upon the exercise of such options and such shares are eligible for resale in the public market, except that any such shares issued to affiliates are subject to the volume limitations and other restrictions of Rule 144. In addition, there are outstanding warrants to purchase 246,723 shares of Common Stock, of which warrants to purchase 196,723 shares are currently exercisable. In connection with this Offering, the Company has agreed to sell warrants to the Representatives to purchase from the Company up to 200,000 shares of Common Stock, exercisable in whole or in part at any time during the two-year period commencing one year after the effective date of the Registration Statement of which this Prospectus is a part. See "Dilution," "Shares Eligible for Future Sale" and "Underwriting."

DILUTION

Purchasers of Common Stock in this Offering will experience immediate and substantial dilution of \$3.37 in net tangible book value per share as of October 31, 1996. See "Dilution."

NO ANTICIPATED DIVIDENDS

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

POSSIBLE ADVERSE EFFECT OF ISSUANCE OF PREFERRED STOCK WITHOUT SHAREHOLDER APPROVAL

The Company's Articles of Incorporation, as amended, authorize the issuance of 1,000,000 shares of "blank check" preferred stock, par value \$1.00 per share ("Preferred Stock"), with such designations, rights and preferences as may be determined from time to time by the Board of Directors. No shares of Preferred Stock will be outstanding as of the consummation of this Offering. However, because the Board of Directors is empowered 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 present intention to issue any shares of its Preferred Stock, there can be no assurance that the Company will not do so in the future. See "Description of Capital Stock and Other Securities -- Preferred Stock."

LIMITATION ON DIRECTOR LIABILITY

The Company's Articles of Incorporation, as amended, 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.

USE OF PROCEEDS

The net proceeds to the Company from the sale of the 2,500,000 shares of Common Stock being offered hereby (assuming a public offering price of \$8.00 per share and after deducting underwriting discounts and commissions and estimated expenses of the Offering) are estimated to be approximately \$18.1 million (\$20.9 million if the Underwriters' over-allotment option is exercised in full). Approximately (i) \$12.0 million of the net proceeds will be used to purchase additional 3-D seismic data acquisition equipment, including the \$2.35 million remaining minimum purchase requirement under the I/O Agreement through May 31, 1998, (ii) \$4.4 million will be used to pay outstanding debt to commercial lenders, (iii) \$1.0 million will be used for expenses related to the opening of the Company's Calgary, Alberta, Canada office, and (iv) \$250,000 will be used to improve computer and inventory tracking systems. The remainder of the net proceeds will be used for other general corporate purposes.

Of the \$4.4 million that will be used to pay debt to commercial lenders, approximately \$1.0 million will be used to pay the Company's revolving line of credit (the "Working Capital Revolver") with Bank One, Texas, N.A. ("Bank One") and \$3.4 million will be used to pay its loan (the "Term Loan") with Banc One Leasing Corporation ("Banc One Leasing"). Approximately \$1.0 million of the Term Loan was advanced in January 1996 primarily to pay amounts due to I/O for 3-D channel boxes acquired in the 1996 fiscal year. In March 1996, an additional approximately \$3.1 million of the Term Loan was advanced to the Company, of which approximately \$1.5 million was used to pay all amounts outstanding under a previous equipment loan and line of credit and to pay amounts due to I/O for seismic equipment acquired in February and March 1996. Amounts may be advanced under the Term Loan solely for equipment purchases and are payable in monthly installments of principal and interest through January 31, 2000 and bear interest at 9.5%. Amounts borrowed under the Working Capital Revolver bear interest at a floating rate of interest equal to Banc One's base rate of interest ("Base Rate") plus 0.5%, payable quarterly, and the outstanding principal balance is due January 31, 1998. Both the Working Capital Revolver and the Term Loan are secured by an assignment of the Company's accounts receivable, inventory, leases and equipment, including its lease pool equipment.

PRICE RANGE OF COMMON STOCK

The Common Stock is traded on the Nasdaq National Market under the symbol "MIND." Prior to December 19, 1994, there was no public market for the Common Stock. Prior to April 26, 1996, the Common Stock was traded on the Nasdaq SmallCap Market.

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

	HIGH ----	LOW ---
Fiscal Year Ended January 31, 1995:		
Fourth Quarter (commencing December 19, 1994).....	\$3 1/4	\$2 5/8
Fiscal Year Ended January 31, 1996:		
First Quarter.....	\$3 1/8	\$2 5/16
Second Quarter.....	4 15/32	2 5/16
Third Quarter.....	4 3/4	3 5/8
Fourth Quarter.....	5 5/8	3 3/4
Fiscal Year Ended January 31, 1997:		
First Quarter.....	\$8	\$5 1/8
Second Quarter.....	8	5 3/4
Third Quarter.....	6 1/2	5 3/8
Fourth Quarter (through January 22, 1997).....	9 7/8	5 7/8

On January 22, 1997, the last reported sale price for the Common Stock on the Nasdaq National Market was \$8. As of January 22, 1997, there were approximately 51 shareholders of record of the Common Stock.

DIVIDEND POLICY

The Company has not paid any cash dividends on the Common Stock since its inception, and the Board of Directors does not contemplate the payment of cash dividends in the foreseeable future. It is the present policy of the Board of Directors to retain earnings, if any, for use in developing and expanding the Company's business. In addition, the Company's loan agreements with Bank One and Banc One Leasing prohibit the payment of dividends without their prior consent. In the future, payment of dividends by the Company will also depend on the Company's financial condition, results of operations and such other factors as the Board of Directors may consider. See "Management's Discussion of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

CAPITALIZATION

The following table sets forth the capitalization of the Company at October 31, 1996 and as adjusted to reflect the sale and issuance by the Company of 2,500,000 shares of Common Stock at an assumed offering price of \$8.00 per share, and the application of the net estimated proceeds therefrom, as described under "Use of Proceeds." This table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's Financial Statements and notes thereto that are included elsewhere in this Prospectus.

	AT OCTOBER 31, 1996	
	ACTUAL	AS ADJUSTED
	(IN THOUSANDS)	
Long-term debt, less current portion.....	\$ 2,910	\$ --
Shareholders' equity:		
Preferred stock, \$1.00 par value; 1,000,000 shares authorized; none issued and outstanding.....	--	--
Common stock, \$.01 par value; 20,000,000 shares authorized; 4,378,650 shares issued and outstanding and 6,878,650 shares as adjusted(1)(2).....	44	69
Additional paid-in capital.....	8,398	26,508
Retained earnings.....	5,294	5,294
Total shareholders' equity.....	13,736	31,871
Total capitalization.....	\$16,646	\$31,871
	=====	=====

(1) Does not include (i) 293,750 shares of Common Stock issuable upon the exercise of options granted and an additional 106,250 shares that may be granted in the future under stock option plans, (ii) 246,723 shares of Common Stock issuable upon the exercise of certain warrants, and (iii) 200,000 shares of Common Stock issuable upon the exercise of the Representatives' Warrants. See "Description of Capital Stock and Other Securities."

(2) The number of shares issued and outstanding after completion of the Offering does not reflect the exercise of a warrant for 8,380 shares of Common Stock to be sold in the Offering by one of the Selling Shareholders. See "Principal and Selling Shareholders."

DILUTION

The Company's net tangible book value as of October 31, 1996 was approximately \$13.7 million, or \$3.14 per share. Net tangible book value per share is equal to the total tangible assets of the Company minus total liabilities divided by the number of shares of Common Stock outstanding. After giving effect to the sale of the 2,500,000 shares of Common Stock offered by the Company hereby and the receipt of net proceeds of such sale (assuming a public offering price of \$8.00 per share and after deducting underwriting discounts and commissions and estimated expenses payable by the Company), the net tangible book value of the Company at October 31, 1996 on a pro forma basis would have been approximately \$31.9 million, or \$4.63 per share, representing an immediate dilution in pro forma net tangible book value of \$3.37 per share, or 42.1%, to new investors. The following table illustrates this per share dilution:

Assumed public offering price per share.....	\$8.00

Net tangible book value per share as of October 31, 1996, before this Offering.....	\$3.14
Increase in net tangible book value per share attributable to new investors.....	1.49

Pro forma net tangible book value per share as of October 31, 1996, giving effect to this Offering(1).....	4.63

Dilution in net tangible book value to new investors.....	\$3.37
	=====

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- (1) Does not reflect the exercise of a warrant for 8,380 shares of Common Stock to be sold in the Offering by one of the Selling Shareholders. See "Principal and Selling Shareholders."

If the Underwriters' over-allotment is exercised in full, the pro forma net tangible book value per share of Common Stock after this Offering would be \$4.77 per share, which would result in dilution to new investors of \$3.23 per share,

or 40.4%.

SELECTED FINANCIAL DATA
(IN THOUSANDS, EXCEPT PER SHARE DATA)

The following table sets forth selected financial data of the Company for each of the four fiscal years ended January 31, 1996, which was derived from the Company's audited financial statements, and the fiscal year ended January 31, 1992, which was derived from unaudited financial statements of the Company. Also set forth below is selected financial data for the nine months ended October 31, 1995 and 1996 and at October 31, 1996, which was derived from the unaudited financial statements of the Company. In the opinion of management of the Company, the unaudited financial statements include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the financial data for such period. The results of operations for the nine months ended October 31, 1995 and 1996 are not necessarily indicative of results for a full fiscal year. The data should be read in conjunction with the Financial Statements (including the notes thereto) and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere herein.

	FISCAL YEAR ENDED JANUARY 31,					NINE MONTHS ENDED OCTOBER 31,	
	1992	1993	1994	1995	1996	1995	1996
	(UNAUDITED)					(UNAUDITED)	
SELECTED STATEMENTS OF OPERATIONS DATA:							
Revenues:							
Leases of seismic equipment.....	\$ 602	\$1,266	\$1,601	\$2,424	\$5,157	\$3,431	\$5,356
Sales of seismic equipment.....	1,510	1,156	2,926	2,860	2,135	1,643	2,007
Total.....	2,112	2,422	4,527	5,284	7,292	5,074	7,363
Expenses:							
Seismic equipment subleases.....	335	915	896	245	251	222	111
Sales of seismic equipment.....	1,002	796	1,772	2,027	1,085	1,000	1,261
General and administrative.....	651	655	655	924	1,344	990	1,199
Depreciation.....	17	29	62	363	1,331	825	1,951
Provision for doubtful accounts....	--	--	38	35	627	372	418
Total expenses.....	2,005	2,395	3,423	3,594	4,638	3,409	4,940
Other income (expense).....	(44)	15	4	(149)	17	20	49
Income before income taxes.....	63	42	1,108	1,541	2,671	1,685	2,472
Provision for income taxes.....	19	7	405	541	958	605	854
Net income.....	\$ 44	\$ 35	\$ 703	\$1,000	\$1,713	\$1,080	\$1,618
SELECTED PER SHARE DATA:							
Net income(1).....	\$ 0.03	\$ 0.03	\$ 0.51	\$ 0.66	\$ 0.52	\$ 0.34	\$ 0.37
Weighted average common shares outstanding(2).....	1,380	1,380	1,380	1,514	3,306	3,170	4,431
SELECTED CASH FLOW AND OTHER DATA:							
EBITDA(3).....	\$ 74	\$ 75	\$1,186	\$2,113	\$4,023	\$2,516	\$4,593
Capital expenditures.....	\$ --	\$ 28	\$ 900	\$4,496	\$5,765	\$4,099	\$8,890

	AT JANUARY 31,					AT OCTOBER 31, 1996	
	1992	1993	1994	1995	1996	ACTUAL	AS ADJUSTED(5)
	(UNAUDITED)					(UNAUDITED)	
SELECTED BALANCE SHEET DATA:							
Total assets.....	\$ 581	\$615	\$2,427	\$8,199	\$12,239	\$23,252	\$ 36,987
Total liabilities.....	342	341	1,450	2,023	4,191	9,516	5,116
Long-term debt(4).....	--	--	--	261	1,173	2,910	--
Shareholders' equity.....	239	274	977	6,176	8,048	13,736	31,871

(1) There was no dilutive effect to earnings per share for the fiscal years ended January 31, 1992, 1993, 1994 and 1995 and for the nine months ended October 31, 1995. Fully diluted earnings per share was \$0.50 for the fiscal year ended January 31, 1996 and \$0.36 for the nine months ended October 31, 1996.

(2) The fully diluted weighted average common shares outstanding was 3,403,000 at January 31, 1996 and 4,489,000 at October 31, 1996.

(3) EBITDA is income before interest, taxes, depreciation and amortization. EBITDA is a financial measure commonly used in the Company's industry and should not be considered in isolation or as a substitute for net income, cash flow provided by operating activities or other income or cash flow data prepared in accordance with generally accepted accounting principles or as a measure of a company's profitability or liquidity.

(4) Long-term debt includes long-term debt net of current maturities and capital lease obligations net of current portion.

(5) As adjusted to reflect receipt by the Company of estimated net proceeds from the issuance of 2,500,000 shares of Common Stock and the application of such proceeds. See "Use of Proceeds" and "Capitalization."

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

The following discussion is intended to assist in understanding the Company's historical financial position at January 31, 1994, 1995 and 1996, and October 31, 1996, and results of operations and cash flows for each of the three years in the period ended January 31, 1996 and the unaudited nine month periods ended October 31, 1995 and 1996. The Company's historical financial statements and notes thereto included elsewhere in this Prospectus contain detailed financial information that should be referred to in conjunction with the following discussion.

OVERVIEW

The Company leases and sells seismic data acquisition equipment to companies engaged in the oil and gas industry. The Company provides short-term leasing of peripheral seismic equipment to meet a customer's requirements, as well as offering maintenance and support during the lease term. The Company leases its seismic equipment primarily to seismic data acquisition companies and major oil and gas exploration companies conducting land-based seismic surveys in North and South America. The Company also sells and services new and used seismic data acquisition systems and peripheral equipment to companies engaged in oil and gas exploration.

All leases at October 31, 1996 were for a term of one year or less. Seismic equipment held for lease consists primarily of 3-D channel boxes, and is carried at cost, net of accumulated depreciation.

The following table sets forth, for the periods indicated, the percentages that certain items in the Company's financial statements bear to total revenues, and the percentage changes in the dollar amounts of such items from the comparable prior period:

	PERCENTAGE OF TOTAL REVENUES					PERCENTAGE CHANGE		
	FISCAL YEAR ENDED JANUARY 31,			NINE MONTHS ENDED OCTOBER 31,		FISCAL YEAR ENDED	FISCAL YEAR ENDED	NINE MONTHS ENDED
	1994	1995	1996	1995	1996	JANUARY 31, 1995	JANUARY 31, 1996	OCTOBER 31, 1996
REVENUES:								
Leases of seismic equipment...	35.4%	45.9%	70.7%	67.6%	72.7%	51.4%	112.7%	56.1%
Sales of seismic equipment....	64.6%	54.1%	29.3%	32.4%	27.3%	(2.3)%	(25.3)%	22.2%
Total revenues.....	100.0%	100.0%	100.0%	100.0%	100.0%	16.7%	38.0%	45.1%
COSTS AND EXPENSES:								
Seismic equipment subleases...	19.8%	4.6%	3.4%	4.4%	1.5%	(72.7)%	2.4%	(50.0)%
Sales of seismic equipment....	39.1%	38.4%	14.9%	19.7%	17.1%	14.4%	(46.5)%	26.1%
General and administrative....	14.5%	17.5%	18.4%	19.5%	16.3%	41.1%	45.5%	21.1%
Depreciation.....	1.4%	6.9%	18.3%	16.3%	26.5%	485.5%	266.7%	136.5%
Provision for doubtful accounts.....	0.8%	0.7%	8.6%	7.3%	5.7%	(7.9)%	1,691.4%	12.4%
Total costs and expenses.....	75.6%	68.0%	63.6%	67.2%	67.1%	5.0%	29.0%	44.9%

For the years ended January 31, 1994, 1995 and 1996, revenues from foreign customers totalled \$1.4 million, \$1.8 million and \$3.8 million, respectively. All of the Company's transactions with foreign customers are denominated in United States dollars. Therefore, the Company is not subject to material gains or losses resulting from currency fluctuations and has not engaged in currency hedging activities.

SEASONALITY

There is some seasonality to the Company's expected lease revenues from customers operating in Canada. Historically, seismic equipment leasing has been somewhat susceptible to weather patterns in certain geographic regions. For example, in Canada, a significant percentage of the seismic survey activity occurs in the winter months, from October through March. During the months in which the weather is warmer, certain areas are not accessible to trucks, earth vibrators and other equipment because of the muddy terrain. See "Business -- Business and Operations" and " -- Seismic Equipment Leasing." This increased leasing activity

by the Company's Canadian customers has historically resulted in increased lease revenues in the Company's first and fourth fiscal quarters.

RESULTS OF OPERATIONS

Nine Months Ended October 31, 1996 Compared with Nine Months Ended October 31, 1995

Revenues of \$7,363,000 for the nine months ended October 31, 1996 represented an increase of 45.1% over revenues of \$5,074,000 for the same prior year period. Leasing services generated revenues of \$5,356,000 for the nine months ended October 31, 1996, an increase of \$1,925,000, or 56.1%, as compared to \$3,431,000 for the same prior year period. This increase reflected additions of lease fleet equipment throughout fiscal 1996 and the first three fiscal quarters of fiscal 1997 to meet lease demand. For the nine months ended October 31, 1996, the Company maintained a unitization rate on its 3-D channel boxes of approximately 81%. Seismic equipment sales for the nine months ended October 31, 1996 were \$2,007,000, an increase of \$364,000, or 22.2%, as compared to \$1,643,000 for the same prior year period.

While the Company's leasing revenues increased by \$1,925,000 for the nine months ended October 31, 1996 as compared to the same prior year period, sublease costs decreased by \$111,000 and depreciation, which related primarily to equipment available for lease, increased by \$1,126,000 due to increase in the lease fleet, resulting in an increase in net leasing revenues of \$910,000.

Gross margins on seismic equipment sales were 37.2% and 39.1% for the nine months ended October 31, 1996 and 1995, respectively. Margins on sales of used equipment vary based upon the size of the transaction, the availability of the product sold and the means by which the equipment was acquired. Higher dollar transactions tend to yield lower margins than do lower dollar transactions, while readily available equipment yields lower margins than equipment that is difficult to locate. In addition, the Company's costs on a specific piece of equipment may differ substantially based upon whether it was acquired through a bulk purchase or a discrete search.

General and administrative expenses increased 21.1%, or \$209,000, for the nine months ended October 31, 1996 as compared to the same period in 1995 and were 16.3% and 19.5% of total revenues for the nine months ended October 31, 1996 and 1995, respectively. This decrease in general and administrative expenses as a percent of total expenses was the result of overhead expenses remaining relatively constant as revenues increased, offset in part by increases in legal and accounting expenses associated with being a public company.

The Company's provision for doubtful accounts expense increased from \$372,000 in the fiscal 1996 period to \$418,000 in the fiscal 1997 period. The increase was a result of additional provisions for the allowance account. As of October 31, 1996, the Company's allowance for doubtful accounts receivable amounted to \$615,000, which was an amount management believed was sufficient to cover any potential losses in trade accounts receivable as of that date.

Net income for the nine months ended October 31, 1996 increased by \$538,000, as compared to the same 1995 period. The increase resulted primarily from the increase in net leasing revenues offset by increases in general and administrative and the provision for bad debt expense.

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

Revenues for fiscal 1996 of \$7,292,000 represented an increase of 38.0% over fiscal 1995 revenues of \$5,284,000. Leasing services generated revenues of \$5,157,000 for fiscal 1996, an increase of \$2,733,000, or 112.7%, as compared to fiscal 1995. The majority of this increase was attributable to additions of lease fleet equipment throughout fiscal 1996 to meet lease demand. The Company's utilization rate in fiscal 1996 on its 3-D channel boxes was approximately 90%. Seismic equipment sales for the year ended January 31, 1996 were \$2,135,000, a decrease of \$725,000, or 25.3%, from fiscal 1995.

While the Company's leasing revenues increased by \$2,733,000 during fiscal 1996 as compared to fiscal 1995, sublease costs increased by only \$6,000 and depreciation, which related primarily to equipment available

for lease, increased by \$968,000 due to the increase in the lease fleet, resulting in an increase in net leasing revenues of \$1,759,000.

Gross margins on seismic equipment sales were 49.2% and 29.1% for fiscal 1996 and 1995, respectively. The margin for fiscal year 1996 was significantly higher because of a few high-margin transactions.

General and administrative expenses increased 45.5%, or \$420,000, in fiscal 1996 as compared to fiscal 1995 and were 18.4% and 17.5% of total revenues for fiscal 1996 and 1995, respectively. The increase was due primarily to increased personnel costs and higher legal and accounting expenses associated with the Company being a public company. The Company's provision for doubtful accounts increased from \$35,000 in fiscal 1995 to \$627,000 in fiscal 1996. The increase reflected the write-off of amounts due from a leasing customer which became severely past due and was ultimately settled for \$272,000 less than the amount due from such customer, and additional allowances provided for amounts due from a second leasing customer with an outstanding receivable of \$459,000 at January 31, 1996, the majority of which was past due at that date. The latter outstanding receivable was ultimately collected in full. As of January 31, 1996, the Company's allowance for doubtful accounts receivable amounted to \$347,000, which is an amount management believed was sufficient to cover any potential losses in trade accounts receivable as of that date.

Net income increased in fiscal 1996 by \$713,000, as compared to fiscal 1995. The increase resulted primarily from the increase in net leasing revenues.

Fiscal Year Ended January 31, 1995 Compared with Fiscal Year Ended January 31, 1994

Revenues for fiscal 1995 of \$5,284,000 represented an increase of 16.7% over fiscal 1994 revenues of \$4,527,000. Leasing services generated revenues of \$2,424,000 for fiscal 1995, an increase of \$823,000, or 51.4%, as compared to fiscal 1994. The majority of this increase was attributable to additions of lease fleet equipment throughout fiscal 1995 to meet lease demand. The Company's utilization rate on the I/O equipment during fiscal 1995 was approximately 90%. Seismic equipment sales for the year ended January 31, 1995 were \$2,860,000, a decrease of \$66,000, or 2.3%, from fiscal 1994.

The Company's leasing revenues increased by \$823,000 during fiscal 1995 as compared to fiscal 1994, while sublease costs decreased by \$651,000 and depreciation, which related primarily to equipment available for lease, increased by \$301,000, resulting in an increase in net leasing revenues of \$1,173,000.

Gross margins on seismic equipment sales were 29.1% and 39.4% for fiscal 1995 and 1994, respectively. The Company purchases used seismic equipment for resale when management determines that such equipment is available at advantageous prices. Gross margins on the Company's equipment sales fluctuate from year to year and have historically ranged from 20% to 50%. The margins for fiscal 1995 and 1994 are consistent with historical margins on seismic equipment sales.

General and administrative expenses increased 41.1%, or \$269,000, in fiscal 1995 as compared to fiscal 1994 and were 17.5% and 14.5% of total revenues for fiscal 1995 and 1994, respectively. The increase was due primarily to personnel, legal and accounting expenses. Personnel costs increased as a result of the Company adding a chief financial officer during the year. Net interest increased \$193,000 to \$209,000 in fiscal 1995 due to various equipment and bridge loans outstanding during fiscal 1995. Legal and accounting costs increased in fiscal 1995 due to legal and accounting costs associated with the Company's initial public offering consummated in January 1995.

Net income increased in fiscal 1995 by \$297,000, as compared to fiscal 1994. The increase resulted primarily from the increase in leasing revenues combined with a \$651,000 decrease in seismic equipment sublease expense, a \$301,000 increase in depreciation, and lower margins on seismic equipment sales.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities for the nine months ended October 31, 1996, increased by \$749,000, or 40.2%, as compared to the same 1995 period. At October 31, 1996, of the Company's customers with trade receivables more than 90 days past due, four customers had an aggregate of \$983,000 more than

90 days past due. The Company has historically had an average collection period of between 60 to 90 days for its trade accounts receivable. Grant Geophysical, Inc. ("Grant") filed for bankruptcy protection during December 1996. Revenues derived from Grant amount to 18.5% of total revenues for the eleven-month period ended December 31, 1996. As of that date, amounts due from Grant totalled \$1,013,000. During December 1996, the Company increased its allowance for trade accounts receivable from \$615,000 at October 31, 1996 to \$1,500,000 at December 31, 1996, which amount was intended to fully reserve all amounts due from Grant and provide for any potential loss associated with the Company's remaining trade accounts receivable.

As of October 31, 1996, the outstanding principal balance Term Loan was approximately \$3.6 million and there were no amounts outstanding under the Working Capital Revolver. Approximately \$1.0 of the Term Loan was advanced to the Company at January 31, 1996 and was used primarily to pay amounts due to I/O for 3-D channel boxes. In March 1996, an additional approximately \$3.1 million of the Term Loan was advanced and an aggregate of approximately \$1.5 million was used to pay all amounts outstanding under a previous term loan and revolving credit line and to pay amounts due to I/O for 3-D channel boxes. Approximately \$4.4 million of the net proceeds of this Offering will be used to pay the \$1.0 million and \$3.4 million currently outstanding balances of the Working Capital Revolver and the Term Loan, respectively.

In January 1997, the Company established with Bank One a second revolving line of credit of up to \$4.0 million to be used solely for short-term financing of up to 75% of the seismic equipment purchased by the Company under approved lease/purchase contracts (the "Equipment Revolver") and a second term loan of \$1.0 million (the "Second Term Loan") to be used solely for long-term financing of up to 80% of the purchase price of seismic equipment purchased other than seismic equipment related to lease/purchase contracts. Interest on the Equipment Revolver and the Second Term Loan accrues at a floating rate of interest equal to the Base Rate plus 0.5%. Interest on amounts advanced under the Equipment Revolver is payable monthly, and the principal amount is due six months after the date of the initial advance; provided, however, that if the lessee under the lease/purchase contract has not purchased the seismic equipment subject to the lease, and there has been no default (as defined) under the lease, then the Company may extend the maturity date for an additional 18 months (the "Extended Term"). In such event, the principal amount of and interest on the amount advanced under the Equipment Revolver would be payable in ratable monthly installments over the Extended Term. Interest on and the principal amount of the Second Term Loan are payable in ratable monthly installments over a two-year period through and including December 1998.

As of December 31, 1996, capital expenditures for the 1997 fiscal year totalled \$11.3 million and the Company has budgeted capital expenditures of approximately \$16.0 million for the 1998 fiscal year, including approximately \$12.0 million of 3-D seismic data acquisition equipment to be purchased with the net proceeds of this Offering. The Company believes that the net proceeds of this Offering, cash provided by operations and funds available from its commercial lenders will be sufficient to fund its operations and budgeted capital expenditures for the 1998 fiscal year.

BUSINESS

Mitcham Industries, Inc. leases and sells seismic data acquisition equipment to companies engaged in the oil and gas industry. The Company believes it is the leading independent lessor of land-based 3-D seismic data acquisition equipment, including channel boxes and other peripheral equipment. Seismic data acquisition equipment is used in the identification and graphic definition of subsurface geologic structures and formations that potentially contain oil and gas. Channel boxes are remote data acquisition units that collect and transmit seismic data. The Company has exclusive lease referral and supply agreements with the two principal manufacturers of land-based 3-D seismic equipment, I/O and SERCEL. From January 1, 1994 through December 31, 1996, the Company's lease fleet of 3-D channel boxes increased from 85 to approximately 2,000 (or from 510 channels to approximately 12,000 channels). EBITDA of approximately \$4.0 million for the fiscal year ended January 31, 1996 represented an increase of 90.4% over the fiscal year ended January 31, 1995, and EBITDA of approximately \$4.6 million for the nine months ended October 31, 1996 represented an increase of 82.6% over the same prior year period.

Demand for channel boxes has increased significantly in recent years primarily due to the increasing use of 3-D seismic surveys. Current 3-D seismic techniques use a greater number of channels and channel boxes than 2-D surveys, thereby providing higher resolution data for a better representation of the earth's subsurface. Additionally, oil and gas companies are contracting for 3-D surveys over larger geographical areas and often specify an increase in the concentration of channel boxes as a means of increasing data resolution. Consequently, seismic survey companies frequently use more than twice the number of channels for surveys than they typically own. The Company believes that many companies providing land-based seismic surveys will meet this additional requirement by leasing channel boxes and supporting peripheral equipment on a short-term basis rather than making the substantial capital expenditures necessary to purchase such equipment.

The Company leases its seismic equipment primarily to seismic data acquisition companies and major oil and gas exploration companies conducting land-based seismic data acquisition surveys. The leases generally have terms between three and nine months and are renewable thereafter on a month-to-month basis. Rates for 3-D channel boxes range from between 6% to 8% per month of the equipment's purchase price. For the nine months ending October 31, 1996, the Company maintained a utilization rate of its 3-D channel boxes in excess of 80%.

The Company has entered into supply and exclusive referral agreements with each of I/O and SERCEL. The Company believes that most of the land-based 3-D seismic systems and equipment currently in use and being put into use are I/O and SERCEL systems. The agreement with I/O, originally entered into in February 1994, has been the source of a majority of the Company's lease pool equipment to date. Pursuant to this agreement, I/O must refer to the Company, on an exclusive basis, any requests it receives to lease its 3-D channel boxes and certain peripheral equipment in North and South America. A condition of the agreement with I/O is that the Company must purchase, at favorable rates, \$13.3 million of equipment from I/O by May 31, 2000. Through December 31, 1996, the Company has met \$4.8 million of this requirement.

In September 1996, the Company entered into two agreements with SERCEL. One agreement provides that until December 31, 1999, the Company will be SERCEL's exclusive worldwide leasing agent and that SERCEL must refer to the Company all requests it receives to lease its 3-D data acquisition equipment and peripheral equipment. This agreement also provides that the Company must purchase, at favorable rates, up to \$10.2 million of 3-D data acquisition equipment and other field equipment from SERCEL. Through December 31, 1996, the Company has met \$4.5 million of this requirement. The second agreement provides that until September 19, 1999, subject to earlier termination after September 20, 1997, the Company will be SERCEL's exclusive sales agent in Canada. See "-- I/O Agreement" and "-- SERCEL Agreements."

BUSINESS STRATEGY

The Company's business strategy is to meet the expanding needs of users of 3-D seismic equipment through its leasing and support services. In order to accomplish this, the Company has identified the following major objectives:

- Enlarge and diversify its lease pool of seismic equipment. As demanded by customers, the Company will continue to increase its lease pool of channel boxes and peripheral seismic equipment, such as seismic vibrators, vibrator control electronics and geophones. The Company believes that the availability of a larger and more complete pool of 3-D seismic equipment for lease will encourage seismic survey companies to increasingly lease, rather than purchase, such equipment. The Company is also evaluating the feasibility of a lease pool of marine seismic equipment.
- Expand its international presence. The Company receives referrals from SERCEL on a worldwide basis and is its exclusive sales agent in Canada, where the Company has an office in Calgary, Alberta. The Company believes that its alliances with I/O and SERCEL will help the Company to further penetrate, on a cost-effective basis, international markets, where such manufacturers are well-recognized and have well-developed business relationships. The Company is also evaluating the feasibility of opening additional foreign offices.
- Develop and enhance alliances with major seismic equipment manufacturers. The Company uses alliances with manufacturers such as I/O and SERCEL to acquire and build its lease pool of equipment and increase customer referrals. The Company continues to seek to expand the scope of these alliances, as well as develop arrangements with other equipment manufacturers.

SEISMIC TECHNOLOGY

Oil and gas exploration companies utilize seismic data generated from the use of digital seismic systems and peripheral equipment in determining optimal locations for drilling oil and gas wells, in the development of oil and gas reserves, and in reservoir management for the production of oil and gas. A complete digital seismic data acquisition system generally consists of (i) a central electronics unit that records and stores digital data ("CEU"), (ii) channel boxes, (iii) geophones, or seismic sensors and (iv) other peripheral, or accessory, equipment. Other peripheral equipment includes earth vibrators that create the necessary acoustic wave being analyzed and geophysical cables that transmit digital seismic data from the channel boxes to the CEU.

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

In the past, the 2-D seismic survey was the standard data acquisition technique used to describe geologic formations over a broad area. 2-D seismic data can be visualized as a single vertical plane of subsurface information, and 2-D seismic surveys typically require 120 recording channels. Data gathered from a 3-D seismic survey is best visualized as a cube of information that can be sliced into numerous planes, providing different views of a geologic structure with much higher resolution than is available with traditional 2-D seismic survey techniques. 3-D seismic surveys require much larger data acquisition systems with a minimum of 480 recording channels. Because of the greater number of channels and flexible configuration, 3-D seismic data provides more extensive and detailed information regarding the subsurface geology than does 2-D data. As a result, 3-D data allows the geophysicists interpreting the data to more closely select the optimal location of a prospective drillsite or oil and gas reservoir.

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

While most working 3-D systems currently use from 600 to 800 channels, management believes that the typical request for proposal from oil and gas exploration companies now specifies a minimum of 1,000 to 1,200 channels. The Company believes that many seismic service companies meet this requirement for additional equipment by leasing, rather than purchasing, the additional required channel boxes.

BUSINESS AND OPERATIONS

Seismic Equipment Leasing. The Company typically purchases new and used seismic equipment for lease to its customers. After the termination of the initial lease, the Company enters into additional short-term leases with its customers engaged in seismic data acquisition. The Company's equipment leasing services generally include the lease of the various components of seismic data acquisition systems to meet a customer's job specifications. Such specifications may vary as to the number of channel boxes, geophones, geophysical cables and other peripheral equipment items.

The Company is pursuing a strategy of growth in its seismic equipment leasing business, as potential for growth in new and used seismic equipment sales is not believed to be significant. The Company currently has in its lease fleet a total of approximately 2,000 3-D channel boxes, or a total of approximately 12,000 channels (each channel being capable of electronically converting seismic data from analog to digital and transmitting the digital data), and various peripheral equipment such as geophones, earth vibrators and geophysical cables. The Company's utilization rate on its 3-D channel boxes in the first nine months of fiscal 1997 was in excess of 80%.

Since the Company's customers lease its seismic equipment to meet shortages of a varying number of channels for specific surveys, the Company does not lease all of the channel boxes and other peripheral equipment required for seismic surveys. Rather, the Company is in the business of satisfying shortages of such equipment on a short-term basis. The Company's equipment leases generally have terms of three to nine months and are typically renewable on a month-to-month basis. The Company offers maintenance of its leased seismic equipment during the lease term for malfunctions due to failure of material and parts and will provide replacement equipment as necessary. In addition, the Company provides telephone support to answer questions of its lease customers.

The Company's monthly lease rates for its 3-D channel boxes have ranged from 6% to 8% of the purchase price. Lease payments are due and payable on the first day of each month of the lease term. The Company typically requires its lessees to provide a deposit in the amount of one month's lease payment as security for the cost of any repairs in excess of normal wear and tear that may be required after the termination of lease term. The lessee must also obtain and keep in force a minimum of \$1.0 million general liability and casualty insurance on the leased equipment during the term of the lease, and, before equipment is delivered, provide certification to the Company that the Company has been named an additional insured and loss payee on such policy. All taxes (other than U.S. federal income taxes) and assessments are the contractual obligation of the lessee. To the extent foreign taxes are not paid by the lessor, the relevant foreign taxing authority might seek to collect such taxes from the Company. To date, no such collection action has been taken against the Company.

A majority of the Company's leasing revenues have historically come from North American operations. Within North America, about one-half of the Company's total revenues are attributable to Canadian operations, with the remainder related to United States business. Management believes that the United States

and Canada will continue to be the focal points of the Company's seismic equipment leasing operations for the foreseeable future.

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

Seismic Equipment Sales. The Company's equipment sales business serves a diverse base of industry, governmental, university and research customers. The Company typically buys equipment for resale: (i) at disposal prices, speculatively; and (ii) in response to specific customer orders. On occasion, the Company will also hold equipment of third parties and sell such equipment on consignment.

In large part, the Company's international operations (excluding Canada) have been restricted to the sale of used equipment. Over the past three years, its primary international markets have been Europe, Australia and China. In the near future, the Company believes that these markets will continue to comprise a majority of the Company's international sales.

I/O AGREEMENT

Under the I/O Agreement, the Company is the exclusive third-party recipient of requests from I/O customers and others to lease channel boxes and certain peripheral equipment in North and South America through May 31, 2000 and may acquire 3-D channel boxes from I/O at favorable prices based upon the volume of channel boxes purchased. Subject to certain exceptions, I/O may not recommend or suggest any competitor of the Company as a potential lessor of I/O 3-D channel boxes in North and South America. As a manufacturer of complete data acquisition systems that are compatible only with I/O channel boxes, I/O typically receives inquiries to lease I/O 3-D channel boxes from customers desiring to expand the capacities of their systems on a short-term basis.

A condition of the I/O Agreement is that the Company must purchase an aggregate of \$13.25 million of I/O 3-D channel boxes on or before May 31, 2000 in the following stated installments: (i) by November 30, 1996, at least \$3.0 million, (ii) from January 1, 1997 through May 31, 1997, at least \$1.25 million and (iii) in each of the years from June 1, 1997 through May 31, 1998, June 1 through May 31, 1999, and June 1, 1999 through May 31, 2000, at least \$3.0 million. As of December 31, 1996, the Company had purchased I/O equipment totalling \$4.8 million under the I/O Agreement, thereby exceeding its purchase requirements through May 1997.

Under the I/O Agreement, I/O must inform the Company by telephone, facsimile or letter of the identity of the third party prospective lessee and the terms, if any, that have been discussed regarding a proposed lease. The Company may then contact the prospective lessee and negotiate the terms of a proposed lease of channel boxes. If the Company (i) is unable to lease the 3-D channel boxes due to a shortage in its lease fleet, (ii) cannot agree with a prospective lessee on the terms of a proposed lease within 72 hours of the lessee's introduction to the Company or (iii) otherwise chooses not to lease to a prospective lessee, then I/O may lease channel boxes to the prospective lessee. I/O has indicated that the 72-hour time period referred to may be extended as long as the Company and a prospective lessee are engaged in good faith negotiations and neither of them has terminated such negotiations.

Leases of channel boxes with purchase options are specifically excluded from the I/O Agreement. Therefore, I/O may continue to enter into leases with purchase options in North and South America during the term of the I/O Agreement. I/O may also continue to sell 3-D channel boxes during the term of the I/O Agreement.

The Company primarily purchases new channel boxes from I/O, but from time to time purchases channel boxes from I/O's existing lease fleet. All of the channel boxes purchased from I/O which are new are

covered by a warranty which covers, with certain exceptions, defects in workmanship for six months and defects in materials and parts for 12 months. The channel boxes, if acquired from I/O's existing lease fleet and therefore used previously, will be refurbished by I/O and carry a warranty which covers, with certain exceptions, defects in workmanship for three months.

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

SERCEL AGREEMENTS

SERCEL Lease Agreement

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

A condition of the SERCEL Lease Agreement is that the Company must purchase an aggregate of \$10.2 million of SERCEL data acquisition and other field equipment on or before December 31, 1999 in six installments of \$1.7 million as follows: (i) by June 30, 1997, and (ii) from July 1, 1997 to December 31, 1997 and each succeeding six-month period thereafter through December 31, 1999. However, SERCEL may not terminate the agreement if the Company fails to purchase the minimum requirement in a period ending before June 30, 1998, unless in the succeeding period the Company does not make aggregate purchases equal to any shortfall for the previous period, plus the minimum purchase requirement for the succeeding period. As of December 31, 1996, the Company had purchased SERCEL equipment totalling \$4.5 million, thereby exceeding its purchase requirements through December 31, 1997.

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

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

SERCEL Sales Agreement

Through Mitcham Canada Ltd., the Company's wholly-owned subsidiary formed in September 1996, the Company entered into the Commercial Representation Agreement (the "SERCEL Sales Agreement") with Georex, Inc., a wholly-owned subsidiary of SERCEL, under which the Company is SERCEL's designated sales agent in Canada for its data acquisition and other field equipment through September 19, 1999, subject

to earlier termination after September 20, 1997 on 90 days prior notice. If not sooner terminated, the agreement will automatically be extended for successive one-year periods after September 19, 1999. Under the agreement, the Company is entitled to receive a commission on all SERCEL equipment and spare parts sold by the Company in Canada.

In connection with the SERCEL Sales Agreement and the SERCEL Lease Agreement, in November 1996, the Company established an office in Calgary, Alberta, Canada to sell, service and lease SERCEL equipment and to lease and service equipment of other manufacturers. The Company is prohibited from selling seismic equipment that competes with SERCEL equipment during the term of the agreement and for six months thereafter, except that the Company may sell individual components that compete with components of SERCEL equipment, such as I/O 3-D channel boxes and Pelton vibrator control electronics, as well as any seismic equipment previously used in its lease fleet.

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

PELTON AGREEMENT

In May 1996, the Company entered into an exclusive lease referral agreement (the "Pelton Agreement") with Pelton Company, Inc. The Company believes Pelton is the leading manufacturer and supplier of vibrator control electronics. The terms of the Pelton Agreement regarding exclusive lease referrals and favorable prices are substantially similar to those of the I/O Agreement, except that (i) the Company has the exclusive referral rights with respect to Pelton's vibrator control electronics throughout the world, through December 31, 1997, subject to cancellation by either party thereafter upon three months prior written notice and (ii) there are no minimum purchase requirements.

The Pelton Agreement is subject to termination upon the occurrence of (i) the Company's failure to comply with the terms of the Pelton Agreement after having received written notice of its non-compliance, (ii) the Company's discontinuance as a going concern, (iii) the Company's default in the payment of any obligations to Pelton after having received notice that payment is due, (iv) the Company's insolvency or bankruptcy, (v) the Company's transfer of the agreement by merger, consolidation, or liquidation, (vi) the Company's assignment, or attempted assignment, of the rights under the agreement, (vii) Billy F. Mitcham no longer owning at least 250,000 shares of Common Stock of the Company, or (viii) any competitor of Pelton owning, directly or indirectly, more than 5% of the Company's outstanding capital stock on a fully-diluted basis.

CUSTOMERS; SALES AND MARKETING

The Company's major lease customers are seismic data acquisition companies and major and independent oil and gas exploration companies. The Company typically has a small number of lease customers, the composition of which changes yearly as leases are negotiated and concluded and equipment needs vary. As of October 31, 1996, the Company had 23 lease customers with active leases of various lengths. Customers of the Company's used and new seismic equipment sales and service business (in addition to the aforementioned lease customers, some of whom purchase significant amounts of equipment) include foreign governments, universities, engineering firms and research organizations worldwide.

The Company participates in both domestic and international trade shows and expositions to inform the oil and gas industry of its products and services. In addition to advertising in major geophysical trade journals, direct advertising in the form of a biannual listing of equipment offerings is mailed to over 3,000 oil and gas industry participants. The Company believes this mailing generates significant seismic equipment lease and sales revenues. In addition, the Company placed advertisements of its affiliation with each of I/O, SERCEL and Pelton in several major geophysical trade journals. The Company also maintains a web site at <http://www.mitchamindustries.com> on which it lists its seismic equipment for sale and lease.

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

COMPETITION

Competition in seismic equipment leasing is fragmented. The Company is aware of numerous companies that own seismic equipment that lease such equipment; however, the Company believes those companies do not lease seismic equipment of several manufacturers or have as extensive a lease pool as does the Company. The Company also believes those companies do not have exclusive lease referral agreements with suppliers similar to the Company's. Competition exists to a lesser extent from seismic data acquisition firms that may lease equipment that is temporarily idle. Under the I/O Agreement, I/O and its subsidiary, Global Charter Corporation, retain the right to continue to (i) lease channel boxes in certain situations where the Company and a prospective lessee cannot or do not enter into a lease, as more fully described in the I/O Agreement; (ii) lease channel boxes with a purchase option in North and South America; and (iii) lease channel boxes outside of North and South America. Global owns and operates a lease fleet of rental seismic equipment, including 3-D channel boxes. Global leases seismic equipment subject to purchase options and arranges the financing for such leases. The Company does not believe those equipment leases compete with the Company's seismic equipment leases, as the Company does not typically engage in lease/purchase arrangements of I/O seismic equipment. See "Risk Factors -- Competition."

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

SUPPLIERS

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

EMPLOYEES

As of October 31, 1996, the Company employed 13 people, none of whom is covered by a collective bargaining agreement. Nine employees are involved in sales, management and administration and four work in field operations. The Company considers its employee relations to be satisfactory.

PROPERTIES

The Company owns its corporate office and warehouse facilities in Huntsville, Texas. Its headquarters facility consists of 25,000 square feet of office and warehouse space on approximately six acres. See "Certain

Transactions and Relationships." The Company also leases approximately 10,000 square feet of office and warehouse space at its facilities in Calgary, Alberta, Canada.

LEGAL PROCEEDINGS

The Company is not a party to any legal proceedings.

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS

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

NAME ----	AGE ---	POSITION(S) WITH THE COMPANY -----
Billy F. Mitcham, Jr.	49	Chairman of the Board of Directors, President and Chief Executive Officer
Paul C. Mitcham.....	32	Vice-President -- Operations and Director
Roberto Rios.....	38	Vice-President -- Finance, Secretary, Treasurer and Director
William J. Sheppard....	49	Vice-President -- International Operations and Director
Gordon M. Greve.....	61	Director
Randal Dean Lewis.....	53	Director
John F. Schwalbe.....	52	Director

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

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

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

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

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

Randal Dean Lewis was elected a director of the Company in November 1994. Mr. Lewis is the interim Dean of the Business School at Sam Houston State University and he has served in this capacity since October 1995. From 1987 to October 1995, Mr. Lewis was the Associate Dean and Professor of Marketing at Sam Houston State University. Prior to 1987, Mr. Lewis held a number of executive positions in the banking and finance industries.

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

The Bylaws of the Company authorize the Board of Directors to fix the number of directors of the Company. The Board of Directors is currently comprised of seven members. Each director and each executive officer of the Company serves until the earliest to occur of (i) his death, resignation or removal; or (ii) the election of his successor. No family relationships exist among the officers and directors of the Company except among Messrs. Mitcham. See "Certain Transactions and Relationships."

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

None of the Company's executive officers or directors serve on the board of directors or the compensation committee of any other entity. None of the members of the Compensation Committee are, or were formerly, officers or employees of the Company.

BOARD COMMITTEES

The Board of Directors has established an Audit Committee and a Compensation Committee. The Audit Committee is comprised of Messrs. Schwalbe, Lewis and Greve. Its functions are to: (i) recommend the appointment of independent public accountants; (ii) review the scope of the audit by the independent public accountants; (iii) review the independence of the independent public accountants; (iv) consider the adequacy of the system of internal controls and review any proposed corrective actions; (v) review and monitor the Company's policies regarding business ethics and conflicts of interest; and (vi) discuss with management and the independent public accountants the Company's draft of annual financial statement and key accounting and/or reporting matters. The Compensation Committee, also comprised of Messrs. Schwalbe, Lewis and Greve, is responsible for (i) reviewing the Company's general compensation strategy; (ii) establishing the salaries and bonuses of the Company's executive officers; and (iii) reviewing and administering the Company's 1994 Stock Option Plan.

BOARD COMPENSATION

The Company pays directors who are not employees of the Company \$500 for every meeting attended and reimburses their expenses incurred in attending board and committee meetings. In addition, the Director Plan provides that each nonemployee director will receive an option to purchase 1,000 shares of Common Stock upon becoming a director and on the date of each annual meeting of shareholders at which he is re-elected as a director. See " -- Stock Option Plans."

EXECUTIVE COMPENSATION

The following table sets forth all compensation paid by the Company for the fiscal years ended January 31, 1994, 1995 and 1996 to Billy F. Mitcham, Jr., the Chairman of the Board, Chief Executive Officer and President of the Company. No other executive officer of the Company received compensation that exceeded \$100,000 during any of those fiscal years.

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	FISCAL YEAR ENDED	ANNUAL COMPENSATION			LONG-TERM COMPENSATION AWARDS	
		JANUARY 31	SALARY	BONUS	OTHER	SECURITIES UNDERLYING STOCK OPTIONS
Billy F. Mitcham, Jr. Chairman of the Board, President and Chief Executive Officer	1996	\$100,000	\$40,685	--	9,000	--
	1995	72,000(1)	--	--	116,000	--
	1994	72,000	25,000	--		--

(1) Mr. Mitcham, Jr. opted to receive a lower salary in the fiscal year ended January 31, 1995 than he was entitled to under the terms of his Employment Agreement, described below. Though not specifically stated in the Employment Agreement, Mr. Mitcham, Jr. felt the intent of the parties was that the increased salary would not be effective until the consummation of the Company's initial public offering, which occurred in January 1995. The \$28,000 of his salary that he opted not to receive was not deferred and will not be paid in a future year. As of February 1, 1995, Mr. Mitcham, Jr. began receiving his full salary.

Option Grants. The following table sets forth the individual grants of stock options made by the Company during the fiscal year ended January 31, 1996 to Billy F. Mitcham, Jr. The Company does not grant any stock appreciation rights.

OPTION GRANTS IN LAST FISCAL YEAR

NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED (#)	% OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN 1996 FISCAL YEAR	EXERCISE OR BASE PRICE (\$/SH)	EXPIRATION DATE	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM(2)		
					0%	5%	10%
Billy F. Mitcham, Jr.	9,000(1)	14.3%	\$ 3.29(1)	Dec. 4, 2005	\$3.87	\$5.36	\$8.53

(1) Nonqualified stock option granted on December 4, 1995 under the 1994 Stock Option Plan. The option may be exercised to purchase the total number of shares on December 4, 1996. The option price was set at 85% of the fair market value of the Company's Common Stock. The fair market value of a share of the Company's Common Stock is the closing price at which the Common Stock was sold on the date of grant. To the extent the option is not vested on the optionee's retirement, death or disability, it is forfeited.

(2) The 5% and 10% assumed annual rates of compounded stock prices appreciation are mandated by rules of the Securities and Exchange Commission and do not represent the Company's estimate or projection of the Company's future Common Stock prices. These amounts represent certain assumed rates of appreciation only. Actual gains, if any, on stock option exercises are dependent on the future performance of the Common Stock and overall stock market conditions. The amounts reflected in this table may not necessarily be achieved.

Option Exercises and Year-End Option Grants. The following table sets forth the year-end values of unexercised options held by Billy F. Mitcham, Jr. at January 31, 1996. Billy F. Mitcham, Jr. did not exercise any stock options in the 1996 fiscal year.

NAME -----	NUMBER OF SECURITIES UNDERLYING OPTIONS AT JANUARY 31, 1996 (#)	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT JANUARY 31, 1996(1)
	----- EXERCISABLE/UNEXERCISABLE -----	----- EXERCISABLE/UNEXERCISABLE -----
Billy F. Mitcham, Jr.....	116,000/9,000	\$58,000/\$11,160

(1) Represents the difference between the closing price of the Company's Common Stock on January 31, 1996 (\$5.50) and the exercise price of the options, multiplied by number of shares represented by such options.

EMPLOYMENT AGREEMENT WITH BILLY F. MITCHAM, JR.

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

STOCK OPTION PLANS

The Company has adopted the Mitcham Industries, Inc. 1994 Stock Option Plan (the "Stock Option Plan"). Options to purchase a maximum of 350,000 shares of Common Stock may be issued under the Stock Option Plan to officers, employee directors, key employees and consultants of the Company. As December 31, 1996, options to purchase an aggregate of 285,750 shares of Common Stock are issued and outstanding under the Stock Option Plan with a weighted average exercise price of \$4.74 per share. The Stock Option Plan provides both for the grant of options intended to qualify as "incentive stock options" under the Internal Revenue Code of 1986, as amended (the "Code"), as well as options that do not so qualify. Pursuant to the Stock Option Plan, the Compensation Committee will determine the persons to whom options are granted, the number of shares of Common Stock subject to options, the period during which the options vest and may be exercised, and the option price. The Stock Option Plan places restrictions on the grant of options under any plan of the Company to persons who are, at the time of the grant, members of the Compensation Committee. With respect to incentive stock options, no option may be granted more than 10 years after the effective date of the Stock Option Plan or exercised more than 10 years after the date of grant (five years if the optionee owns more than 10% of the Common Stock of the Company). Additionally with regard to incentive stock options, the exercise price of the option may not be less than 100% of the fair market value of the Common Stock on the date of grant (110% if the optionee owns more than 10% of the Common Stock of the Company). Subject to certain limited exceptions, options may not be exercised unless, at the time of exercise, the optionee is in the service of the Company.

The Company has also adopted the Mitcham Industries, Inc. 1994 Non-Employee Director Stock Option Plan (the "Non-Employee Director Plan"). Options to purchase a maximum of 50,000 shares of Common

Stock may be issued under the Non-Employee Director Plan to non-employee directors of the Company. The Non-Employee Director Plan provides for the grant of options that do not qualify as "incentive stock options" under the Code. Pursuant to the Non-Employee Director Plan, options to purchase 1,000 shares of Common Stock are granted to each person who is not an employee of the Company upon his election for the first time as a director of the Company and an option to purchase an additional 1,000 shares of Common Stock will automatically be granted each year thereafter that such director is re-elected. Options granted under the Non-Employee Director Plan must be granted at an exercise price of not less than 100% of the fair market value of the Common Stock on the date of grant and vest in full one year after their grant. Options granted under the Non-Employee Director Plan expire 10 years after the date of grant. As of December 31, 1996, 8,000 options were issued and outstanding under the Non-Employee Director Plan with a weighted average exercise price of \$4.65 per share.

CERTAIN TRANSACTIONS AND RELATIONSHIPS

Prior to September 1995, the Company leased its facilities located at 44000 Highway 75 South in Huntsville, Texas, consisting of 19,000 square feet, from Mitcham Properties, Inc., a Texas corporation of which Billy F. Mitcham, Jr. is the sole shareholder, for \$4,000 per month (or approximately \$.21 per square foot), exclusive of the cost of utilities, taxes and insurance. An unrelated third party rented from Mitcham Properties, Inc. a portion of the facilities adjacent to the Company's facilities, consisting of 6,000 square feet for \$606 per month (or approximately \$.10 per square foot), exclusive of the cost of utilities, taxes and insurance. Therefore, Mitcham Properties, Inc. was leasing to the Company at approximately twice the cost per square foot being paid by an unrelated third party for adjacent facilities. The difference in lease terms amounts to approximately \$25,000 of additional lease expense to the Company annually. In September 1995, the Company purchased the facilities from Mitcham Properties, Inc. for \$325,000; \$276,000 of such amount was financed with bank financing and the remaining amount was paid from cash flows. The bank's appraisal report reflects an estimated fair value of \$325,000 for the facilities.

In fiscal 1995 and 1996, the Company purchased equipment from corporations and partnerships which are owned or controlled by Billy F. Mitcham, Jr., the Company's Chairman, President and Chief Executive Officer. Such purchases totalled \$11,000 and \$28,000 in the years ended January 31, 1995 and 1996, respectively. The Company does not anticipate making any further such purchases.

Effective September 20, 1993, the Company and Billy F. Mitcham, Jr. entered into a Voting Agreement (the "Voting Agreement") with Billy F. Mitcham, Sr., Paul C. Mitcham and two trusts established for the benefit of Mr. Mitcham, Jr.'s sons. Under the Voting Agreement, the holders of shares subject thereto have agreed that Mr. Mitcham, Jr. has the authority to vote an additional 445,740 shares of Common Stock, or 10.0%, of the Company's outstanding Common Stock. Mr. Mitcham, Jr. has voting control of an aggregate of 1,154,370 shares, or 25.8%, of the Company's outstanding Common Stock, as of December 31, 1996. The Voting Agreement will terminate on the earlier of the agreement of the parties or the expiration of 25 years. See "Principal and Selling Shareholders."

Since April 1994, the Company has engaged Billy F. Mitcham, Sr. as a consultant under a consulting agreement. Mr. Mitcham, Sr. has been involved in the energy industry since 1952 and was formerly the owner and the President of Mitcham Associates, Inc. which was also engaged in the leasing and sale of peripheral seismic equipment. Mr. Mitcham, Sr. has served as an industry expert and consultant for the Company since 1987 and was engaged on terms similar to those in his present consulting agreement during that time, though not pursuant to a written agreement. The agreement calls for monthly payments to Mr. Mitcham, Sr. of \$5,500. The Company paid Mr. Mitcham, Sr. a total of \$66,000 under the agreement in the 1996 fiscal year. The consulting agreement prohibits Mr. Mitcham, Sr. from providing consulting services to, and from contacting or soliciting in an effort to provide services to, any competitor of the Company for two years after the termination of his engagement. The current term of the agreement expires January 31, 1999, subject to earlier termination on the occurrence of certain stated events, and is renewable for successive one-year terms at the Company's option. The Company believes Mr. Mitcham, Sr. could successfully compete with the Company, given his contacts and extensive knowledge of the seismic leasing industry. For the above reasons,

the Company believes the terms of Mr. Mitcham, Sr.'s consulting agreement are no less favorable than could be obtained from an unaffiliated third party with similar experience.

PRINCIPAL AND SELLING SHAREHOLDERS

The following table sets forth certain information with respect to beneficial ownership of Common Stock as of December 31, 1996 by (i) each of the Company's directors; (ii) each Selling Shareholder; (iii) each person who is known by the Company to own beneficially more than 5% of the Common Stock; and (iv) all executive officers and directors as a group. Alamo Atlas Group, Inc. will exercise a warrant for 8,380 shares of Common Stock to be sold in the Offering. The only percentage for shares owned after the Offering that gives effect to the exercise of this warrant is the percentage for Alamo Atlas Group.

NAMES AND ADDRESS OF BENEFICIAL OWNERS(1)	SHARES OWNED BEFORE OFFERING		NUMBER OF SHARES OFFERED	SHARES OWNED AFTER OFFERING	
	NUMBER	PERCENT		NUMBER	PERCENT
Billy F. Mitcham, Jr.	1,373,062(2)	29.3%	300,000	1,073,062	14.9%
Billy F. Mitcham, Sr.	298,290(3)	6.6%	50,000	248,290	3.5%
Paul C. Mitcham.....	149,180(4)	3.3%	25,000	124,180	1.8%
Alamo Atlas Group, Inc. 16420 Park Ten Place, Suite 300 Houston, Texas 77084-5051	148,597(5)	3.3%	125,000	23,597	*
Roberto Rios.....	33,772(6)	*	--	33,772	*
William J. Sheppard.....	33,772(6)	*	--	33,772	*
Gordon M. Greve..... 14855 Memorial Drive #1014 Houston, Texas 77079	2,000	*	--	2,000	*
Randall Dean Lewis..... College of Business Administration P.O. Box 2056 Sam Houston State University Huntsville, Texas 77341	3,000	*	--	3,000	*
John F. Schwalbe..... 10700 Richmond Avenue #219 Houston, Texas 77042	3,000	*	--	3,000	*
All executive officers and directors as a group (7 persons).....	1,448,606	30.6%	--	1,070,606	14.8%

* Less than 1%

- (1) The business address of each shareholder is the same as the address of the Company's principal executive offices, unless otherwise indicated.
- (2) Includes an aggregate of 445,740 shares of Common Stock owned by Billy F. Mitcham, Sr. (252,540 shares), Paul C. Mitcham (118,680 shares) and two trusts established for the benefit of Mr. Mitcham, Jr.'s sons (74,520 shares), and as to which shares Mr. Mitcham, Jr. has the right to vote under the Voting Agreement. Also includes shares underlying currently exercisable options to purchase an aggregate of 218,692 shares of Common Stock, as follows: Billy F. Mitcham, Jr. (125,000 shares), Billy F. Mitcham, Sr. (45,750 shares), Paul C. Mitcham (30,500 shares), and the two trusts (17,442 shares). See "Certain Transactions and Relationships."
- (3) Includes shares underlying a currently exercisable option to purchase 45,750 shares of Common Stock.
- (4) Includes shares underlying currently exercisable options to purchase 30,500 shares.
- (5) Includes shares underlying a currently exercisable warrant to purchase 31,977 shares.
- (6) Includes shares underlying currently exercisable options to purchase 21,000 shares and a currently exercisable warrant to purchase 2,422 shares.

DESCRIPTION OF CAPITAL STOCK AND OTHER SECURITIES

The authorized capital stock of the Company consists of 20,000,000 shares of Common Stock, par value \$.01 per share, and 1,000,000 shares of Preferred Stock, par value \$1.00 per share. As of December 31, 1996 there were outstanding 4,474,880 shares of Common Stock, no shares of Preferred Stock, options to purchase up to 293,750 shares of Common Stock, and warrants to purchase up to 246,723 shares of Common Stock. Upon completion of this Offering, there will be 6,974,880 issued and outstanding shares of Common Stock.

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

COMMON STOCK

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

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

WARRANTS

There are currently outstanding warrants issued in connection with the Company's initial public offering of units ("Units") in January 1995, entitling the holders to purchase 17,000 Units, each Unit consisting of two shares of Common Stock and a warrant to purchase one share of Common Stock (an "Underlying Warrant"). The warrants are exercisable through and including December 19, 1999, at an exercise price of \$7.97 per Unit. The Underlying Warrants are exercisable through and including December 19, 1997 at an exercise price of \$4.20 per share of Common Stock.

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

There are also outstanding currently exercisable warrants to acquire up to 60,723 shares of Common Stock held by seven holders, at \$3.87 per share, May 9, 1999; currently exercisable warrants to acquire 35,000 shares of Common Stock at \$3.50 per share, exercisable to purchase 17,500 shares through July 17, 2000 and the remaining 17,500 shares through January 17, 2001; currently exercisable warrants to acquire 50,000 shares of Common Stock at \$6.43 per share, exercisable through August 22, 2000; and warrants to acquire 50,000

shares of Common Stock at \$9.28 per share, exercisable beginning December 31, 1997 through December 31, 2001.

The Company will issue warrants to the Representatives ("Representatives' Warrants") to purchase 200,000 shares of Common Stock in connection with the Offering, with an exercise price equal to 120% of the price of the Common Stock to the public in the offering. The Representatives' Warrants will be exercisable for a two-year period beginning one year after the effective date of the Registration Statement of which this Prospectus is a part. See "Underwriting."

OPTIONS

As of December 31, 1996, options to purchase an aggregate of 293,750 shares of Common Stock had been granted pursuant to the Plans, 250,250 of which are currently exercisable. See "Management -- Stock Option Plans."

PREFERRED STOCK

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

LIMITATION ON DIRECTORS' LIABILITY

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

The inclusion in the Company's Amended Articles of the limitation of the personal liability of the Company's directors to the Company may have the effect of reducing the likelihood of derivative litigation against those directors, and may deter shareholders or management from bringing a lawsuit against those directors for breach of their duty of care, even though such an action, if successful, might otherwise have benefitted the Company and its shareholders.

TRANSFER AGENT AND REGISTRAR

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

SHARES ELIGIBLE FOR FUTURE SALE

As of December 31, 1996, there were 4,474,880 shares of Common Stock outstanding. In addition, the Company has reserved for issuance 400,000 shares upon the exercise of options granted under the Stock Option Plans, 246,723 shares for issuance upon exercise of outstanding warrants and up to 200,000 shares for issuance upon exercise of the Representatives' Warrants. Of the 6,974,880 shares of Common Stock to be outstanding after the completion of this Offering, approximately 5,594,880 shares will be freely tradable without restriction or further registration under the Securities Act, unless held by "affiliates" of the Company, as that term is defined in Rule 144 under the Securities Act (whose sales would be subject to certain volume limitations and other restrictions described below.) The remaining 1,380,000 shares of Common Stock are "restricted securities" as defined in Rule 144 promulgated under the Securities Act, and may only be sold in the public market if such shares are registered under the Securities Act or sold in accordance with Rule 144 or another exemption from registration under the Securities Act. The number of shares issued and outstanding after completion of the Offering does not reflect the exercise of a warrant for 8,380 shares of Common Stock to be sold in the Offering by one of the Selling Shareholders. See "Principal and Selling Shareholders."

In general, under Rule 144 as currently in effect, a person who has beneficially owned his or her Common Stock for at least two years, including persons who may be deemed "affiliates" of the Company, is entitled to sell within any three-month period a number of shares that does not exceed the greater of 1% of the then-outstanding shares of Common Stock (approximately 69,750 shares immediately after this Offering) or the average weekly trading volume of such shares in the over-the-counter market during the four calendar weeks preceding the date on which notice of the proposed sale is filed with the Commission. A person who is not deemed an "affiliate" of the Company and who has beneficially owned his or her shares of Common Stock for at least three years would be entitled to sell such shares under Rule 144 without regard to the volume limitations described above. Sales under Rule 144 are also subject to certain manner of sale provisions, notice requirements, and the availability of current public information about the Company. A person who has not been an "affiliate" of the Company for the 90 days preceding a sale and who has beneficially owned restricted securities for at least three years will be entitled to sell such shares in the public market without restriction. Restricted securities properly sold in reliance upon Rule 144 are thereafter freely tradeable without restrictions or registration under the Securities Act, unless thereafter held by an "affiliate" of the Company.

The Company has filed a registration statement under the Securities Act covering 400,000 shares of Common Stock reserved for issuance under the Stock Option Plans. Accordingly, shares issued under such registration statement upon the exercise of options will be available for sale in the open market subject to the agreements not to sell described below. See "Management -- Stock Option Plans."

The Company is unable to estimate the amount, timing or nature of future sales of outstanding Common Stock. Of the 880,000 restricted shares that will be outstanding upon completion of this Offering, executive officers and directors, holding an aggregate of 800,070 shares, have agreed that for a period of 180 days from the date of this Prospectus, they will not offer for sale, sell, solicit an offer to buy, contract to sell, distribute, grant any option for the sale of or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into, exercisable for or exchangeable for any shares of Common Stock without the prior written consent of Rodman & Renshaw, Inc. on behalf of the Underwriters. All of the remaining 79,930 restricted shares are eligible for sale under Rule 144. See "Underwriting."

In connection with this Offering, the Company has agreed to sell warrants to the Representatives to purchase from the Company up to 200,000 shares of Common Stock, exercisable in whole or in part at any time during the two-year period commencing one year after the effective date of the Registration Statement of which this Prospectus is a part.

UNDERWRITING

The Underwriters named below, for whom Rodman & Renshaw, Inc. and Simmons & Company International are acting as representatives (the "Representatives"), have severally agreed to purchase from the Company the respective number of shares of Common Stock set forth opposite their names:

UNDERWRITER	NUMBER OF SHARES

Rodman & Renshaw, Inc.....	
Simmons & Company International.....	
 Total.....	 3,000,000 =====

The Underwriting Agreement provides that the obligations of the several Underwriters thereunder are subject to approval of certain legal matters by counsel and to various other considerations. The nature of the Underwriters' obligations is such that they are committed to purchase and pay for all of the above shares of Common Stock if any are purchased.

The Underwriters, through the Representatives, have advised the Company that they propose to offer the Common Stock initially at the public offering price set forth on the cover page of this Prospectus; that the Underwriters may allow to selected dealers a concession of \$ _____ per share; and that such dealers may reallocate a concession of \$ _____ per share to certain other dealers. After the public offering, the offering price and other selling terms may be changed by the Underwriters. The Common Stock is included for quotation on the Nasdaq National Market.

The Company and the Selling Shareholders have granted to the Underwriters a 30-day over-allotment option to purchase up to 375,000 and 75,000 additional shares of Common Stock, respectively, exercisable at the public offering price less the underwriting discount. If the Underwriters exercise such over-allotment option, then each of the Underwriters will have a firm commitment, subject to certain conditions, to purchase approximately the same percentage thereof as the number of shares of Common Stock to be purchased by it as shown in the above table bears to the 3,000,000 shares of Common Stock offered by the Company and the Selling Shareholders hereby. The Underwriters may exercise such option only to cover over-allotments made in connection with the sale of the shares of Common Stock offered hereby.

The Company and the officers and directors of the Company have agreed that they will not sell or dispose of any shares of Common Stock of the Company for a period of 180 days after the later of the date on which the Registration Statement is declared effective by the Commission or the first date on which the shares are bona fide offered to the public, without the prior written consent of Rodman & Renshaw, Inc.

In connection with the Offering made hereby, the Company has agreed to sell to the Representatives, for nominal consideration, Representatives' Warrants to purchase from the Company up to 200,000 shares of Common Stock. The Representatives' Warrants are exercisable, in whole or in part, at an exercise price of 120% of the price to public at any time during the two-year period commencing one year after the effective date of the Registration Statement of which this Prospectus is a part. The Representatives' Warrants contain provisions providing for adjustment of the exercise price and the number and type of securities issuable upon exercise of the Representatives' Warrants should any one or more of certain specified events occur. The

Representatives' Warrants grant to the holders thereof certain rights of registration for the securities issuable upon exercise of the Representatives' Warrants.

The Company and the Selling Shareholders have agreed to indemnify the Underwriters against certain liabilities, losses and expenses, including liabilities under the Securities Act of 1933, as amended (the "Securities Act"), or to contribute to payments that the Underwriters may be required to make in respect thereof. The Company has agreed to pay to the Representatives a non-accountable expense allowance of 1.0% of the gross proceeds derived from the sale of Common Stock (including the sale of any Common Stock subject to the Underwriters' over-allotment option).

In connection with the Offering, certain Underwriters and selling group members (if any) or their respective affiliates who are qualified registered market makers on the Nasdaq National Market may engage in passive market making transactions in the Common Stock on the Nasdaq National Market in accordance with Rule 10b-6A under the Securities Exchange Act of 1934 (the "Exchange Act"), during a specified period before commencement of offers or sales of the Common Stock. The passive market making transactions must comply with applicable volume and price limits and be identified as such. In general, a passive market maker may display its bid at a price not in excess of the highest independent bid for such security; if all independent bids are lowered below the passive market maker's bid, however such bid must then be lowered when certain purchase limits are exceeded.

LEGAL MATTERS

The validity of the issuance of shares of Common Stock offered hereby will be passed upon for the Company by Norton, Jacobs, Kuhn & McTopy, L.L.P., Houston, Texas. Certain legal matters in connection with the sale of such securities will be passed upon for the Underwriters by Vinson & Elkins L.L.P., Houston, Texas. Members of Norton, Jacobs, Kuhn & McTopy, L.L.P. own an aggregate of 38,681 shares of Common Stock. The Norton Family Trust, of which Carl L. Norton is a beneficiary, and Sabrina A. McTopy own warrants to acquire an additional 103,230 shares of Common Stock. Carl L. Norton and Sabrina A. McTopy are partners in Norton, Jacobs, Kuhn & McTopy, L.L.P.

EXPERTS

The financial statements of the Company as of January 31, 1994, 1995 and 1996 and for each of the years in the three-year period ended January 31, 1996 included in this Prospectus have been audited by Hein + Associates LLP, independent certified public accountants, as set forth in their report appearing elsewhere herein, and is included herein in reliance upon such report and upon the authority of such firm as experts in accounting and auditing.

AVAILABLE INFORMATION

The Company has filed with the Securities and Exchange Commission (the "Commission") a Registration Statement on Form S-1 under the Securities Act with respect to the Common Stock offered by this Prospectus. This Prospectus does not contain all of the information set forth in such Registration Statement, certain parts of which were omitted in accordance with the rules and regulations of the Commission. For further information with respect to the Company and to the securities offered hereby, reference is made to such Registration Statement, including the exhibits thereto. Statements contained in this Prospectus as to the contents of any contract or other document are not necessarily complete, and in each instance reference is made to the copy of such contract or other document filed as an exhibit to the Registration Statement, each such statement being qualified in all respects by such reference.

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

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

GLOSSARY OF TERMS

Certain words and terms commonly used in the seismic business which are used throughout this Prospectus are defined below.

Acoustic wave. A sonic wave travelling through the earth's subsurface induced by a release of energy, normally dynamite or vibroseis.

CEU. Central Electronics unit that records and stores seismic data.

Channel. A set of geophones recording acoustic waves reflected from formations below the earth's surface.

Channel box. A remote data acquisition unit that collects seismic data from a multi-conductor geophysical cable attached to the geophones and transmits the data to the CEU.

Data acquisition system. The electronic field instruments and associated equipment required for seismic acquisition.

Geophones. Electro-magnetic coils placed on the earth's surface to receive the acoustic waves reflected by subsurface geological layers.

Seismic processing system. The computer hardware and software required to convert seismic records to seismic cross-sections.

2-D seismic. Seismic data representing a vertical plane of subsurface information.

3-D seismic. Seismic data representing a cube of subsurface information that can be sliced into numerous planes offering a different view of the target.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying balance sheets of Mitcham Industries, Inc. as of January 31, 1995 and 1996, and the related statements of income, changes in stockholders' equity and cash flows for each of the years in the three year period ended January 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mitcham Industries, Inc. as of January 31, 1995 and 1996, and the results of its operations and its cash flows for each of the years in the three year period ended January 31, 1996, in conformity with generally accepted accounting principles.

/s/ HEIN + ASSOCIATES LLP

HEIN + ASSOCIATES LLP
Certified Public Accountants

Houston, Texas
February 23, 1996

MITCHAM INDUSTRIES, INC.

BALANCE SHEETS

ASSETS

	JANUARY 31,		OCTOBER 31,
	1995	1996	1996
			(UNAUDITED)
Current assets:			
Cash.....	\$ 874,000	\$ 637,000	\$ 3,330,000
Accounts receivable, net of allowance for doubtful accounts of \$90,000, \$347,000 and \$615,000 at January 31, 1995 and 1996 and October 31, 1996, respectively.....	1,792,000	2,277,000	3,288,000
Installment notes receivable, trade.....	289,000	193,000	72,000
Inventory.....	84,000	206,000	630,000
Prepaid expenses and other current assets.....	69,000	274,000	103,000
Total current assets.....	3,108,000	3,587,000	7,423,000
Seismic equipment lease pool, net of accumulated depreciation.....	4,979,000	8,115,000	15,247,000
Property and equipment, net of accumulated depreciation.....	73,000	472,000	530,000
Other assets.....	39,000	65,000	52,000
Total assets.....	\$8,199,000	\$12,239,000	\$23,252,000
	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Notes payable to bank.....	\$ 256,000	\$ 400,000	\$ --
Current installments of long-term debt.....	167,000	447,000	938,000
Obligation under capital lease.....	6,000	--	--
Accounts payable.....	614,000	491,000	3,370,000
Income taxes payable.....	28,000	311,000	--
Deferred income taxes payable.....	505,000	544,000	916,000
Accrued liabilities and other current liabilities...	80,000	474,000	737,000
Total current liabilities.....	1,656,000	2,667,000	5,961,000
Long-term debt:			
Long-term debt, net of current installments.....	234,000	1,155,000	2,910,000
Capital lease obligations, net of current portion...	27,000	18,000	--
Deferred income taxes.....	106,000	351,000	645,000
Total liabilities.....	2,023,000	4,191,000	9,516,000
Stockholders' equity:			
Preferred stock, \$1.00 par value; 1,000,000 shares authorized; none issued and outstanding.....	--	--	--
Common stock, \$.01 par value; 20,000,000 shares authorized; 3,170,000, 3,221,000 and 4,378,650 shares, respectively, issued and outstanding....	32,000	32,000	44,000
Additional paid-in capital.....	4,181,000	4,340,000	8,398,000
Retained earnings.....	1,963,000	3,676,000	5,294,000
Total stockholders' equity.....	6,176,000	8,048,000	13,736,000
Total liabilities and stockholders' equity.....	\$8,199,000	\$12,239,000	\$23,252,000
	=====	=====	=====

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

MITCHAM INDUSTRIES, INC.

STATEMENTS OF INCOME

	YEARS ENDED JANUARY 31,			NINE MONTHS ENDED OCTOBER 31,	
	1994	1995	1996	1995	1996
	(UNAUDITED)				
Revenues:					
Leases of seismic equipment.....	\$1,601,000	\$2,424,000	\$5,157,000	\$3,431,000	\$5,356,000
Sales of seismic equipment.....	2,926,000	2,860,000	2,135,000	1,643,000	2,007,000
Total revenues.....	4,527,000	5,284,000	7,292,000	5,074,000	7,363,000
Costs and expenses:					
Seismic equipment subleases.....	896,000	245,000	251,000	222,000	111,000
Sales of seismic equipment.....	1,772,000	2,027,000	1,085,000	1,000,000	1,261,000
General and administrative.....	655,000	924,000	1,344,000	990,000	1,199,000
Provision for doubtful accounts....	38,000	35,000	627,000	372,000	418,000
Depreciation.....	62,000	363,000	1,331,000	825,000	1,951,000
Total costs and expenses...	3,423,000	3,594,000	4,638,000	3,409,000	4,940,000
Other income (expense):					
Interest, net.....	(16,000)	(209,000)	(21,000)	(6,000)	(170,000)
Other, net.....	20,000	60,000	38,000	26,000	219,000
Total other income (expense).....	4,000	(149,000)	17,000	20,000	49,000
Income before income taxes.....	1,108,000	1,541,000	2,671,000	1,685,000	2,472,000
Provision for income taxes.....	405,000	541,000	958,000	605,000	854,000
Net income.....	\$ 703,000	\$1,000,000	\$1,713,000	\$1,080,000	\$1,618,000
Earnings per common and common equivalent share:					
Primary.....	\$ 0.51	\$ 0.66	\$ 0.52	\$ 0.34	\$ 0.37
Assuming full dilution.....	\$ 0.51	\$ 0.66	\$ 0.50	\$ 0.34	\$ 0.36
Shares used in computing earnings per common and common equivalent share:					
Primary.....	1,380,000	1,514,000	3,306,000	3,170,000	4,431,000
Assuming full dilution.....	1,380,000	1,514,000	3,403,000	3,170,000	4,489,000

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

MITCHAM INDUSTRIES, INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL
	SHARES	AMOUNT			
Balances, February 1, 1993.....	1,380,000	\$14,000	\$ --	\$ 260,000	\$ 274,000
Net income.....	--	--	--	703,000	703,000
Balances, February 1, 1994.....	1,380,000	14,000	--	963,000	977,000
Issuance of common stock, net of offering expenses.....	1,790,000	18,000	4,181,000	--	4,199,000
Net income.....	--	--	--	1,000,000	1,000,000
Balances, January 31, 1995.....	3,170,000	32,000	4,181,000	1,963,000	6,176,000
Compensation on stock options issued to employees.....	--	--	37,000	--	37,000
Issuance of common stock upon exercise of warrants.....	51,000	--	122,000	--	122,000
Net income.....	--	--	--	1,713,000	1,713,000
Balances, January 31, 1996.....	3,221,000	32,000	4,340,000	3,676,000	8,048,000
Issuance of common stock upon exercise of warrants (unaudited).....	1,158,000	12,000	4,058,000	--	4,070,000
Net income (unaudited).....	--	--	--	1,618,000	1,618,000
Balances, October 31, 1996 (unaudited).....	<u>4,379,000</u>	<u>\$44,000</u>	<u>\$8,398,000</u>	<u>\$5,294,000</u>	<u>\$13,736,000</u>

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

MITCHAM INDUSTRIES, INC.

STATEMENTS OF CASH FLOWS

	YEARS ENDED JANUARY 31,			NINE MONTHS ENDED OCTOBER 31,	
	1994	1995	1996	1995	1996
				(UNAUDITED)	
Cash flows from operating activities:					
Net income.....	\$ 703,000	\$ 1,000,000	\$ 1,713,000	\$ 1,080,000	\$ 1,618,000
Adjustments to reconcile net income to net cash provided by operating activities:					
Trade accounts receivable, net.....	(318,000)	(1,404,000)	(742,000)	(316,000)	(1,158,000)
Accounts payable and other current liabilities.....	428,000	71,000	554,000	20,000	(193,000)
Depreciation.....	62,000	363,000	1,331,000	825,000	1,951,000
Provision for doubtful accounts, net of chargeoffs.....	--	(3,000)	257,000	--	268,000
Loss on disposal of assets.....	--	12,000	--	--	--
Deferred income taxes.....	94,000	467,000	284,000	109,000	666,000
Other, net.....	(23,000)	(46,000)	(171,000)	145,000	(540,000)
Net cash provided by operating activities.....	946,000	460,000	3,226,000	1,863,000	2,612,000
Cash flows from investing activities:					
Purchases of seismic equipment held for lease.....	(875,000)	(1,938,000)	(5,321,000)	(2,547,000)	(5,750,000)
Purchases of property and equipment.....	(7,000)	(22,000)	(444,000)	(377,000)	(131,000)
Proceeds from sale of property and equipment.....	--	--	846,000	797,000	--
Net cash used in investing activities.....	(882,000)	(1,960,000)	(4,919,000)	(2,127,000)	(5,881,000)
Cash flows from financing activities:					
Proceeds from short-term borrowings.....	709,000	1,413,000	400,000	400,000	--
Payments on short-term borrowings.....	(146,000)	(4,242,000)	(256,000)	(256,000)	(400,000)
Proceeds from long-term debt.....	--	500,000	1,372,000	326,000	3,126,000
Payments on long-term debt and capitalized lease obligations.....	(6,000)	(97,000)	(182,000)	(134,000)	(834,000)
Capitalized stock issuance costs and deferred financing charges.....	(109,000)	(25,000)	--	(36,000)	--
Proceeds from issuance of common stock, net of offering expenses.....	--	4,186,000	122,000	--	4,070,000
Net cash provided by financing activities.....	448,000	1,735,000	1,456,000	300,000	5,962,000
Net increase (decrease) in cash.....	512,000	235,000	(237,000)	36,000	2,693,000
Cash, beginning of period.....	127,000	639,000	874,000	874,000	637,000
Cash, end of period.....	\$ 639,000	\$ 874,000	\$ 637,000	\$ 910,000	\$ 3,330,000
Supplemental cash flow information:					
Cash paid for:					
Interest.....	\$ 17,000	\$ 196,000	\$ 78,000	\$ 79,000	\$ 289,000
Taxes.....	\$ 8,000	\$ 800	--	\$ 300,000	\$ 515,000
Equipment acquired under capital lease.....	\$ 18,000	\$ 36,000	--	--	--
Equipment purchases in accounts payable.....	\$ --	--	\$ --	\$ 1,175	\$ 3,009
Equipment purchased with vendor financing.....	--	\$ 2,500,000	--	--	--

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

MITCHAM INDUSTRIES, INC.

NOTES TO FINANCIAL STATEMENTS
(INFORMATION SUBSEQUENT TO JANUARY 31, 1996 IS UNAUDITED)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization -- Mitcham Industries, Inc. (the Company), is a Texas corporation formed on January 29, 1987. The Company provides full-service equipment leasing to the seismic industry primarily in North and South America. The Company also sells and services new and used seismic data acquisition equipment on a worldwide basis.

Description of leasing arrangements -- The Company leases various types of seismic equipment to seismic data acquisition companies. All leases at October 31, 1996 are for one year or less. Lease revenue is recognized ratably over the term of the lease.

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

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

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

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

Income taxes -- The Company accounts for its taxes under FASB 109 under which the Company recognizes on a current and long-term basis, deferred tax assets and liabilities which represent differences between the financial and income tax reporting bases of its assets and liabilities.

Cash equivalents -- For purposes of presenting cash flows, the Company considers all highly liquid investments with remaining maturities of 90 days or less on the purchase date to be cash equivalents.

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

Use of estimates -- The preparation of the Company's financial statements in conformity with generally accepted accounting principles requires the Company's management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from these estimates.

Industry Concentration -- The Company's lease revenues are derived from seismic equipment leased to seismic companies providing 3-D seismic acquisition services. The seismic industry has rapidly expanded its 3-D seismic acquisition capabilities over the past few years as this technology has gained broader market acceptance from the oil and gas exploration companies. With this expansion, many of the seismic acquisition companies in North America, while experiencing rapid growth in 3-D seismic acquisition revenues, have not experienced corresponding increases in profitability and have become increasingly leveraged. Should the

MITCHAM INDUSTRIES, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)
(INFORMATION SUBSEQUENT TO JANUARY 31, 1996 IS UNAUDITED)

financial performance of the companies in this industry not improve, the Company could be exposed to additional credit risk and subjected to declining demand for its leased products.

New Accounting Pronouncements -- The Financial Accounting Standards Board issued FASB 121 entitled "Impairment of Long-Lived Assets". FASB 121, which became effective beginning February 1, 1996, provides that in the event that facts and circumstance indicate that the cost of assets or other assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset would be compared to the assets carrying amount to determine if a writedown to market value or discounted cash flow is required. FASB 121 did not have a material impact on the operating results or financial condition of the Company upon implementation.

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

Unaudited Interim Information -- The accompanying financial information as of October 31, 1996 and for the nine month periods ended October 31, 1995 and 1996 has been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements reflect all adjustments, consisting of normal recurring accruals, which are, in the opinion of management, necessary to fairly present such information in accordance with generally accepted accounting principles.

2. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	JANUARY 31,		OCTOBER 31, 1996
	1995	1996	
Land.....	\$ --	\$ 25,000	\$ 25,000
Building and improvements.....	--	346,000	331,000
Furniture and fixtures.....	80,000	153,000	234,000
Autos and trucks.....	37,000	37,000	86,000
	117,000	561,000	676,000
Less accumulated depreciation.....	(44,000)	(89,000)	(146,000)
	\$ 73,000	\$472,000	\$ 530,000
	=====	=====	=====

3. NOTES PAYABLE TO BANK

The Company has a \$1,000,000 line of credit pursuant to a loan agreement. Borrowings under this line of credit bear interest at the prime rate plus .5% (totaling 9% at January 31, 1996). \$400,000 was outstanding under this line at January 31, 1996. The line of credit is collateralized by accounts receivable, inventory and lease pool equipment.

On January 31, 1996, the Company executed a new line of credit with a bank to replace the aforementioned line of credit. The Company may borrow up to \$1,000,000 under the new line of credit which will bear interest at prime plus .5% (9% at January 31, 1996). Advances under the line of credit will be collateralized by accounts receivable and inventory. Borrowings under the line will be limited to 80% of eligible accounts receivable and 50% of eligible inventory.

MITCHAM INDUSTRIES, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)
(INFORMATION SUBSEQUENT TO JANUARY 31, 1996 IS UNAUDITED)

The Company had a demand note payable to a bank with interest at 1.5% over its base lending rate (total of 11% at January 31, 1995). If no demand is made, the note is due in monthly installments of \$28,475 plus interest, through October 1995. The note is collateralized by lease fleet equipment and assignments of leases. The Company was required to maintain compensating balances with the bank of approximately \$97,000. At January 31, 1995, \$256,000 was outstanding under the note. This note expired during fiscal 1996.

4. LONG-TERM DEBT

Long-term debt consists of the following:

	JANUARY 31,		OCTOBER 31, 1996
	1995	1996	
Note payable to bank, due in monthly installments of \$13,889 plus interest at 1% over its base lending rate (10.5% and 10.75% at January 31, 1995 and 1996), due June 1997, collateralized by lease pool equipment.....	\$ 401,000	\$ 234,000	\$ --
Note payable to bank, due in monthly installments of \$2,803 including interest at 9%, due September 1998, collateralized by land and a building.....	--	274,000	266,000
Note payable to bank, due in monthly installments of \$833 plus interest at its base lending rate plus 1% (9.75% at January 31, 1996), due September 2000, collateralized by land and a building.....	--	48,000	--
Note payable to bank under \$4,206,000 term loan facility, due in monthly installments of \$26,270, including interest at 9.5%, through January 2000, collateralized primarily by lease pool equipment and an assignment of leases.....	--	1,046,000	3,582,000
	401,000	1,602,000	3,848,000
Less current maturities.....	(167,000)	(447,000)	(938,000)
	\$ 234,000	\$1,155,000	\$2,910,000
	=====	=====	=====

Aggregate maturities of long-term debt at January 31, 1996 are as follows:

YEAR ENDING JANUARY 31,

1997.....	\$ 447,000
1998.....	350,000
1999.....	525,000
2000.....	271,000
2001.....	9,000

	\$1,602,000
	=====

The term loan facility includes various financial covenants, the most significant of which require the Company to maintain its tangible net worth at 90% of tangible net worth at October 31, 1995, and to increase quarterly by 50% of net income for each quarter thereafter, maintain a ratio of total liabilities to tangible net worth of not more than 1.25 to 1.0, and to maintain a ratio of cash flow from operations, as defined, to current maturities of long-term debt of not less than 1.25 to 1.0.

MITCHAM INDUSTRIES, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)
(INFORMATION SUBSEQUENT TO JANUARY 31, 1996 IS UNAUDITED)

In January 1997, the Company established a second revolving line of credit of up to \$4.0 million to be used solely for short-term financing of up to 75% of the seismic equipment purchased by the Company under approved lease/purchase contracts (the "Equipment Revolver") and a second term loan of \$1.0 million (the "Second Term Loan") to be used solely for long-term financing of up to 80% of the purchase price of seismic equipment purchased other than seismic equipment related to lease/purchase contracts. Interest on the Equipment Revolver and the Second Term Loan accrues at a floating rate of interest equal to the bank's base rate of interest ("Base Rate") plus 0.5%. Interest on amounts advanced under the Equipment Revolver is payable monthly, and the principal amount is due six months after the date of the initial advance; provided, however, that if the lessee under the lease/purchase contract has not purchased the seismic equipment subject to the lease, and there has been no default (as defined) under the lease, then the Company may extend the maturity date for an additional 18 months (the "Extended Term"). In such event, the principal amount of and interest on the amount advanced under the Equipment Revolver would be payable in ratable monthly installments over the Extended Term. Interest on and the principal amount of the Second Term Loan are payable in ratable monthly installments over a two-year period through and including December 1998.

5. LEASES

The Company leases and subleases seismic equipment to customers under operating leases with non-cancellable terms of one year or less. These leases are generally renewable on a month-to-month basis. All taxes (other than U.S. federal income taxes) and assessments are the contractual responsibility of the lessee. To the extent the foreign taxes are not paid by the lessee, the relevant foreign taxing authorities might seek to collect such taxes from the Company. Under the terms of its lease agreements, any amounts paid by the Company to such foreign taxing authorities may be billed and collected from the lessee. If the Company is unable to collect the foreign taxes it paid on behalf of its lessees, the Company may have foreign tax credits in the amounts paid which could be applied against its U.S. income tax liability subject to certain limitations. The Company is not aware of any foreign tax obligations as of October 31, 1996.

The Company leases seismic equipment from others under month-to-month operating leases. Lease expense incurred by the Company in connection with such leases amounted to \$896,000, \$245,000 and \$251,000 for the years ended January 31, 1994, 1995 and 1996, respectively and \$222,000 and \$111,000 for the nine months ended October 31, 1995 and 1996, respectively.

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

	JANUARY 31,		OCTOBER 31,
	1995	1996	1996
Remote signal conditioners (channel boxes) and other equipment.....	\$5,395,000	\$ 9,580,000	\$18,589,000
Less: accumulated depreciation.....	(416,000)	(1,465,000)	(3,342,000)
	\$4,979,000	\$ 8,115,000	\$15,247,000
	=====	=====	=====

MITCHAM INDUSTRIES, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)
(INFORMATION SUBSEQUENT TO JANUARY 31, 1996 IS UNAUDITED)

6. INCOME TAXES

The components of income tax expense are as follows:

	YEAR ENDED JANUARY 31,		
	1994	1995	1996
Current:			
Federal.....	\$ 301,000	\$ 71,000	\$ 698,000
State.....	10,000	3,000	(24,000)
	311,000	74,000	674,000
Deferred.....	94,000	467,000	284,000
	\$ 405,000	\$ 541,000	\$ 958,000
	=====	=====	=====

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

	JANUARY 31,	
	1995	1996
Deferred Tax asset -- allowance for doubtful accounts.....	\$ 31,000	\$ 123,000
Deferred tax liabilities:		
Conversion from accrual to cash method of accounting.....	(536,000)	(667,000)
Depreciation.....	(106,000)	(351,000)
Deferred tax liability, net.....	\$(611,000)	\$(895,000)
	=====	=====

Beginning in fiscal 1998, the Company will no longer be eligible to report on the cash basis of accounting for federal income tax reporting purposes.

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

	YEAR ENDED JANUARY 31,		
	1994	1995	1996
Federal income tax expense at 34%.....	\$ 377,000	\$ 524,000	\$ 913,000
State income taxes and nondeductible expenses.....	29,000	17,000	45,000
Other, net.....	(1,000)	--	--
	\$ 405,000	\$ 541,000	\$ 958,000
	=====	=====	=====

7. RELATED PARTY TRANSACTIONS

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

	YEAR ENDED JANUARY 31,		
	1994	1995	1996
Office and warehouse rent expense.....	\$ 48,000	\$48,000	\$ 32,000
Equipment lease expense and purchases.....	\$270,000	\$11,000	\$ 28,000
Seismic equipment sales.....	\$ 8,000	\$ --	\$ --
Purchase of office and warehouse.....	\$ --	\$ --	\$325,000
	=====	=====	=====

MITCHAM INDUSTRIES, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)
(INFORMATION SUBSEQUENT TO JANUARY 31, 1996 IS UNAUDITED)

See Note 11 for discussion of the employment agreement with the Company's President.

In September 1994, the Company entered into an equipment lease whereby the lessors acquired \$250,000 of channel boxes from the Company and leased them back to the Company. In October 1994, the Company exercised its right to purchase the equipment for \$250,000. The Company's legal counsel was one of the lessors in this transaction and provided \$50,000 of the consideration for the acquisition of the equipment by the lessors.

8. EXPORT SALES AND MAJOR CUSTOMERS

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

	YEAR ENDED JANUARY 31,		
	1994	1995	1996
Canada.....	\$ 876,000	\$ 346,000	\$1,022,000
Columbia.....	--	--	949,000
China.....	--	885,000	943,000
Europe.....	293,000	339,000	699,000
Other.....	240,000	222,000	213,000
Totals.....	<u>\$1,409,000</u>	<u>\$1,792,000</u>	<u>\$3,826,000</u>

One customer represented 36%, 16% and 18% of the Company's total revenues for the years ended January 31, 1994, 1995 and 1996, respectively. No other customer exceeded 10% of revenues for fiscal 1994, 1995 and 1996.

9. CONCENTRATIONS OF CREDIT RISK

As of January 31, 1995 and 1996, and October 31, 1996, amounts due from customers which exceeded 10 percent of accounts receivable, amounted to an aggregate of \$1,298,000 (four customers) \$1,138,000 (three customers) and \$1,663,000 (three customers), respectively.

One of the Company's significant customers filed for bankruptcy protection during December 1996. Revenues derived from this customer amount to 18.5% of total revenues for the eleven-month period ended December 31, 1996. As of that date, amounts due from this customer totalled approximately \$1.0 million. During December 1996, the Company increased its allowance for trade accounts receivable from \$615,000 at October 31, 1996 to \$1.5 million at December 31, 1996, which amount was intended to fully reserve all amounts due from this customer and provide for any potential loss associated with the Company's remaining trade accounts receivable.

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

10. STOCKHOLDERS' EQUITY

The Company has 1,000,000 shares of preferred stock authorized, none of which are outstanding as of October 31, 1996. The preferred stock may be issued in multiple series with various terms, as authorized by the Company's Board of Directors. The Company has 20,000,000 shares of common stock authorized, of which 4,378,650 are issued and outstanding as of October 31, 1996. In connection with the Company's initial public offering, 1,790,000 shares of the Company's common stock were issued during fiscal 1995. Proceeds of the offering amounted to \$4,185,000, net of offering costs of \$1,283,000. Warrants to acquire 895,000 shares of

MITCHAM INDUSTRIES, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)
(INFORMATION SUBSEQUENT TO JANUARY 31, 1996 IS UNAUDITED)

the Company's commons stock at \$3.50 per share were issued in connection with this offering. 892,750 of these warrants had been exercised as of October 31, 1996.

The Company issued warrants to various stockholders during fiscal 1995 to acquire 49,500 shares of the Company's common stock at \$5.00 per share. The number of shares and exercise price of the warrants was increased to 63,953 and \$3.87, respectively, during fiscal 1996 as a result of the anti-dilution provisions of the warrants.

In connection with bridge financing during 1994, the Company issued warrants to the bridge note holders to purchase 200,000 shares of its common stock for \$3.75 per share. The exercise price of the warrants was later decreased to \$3.50 per share in connection with the Company's sale and leaseback of channel boxes and subsequent exercise of an option to purchase such channel boxes. The warrants were exercisable beginning December 29, 1994, and unless exercised, automatically expire five years from the date of their issuance. All these warrants have been exercised as of October 31, 1996.

The Company issued warrants to acquire 35,000 shares of its common stock to a public relations firm engaged by the Company. The warrants are exercisable at \$3.50 per share and are unexercised at October 31, 1996.

Warrants to acquire 85,000 units (consisting of two shares of common stock and one warrant to purchase one share of common stock at \$4.20 per share) at \$7.97 per unit were issued to underwriters in connection with the Company's initial public offering. The securities underlying these warrants, as well as the common stock underlying currently outstanding options and warrants, are subject to certain demand and piggy-back registration rights. As of October 31, 1996, 68,000 of these warrants had been exercised.

11. COMMITMENTS AND CONTINGENCIES

Equipment purchases:

On February 22, 1994, the Company executed an agreement with Input/Output, Inc. (I/O) under which I/O will notify the Company of any inquiries it receives to lease I/O's remote signal conditioners in North and South America and will allow the Company the opportunity to provide such leasing. In the event the Company and a prospective customer are unable to reach agreement on such leases in a 72-hour period, I/O shall have the right to offer the equipment for lease to the prospective customer. The agreement, which expired December 1996, was contingent upon the Company purchasing a minimum of \$10,000,000 of I/O remote signal conditioners as follows: \$1,000,000 on or before June 30, 1994; \$2,500,000 on or before August 31, 1994; an additional \$2,500,000 through February 22, 1996; and a further \$4,000,000 through December 31, 1996. In the event the Company had not made the required amount of purchases, it would have lost its exclusivity as recipient of lease requests for I/O channel boxes.

Effective June 1, 1996, the Company entered into an agreement with I/O to amend the terms of and extend the Exclusive Lease Referral Agreement through May 31, 2000. Under the I/O Agreement as amended, the Company must purchase an aggregate of \$13.25 million of I/O equipment as follows: \$3.0 million of I/O equipment between June 1 and November 30, 1996, (the "Renewal Purchase") with a minimum of \$1.5 million to be purchased by August 31, 1996. Thereafter, from January 1, 1997 through May 31, 1997, the Company must purchase at least an aggregate of \$1.25 million of I/O equipment. In each of the years from June 1, 1997 through May 31, 1998, June 1 through May 31, 1999 and June 1, 1999 through May 31, 2000, the Company must purchase at least an aggregate of \$3.0 million of I/O equipment (or an aggregate additional \$10.25 million after the \$3.0 million Renewal purchase is made). As of October 31, 1996, the Company believes it has fulfilled the terms of the agreement, including the minimum purchase commitments.

MITCHAM INDUSTRIES, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)
(INFORMATION SUBSEQUENT TO JANUARY 31, 1996 IS UNAUDITED)

In September 1996, the Company entered into two agreements with SERCEL, S.A. ("SERCEL") a designer and manufacturer of land/shallow water seismic data acquisition systems and related equipment. One agreement, the Exclusive Equipment Lease Agreement provides that until December 31, 1999, the Company will be SERCEL's short-term leasing agency throughout the world and that SERCEL will refer to the Company all requests it receives from its customers to lease its 3-D data acquisition equipment and other field equipment; and the Company will acquire up to \$10.2 million of SERCEL's 3-D data acquisition equipment and other field equipment from SERCEL at favorable prices, \$800,000 of which will consist of SERCEL's existing lease pool of primarily 3-D channel boxes. The second agreement, the Commercial Representation Agreement, provides that until September 19, 1999, the Company will be SERCEL's exclusive sales agent in Canada. In connection with entering into this agreement, the Company established an office in Calgary, Alberta, Canada in November 1996. As of October 31, 1996, the Company believes it has fulfilled the terms of the agreement, including the minimum purchase commitments.

Employment Agreement

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

Consulting agreement:

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

12. STOCK OPTION PLANS

The Company has a stock option plan under which options to purchase a maximum of 300,000 shares of common stock may be issued to officers, employee directors, key employees and consultants of the Company. The stock option plan provides both for the grant of options intended to qualify as "incentive stock options" under the Internal Revenue Code of 1986, as amended (the Code), as well as options that do not so qualify.

With respect to incentive stock options, no option may be granted more than ten years after the effective date of the stock option plan or exercised more than ten years after the date of grant (five years if the optionee owns more than 10% of the common stock of the Company). Additionally, with regard to incentive stock options, the exercise price of the option may not be less than 100% of the fair market value of the common stock at the date of grant (110% if the optionee owns more than 10% of the common stock of the Company). Subject to certain limited exceptions, options may not be exercised unless, at the time of exercise, the optionee

MITCHAM INDUSTRIES, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)
(INFORMATION SUBSEQUENT TO JANUARY 31, 1996 IS UNAUDITED)

is in the service of the Company. As of October 31, 1996, options to purchase an aggregate of 285,750 shares of common stock are issued and outstanding under the Stock Option Plan, 183,250 of which are exercisable at a price of \$5.00 per share, 62,000 of which are exercisable at \$3.29 per share, 39,500 of which are exercisable at \$5.75 and 1,000 of which are exercisable at \$6.00 per share.

The Company has a non-employee director stock option plan (the Director Plan) which provides for the grant of options that do not qualify as "incentive stock options" under the Code. Options granted under the Director Plan are to have an exercise price at least equal to the fair market value of the Company's common stock on the date of grant. Pursuant to the Director Plan, options to purchase 1,000 shares of common stock are granted to each non-employee director upon his election to the Board and every year thereafter so long as he is re-elected to the Board of Directors. Options granted under the Director Plan are fully vested one year after their grant and expire ten years after the date of the grant. As of October 31, 1996, 8,000 options have been granted under this Plan.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

14. SECONDARY PUBLIC OFFERING

The Company is preparing to register with the Securities and Exchange Commission 2,500,000 shares of its common stock. The Company has granted an option to the underwriters to purchase up to 375,000 shares on the same terms to satisfy over-allotments in the sale of the 2,500,000 shares.

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

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 LOGO

3,000,000 SHARES

COMMON STOCK

 PROSPECTUS

RODMAN & RENSHAW, INC.

SIMMONS & COMPANY
 INTERNATIONAL
 , 1997

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

Expenses payable in connection with the issuance and distribution of the securities to be registered, other than underwriting discounts and commissions, are estimated as follows:

Securities and Exchange Commission filing fee.....	\$ 9,505
Nasdaq filing fee.....	3,650
Printing expenses.....	75,000
Legal fees and expenses.....	80,000
Accounting fees and expenses.....	25,000
Blue Sky fees and expenses.....	5,000
Transfer Agent fees.....	3,500
Miscellaneous expenses.....	23,345

TOTAL.....	\$225,000
	=====

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Article Nine of the Company's Amended and Restated Articles of Incorporation (the "Articles") eliminates or limits the personal liability of directors for damages for an act or omission in the director's capacity as a director, except for (i) a breach of a director's duty of loyalty to the Company or its shareholders; (ii) an act or omission not in good faith that constitutes a breach of duty of the director to the Company or that involves intentional misconduct or a knowing violation of the law; (iii) a transaction from which a director received an improper benefit, whether or not the benefit resulted from an action taken within the scope of the directors' office; or (iv) an act or omission for which the liability of a director is expressly provided for by an applicable statute.

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

Article 2.02-1 of the TBCA provides as follows:

A. In this article:

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

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

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

(4) "Official capacity" means

- (a) when used with respect to a director, the office of director in the corporation, and
- (b) when used with respect to a person other than a director, the elective or appointive office in the corporation held by the officer or the employment or agency relationship undertaken by the employee or agent in behalf of the corporation, but
- (c) in both Paragraphs (a) and (b) does not include service for any other foreign or domestic corporation or any partnership, joint venture, sole proprietorship, trust, employee benefit plan, or other enterprise.

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

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

- (1) conducted himself in good faith;
- (2) reasonably believed:

- (a) in the case of conduct in his official capacity as a director of the corporation, that his conduct was in the corporation's best interests; and
- (b) in all other cases, that his conduct was at least not opposed to the corporation's best interests; and

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

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

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

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

E. A person may be indemnified under Section B of this article against judgments, penalties (including excise and similar taxes), fines, settlements, and reasonable expenses actually incurred by the person in connection with the proceeding; but if the person is found liable to the corporation or is found liable on the basis that personal benefit was improperly received by the person, the indemnification (1) is limited to reasonable expenses actually incurred by the person in connection with the proceeding and (2) shall not be made in respect of any proceeding in which the person shall have been found liable for willful or intentional misconduct in the performance of his duty to the corporation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

During the past three years, the Company had made the following sales of unregistered securities, all of which sales were exempt from the negotiation requirements of the Securities Act pursuant to Section 4(2) thereof:

In connection with the Company's bridge financing consummated in June 1994, the Company issued to the following investors a promissory note in the original principal amount of \$500,000 (in which the investors have undivided interests therein as indicated below) and for an aggregate consideration of \$200, Bridge Warrants to purchase an aggregate of 200,000 shares of Common Stock for \$3.50 per share:

NAME OF INVESTOR -----	INTEREST IN THE NOTE -----	BRIDGE WARRANTS -----	PURCHASE PRICE -----
Heptagon Investments Limited.....	80%	160,000	\$160
Carl L. Norton.....	20%	40,000	\$ 40

On March 19, 1996, the Company issued 4,900 shares of Common Stock to Norton, Jacobs, Kuhn & McTopy, L.L.P. for services rendered in connection with the Company obtaining a \$1,000,000 revolving line of credit and a \$4,200,000 term loan from Bank One, Texas, N.A. and Bank One Leasing Corporation, respectively.

On August 22, 1996, the Company issued warrants to purchase 40,000 and 10,000 shares of Common Stock for \$6.43 per share (110% of the average closing price of a share of Common Stock for the 20 trading days preceding their issuance) to Norton Family Trust (the "Trust") and Sabrina A. McTopy ("McTopy"), respectively. Such warrants were acquired by the Trust and McTopy for \$40.00 and \$10.00, respectively. The warrants are exercisable at any time after their issuance through August 22, 2000.

On December 13, 1996, the Company issued warrants to purchase 40,000 and 10,000 shares of Common Stock for \$9.28 per share (110% of the average closing price of a share of Common Stock for the 20 trading days preceding their issuance) to the Trust and McTopy, respectively. Such warrants were acquired by the Trust and McTopy for \$40.00 and \$10.00, respectively. The warrants are exercisable at any time after December 14, 1997 through December 12, 2001.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits

EXHIBIT NO. -----	DESCRIPTION -----
1**	-- Form of Underwriting Agreement
3.1	-- Amended and Restated Articles of Incorporation of Mitcham Industries, Inc. (1) (Exhibit 3.1)
3.2	-- Amended and Restated Bylaws of Mitcham Industries, Inc. (1) (Exhibit 3.2)
4.1	-- Copy of specimen stock certificate evidencing Common Stock of Mitcham Industries, Inc. (2) (Exhibit 4.1)
5**	-- Opinion of Norton, Jacobs, Kuhn & McTopy, L.L.P. as to the legality of the securities being registered
9	-- Voting Agreement, dated September 20, 1993, between the Company, Billy F. Mitcham, Jr. and certain shareholders (1) (Exhibit 9)
10.1	-- Exclusive Lease Referral Agreement, dated February 22, 1994, between Mitcham Industries, Inc. and Input/Output, Inc., as amended (3) (Exhibit 10.1)
10.2+	-- Fifth Amendment to Exclusive Lease Referral Agreement with Input/Output, dated January 9, 1997
10.3	-- Registration Rights Agreement, dated September 20, 1993, between the Company and certain shareholders (1) (Exhibit 10.14)
10.4+	-- Employment Agreement, dated January 15, 1997, between the Company and Billy F. Mitcham, Jr.
10.5	-- Consulting Agreement, dated April 1, 1994, between the Company and Billy F. Mitcham, Sr. (1) (Exhibit 10.16)
10.6+	-- First Amendment to Consulting Agreement, dated January 15, 1997, between the Company and Billy F. Mitcham, Jr.
10.7	-- Promissory Note, dated September 22, 1995, in the original principal amount of \$276,250, made payable by the Company to the order of First National Bank of Huntsville (4) (Exhibit 10.26)
10.8	-- Deed of Trust, dated September 22, 1995, securing the \$276,250 loan (4) (Exhibit 10.27)
10.9	-- Promissory Note, dated January 31, 1996, in the original principal amount of \$1,000,000 made payable by the Company to the order of Bank One, Texas, National Association ("Bank One") (5) (Exhibit 10.8)
10.10	-- Promissory Note, dated January 31, 1996, in the original principal amount of \$4,206,000, made payable by the Company to the order of Banc One Leasing Corporation ("Banc One Leasing") (5) (Exhibit 10.9)
10.11	-- Letter Loan Agreement, dated January 31, 1996, as amended, between the Company, Bank One and Banc One Leasing Corporation (5) (Exhibit 10.10)
10.12	-- Assignment of Leases, dated January 31, 1996, between the Company, Bank One and Banc One Leasing (5) (Exhibit 10.11)
10.13	-- Security Agreement, dated January 31, 1996, between the Company, Bank One, and Banc One Leasing (5) (Exhibit 10.12)
10.14	-- Exclusive Lease Referral Agreement, dated May 14, 1996, between the Company and Pelton Company, Inc. (6) (Exhibit 10.1)
10.15	-- Exclusive Equipment Lease Agreement, effective September 20, 1996, between the Company and SERCEL, S.A. (6) (Exhibit 10.2)

EXHIBIT NO. -----	DESCRIPTION -----
10.16	-- Commercial Representation Agreement, effective September 20, 1996, between Mitcham Canada LTD., an Alberta corporation, and Georex, Inc. (6) (Exhibit 10.3)
10.17+	-- First Amendment of Exclusive Lease Referral Agreement, dated January , 1997, between the Company and Pelton
10.18	-- 1994 Stock Option Plan of Mitcham Industries, Inc. (2) (Exhibit 10.9)
10.19	-- Form of Incentive Stock Option Agreement (2) (Exhibit 10.10)
10.20	-- Form of Nonqualified Stock Option Agreement (2) (Exhibit 10.11)
10.21	-- 1994 Non-Employee Director Stock Option Plan of Mitcham Industries, Inc. (2) (Exhibit 10.12)
10.22	-- Form of Nonqualified Stock Option Agreement (2) (Exhibit 10.13)
10.23	-- Form of Mitcham Industries, Inc. customer lease agreement (1) (Exhibit 10.20)
10.24*	-- Letter Loan Agreement, dated January 16, 1997, between the Company and Bank One
10.25*	-- Assignment of Leases, dated January 16, 1997, between the Company and Bank One
10.26*	-- Security Agreement, dated January 16, 1997, between the Company and Bank One
10.27*	-- Promissory Note, dated January 16, 1997, made payable by the Company to the order of Bank One in the original principal amount of \$1,000,000
10.28*	-- First Amendment to Letter Loan Agreement, dated January 16, 1997, among the Company, Bank One and Bank One Leasing
21	-- Subsidiaries of the Company (6) (Exhibit 11)
23.1*	-- Consent of Hein + Associates LLP
23.2**	-- Consent of Norton, Jacobs, Kuhn & McTopy, L.L.P. (included in Exhibit 5).

* Filed herewith.

** To be filed by amendment.

+ Previously filed.

- (1) Incorporated by reference to the indicated exhibit number of the Registrant's Registration Statement on Form SB-2 (File No. 33-81164-D), filed with the SEC on July 5, 1994.
 - (2) Incorporated by reference to the indicated exhibit number of the Registrant's Amendment No. 2 to the Registration Statement on Form SB-2, filed with the SEC on November 9, 1994.
 - (3) Incorporated by reference to the indicated exhibit number of the Registrant's Amendment No. 3 to the Registration Statement on Form SB-2, filed with the SEC on December 12, 1994.
 - (4) Incorporated by reference to the indicated exhibit number of the Registrant's Post-Effective Amendment No. 2 to its Registration Statement on Form SB-2, filed with the SEC on October 30, 1995.
 - (5) Incorporated by reference to the indicated exhibit number of the Registrant's Post-Effective Amendment No. 4 to its Registration Statement on Form SB-2, filed with the SEC on April 17, 1996.
 - (6) Incorporated by reference to the indicated exhibit number of the Registrant's Registration Statement on Form S-3 (File No. 333-10555), filed with the SEC on October 30, 1996.
- (b) Financial Statement Schedules

SCHEDULE

DESCRIPTION

Schedule II, including Independent Auditor's Report on Financial Statement Schedule	Statement of Valuation and Qualifying Accounts
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ITEM 17. UNDERTAKINGS.

The undersigned Registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser. In addition, the undersigned Registrant hereby undertakes:

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

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

(ii) To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement;

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

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

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

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

(d) The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

In accordance with the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements of filing on Form S-1 and has duly authorized this Amendment No. 1 to be signed on its behalf by the undersigned, thereto duly authorized in the City of Huntsville, State of Texas, on January 31, 1997.

MITCHAM INDUSTRIES, INC.

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

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

In accordance with the requirements of the Securities Act of 1933, as amended, this Amendment No. 1 has been signed by the following persons in the capacities indicated on January 31, 1997.

SIGNATURE

TITLE/CAPACITY

/s/ BILLY F. MITCHAM, JR.

Chairman of the Board, President and Chief Executive
 Officer

 Billy F. Mitcham, Jr.

/s/ PAUL C. MITCHAM*

Vice President -- Operations and Director

 Paul C. Mitcham

/s/ ROBERTO RIOS

Vice President -- Finance, Secretary, Secretary,
 Treasurer and Director

 Roberto Rios

/s/ WILLIAM J. SHEPPARD*

Vice President -- International Operations and
 Director

 William J. Sheppard

/s/ JOHN F. SCHWALBE*

Director

 John F. Schwalbe

/s/ BILLY F. MITCHAM, JR.

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

INDEPENDENT AUDITOR'S REPORT
ON FINANCIAL STATEMENT SCHEDULE

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

We have audited in accordance with generally accepted auditing standards, the financial statements of Mitcham Industries, Inc. included in this Registration Statement and have issued our report thereon dated February 23, 1996. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The financial statement schedule listed in Item 16(b) herein (Schedule II -- Valuation and Qualifying Accounts) is the responsibility of the Company's management and is presented for purpose of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. The financial statement schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respect with the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ HEIN + ASSOCIATES LLP

HEIN + ASSOCIATES LLP
Certified Public Accountants

Houston, Texas
February 23, 1996

SCHEDULE II

MITCHAM INDUSTRIES, INC.

VALUATION AND QUALIFYING ACCOUNTS

COL. A	COL. B	COL. C(1)	COL. D	COL. E
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO COSTS AND EXPENSES	DEDUCTIONS - DESCRIBE	BALANCE AT END OF PERIOD
January 31, 1994				
Allowance for doubtful accounts.....	\$58,000	\$ 38,000	3,000(A)	\$ 93,000
January 31, 1995				
Allowance for doubtful accounts.....	\$93,000	\$ 35,000	\$ 38,000(A)	\$ 90,000
January 31, 1996				
Allowance for doubtful accounts.....	\$90,000	\$627,000	\$370,000(A)	\$347,000

(A) Represents recoveries and uncollectible accounts written off.

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

EXHIBIT INDEX

EXHIBIT NO. -----	DESCRIPTION -----
	1** -- Form of Underwriting Agreement
3.1	-- Amended and Restated Articles of Incorporation of Mitcham Industries, Inc. (1) (Exhibit 3.1)
3.2	-- Amended and Restated Bylaws of Mitcham Industries, Inc. (1) (Exhibit 3.2)
4.1	-- Copy of specimen stock certificate evidencing Common Stock of Mitcham Industries, Inc. (2) (Exhibit 4.1)
5**	-- Opinion of Norton, Jacobs, Kuhn & McTopy, L.L.P. as to the legality of the securities being registered
9	-- Voting Agreement, dated September 20, 1993, between the Company, Billy F. Mitcham, Jr. and certain shareholders (1) (Exhibit 9)
10.1	-- Exclusive Lease Referral Agreement, dated February 22, 1994, between Mitcham Industries, Inc. and Input/Output, Inc., as amended (3) (Exhibit 10.1)
10.2+	-- Fifth Amendment to Exclusive Lease Referral Agreement with Input/Output, dated January 9, 1997
10.3	-- Registration Rights Agreement, dated September 20, 1993, between the Company and certain shareholders (1) (Exhibit 10.14)
10.4+	-- Employment Agreement, dated January 15, 1997, between the Company and Billy F. Mitcham, Jr.
10.5	-- Consulting Agreement, dated April 1, 1994, between the Company and Billy F. Mitcham, Sr. (1) (Exhibit 10.16)
10.6+	-- First Amendment to Consulting Agreement, dated January 15, 1997, between the Company and Billy F. Mitcham, Jr.
10.7	-- Promissory Note, dated September 22, 1995, in the original principal amount of \$276,250, made payable by the Company to the order of First National Bank of Huntsville (4) (Exhibit 10.26)
10.8	-- Deed of Trust, dated September 22, 1995, securing the \$276,250 loan (4) (Exhibit 10.27)
10.9	-- Promissory Note, dated January 31, 1996, in the original principal amount of \$1,000,000 made payable by the Company to the order of Bank One, Texas, National Association ("Bank One") (5) (Exhibit 10.8)
10.10	-- Promissory Note, dated January 31, 1996, in the original principal amount of \$4,206,000, made payable by the Company to the order of Banc One Leasing Corporation ("Banc One Leasing") (5) (Exhibit 10.9)
10.11	-- Letter Loan Agreement, dated January 31, 1996, as amended, between the Company, Bank One and Banc One Leasing Corporation (5) (Exhibit 10.10)
10.12	-- Assignment of Leases, dated January 31, 1996, between the Company, Bank One and Banc One Leasing (5) (Exhibit 10.11)
10.13	-- Security Agreement, dated January 31, 1996, between the Company, Bank One, and Banc One Leasing (5) (Exhibit 10.12)
10.14	-- Exclusive Lease Referral Agreement, dated May 14, 1996, between the Company and Pelton Company, Inc. (6) (Exhibit 10.1)
10.15	-- Exclusive Equipment Lease Agreement, effective September 20, 1996, between the Company and SERCEL, S.A. (6) (Exhibit 10.2)

EXHIBIT NO. -----	DESCRIPTION -----
10.16	-- Commercial Representation Agreement, effective September 20, 1996, between Mitcham Canada LTD., an Alberta corporation, and Georex, Inc. (6) (Exhibit 10.3)
10.17+	-- First Amendment of Exclusive Lease Referral Agreement, dated January , 1997, between the Company and Pelton
10.18	-- 1994 Stock Option Plan of Mitcham Industries, Inc. (2) (Exhibit 10.9)
10.19	-- Form of Incentive Stock Option Agreement (2) (Exhibit 10.10)
10.20	-- Form of Nonqualified Stock Option Agreement (2) (Exhibit 10.11)
10.21	-- 1994 Non-Employee Director Stock Option Plan of Mitcham Industries, Inc. (2) (Exhibit 10.12)
10.22	-- Form of Nonqualified Stock Option Agreement (2) (Exhibit 10.13)
10.23	-- Form of Mitcham Industries, Inc. customer lease agreement (1) (Exhibit 10.20)
10.24*	-- Letter Loan Agreement, dated January 16, 1997, between the Company and Bank One
10.25*	-- Assignment of Leases, dated January 16, 1997, between the Company and Bank One
10.26*	-- Security Agreement, dated January 16, 1997, between the Company and Bank One
10.27*	-- Promissory Note, dated January 16, 1997, made payable by the Company to the order of Bank One in the original principal amount of \$1,000,000
10.28*	-- First Amendment to Letter Loan Agreement, dated January 16, 1997, among the Company, Bank One and Bank One Leasing
21	-- Subsidiaries of the Company (6) (Exhibit 11)
23.1*	-- Consent of Hein + Associates LLP
23.2**	-- Consent of Norton, Jacobs, Kuhn & McTopy, L.L.P. (included in Exhibit 5).

* Filed herewith.

** To be filed by amendment.

+ Previously filed.

- (1) Incorporated by reference to the indicated exhibit number of the Registrant's Registration Statement on Form SB-2 (File No. 33-81164-D), filed with the SEC on July 5, 1994.
- (2) Incorporated by reference to the indicated exhibit number of the Registrant's Amendment No. 2 to the Registration Statement on Form SB-2, filed with the SEC on November 9, 1994.
- (3) Incorporated by reference to the indicated exhibit number of the Registrant's Amendment No. 3 to the Registration Statement on Form SB-2, filed with the SEC on December 12, 1994.
- (4) Incorporated by reference to the indicated exhibit number of the Registrant's Post-Effective Amendment No. 2 to its Registration Statement on Form SB-2, filed with the SEC on October 30, 1995.
- (5) Incorporated by reference to the indicated exhibit number of the Registrant's Post-Effective Amendment No. 4 to its Registration Statement on Form SB-2, filed with the SEC on April 17, 1996.
- (6) Incorporated by reference to the indicated exhibit number of the Registrant's Registration Statement on Form S-3 (File No. 333-10555), filed with the SEC on October 30, 1996.

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

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LETTER LOAN AGREEMENT

January 16, 1997

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

Attn: Billy F. Mitcham, Jr., President

Ladies and Gentlemen:

This Letter Loan Agreement (the "Loan Agreement") will serve to set forth the terms of the financing transactions by and between Mitcham Industries, Inc., a Texas corporation ("Borrower") and Bank One, Texas, N.A. ("Bank"):

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

1.(a) Revolving Line of Credit. Subject to the terms and conditions set forth herein, Bank agrees to lend to Borrower, on a revolving basis from time to time during the period commencing on the date hereof and continuing through and including 11:00 a.m. on January _____, 1998 (the "Commitment Termination Date"), such amounts as Borrower may request hereunder (the "Revolving Line of Credit"); provided, however, the total principal amount outstanding at any time shall not exceed \$4,000,000.00 (the "Committed Sum"). Subject to the terms and conditions hereof, Borrower may borrow, repay and reborrow hereunder. Each advance under the Revolving Line of Credit (each, a "Traunch") shall be made pursuant to an Advance Note (as hereinafter described). The sums advanced under each Traunch shall be used solely for short term financing of up to 75% of the purchase price of equipment for Borrower's placement for lease and sale under lease/purchase

contracts approved by Bank, after Bank review. Borrower may not use all or any part of each Tranche to pay interest or principal on an existing Tranche or any other indebtedness. Borrower shall give Bank not less than two (2) business days' prior written notice of each requested advance hereunder, which written notice shall (i) specify the aggregate amount of such requested advance, (ii) specify the requested date of such advance, (iii) contain a listing of the equipment to be purchased under such advance, and (iv) have attached thereto a copy of the proposed lease/purchase contract covering such equipment and which shall contain (i) the lessee's name and address, (ii) the destination of such equipment as either inside or outside the continental United States and Canada, and (iii) all other material provisions, with such advances to be requested in a form satisfactory to Bank.

1.(b) Term Loan Facility. Subject to the terms and conditions set forth herein, Bank agrees to lend to Borrower an amount equal to \$1,000,000.00 (the "Term Loan"). The Term Loan will be an amortizing loan in the principal amount advanced with a two (2) year amortization schedule. All sums advanced hereunder, together with all accrued but unpaid interest thereon, shall be due and payable in full on December 31, 1998. The sums advanced under the Term Loan shall be used solely for long term financing of up to 80% of the purchase price of equipment not related to approved lease/purchase contracts.

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

2. Promissory Notes. The Loan shall be evidenced by promissory notes (herein collectively called, together with any renewals, extensions and increases thereof, the "Notes") as follows:

2.(a) Revolving Line of Credit. Each advance under the Revolving Line of Credit shall be evidenced by a note (an "Advance Note") executed by Borrower and payable to the order of Bank in the form attached hereto as Exhibit "A". All sums advanced under each Advance Note, together with all accrued but unpaid interest thereon, shall be due and payable in full on the Maturity Date or Extended Maturity Date as set forth in the applicable Advance Note.

2.(b) Term Loan. The Term Loan shall be evidenced by that certain Promissory Note, of even date herewith, duly executed by Borrower, in the stated principal amount of \$1,000,000, and in form and substance acceptable to Bank.

Interest on the Notes shall accrue at the rates set forth therein. The principal of and interest on the Notes shall be due and payable in accordance with the terms and conditions set forth in the Notes and in this Loan Agreement.

3. Collateral.

As collateral and security for the Loan and any and all other Indebtedness, Borrower shall grant, and hereby grants to Bank, and its respective successors and assigns, a lien and security interest (which shall be a first and prior lien and security interest therein except as indicated therein), in and to the following described property, together with any and all PRODUCTS and PROCEEDS thereof (the "Collateral"):

(i) All present and future accounts, chattel paper, contract rights, documents, instruments, deposit accounts and general intangibles (including any right to payment for goods sold or leased or services rendered arising out of the sale or delivery of personal property or work done or labor performed by Borrower), now or hereafter owned, held, or acquired by Borrower, together with any and all books of account, customer lists and other records relating in any way to the foregoing (including, without limitation, computer software, whether on tape, disk, card, strip, cartridge or any other form), and in any case where an account arises from the sale or lease of goods or equipment.

(ii) All finished goods, equipment, fixtures and machinery of whatsoever kind and character now or hereafter possessed, held, acquired or owned by Borrower and held for resale, lease or ordinary disposition in the course of Borrower's business, together with all replacements, accessories, additions, substitutions and accessions to all of the foregoing, all records relating in any way to the foregoing (including, without limitation, any computer software, whether on tape, disk, card, strip, cartridge or any other form).

(iii) All of Borrower's right, title and interest in, to and under (a) present or future leases, rental contracts and any other contracts for the use or operation of any equipment owned by Borrower (each a "Lease" collectively, "Leases") for and all rental payments and other monies from time to time payable to or receivable by Borrower under the Leases, including all proceeds thereof, and (b) all of Borrower's rights, powers and remedies under the Leases.

Borrower agrees to execute such security agreements, assignments, deeds of trust and other agreements and documents as Bank shall deem appropriate and otherwise require from time to time to more

fully create and perfect Bank's liens and security interests in the Collateral.

4. Representations and Warranties. Borrower represents and warrants, and, upon each request for an advance under the Revolving Line of Credit and under the Term Loan, further represents and warrants, to Bank as follows:

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

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

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

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

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

adverse effect on the financial condition, properties, or operations of Borrower; and

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

4.(g) There is no fact known to Borrower that Borrower has not disclosed to the Bank in writing which may result in any material adverse change in Borrower's business, properties or operations; and

4.(h) Borrower owns all of the assets reflected on its most recent balance sheet free and clear of all liens, security interests or other encumbrances, except as previously disclosed in writing to the Bank; and

4.(i) No certificate or statement herewith or heretofore delivered by Borrower to the Bank in connection herewith, or in connection with any transaction contemplated hereby, contains any untrue statement of a material fact or fails to state any material fact necessary to keep the statements contained therein from being misleading; and

4.(j) Borrower is in compliance in all material respects with all laws, rules, regulations, orders and decrees which are applicable to Borrower.

5. Conditions Precedent to Advances. The obligations of Bank to make any advance under this Loan Agreement and the other Loan Documents shall be subject to the conditions precedent that, as of the date of such advance and after giving effect thereto (i) all representations and warranties made to Bank by Borrower in this Loan Agreement and the other Loan Documents shall be true and correct, as of and as if made on such date, (ii) no material adverse change in the financial condition of Borrower as of the effective date of the most recent financial statements furnished to Bank by Borrower shall have occurred and be continuing, (iii) no event has occurred and is continuing, or would result from the requested advance, which with notice or lapse of time, or both, would constitute an Event of Default, (iv) Bank has received all Loan Documents appropriately executed by Borrower and all other proper parties, (v) Bank has received a one-time fee equal to \$10,000.00 in consideration for the Revolving Line of Credit, and a one-time fee equal to \$2,500.00 in consideration for the Term Loan Facility, (vi) Bank has received a notice of borrowing with

respect to such requested advance, and (vii) Bank has received that certain First Amendment to Letter Loan Agreement, of even date herewith, appropriately executed by Borrower, which amends that certain Letter Loan Agreement dated January 31, 1996 by and among Borrower, Bank and Banc One Leasing Corporation.

6. Affirmative Covenants. Until (i) the Notes and all other obligations and liabilities of Borrower under this Loan Agreement and the other Loan Documents are fully paid and satisfied, and (ii) Bank has any further commitment to lend hereunder, Borrower agrees and covenants that it will, unless Bank shall otherwise consent in writing:

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

6.(b) Furnish Bank with all financial statements and reports required by this Loan Agreement within the time periods prescribed therein; and

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

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

6.(e) Perform and comply with all terms, conditions, and provisions set forth in this Loan Agreement and in all other instruments and agreements between Borrower and Bank, including without limitation, the other Loan Documents; and

6.(f) Conduct its business in an orderly and efficient manner consistent with good business practices, and perform and comply with all statutes, rules, regulations and/or ordinances imposed by any governmental unit upon Borrower or its businesses, operations and properties (including without limitation, all applicable environmental statutes, rules, regulations and ordinances); and

6.(g) Maintain its Tangible Net Worth at not less than \$11,000,000.00, such Tangible Net Worth to increase quarterly by 50% of Borrower's net income after January 31, 1997. As used herein, "Tangible Net Worth" means, as of any date, the total shareholders' equity (including capital stock, additional paid-in capital and retained earnings after deducting treasury stock) which would appear on a balance sheet of Borrower prepared as of such date in accordance with generally accepted accounting principles, consistently applied, less the aggregate book value of intangible assets shown on such balance sheet, as determined in accordance with generally accepted accounting principles, consistently applied; and

6.(h) Maintain a ratio of total liabilities to Tangible Net Worth of not more than 1.50 to 1.0. As used in this definition, total liabilities shall mean, at a particular date, all amounts which, in accordance with generally accepted accounting principles consistently applied, would be included as liabilities on a balance sheet of the Borrower and Tangible Net Worth shall have the meaning assigned thereto in Subsection 6.(g).

6.(i) Maintain, as of the last day of each calendar quarter, a ratio of (i) net income, plus depreciation, plus interest expense, and other non-cash changes or income for the 12 month period ending with such fiscal quarter, to (ii) current maturities of long-term debt, plus interest expense, plus the current portion of capital lease obligations, plus one-half (1/2) outstandings under the Revolving Line of Credit, for such 12 month period of not less than 1.25 to 1.0.

6.(j) At all times keep all Collateral insured against loss, damage, theft and other risks, in such amounts and with such companies and under such policies and in such term as is customarily maintained by well-insured companies similarly situated and operating like property or assets which policies shall show Bank as loss payee.

6.(k) Maintain insurance, including but not limited to, fire insurance, comprehensive property damage, public liability, and other insurance deemed necessary or otherwise required by Bank; and

6.(l) Promptly cure any defects in the execution and delivery of any of the other Loan Documents and all other instruments executed in connection with this transaction; and

6.(m) Provide Bank with quarterly consolidated financial statements prepared in accordance with generally accepted accounting principles consistently applied within forty-five (45) days of the last day of each calendar quarter;

6.(n) Execute and deliver, or cause to be promptly executed and delivered, any and all other agreements, instruments or documents which Bank may reasonably request in order to give effect to the transactions contemplated under this Loan Agreement and the other Loan Documents including, but not limited to, any and all financing statements required to perfect Bank's security interest in the Collateral; and

6.(o) Permit such persons as Bank may designate to visit its properties and installations and examine its records in order to conduct a collateral audit, so long as Bank has a reasonable basis for the necessity of such audit. Such audit(s) shall be conducted at the expense of Borrower, but shall not exceed the sum of \$4,000.00 per audit.

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

7.(a) Make any material change in the nature of its business as carried on as of the date hereof; or

7.(b) Liquidate, merge or consolidate with or into any other entity; or

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

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

7.(e) Create, incur or assume any indebtedness for borrowed money or issue or assume any other note, debenture, bond or other evidences of indebtedness, or guarantee any such indebtedness or such evidences of indebtedness of others, other than (i) borrowings from Bank, (ii) borrowings outstanding on the date hereof and disclosed in writing to

Bank, and (iii) unsecured debt not to exceed, in the aggregate, \$4,000,000; or

7.(f) Permit the sale or other transfer of any of the ownership interest in Borrower held by Billy F. Mitcham, Jr., which sale or other transfer would reduce the stock ownership interest of Billy F. Mitcham, Jr. to an amount less than Two Million Five Hundred Thousand Dollars (\$2,500,000.00), without prior approval of Bank; or

7.(g) Permit a change in the position of President held by Billy F. Mitcham, Jr., without prior approval of Bank; or

7.(h) Enter into any capital leases except for leases of the Equipment that are disclosed to Bank in writing; or

7.(i) Declare or pay any dividends on any shares of Borrower's capital stock, make any other distributions with respect to any payment on account of the purchase, redemption, or other acquisition or retirement of any shares of Borrower's capital stock, or make any other distribution, sale, transfer or lease of any of Borrower's assets other than in the ordinary course of business, unless any such amounts are directly utilized for the payment of principal or interest on indebtedness and obligations owing from time to time by Borrower to Bank; or

7.(j) Make, or agree to make or allow to remain outstanding, any loans or advances to any person or entity except advances or extensions of credit in the form of accounts receivable incurred in the ordinary course of business; or

7.(k) Pay or cause to be paid any advance rentals for any leased property except those rentals due to Bank, real or personal, utilized by Borrower in the conduct and operation of its business; or

7.(l) Sustain a net loss for any two consecutive calendar quarters as shown by the financial statements required under Section 6.(m), 8(b) and 8(c) hereof; or

7.(m) Cause or permit the removal of greater than fifty percent (50%) of equipment being leased to third parties pursuant to any Lease from the continental United States of America and Canada.

8. Reporting Requirements. Until (i) the Note and all other obligations and liabilities of Borrower under this Loan Agreement and the other Loan Documents are fully paid and satisfied, and (ii)

Bank has no further commitment to lend hereunder Borrower will, unless Bank shall otherwise consent in writing, furnish to Bank;

8.(a) As soon as possible and in any event within thirty (30) days after the occurrence of each Event of Default (under Section 9(b) hereof), as defined herein, or each event which, with the giving of notice or lapse of time or both, would constitute an Event of Default, continuing on the date of such statement, the written statement of the President and/or the Chief Financial Officer of Borrower setting forth the details of such Event of Default or event and the action which Borrower proposes to take with respect thereto;

8.(b) As soon as available, and in any event within forty-five (45) days after the end of each fiscal quarter of Borrower, a balance sheet and income statement of Borrower as of the end of such fiscal quarter, all in form and substance and in reasonable detail satisfactory to Bank and duly certified (subject to normal recurring adjustments) by the President and/or Chief Financial Officer of Borrower (i) as being true and correct in all material aspects to the best of his or her knowledge and (ii) as having been prepared in accordance with generally accepted accounting principles, consistently applied, except that such financial statements will not include footnotes;

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

8.(d) Promptly after the commencement thereof, notice of all actions, suits and proceedings before any court or any governmental department, commission or board affecting Borrower or any of its properties;

8.(e) Promptly inform Bank of (i) any and all material adverse changes in Borrower's financial condition, and (ii) all claims made against Borrower which could materially affect the financial condition of Borrower;

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

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

8.(h) Within forty-five (45) days after the end of each calendar quarter, an equipment utilization report, in form and substance satisfactory to Bank, and as attached hereto as Exhibit "B";

8.(i) Within forty-five (45) days after the end of each calendar quarter, a current aging analysis of Borrower's accounts receivable and accounts payable, in form and substance satisfactory to Bank, and as attached hereto as Exhibit "C";

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

8.(k) Such other information respecting the business, properties or condition or the operations, financial or otherwise, of Borrower as Bank may from time to time reasonably request.

9. Events of Default. Each of the following shall constitute an "Event of Default" under this Loan Agreement:

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

9.(b) The failure of Borrower to timely and properly observe, keep or perform any covenant, agreement, warranty or condition required herein or in any of the other Loan Documents and such failure continues for a period of ten (10) days; or

9.(c) The occurrence of an event of default under any of the other Loan Documents or under any other agreement between Borrower and Bank; or

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

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

9.(f) If Borrower: (i) becomes insolvent, or makes a transfer in fraud of creditors, or makes an assignment for the benefit of creditors, or admits in writing its inability to pay its debts as they become due; (ii) generally is not paying its debts as such debts become due; (iii) has a receiver or custodian appointed for, or take possession of, all or substantially all of the assets of such party, either in a proceeding brought by such party or in a proceeding brought against such party and such appointment is not discharged or such possession is not terminated within thirty (30) days after the effective date thereof or such party consents to or acquiesces in such appointment or possession; (iv) files a petition for relief under the United States Bankruptcy Code or any other present or future federal or state insolvency, bankruptcy or similar laws (all of the foregoing hereinafter collectively called "Applicable Bankruptcy Law") or an involuntary petition for relief is filed against such party under any Applicable Bankruptcy Law and such involuntary petition is not dismissed within thirty (30) days after the filing thereof, or an order for relief naming such party is entered under any Applicable Bankruptcy Law, or any composition, rearrangement, extension, reorganization or other relief of debtors now or hereafter existing is requested or consented to by such party; (v) fails to have discharged within a period of thirty (30) days any attachment, sequestration or similar writ levied upon any property of such party; or (vi) fails to pay within thirty (30) days any final money judgment against such party; or

9.(g) The liquidation, dissolution, merger or consolidation of Borrower; or

9.(h) The entry of any judgment against Borrower or the issuance or entry of any attachment or other lien against any of the property of Borrower for an amount in excess of \$50,000.00, if undischarged, unbonded or undismitted within thirty (30) days after such entry.

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

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

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

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

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

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

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

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

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

18. Entire Agreement. This Loan Agreement (together with the other Loan Documents) contains the entire agreement among the

parties regarding the subject matter hereof and supersedes all prior written and oral agreements and understandings among the parties hereto regarding same.

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

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

Very truly yours,

BANK ONE, TEXAS, N.A.

By: /s/ WALTER F. RODEE

Walter F. Rodee, III, Vice President

Bank's Address:

910 Travis
Houston, Texas 77002
Attn: Walter F. Rodee, III

ACCEPTED as of the date first written above.

BORROWER:

MITCHAM INDUSTRIES, INC.

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

Name: Billy F. Mitcham, Jr.

Title: President

Borrower's Address:

P.O. Box 1175
Huntsville, Texas 77342

EXHIBIT "A"

ADVANCE NOTE

\$ _____, 199 _____

FOR VALUE RECEIVED, the undersigned and if more than one, each of them, jointly and severally (hereinafter referred to as "Borrower"), promises to pay to the order of BANK ONE, TEXAS, N.A. ("Bank") at its offices in Harris County, Texas, at 910 Travis, Houston, Texas 77002, the principal amount of _____ AND ____/100 DOLLARS

(\$ _____) ("Total Principal Amount"), or such amount less than the Total Principal Amount which has been advanced to Borrower if the total amount advanced under this Promissory Note ("Note") is less than the Total Principal Amount, together with interest on such portion of the Total Principal Amount which has been advanced to Borrower from the date advanced until paid at a fluctuating rate per annum which shall from day to day be equal to the lesser of (a) the Maximum Rate (as hereinafter defined), or (b) a rate ("Contract Rate"), calculated on the basis of actual days elapsed but computed as if each year consisted of 365 days, equal to the sum of (i) the Bank One Base Rate of interest ("Base Rate") as established from time to time by Bank (which may not be the lowest, best or most favorable rate of interest which Bank may charge on loans to its customers) plus (ii) one-half of one percent (0.5%), each change in the rate to be charged on this Note to become effective without notice to Borrower on the effective date of each change in the Maximum Rate or the Base Rate, as the case may be; provided, however that if at any time the Contract Rate shall exceed the Maximum Rate, thereby causing the interest on this Note to be limited to the Maximum Rate, then any subsequent reduction in the Base Rate shall not reduce the rate of interest on this Note below the Maximum Rate until the total amount of interest accrued on this Note equals the amount of interest which would have accrued on this Note if the Contract Rate had at all times been in effect.

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

(a) interest only shall be due and payable monthly commencing on the _____ day of _____, 1997 and continuing monthly and regularly thereafter on the _____ day of each and every month thereafter for five (5) months; and

(b) unless this note is extended to the Extended Maturity Date (as defined herein) pursuant to the terms hereof, the outstanding principal balance of this Note,

together with all accrued but unpaid interest, shall be due and payable on the date that is six (6) months from the date hereof (the "Maturity Date"), and which Maturity Date will coincide with the maturity date of the equipment lease/purchase contract attached hereto as Exhibit "A" (the "Contract").

On the Maturity Date, Borrower shall have the right to extend the Maturity Date of this Note for an additional eighteen (18) months (the "Extended Maturity Date") upon the following terms and conditions:

- (a) The lessee under the Contract does not purchase the equipment as of the Maturity Date;
- (b) An Event of Default (as defined in the Loan Agreement) has not occurred; and
- (c) From and after the Maturity Date, the principal of and all accrued but unpaid interest on this Note shall be due and payable as follows:
 - (1) the interest rate will be the Contract Rate;
 - (2) principal and interest at the Contract Rate will be payable in monthly installments sufficient to fully amortize the loan evidenced by the Note over a term of eighteen (18) months, to commence on the same day of the following month after the Maturity Date;
 - (3) the final payment of all outstanding principal and accrued but unpaid interest will be due on the Extended Maturity Date.

All payments of principal and interest hereunder shall be made in lawful money of the United States of America in freely transferable United States Dollars.

"Highest Lawful Rate" shall mean the maximum nonusurious interest rate, if any, that any time or from time to time may be contracted for, taken, reserved, charged or received on this Note under laws applicable to the payee which are presently in effect or, to the extent allowed by applicable law, under such laws which may hereafter be in effect and which allow a higher maximum nonusurious interest rate than applicable laws now allow. Determination of the rate of interest for the purpose of determining whether the Loans represented hereby are usurious under all applicable laws shall be made by amortizing, prorating, allocating, and spreading, in equal parts during the period of the full stated term of the Loans represented hereby, all interest at

any time contracted for, charged, or received from the undersigned in connection with such Loans.

It is the intention of the payee to conform strictly to usury laws applicable to it. Accordingly, if the transactions contemplated hereby or the Loans represented hereby would be usurious as to the payee under laws applicable to it (including the laws of the United States of America and the State of Texas or any other jurisdiction whose laws may be mandatorily applicable to such payee notwithstanding the other provisions of this Note or the Loan Agreement), then, in that event, notwithstanding anything to the contrary in this Note, the Loan Agreement or any other instrument or agreement entered into in connection with this Note, it is agreed as follows: (i) the aggregate of all consideration which constitutes interest under laws applicable to the payee that is contracted for, taken, reserved, charged or received by the payee under this Note, the Loan Agreement or under any of the aforesaid agreements or instruments entered into in connection with this Note or otherwise shall under no circumstances exceed the Highest Lawful Rate, and any excess shall be credited by the payee on the principal amount of this Note (or, if the principal amount of this Note shall have been paid in full, refunded by the payee to the undersigned); and (ii) in the event that the maturity of this Note is accelerated by reason of an election of the holder or holders thereof resulting from any Event of Default under the Loan Agreement or otherwise, or in the event of any required or permitted prepayment, then such consideration that constitutes interest under laws applicable to the payee may never include more than the Highest Lawful Rate, and excess interest, if any, provided for in this Note, the Loan Agreement or otherwise shall be automatically canceled by the payee as of the date of such acceleration or prepayment and, if theretofore paid, shall be credited by the payee on the principal amount of this Note (or if the principal amount of this Note shall have been paid in full, refunded by the payee to the undersigned), and in each case, to the extent permitted by applicable law, the payee shall not be subject to any of the penalties provided by law for contracting for, taking, reserving, charging or receiving interest in excess of the Highest Lawful Rate. Payee hereby elects to determine the applicable rate ceiling under Article 5069-1.04 of the Texas Revised Civil Statutes by the indicated (weekly) rate ceiling from time to time in effect, subject to payee's right subsequently to change such method in accordance with applicable law. Chapter 15 of Article 5069 of the Texas Revised Civil Statutes, which regulates certain revolving credit loan accounts and revolving tri-party accounts, shall not apply to this Note.

This Note is one of the Advance Notes referred to in and is entitled to the benefits of that certain Letter Loan Agreement of even date herewith (as the same may be amended, modified, supplemented, extended, rearranged and/or restated from time to

time, the "Loan Agreement"), entered into by and between the Borrower and Lender. Reference is hereby made to the Loan Agreement for a statement of the prepayment rights and obligations of the Borrower, and for a statement of the terms and conditions under which the due date of this Note may be accelerated. Upon the occurrence of any Event of Default as specified in the Loan Agreement, the principal balance hereof and the interest accrued hereon may be declared to be forthwith due and payable in accordance with the Loan Agreement, and any indebtedness of the holder hereof to the Borrower may be appropriated and applied hereon.

In addition to and not in limitation of the foregoing, the undersigned further agrees, subject only to any limitation imposed by applicable laws, to pay all reasonable expenses, including reasonable attorneys' fees and legal expenses, incurred by the holder of this Note in endeavoring to collect any amounts payable hereunder which are not paid when due, whether by acceleration or otherwise.

All parties hereto, whether as makers, endorsees, or otherwise, severally waive presentment for payment, demand, protest, notice of intent to accelerate, notice of acceleration, notice of dishonor and all other notices whatsoever.

THIS NOTE SHALL BE DEEMED TO BE A CONTRACT MADE UNDER THE LAWS OF THE STATE OF TEXAS AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

MITCHAM INDUSTRIES, INC.

By: _____
Name: _____
Title: _____

EXHIBIT "A"

COPY OF LEASE/PURCHASE CONTRACT

GECO/PRAKLA
CANADA

110 110 220

GECO/PRAKLA
USA

50 50 50 50 50 150
50 50 50 50 50 150

GRANT

40	40	40	120	40	40	40	120
14	14	3	31	5	2	2	9
35	35	35	105	35	35	35	105
50	50	3	103	3	3	3	9
60	60	51	171	51	51	51	153
					15	15	30
						50	50

NORTHERN

90 90 90 270
55 55 55 110

SCHLUMBERGER G.S.

SOLID STATE

2 2

UNION GEOFISICA

20 20 20 60 20 20 20 60
85 85 85 255 85 85 85 170

USA

15 15 30

CGG

TERRA-SCAN

PERFORADATA

JRS EXPLORATION

DAWSON

SCHEDULE TOTAL	491	429	877	1,797	1,118	1,367	1,277	3,762
LEASE POOL TOTAL	867	867	867	2,601	1,452	1,551	1,551	4,554
UTILIZATION	57%	49%	101%	69%	77%	88%	82%	83%

Detailed Aged Trial Balance for Customers [] to [zzzzzz] as of Nov 30 96
 Customers with all control accounts.

Cust Number	Customer Name	Invoice Number	Date	TP	Current	30 - 60 Days	60 - 90 Days	Over 90 Days	Total
A0010	A & M CABLE	4249	Apr 01 95	IN				375.00	
		4673	Dec 29 95	IN				4,000.00	
		4674	Jan 28 96	IN				4,000.00	
		4708	Mar 13 96	IN				4,000.00	
		Customer Totals:			0.00	0.00	0.00	12,375.00	12,375.00
A0022	ALPHA TECH INTER. INC.	5196	Jan 08 97	IN	5,080.00				
		Customer Totals:			5,080.00	0.00	0.00	0.00	5,080.00
A0064	ASSOCIATED INT. TECHNOLOGY	4892	Jul 21 96	IN				81.19	
		Customer Totals:			0.00	0.00	0.00	81.19	81.19
B0105	BISON INSTRUMENTS, INC	5167	Dec 31 96	IN	811.88				
		50277	Oct 07 96	IN		750.00			
		50283	Oct 03 96	IN		6,250.00			
		50340	Oct 29 96	IN		750.00			
		50354	Nov 02 96	IN	4,550.00				
		50419	Nov 28 96	IN	750.00				
		50429	Dec 02 96	IN	4,550.00				
		50519	Jan 01 97	IN	4,550.00				
		Customer Totals:			15,211.88	7,750.00	0.00	0.00	22,961.88
B0109	BURNS & ROE ENTERPRISES, INC.	5169	Dec 31 96	IN	615.00				
		Customer Totals:			615.00	0.00	0.00	0.00	615.00
B0110	BOONE GEOPHYSICAL	4920	Jul 30 96	IN				2,952.24	
		5164	Dec 23 96	IN	5,396.00				
		50298	Oct 14 96	IN		16,237.50			
		50374	Nov 14 96	IN	8,605.87				
		50428	Dec 01 96	IN	25,275.00				
		50471	Dec 14 96	DR	974.25				
		5107A	Dec 23 96	DR	5,100.00				
		Customer Totals:			45,351.12	16,237.50	0.00	2,952.24	64,540.86
B0126	BOLTON, ROBERT C.	4683	Feb 19 96	IN				1,621.05	
		Customer Totals:			0.00	0.00	0.00	1,621.05	1,621.05
C0202	C G G	5100	Nov 21 96	IN	100.00				
		50335	Oct 27 96	IN		24,610.64-			
		50473	Dec 15 96	IN	39,814.35				
		50473	Jan 14 97	CR	39,814.35-				
		Customer Totals:			100.00	24,610.64-	0.00	0.00	24,510.64-
C0206	COCHRANE TECHNOLOGIES, INC.	5117	Dec 12 96	IN	1,500.00				
		5117	Jan 17 97	CA	1,500.00-				
		Customer Totals:			0.00	0.00	0.00	0.00	0.00
C0212	COMPANIA DE INVESTIGACIONES	50393	Nov 22 96	IN	1,180.00				
		Customer Totals:			1,180.00	0.00	0.00	0.00	1,180.00

Detailed Aged Trial Balance for Customers [] to [zzzzzz] as of Nov 30 96
 Customers with all control accounts.

Cust Number	Customer Name	Invoice Number	Date	TP	Current	30 - 60 Days	60 - 90 Days	Over 90 Days	Total
C0214	CHEVRON PETROLEUM	5104	Nov 27 96	IN	500.00				
		5104	Jan 13 97	CA	500.00-				
		Customer Totals:			0.00	0.00	0.00	0.00	0.00
C0216	COLORADO HELICOPTERS, INC.	5133	Dec 09 96	IN	55,280.00				
		5133	Jan 02 97	CA	42,000.00-				
		Customer Totals:			13,280.00	0.00	0.00	0.00	13,280.00
C0217	CHEVRON NIUGINI PTY LTD	5138	Dec 13 96	IN	153,750.00				
		Customer Totals:			153,750.00	0.00	0.00	0.00	153,750.00
C0219	COMPANIA MEXICANA DE GEOFISICA	5010	Oct 07 96	IN		40,000.00			
		5094	Nov 21 96	IN	130.00				
		5126	Dec 16 96	CR	1,001.00-				
		5144	Dec 19 96	IN	140.00				
		5144	Jan 17 97	CA	140.00-				
		50416	Nov 27 96	IN	1,100.00				
		Customer Totals:			229.00	40,000.00	0.00	0.00	40,229.00
C0222	COMPANIA MEXICAN DE EXPLOR	5126	Dec 16 96	IN	79,289.01				
		Customer Totals:			79,289.01	0.00	0.00	0.00	79,289.01
C0248	CAPILANO GEOPHYSICAL, INC.	4772	May 13 96	IN				277.89	
		4862	Jul 09 96	IN				420.42	
		4911	Jul 24 96	IN				64.43	
		4922	Jul 31 96	IN				487.13	
		5005	Sep 27 96	IN			162.38		
		5037	Oct 24 96	IN		175.08			
		10351	Feb 08 96	IN				3,037.22	
		10424	Mar 23 96	IN				30,456.29	
		10429	Apr 01 96	IN				727.26	
		Customer Totals:			0.00	175.08	162.38	35,470.64	35,808.10
C0249	CAPILANO INTERNATIONAL, INC.	PREPAY	Jul 15 96	IN				926.54-	
		Customer Totals:			0.00	0.00	0.00	926.54-	926.54-
C0261	COMESA	5011	Jan 16 97	IN	137.00				
		5053	Oct 29 96	IN		155.59			
		5054	Oct 29 96	IN		3,595.40			
		5055	Oct 29 96	IN		7,278.58			
		Customer Totals:			137.00	11,029.57	0.00	0.00	11,166.57
C0272	COLUMBIA UNIVERSITY N.Y.	50180	Aug 07 96	IN				9,750.00	
		50238	Sep 06 96	IN			9,750.00		
		50290	Oct 06 96	IN		9,750.00			
		50359	Nov 05 96	IN	9,750.00				
		50447	Dec 05 96	IN	9,750.00				
		Customer Totals:			19,500.00	9,750.00	9,750.00	9,750.00	48,750.00
D0291	DISCOVERY S.P.A.	5095	Nov 21 96	IN	263.66				

Detailed Aged Trial Balance for Customers [] to [zzzzzz] as of Nov 30 96
 Customers with all control accounts.

Cust Number	Customer Name	Invoice Number	Date	TP	Current	30 - 60 Days	60 - 90 Days	Over 90 Days	Total
		Customer Totals:			263.66	0.00	0.00	0.00	263.66
D0297	DATATEK, INC	4166	Feb 22 95	IN				6,262.50	
		4722	Mar 20 96	IN				89.50	
		4759	May 08 96	IN				2,172.50	
		5136	Dec 12 96	IN	2,350.00				
		Customer Totals:			2,350.00	0.00	0.00	8,524.50	10,874.50
D0299	DAWSON GEOPHYSICAL COMPANY	5029	Oct 15 96	IN		41,523.79			
		5192	Jan 07 97	IN	116.91				
		5200	Jan 14 97	IN	27.06				
		Customer Totals:			143.97	41,523.79	0.00	0.00	41,667.76
D0300	DIGICON, INC. & SUBSIDIARIES	50465	Dec 11 96	IN	2,237.17				
		Customer Totals:			2,237.17	0.00	0.00	0.00	2,237.17
D0304	DUNCAN EXPLORATION	5074	Nov 13 96	IN	2,724.99				
		5074	Jan 17 97	CA	2,724.99-				
		5157	Dec 19 96	IN	1,110.00				
		5203	Jan 16 97	IN	698.97				
		5207	Jan 16 97	IN	792.84				
		5208	Jan 16 97	IN	350.32				
		50292	Oct 17 96	IN		19,093.60			
		50490	Dec 27 96	IN	125,035.00				
		Customer Totals:			127,987.13	19,093.60	0.00	0.00	147,080.73
D0307	DIGICON GEOPHYSICAL CORP.	4468	Sep 30 95	IN				252.63	
		4893	Jul 21 96	IN				1,434.64	
		10102	Jul 14 95	IN				2,084.94	
		10104	Jul 21 95	IN				16,640.00	
		10256	Dec 11 95	IN				14,000.00	
		50061	May 23 96	IN				3,591.60	
		50372	Nov 13 96	IN	2,000.00				
		50388	Nov 11 96	IN	165.00				
		50469	Dec 13 96	IN	2,000.00				
		Customer Totals:			4,165.00	0.00	0.00	38,003.81	42,168.81
E0402	EOTVOS LORAND GEOPHYSICAL INST	5143	Dec 17 96	IN	61,400.00				
		5143	Jan 16 97	CA	61,400.00-				
		Customer Totals:			0.00	0.00	0.00	0.00	0.00
E0411	EAGLE GEOPHYSICAL	5081	Nov 13 96	IN	787.50				
		Customer Totals:			787.50	0.00	0.00	0.00	787.50
E0419	ENERTEC GEOPHYSICAL SER/TX	5160	Dec 19 96	IN	805.81				
		50148	Jun 19 96	IN				5,119.81	
		50318	Oct 17 96	IN		1,750.00			
		50318	Jan 15 97	CA		1,750.00-			
		50395	Nov 16 96	IN	1,750.00				
		50395	Jan 15 97	CA	1,750.00-				
		Customer Totals:			805.81	0.00	0.00	5,119.81	5,925.62

Detailed Aged Trial Balance for Customers [] to [zzzzzz] as of Nov 30 96
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Cust Number	Customer Name	Invoice Number	Date	TP	Current	30 - 60 Days	60 - 90 Days	Over 90 Days	Total
G0602	GEOPHYSICAL SALES & RENTALS	4347	Jul 27 95	IN				1,234.50	
		4540	Nov 17 95	IN				850.00	
		Customer Totals:			0.00	0.00	0.00	2,084.50	2,084.50
G0603	GEOPHYSICAL ACQ & PRO (GAPS)	3580	Oct 16 96	IN		4,095.25			
		4782	May 27 96	IN				286.00	
		4794	May 28 96	IN				155.00	
		4809	May 31 96	IN				160.00	
		4913	Jul 24 96	IN				9,601.96	
		4970	Sep 03 96	IN			80,125.00		
		4970	Jan 09 97	CA			80,125.00-		
		5018	Oct 15 96	IN		948.75			
		5028	Oct 16 96	IN		12,924.00			
		5075	Nov 13 96	IN	16,898.27				
		5078	Nov 13 96	IN	40.00				
		5105	Nov 27 96	IN	6,548.85				
		5129	Dec 05 96	IN	2,312.91				
		5132	Dec 06 96	IN	993.15				
		5132	Jan 09 97	CA	993.15-				
		50422	Nov 30 96	IN	68,800.00				
		50432	Nov 27 96	IN	7,685.00				
		50432	Jan 09 97	CA	7,685.00-				
		50520	Jan 02 97	IN	7,200.00				
		Customer Totals:			101,800.03	17,968.00	0.00	10,202.96	129,970.99
G0604	GLOBAL CHARTER CORPORATION	50510	Dec 31 96	IN	187,904.00				
		Customer Totals:			187,904.00	0.00	0.00	0.00	187,904.00
G0614	GECO-PRAKLA/BELLE CHASSE	50517	Jan 01 97	IN	1,240.00				
		Customer Totals:			1,240.00	0.00	0.00	0.00	1,240.00
G0615	GECO/PRAKLA/CANADA	4624	Jan 22 96	IN				10,000.00	
		4652	Jan 23 96	IN				51.50	
		4901	Jul 24 96	IN				9,062.85	
		4926	Aug 12 96	IN				9,062.85	
		5202	Jan 16 97	IN	500.00				
		50299	Oct 01 96	IN			65,450.00		
		50383	Oct 31 96	IN		46,433.75			
		50391	Nov 23 96	IN	67,870.00				
		50391	Jan 17 97	CR	2,420.00-				
		50434	Dec 06 96	IN	9,000.00				
		50488	Dec 23 96	IN	58,190.00				
		50488	Jan 17 97	DR	7,260.00				
		50503	Jan 03 97	IN	11,650.00				
		50524	Jan 05 97	IN	9,000.00				
		Customer Totals:			161,050.00	46,433.75	65,450.00	28,177.20	301,110.95
G0616	GECO/PRAKLA/U.S.A.	5016	Oct 15 96	IN		1,175.00			
		5019	Oct 15 96	IN		172.50			
		5036	Oct 24 96	IN		110.25			

Detailed Aged Trial Balance for Customers [] to [zzzzzz] as of Nov 30 96
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Cust Number	Customer Name	Invoice Number	Date	TP	Current	30 - 60 Days	60 - 90 Days	Over 90 Days	Total
		5041	Oct 24 96	IN		542.25			
		5111	Nov 26 96	IN	465.11				
		5142	Dec 19 96	IN	378.88				
		50001	Feb 29 96	IN				11,366.25	
		50014	Mar 30 96	IN				14,824.84	
		50246	Sep 14 96	IN			17,449.90		
		50392	Nov 22 96	IN	1,006.73				
		50392	Jan 14 97	DR	0.00				
		50393	Nov 22 96	IN	1,256.73				
		50460	Dec 10 96	IN	45,480.16				
		Customer Totals:			48,587.61	2,000.00	17,449.90	26,191.09	94,228.60
G0623	GE0ITALIA S.p.A.	4984	Sep 19 96	IN			9,562.50		
		5121	Dec 16 96	IN	12,532.50				
		5123	Dec 16 96	IN	25,100.00				
		5124	Dec 16 96	IN	25,100.00				
		5125	Dec 16 96	IN	12,550.00				
		5158	Dec 23 96	DR	86,077.50				
		50103	Dec 23 96	CR	1,875.00-				
		50146	Dec 23 96	CR	1,875.00-				
		50195	Dec 23 96	CR	2,375.00-				
		50255	Dec 23 96	CR	2,375.00-				
		50321	Oct 18 96	IN		24,975.00			
		50321	Jan 17 97	CA		24,975.00-			
		Customer Totals:			152,860.00	0.00	9,562.50	0.00	162,422.50
G0633	GEOPHYSICAL SERVICES, INC.	5195	Jan 03 97	IN	16,000.00				
		Customer Totals:			16,000.00	0.00	0.00	0.00	16,000.00
G0638	GEOPHYSICAL APPLICATIONS	5139	Dec 16 96	IN	1,456.00				
		Customer Totals:			1,456.00	0.00	0.00	0.00	1,456.00
G0643	GEOCOM LTD	4867	Jul 15 96	IN				264.84	
		Customer Totals:			0.00	0.00	0.00	264.84	264.84
G0646	GULF NAUTECH	4916	Jul 29 96	IN				81.19	
		4916	Jan 17 97	CA				81.19-	
		4917	Jul 29 96	IN				433.00	
		4917	Jan 17 97	CA				433.00-	
		50021	Dec 12 96	IN	2,219.13				
		50022	May 20 96	CR				144.34-	
		Customer Totals:			2,219.13	0.00	0.00	144.34-	2,074.79
G0651	GRANT GEOPHYSICAL, INC.	PP1	Dec 31 96	CR	5,000.00-				
		PP2	Dec 31 96	CR	1,200.00-				
		PP3	Dec 31 96	CR	12,500.00-				
		4817	Dec 12 96	DR	8,617.00				
		4857	Dec 11 96	DR	162.38				
		4858	Dec 11 96	DR	226.38				
		4859	Dec 11 96	DR	665.99				
		4931	Aug 12 96	IN				1,718.80	

Detailed Aged Trial Balance for Customers [] to [zzzzzz] as of Nov 30 96
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Cust Number	Customer Name	Invoice Number	Date	TP	Current	30 - 60 Days	60 - 90 Days	Over 90 Days	Total
		4960	Aug 27 96	IN				40.59	
		4963	Aug 28 96	IN				364.05	
		4990	Sep 23 96	IN			557.49		
		4991	Sep 23 96	IN			584.55		
		4999	Sep 24 96	IN			5,000.00		
		5000	Sep 24 96	IN			5,867.15		
		5002	Sep 27 96	IN			353.30		
		5015	Oct 15 96	IN		3,305.00			
		5024	Oct 15 96	IN		1,825.00			
		5046	Oct 28 96	IN		186.00			
		5092	Nov 21 96	IN	3,600.00				
		5093	Nov 21 96	IN	187.48				
		5137	Dec 13 96	IN	4,725.00				
		5171	Dec 23 96	IN	8,803.43				
		5171	Jan 16 97	CR	3,929.77-				
		5173	Dec 30 96	IN	3,807.91				
		5174	Jan 01 97	IN	3,807.91				
		5188	Jan 15 97	IN	1,200.00				
		10121	Jul 24 95	IN				4,296.88	
		10472	Dec 11 96	DR	22,750.00				
		10482	May 25 96	IN				13,999.85	
		10492	Jun 09 96	IN				22,750.00	
		10493	Jun 09 96	IN				33,200.00	
		10494	Jun 18 96	IN				11,325.00	
		10498	Jun 24 96	IN				26,880.00	
		10506	Jul 09 96	IN				22,750.00	
		10511	Jul 24 96	IN				26,880.00	
		10518	Aug 08 96	IN				22,750.00	
		10523	Aug 23 96	IN				26,880.00	
		10529	Sep 07 96	IN			22,750.00		
		10532	Sep 07 96	IN			1,950.00		
		10533	Sep 16 96	IN			1,520.00		
		10537	Sep 22 96	IN			26,880.00		
		10540	Oct 07 96	IN		22,750.00			
		10543	Oct 07 96	IN		1,950.00			
		50037	Dec 11 96	DR	2,922.76				
		50052	Dec 11 96	CR	21.65-				
		50073	May 26 96	IN				43,792.54	
		50074	Dec 11 96	DR	3,599.31				
		50083	Jul 03 96	IN				3,957.91	
		50093	Jun 07 96	IN				194.85	
		50111	Dec 11 96	DR	825.00				
		50116	Jun 25 96	IN				43,792.54	
		50128	Jul 07 96	IN				194.85	
		50133	Jul 12 96	IN				2,056.76	
		50153	Jul 22 96	IN				825.00	
		50159	Aug 02 96	IN				3,807.91	
		50167	Jul 27 96	IN				274.31	
		50178	Aug 06 96	IN				194.85	
		50183	Aug 11 96	IN				1,894.38	
		50186	Aug 19 96	IN				568.31	

Detailed Aged Trial Balance for Customers [] to [zzzzzz] as of Nov 30 96
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Cust Number	Customer Name	Invoice Number	Date	TP	Current	30 - 60 Days	60 - 90 Days	Over 90 Days	Total
		50203	Aug 21 96	IN				825.00	
		50225	Sep 13 96	IN			5,000.00		
		50226	Sep 13 96	IN			17,000.00		
		50227	Oct 13 96	IN		17,000.00			
		50230	Sep 01 96	IN				3,807.91	
		50233	Sep 10 96	IN			1,894.38		
		50235	Sep 05 96	IN			194.85		
		50254	Sep 18 96	IN			541.25		
		50256	Sep 20 96	IN			825.00		
		50261	Sep 23 96	IN			35,884.88		
		50265	Oct 01 96	IN			3,807.91		
		50289	Oct 05 96	IN		194.85			
		50304	Oct 10 96	IN		1,894.38			
		50319	Oct 17 96	IN		8,250.00			
		50320	Oct 18 96	IN		189.45			
		50322	Oct 20 96	IN		825.00			
		50325	Oct 28 96	IN		100.00			
		50328	Oct 23 96	IN		35,884.88			
		50329	Oct 23 96	IN		2,435.63			
		50330	Oct 25 96	IN		3,599.31			
		50347	Nov 16 96	IN	24,945.57-				
		50351	Nov 15 96	IN	12,500.00				
		50352	Nov 01 96	IN	6,250.00				
		50357	Nov 04 96	IN	194.85				
		50365	Nov 08 96	IN	75,775.00				
		50368	Nov 09 96	IN	1,894.38				
		50370	Nov 12 96	IN	17,000.00				
		50371	Nov 12 96	IN	5,000.00				
		50379	Oct 31 96	IN		3,807.91			
		50396	Nov 16 96	IN	2,823.60				
		50398	Nov 18 96	IN	12,500.00				
		50400	Nov 19 96	IN	825.00				
		50405	Nov 22 96	IN	2,392.69				
		50406	Nov 23 96	IN	12,178.12-				
		50407	Nov 24 96	IN	11,871.24-				
		50415	Nov 27 96	IN	1,200.00				
		50421	Nov 30 96	IN	3,807.91				
		50427	Dec 01 96	IN	6,250.00				
		50427	Jan 07 97	CR	6,250.00-				
		50435	Dec 01 96	IN	11,457.18				
		50436	Dec 01 96	IN	42,628.85				
		50437	Dec 01 96	IN	8,325.00				
		50437	Jan 10 97	CR	75.00-				
		50446	Dec 04 96	IN	194.85				
		50453	Dec 08 96	IN	75,775.00				
		50458	Dec 09 96	IN	1,894.38				
		50458	Dec 30 96	CR	947.19-				
		50467	Dec 12 96	IN	17,000.00				
		50468	Dec 12 96	IN	5,000.00				
		50468	Jan 07 97	CR	5,000.00-				
		50474	Dec 15 96	IN	12,500.00				

Detailed Aged Trial Balance for Customers [] to [zzzzzz] as of Nov 30 96
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Cust Number	Customer Name	Invoice Number	Date	TP	Current	30 - 60 Days	60 - 90 Days	Over 90 Days	Total
		50474	Jan 07 97	CR	12,500.00-				
		50489	Dec 23 96	IN	19,250.00				
		50492	Dec 27 96	IN	22,880.00				
		50512	Dec 31 96	IN	6,250.00				
		50514	Dec 31 96	IN	37,216.35				
		50515	Dec 31 96	IN	8,250.00				
		50522	Jan 03 97	IN	194.85				
		10507A	Aug 29 96	IN				24,362.53	
		10509A	Aug 29 96	IN				6,298.00	
		10519A	Aug 29 96	IN				1,950.00	
		10521A	Aug 29 96	IN				1,520.00	
		50166A	Aug 29 96	IN				37,540.37	
		50199A	Aug 29 96	IN				35,884.88	
		C00594	Sep 07 96	CA			8,250.00-		
***Over Credit Limit of 999999	Dollars	Customer Totals:			386,711.90	104,197.41	122,360.76	427,578.07	1,040,848.14
G0653	GREAT LAKES GEOPHYSICAL	3853	Sep 08 94	IN				3,559.00	
		3854	Sep 08 94	IN				116.00	
		4720	Mar 18 96	IN				2,325.00	
		4977	Sep 06 96	IN			12,400.00		
		Customer Totals:			0.00	0.00	12,400.00	6,000.00	18,400.00
H0706	HARVEY-LYNCH, INC.	50179	Aug 07 96	IN				185.62	
		Customer Totals:			0.00	0.00	0.00	185.62	185.62
H0707	HARDER, STEVE	5072	Nov 13 96	IN	45.00				
		5072	Jan 06 97	CA	45.00-				
		Customer Totals:			0.00	0.00	0.00	0.00	0.00
H0710	HEBEI MACHINERY IMPORT EXPORT	4366	Jul 31 95	IN				6,869.92	
		Customer Totals:			0.00	0.00	0.00	6,869.92	6,869.92
H0711	HUMMINGBIRD EXPLORATION	4959	Dec 31 96	IN	19.48				
		5057	Oct 29 96	IN		632.99			
		Customer Totals:			19.48	632.99	0.00	0.00	652.47
H0730	HIGSCO	4755	Apr 10 96	IN				227.33	
		Customer Totals:			0.00	0.00	0.00	227.33	227.33
I0880	INPUT/OUTPUT, INC.	4650	Jan 29 96	IN				4,357.06	
		4795	May 28 96	IN				200.00	
		4897	Jul 24 96	IN				107.00	
		50410	Nov 08 96	IN	2,615.00				
		Customer Totals:			2,615.00	0.00	0.00	4,664.06	7,279.06
I0881	INPUT/OUTPUT - SENSOR	50457	Dec 08 96	IN	2,066.67				
		Customer Totals:			2,066.67	0.00	0.00	0.00	2,066.67
J0895	J.R.S. EXPLORATION CO., LTD.	50433	Dec 06 96	IN	36,110.00				
		50433	Jan 06 97	CA	36,110.00-				
		50526	Jan 06 97	IN	37,106.98				

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Cust Number	Customer Name	Invoice Number	Date	TP	Current	30 - 60 Days	60 - 90 Days	Over 90 Days	Total
		Customer Totals:			37,106.98	0.00	0.00	0.00	37,106.98
K0907	KLOHN-CRIPPEN CONSULTANTS LTD	5127	Dec 16 96	IN	6,800.00				
		Customer Totals:			6,800.00	0.00	0.00	0.00	6,800.00
M1211	MARK PRODUCTS, LTD.	5145	Dec 19 96	IN	749.15				
		5146	Dec 19 96	IN	529.80				
		5147	Dec 19 96	IN	205.60				
		5148	Dec 19 96	IN	598.70				
		5149	Dec 19 96	IN	390.00				
		5150	Dec 19 96	IN	280.00				
		5151	Dec 19 96	IN	336.00				
		5152	Dec 19 96	IN	243.20				
		5153	Dec 19 96	IN	120.00				
		5154	Dec 19 96	IN	180.00				
		5155	Dec 19 96	IN	352.00				
		5156	Dec 19 96	IN	655.60				
		Customer Totals:			4,640.05	0.00	0.00	0.00	4,640.05
M1215	MACARTNEY, INC.	3972	Oct 31 94	IN				1,294.00-	
		Customer Totals:			0.00	0.00	0.00	1,294.00-	1,294.00-
M1216	MGGEC LTD. (MONGOLIAN)	4657	Jan 31 96	IN				42,139.66	
		Customer Totals:			0.00	0.00	0.00	42,139.66	42,139.66
M1218	M/S OIL & NATURAL GAS CORP	4981	Oct 25 96	IN		3,338.00			
		4981	Jan 17 97	CA		3,338.00-			
		Customer Totals:			0.00	0.00	0.00	0.00	0.00
M1219	MITCHAM INDUSTRIES, INC.	PREPAY	Oct 31 96	CA		4,249.00-			
		Customer Totals:			0.00	4,249.00-	0.00	0.00	4,249.00-
M1236	M.T.S.	4833	Jun 30 96	IN				757.75	
		5047	Oct 28 96	IN		66.00			
		5823	Jun 14 96	IN				1,299.00	
		Customer Totals:			0.00	66.00	0.00	2,056.75	2,122.75
M1237	MASTER OF M/V ODIN EXPLORER	5089	Nov 20 96	IN	204.00				
		Customer Totals:			204.00	0.00	0.00	0.00	204.00
N1300	NORTHERN GEOPHYSICAL/AMERICA	4884	Jul 15 96	IN				2,598.96	
		4895	Jul 24 96	IN				3,775.00	
		4940	Aug 14 96	IN				130.08	
		4950	Aug 23 96	IN				333.55	
		4956	Aug 23 96	IN				737.81	
		4957	Aug 27 96	IN				29,440.00	
		4958	Aug 27 96	IN				22,460.00	
		5001	Sep 25 96	IN			1,620.00		
		5022	Oct 15 96	IN		1,675.00			
		5166	Dec 31 96	IN	139,746.86				
		5166	Jan 17 97	CR	35,946.86-				

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Cust Number	Customer Name	Invoice Number	Date	TP	Current	30 - 60 Days	60 - 90 Days	Over 90 Days	Total
		50123	Sep 10 96	IN			103,424.00		
		50187	Aug 16 96	IN				57,144.40	
		50247	Sep 15 96	IN			40,765.00		
		50247	Jan 16 97	CR			19,940.00-		
		50251	Sep 17 96	IN			7,650.00		
		50260	Sep 22 96	IN			7,300.00		
		50313	Oct 15 96	IN		60,705.00			
		50341	Oct 29 96	IN		1,516.65			
		50375	Nov 14 96	IN	60,705.00				
		50472	Dec 14 96	IN	51,705.00				
		Customer Totals:			216,210.00	63,896.65	140,819.00	116,619.80	537,545.45
N1302	NCS INTERNATIONAL	4314	Jun 20 95	IN				4,000.00	
		5026	Oct 15 96	IN		4,150.00			
		5026	Jan 06 97	CA		4,150.00-			
		Customer Totals:			0.00	0.00	0.00	4,000.00	4,000.00
N1308	NOREX GEOPHYSICAL	5069	Nov 13 96	IN	4,950.00				
		Customer Totals:			4,950.00	0.00	0.00	0.00	4,950.00
N1312	NATIONAL HELICOPTER CORP	PREPAY	Apr 22 96	CA				2,500.00-	
		Customer Totals:			0.00	0.00	0.00	2,500.00-	2,500.00-
N1314	N.G.A.	5012	Oct 14 96	IN		3,600.00			
		Customer Totals:			0.00	3,600.00	0.00	0.00	3,600.00
01485	OMNIQUEST INTERNATIONAL bv	3780	Jul 26 94	IN				787.50	
		4436	Sep 27 95	IN				110.00	
		4689	Feb 26 96	IN				10.00	
		4968	Aug 28 96	IN				1,825.00	
		5097	Nov 21 96	IN	500.00				
		5141	Dec 17 96	IN	7,600.00				
		5209	Jan 16 97	IN	185.00				
		5210	Jan 16 97	IN	153.00				
		50301	Oct 08 96	IN		26,205.00			
		50364	Nov 07 96	IN	11,355.50				
		Customer Totals:			19,793.50	26,205.00	0.00	2,732.50	48,731.00
01487	OCEONICS, INC	4915	Jul 29 96	IN				4,275.88	
		Customer Totals:			0.00	0.00	0.00	4,275.88	4,275.88
01497	OSSERVATORIO GEOPHYSICAL	4751	May 06 96	IN				4,300.00	
		Customer Totals:			0.00	0.00	0.00	4,300.00	4,300.00
P1504	PGS EXPLORATION (U.S.), INC.	4819	Jun 12 96	IN				17.50	
		Customer Totals:			0.00	0.00	0.00	17.50	17.50
P1511	P. T. ELNUSA	WIRE	Dec 11 96	DR	56,875.00				
		PREPAY	Oct 01 96	CA			56,875.00-		
		Customer Totals:			56,875.00	0.00	56,875.00-	0.00	0.00

Detailed Aged Trial Balance for Customers [] to [zzzzzz] as of Nov 30 96
 Customers with all control accounts.

Cust Number	Customer Name	Invoice Number	Date	TP	Current	30 - 60 Days	60 - 90 Days	Over 90 Days	Total
P1514	P.T. EXLOG SARANA INDONESIA	4954	Aug 23 96	IN				300.00	
		Customer Totals:			0.00	0.00	0.00	300.00	300.00
P1515	PERFORADATA, S.A. DE C.V.	50307	Oct 16 96	IN		1,635.00			
		50461	Dec 11 96	IN	14,640.00				
		50477	Dec 16 96	IN	1,555.15				
		50482	Dec 20 96	IN	2,250.00				
		Customer Totals:			18,445.15	1,635.00	0.00	0.00	20,080.15
P1518	PETROLEUM DEVELOPMENT OMAN LLC	50345	Nov 08 96	IN	14,440.00				
		50438	Dec 03 96	IN	50,400.00				
		Customer Totals:			64,840.00	0.00	0.00	0.00	64,840.00
P1522	PROSOL TECHNOLOGY	4438	Sep 30 95	IN				810.00	
		4486	Oct 18 95	IN				100.00	
		4966	Aug 28 96	IN				100.00	
		4980	Sep 18 96	IN			1,500.00		
		Customer Totals:			0.00	0.00	1,500.00	1,010.00	2,510.00
P1525	PUBLIC PETROLEUM CORP/GREECE	4774	May 09 96	IN				320.00	
		4898	Jul 24 96	IN				160.00	
		Customer Totals:			0.00	0.00	0.00	480.00	480.00
R1789	RENTEC INTERNATIONAL	4986	Sep 23 96	IN			40.59		
		5007	Sep 24 96	IN			30.00		
		50107	Jun 01 96	IN				175.31	
		50213	Aug 30 96	IN				2,165.00	
		50273	Sep 29 96	IN					
		50339	Oct 29 96	IN		2,165.00	2,165.00		
		50418	Nov 28 96	IN	2,165.00				
		50500	Dec 28 96	IN	2,165.00				
		Customer Totals:			4,330.00	2,165.00	2,235.59	2,340.31	11,070.90
R1790	REES GEOPHYSICAL LTD.	50516	Jan 01 97	IN	17,456.09				
		50521	Jan 03 97	IN	10,416.00				
		Customer Totals:			27,872.09	0.00	0.00	0.00	27,872.09
S1806	SAGUARO GEOPHYSICAL, INC.	4411	Sep 14 95	IN				7,775.00	
		4506	Oct 31 95	IN				175.00	
		Customer Totals:			0.00	0.00	0.00	7,950.00	7,950.00
S1807	SCHLUMBERGER SURENCO DE VENEZ	10498	Jun 22 96	IN				1,500.00	
		10510	Jul 22 96	IN				1,500.00	
		10522	Aug 21 96	IN				1,500.00	
		10536	Sep 20 96	IN			1,500.00		
		Customer Totals:			0.00	0.00	1,500.00	4,500.00	6,000.00
S1821	SEISMIC & OILFIELD SERVICES	5050	Oct 28 96	IN		2,385.00			
		Customer Totals:			0.00	2,385.00	0.00	0.00	2,385.00

Detailed Aged Trial Balance for Customers [] to [zzzzzz] as of Nov 30 96
 Customers with all control accounts.

Cust Number	Customer Name	Invoice Number	Date	TP	Current	30 - 60 Days	60 - 90 Days	Over 90 Days	Total
S1823	SEISTEX (86), INC.	4972	Sep 17 96	IN			2,725.00		
				Customer Totals:	0.00	0.00	2,725.00	0.00	2,725.00
S1831	SEIS-TECH, INC.	4003	Nov 16 94	IN				926.59	
		4170	Feb 22 95	IN				386.45	
				Customer Totals:	0.00	0.00	0.00	1,313.04	1,313.04
S1842	SOLID STATE EXPLORATION	50456	Dec 08 96	IN	258.33				
				Customer Totals:	258.33	0.00	0.00	0.00	258.33
S1843	SUELOPETROL	4761	Apr 26 96	IN				5,218.00	
		4761	Jan 03 97	CA				5,218.00-	
		4793	May 28 96	IN				356.40	
		4793	Jan 03 97	CA				356.40-	
		5013	Oct 14 96	IN		4,879.00			
		5013	Jan 03 97	CA		4,879.00-			
				Customer Totals:	0.00	0.00	0.00	0.00	0.00
S1844	SEISMIC SINGAPORE PTE LTD	5085	Nov 20 96	IN	1,060.00				
		5134	Dec 09 96	IN	98,947.50				
		5201	Jan 16 97	IN	1,009.55				
		50411	Nov 26 96	IN	2,220.00				
		50494	Dec 26 96	IN	2,108.00				
				Customer Totals:	105,345.05	0.00	0.00	0.00	105,345.05
S1845	SOLID STATE GEOPHYSICAL, INC.	4668	Jan 31 96	IN				845.00	
		4802	May 28 96	IN				150.00	
		4803	May 28 96	IN				1,824.02	
		4838	Jun 30 96	IN				2,249.40	
		4839	Jun 30 96	IN				1,057.64	
		4841	Jun 30 96	IN				1,375.00	
		4863	Jul 09 96	IN				1,855.00	
		4910	Jul 24 96	IN				30.00	
		4941	Aug 14 96	IN				75.00	
		4955	Aug 23 96	IN				330.00	
		5159	Dec 19 96	IN	25,899.50				
		10467	Apr 18 96	IN				2,006.45	
		50019	Apr 03 96	IN				2,000.00	
		50149	Jul 18 96	IN				54,000.00	
		50208	Aug 17 96	IN				54,000.00	
		50215	Aug 28 96	IN				2,000.00	
		50241	Sep 16 96	IN			3,950.00-		
		50241	Jan 10 97	DR			8,550.00		
		50316	Oct 16 96	IN		9,000.00-			
		50316	Jan 10 97	DR		9,000.00			
		50385	Nov 15 96	IN	20,400.00-				
		50385	Jan 10 97	DR	20,400.00				
		50389	Nov 08 96	IN	320.00				
		50401	Nov 20 96	IN	2,000.00				
		50491	Dec 27 96	IN	182,200.00				

Detailed Aged Trial Balance for Customers [] to [zzzzzz] as of Nov 30 96
 Customers with all control accounts.

Cust Number	Customer Name	Invoice Number	Date	TP	Current	30 - 60 Days	60 - 90 Days	Over 90 Days	Total
		PREPAY	Oct 23 96	CA		830.00-			
		Customer Totals:			210,419.50	830.00-	4,600.00	123,797.51	337,987.01
S1849	SIGNATURE GEOPHYSICAL	4555	Nov 28 95	IN				24,000.00	
		10074	Jun 30 95	IN				3,346.19	
		10122	Jul 30 95	IN				7,500.00	
		10145	Aug 29 95	IN				7,500.00	
		10336	Jan 29 96	IN				6,000.00	
		10391	Mar 01 96	IN				3,000.00	
		10528	Sep 01 96	IN				6,000.00	
		Customer Totals:			0.00	0.00	0.00	57,346.19	57,346.19
S1862	STEWART CABLE	4973	Sep 17 96	IN			47.44		
		5098	Nov 21 96	IN	3,625.00				
		Customer Totals:			3,625.00	0.00	47.44	0.00	3,672.44
S1863	SERCEL, INC.	5130	Dec 17 96	IN	50.00-				
		Customer Totals:			50.00-	0.00	0.00	0.00	50.00-
S1864	SUB SURFACE EXPLORATION	5073	Nov 13 96	IN	1,600.00				
		5170	Dec 31 96	IN	1,600.00				
		Customer Totals:			3,200.00	0.00	0.00	0.00	3,200.00
S1866	SOLID STATE INT'L INCENIERIA	5168	Dec 31 96	IN	150.00				
		Customer Totals:			150.00	0.00	0.00	0.00	150.00
T2001	TOWHEE EXPLORATION	4450	Sep 30 95	IN				154.39	
		4620	Jan 01 96	IN				416.00	
		4864	Jul 09 96	IN				2,641.30	
		5116	Dec 07 96	IN	931.41				
		5116	Jan 04 97	CA	931.41-				
		5190	Jan 15 97	IN	1,728.84				
		5204	Jan 16 97	IN	4,963.20				
		5205	Jan 16 97	IN	1,067.22				
		5206	Jan 16 97	IN	580.64				
		50307	Dec 30 96	CR	1,564.63-				
		50378	Nov 01 96	IN	1,564.63				
		50378	Jan 04 97	CA	1,564.63-				
		50420	Dec 01 96	IN	1,564.63				
		50506	Jan 01 97	IN	1,564.63				
		PREPAY	Nov 06 96	CA	5,662.40-				
		Customer Totals:			4,242.13	0.00	0.00	3,211.69	7,453.82
T2002	TARA TECHNOLOGY, INC.	4424	Sep 20 95	IN				5,259.30	
		4428	Sep 20 95	IN				322.99	
		4429	Sep 20 95	IN				2,107.25	
		4430	Sep 20 95	IN				555.00	
		4431	Sep 20 95	IN				566.26	
		4432	Sep 20 95	IN				1,360.00	
		4433	Sep 20 95	IN				1,177.15	
		4434	Sep 20 95	IN				2,119.20	

Detailed Aged Trial Balance for Customers [] to [zzzzzz] as of Nov 30 96
 Customers with all control accounts.

Cust Number	Customer Name	Invoice Number	Date	TP	Current	30 - 60 Days	60 - 90 Days	Over 90 Days	Total
		4607	Dec 29 95	IN				1,520.00	
		5086	Nov 20 96	IN	32,475.00				
		Customer Totals:			32,475.00	0.00	0.00	14,987.15	47,462.15
T2003	TRACE GEOPHYSICAL	4869	Jul 15 96	IN				187.50	
		4870	Jul 15 96	IN				200.94	
		4871	Jul 15 96	IN				2,475.00	
		Customer Totals:			0.00	0.00	0.00	2,863.44	2,863.44
T2010	TIDELANDS GEOPHYSICAL CO.	4767	Apr 12 96	IN				3,300.00	
		4889	Jul 21 96	IN				10,650.00	
		4928	Aug 12 96	IN				357.23	
		5061	Oct 31 96	IN		250.00			
		5061	Jan 02 97	CA		250.00-			
		5135	Dec 10 96	IN	135,600.00				
		5172	Dec 27 96	IN	132.07				
		5172	Jan 16 97	CR	132.07-				
		50140	Jun 27 96	IN				3,000.00	
		50197	Aug 26 96	IN				1,275.00	
		50326	Oct 29 96	IN		4,416.61			
		50377	Nov 07 96	IN	7,577.50				
		50417	Nov 28 96	IN	4,059.38				
		50431	Nov 27 96	IN	15,999.35				
		50452	Dec 07 96	IN	7,577.50				
		50452	Jan 17 97	CR	3,026.00-				
		50498	Dec 27 96	IN	11,433.19				
		50499	Dec 28 96	IN	4,059.38				
		Customer Totals:			183,280.30	4,416.61	0.00	18,582.23	206,279.14
T2011	TERRASCAN EXPLORATION LTD	50376	Nov 23 96	IN	87,450.00				
		50487	Dec 23 96	IN	90,364.99				
		Customer Totals:			177,814.99	0.00	0.00	0.00	177,814.99
T2027	U.S. ARMY CORP OF ENGINEERS	5131	Dec 06 96	IN	615.00				
		Customer Totals:			615.00	0.00	0.00	0.00	615.00
U2081	UNIVERSITY OF COPENHAGEN	4586	Dec 31 95	IN				7,490.00	
		Customer Totals:			0.00	0.00	0.00	7,490.00	7,490.00
U2082	UNION GEOFISICA ARGENTINA,S.A.	5103	Nov 27 96	IN	370.00				
		10517	Aug 08 96	IN				8,440.00-	
		10517	Jan 17 97	DR				8,440.00	
		10530	Sep 07 96	IN			13,440.00		
		10530	Jan 17 97	CR			13,440.00-		
		50192	Aug 15 96	IN				5,500.00-	
		50192	Jan 17 97	DR				5,500.00	
		50221	Dec 23 96	DR	4,033.36				
		50221	Jan 17 97	CR	4,033.36-				
		Customer Totals:			370.00	0.00	0.00	0.00	370.00
U2090	UNIVERSAL SEISMIC ACQUISITION	4113	Jan 17 95	IN				6,925.72	

Detailed Aged Trial Balance for Customers [] to [zzzzzz] as of Nov 30 96
 Customers with all control accounts.

Cust Number	Customer Name	Invoice Number	Date	TP	Current	30 - 60 Days	60 - 90 Days	Over 90 Days	Total
		4789	May 28 96	IN				162.38	
		4790	May 28 96	IN				124.49	
		4796	May 28 96	IN				324.75	
		4797	May 28 96	IN				108.25	
		4844	Jun 30 96	IN				1,542.40	
		4845	Jun 30 96	IN				417.10	
		4846	Jun 30 96	IN				100.00	
		4847	Jun 30 96	IN				525.00	
		4848	Jun 30 96	IN				296.80	
		4849	Jun 30 96	IN				120.00	
		4850	Jun 30 96	IN				61.56	
		4905	Jul 24 96	IN				5,000.73	
		4951	Aug 23 96	IN				1,190.75	
		4967	Aug 28 96	IN				378.88	
		5009	Sep 27 96	IN			100.00		
		5020	Oct 15 96	IN		596.25			
		5045	Oct 28 96	IN		25.00			
		5128	Dec 05 96	IN	925.75				
		5161	Dec 19 96	IN	785.90				
		5191	Jan 16 97	IN	3,542.29				
		5199	Jan 09 97	IN	2,048.13				
		10020	Apr 20 95	IN				2,361.65	
		10105	Jul 19 95	IN				6,419.28	
		10110	Jul 18 95	IN				80.00	
		10111	Jul 18 95	IN				20.00	
		10290	Jan 03 96	IN				2,686.66	
		10433	Apr 03 96	IN				2,200.00	
		10475	May 05 96	IN				1,645.00	
		10485	Jul 05 96	IN				2,200.00	
		10487	Jun 03 96	IN				2,200.00	
		10488	Jun 04 96	IN				1,645.00	
		10501	Jul 05 96	IN				2,200.00	
		10502	Jul 04 96	IN				1,645.00	
		10503	Jul 05 96	IN				2,400.00	
		10520	Aug 03 96	IN				1,645.00	
		10527	Sep 05 96	IN			2,400.00		
		10539	Oct 05 96	IN		2,400.00			
		50007	Mar 23 96	IN				19,863.88	
		50015	Apr 03 96	IN				18,600.00	
		50027	Apr 19 96	IN				4,113.50	
		50034	Apr 22 96	IN				18,943.75	
		50036	Apr 23 96	IN				1,120.39	
		50057	May 15 96	IN				12,124.00	
		50060	May 19 96	IN				4,113.50	
		50075	May 03 96	IN				39,577.95	
		50076	May 22 96	IN				18,943.75	
		50077	May 14 96	IN				7,312.50	
		50091	Jun 02 96	IN				34,630.00	
		50097	Jun 14 96	IN				12,124.00	
		50100	Jun 18 96	IN				4,113.50	
		50110	Jun 21 96	IN				17,301.95	

Detailed Aged Trial Balance for Customers [] to [zzzzzz] as of Nov 30 96
 Customers with all control accounts.

Cust Number	Customer Name	Invoice Number	Date	TP	Current	30 - 60 Days	60 - 90 Days	Over 90 Days	Total
		50127	Jul 02 96	IN				8,088.06	
		50150	Jul 18 96	IN				4,113.50	
		50152	Jul 21 96	IN				14,018.38	
		50174	Jul 22 96	IN				12,124.00	
		50185	Aug 15 96	IN				19,604.07	
		50193	Aug 17 96	IN				4,113.50	
		50205	Aug 21 96	IN				12,124.00	
		50210	Aug 02 96	IN				1,600.00	
		50217	Sep 03 96	IN			35,121.71		
		50236	Sep 01 96	IN				1,600.00	
		50245	Sep 14 96	IN			19,604.08		
		50248	Sep 16 96	IN			4,113.50		
		50257	Sep 20 96	IN			12,124.00		
		50270	Sep 26 96	IN			1,569.63		
		50271	Sep 27 96	IN			1,000.00		
		50278	Oct 07 96	IN		5,141.88			
		50286	Oct 01 96	IN			1,600.00		
		50288	Oct 03 96	IN		33,666.76			
		50312	Oct 14 96	IN		19,604.08			
		50317	Oct 16 96	IN		980.59			
		50323	Oct 20 96	IN		12,124.00			
		50331	Oct 26 96	IN		1,569.63			
		50334	Oct 27 96	IN		1,000.00			
		50336	Oct 28 96	IN		4,030.18			
		50355	Nov 02 96	IN	16,037.00				
		50355	Jan 16 97	CR	2,013.45-				
		50373	Nov 13 96	IN	5,800.50				
		50381	Oct 31 96	IN		1,600.00			
		50386	Nov 15 96	IN	681.98				
		50408	Nov 25 96	IN	332.37				
		50413	Nov 26 96	IN	1,000.00				
		50423	Nov 30 96	IN	1,600.00				
		50470	Dec 13 96	DR	64.94				
		50476	Dec 15 96	DR	681.98				
		50493	Dec 25 96	IN	487.13				
		50496	Dec 26 96	IN	1,000.00				
		50509	Dec 31 96	IN	1,732.00				
		50520	Jan 01 97	IN	619.19				
		51011	Nov 25 96	IN	3,247.50				
		10458A	Aug 30 96	IN				2,400.00	
		10474A	Aug 30 96	IN				1,397.10	
		10489A	Aug 30 96	IN				2,400.00	
		10515A	Aug 30 96	IN				2,400.00	
		PREPAY	Feb 26 96	CA				1,199.06	
		Customer Totals:			38,573.21	82,738.37	77,632.92	346,690.74	545,635.24
U2095	USGS	5193	Jan 06 97	IN	349.00				
		Customer Totals:			349.00	0.00	0.00	0.00	349.00
U2098	UNIVERSITY OF SOUTH CAROLINA	4365	Jul 31 95	IN				1,200.00	
		4886	Jul 15 96	IN				527.52	

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Cust Number	Customer Name	Invoice Number	Date	TP	Current	30 - 60 Days	60 - 90 Days	Over 90 Days	Total
		50105	Jun 26 96	IN				600.00	
		Customer Totals:			0.00	0.00	0.00	2,327.52	2,327.52
V2102	VERITAS GEOPHYSICAL	4903	Jul 24 96	IN				193.42	
		4904	Jul 24 96	IN				1,231.23	
		4912	Jul 24 96	IN				1,488.44	
		4939	Aug 12 96	IN				7,520.00	
		5076	Nov 13 96	IN	443.80				
		5076	Jan 13 97	CA	443.80-				
		5079	Nov 13 96	IN	956.25				
		5079	Jan 13 97	CA	956.25-				
		5106	Nov 27 96	IN	188.64				
		5113	Dec 05 96	IN	6,250.00				
		5113	Jan 14 97	CR	6,250.00-				
		5118	Dec 13 96	IN	14,353.25				
		5119	Dec 13 96	IN	857.50				
		5119	Dec 13 96	IN	12,862.50				
		5119	Jan 14 97	CR	857.50-				
		5140	Dec 16 96	IN	385.00				
		5179	Jan 03 97	IN	43,280.00				
		5182	Jan 07 97	IN	13,892.08				
		5183	Jan 07 97	IN	12,897.45				
		5184	Jan 08 97	IN	19,722.50				
		5185	Jan 08 97	IN	18,315.00				
		5189	Jan 15 97	IN	81.19				
		5198	Jan 09 97	IN	132.61				
		10292	Jan 14 96	IN				8,064.00	
		50005	Mar 11 96	IN				27,942.00	
		50006	Mar 11 96	IN				2,925.76	
		50048	May 07 96	IN				27,111.22	
		50054	May 10 96	IN				2,500.00	
		50095	Jun 09 96	IN				2,500.00	
		50302	Oct 09 96	IN		6,040.22			
		50303	Oct 09 96	IN		5,683.13			
		50333	Nov 01 96	IN	2,776.32				
		50343	Nov 01 96	IN	13,233.56				
		50343	Jan 13 97	CA	13,233.56-				
		50366	Dec 23 96	DR	676.52				
		50367	Nov 08 96	IN	5,683.13				
		50369	Nov 11 96	IN	389.70				
		50384	Nov 15 96	IN	2,435.63				
		50384	Jan 13 97	CA	2,435.63-				
		50390	Nov 21 96	IN	2,435.63				
		50390	Jan 13 97	CA	2,435.63-				
		50412	Nov 26 96	IN	3,163.76				
		50412	Jan 13 97	CA	3,163.76-				
		50426	Dec 01 96	IN	14,045.44				
		50455	Dec 08 96	IN	5,683.13				
		50464	Dec 11 96	IN	389.70				
		50464	Jan 14 97	CR	194.85-				
		50475	Dec 15 96	IN	2,435.63				

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Cust Number	Customer Name	Invoice Number	Date	TP	Current	30 - 60 Days	60 - 90 Days	Over 90 Days	Total
		50486	Dec 21 96	IN	2,435.63				
		50495	Dec 26 96	IN	4,249.90				
		50511	Dec 31 96	IN	48.63				
		Customer Totals:			174,729.10	11,723.35	0.00	81,476.07	267,928.52
V2105	VENTURE SEISMIC, LTD.	5162	Dec 23 96	IN	190.00				
		PREPAY	Dec 31 96	CA	73,704.07-				
		Customer Totals:			73,514.07-	0.00	0.00	0.00	73,514.07-
W2380	WALKER GEOPHYSICAL	10356	Feb 26 96	IN				2,072.74	
		Customer Totals:			0.00	0.00	0.00	2,072.74	2,072.74
W2392	WOOTTEN R.D. & ASSOCIATES	4526	Nov 17 95	IN				512.13	
		4526	Jan 14 97	CR				512.13-	
		4526	Jan 17 97	CA				512.13-	
		4529	Nov 17 95	IN				1,093.33	
		4529	Jan 14 97	CR				1,093.33-	
		4529	Jan 17 97	CA				1,093.33-	
		Customer Totals:			0.00	0.00	0.00	1,605.46-	1,605.46-
W2393	WESTERN GEOPHYSICAL CO/TX	4526	Dec 31 96	CR	512.13-				
		4526	Jan 14 97	DR	512.13				
		4529	Dec 31 96	CR	1,093.33-				
		4529	Jan 14 97	DR	1,093.33				
		4706	Feb 29 96	IN				1,000.00	
		4807	May 28 96	IN				647.33	
		4865	Jul 15 96	IN				1,237.50	
		4971	Sep 17 96	IN			378.87		
		4994	Sep 23 96	IN			259.80		
		4994	Jan 11 97	CA			240.00-		
		5070	Nov 13 96	IN	2,630.00				
		5070	Jan 11 97	CA	2,630.00-				
		5090	Nov 20 96	IN	30.00				
		5091	Nov 20 96	IN	265.00				
		5091	Jan 04 97	CA	265.00-				
		5108	Nov 26 96	IN	6,666.67				
		5109	Nov 26 96	IN	6,666.67				
		5110	Nov 26 96	IN	6,666.67				
		5194	Jan 03 97	IN	2,273.25				
		50479	Dec 13 96	IN	2,489.75				
		Customer Totals:			24,793.01	0.00	398.67	2,884.83	28,076.51
W2398	WILLIAMSON & ASSOCIATES, INC.	4678	Feb 09 96	IN				4,330.00	
		Customer Totals:			0.00	0.00	0.00	4,330.00	4,330.00
W2402	WESTERN ATLAS INTERNATIONAL	4830	Jun 30 96	IN				94.88	
		4936	Aug 12 96	IN				39,470.00	
		Customer Totals:			0.00	0.00	0.00	39,564.88	39,564.88
W2403	WELL SERVICES (MARINE) LTD	5163	Dec 23 96	IN	358.65				
		Customer Totals:			358.65	0.00	0.00	0.00	358.65

Detailed Aged Trial Balance for Customers [] to [zzzzzz] as of Nov 30 96
 Customers with all control accounts.

Cust Number Customer Name	Invoice Number Date	TP	Current	30 - 60 Days	60 - 90 Days	Over 90 Days	Total
A/R - trade			2,886,094.04	485,933.03	411,719.16	1,521,533.92	5,305,280.15
A/R - employee			0.00	0.00	0.00	0.00	0.00
A/R - other			0.00	0.00	0.00	0.00	0.00
A/R - clearing			0.00	0.00	0.00	0.00	0.00
Allowance for doubtful			0.00	0.00	0.00	0.00	0.00
			2,886,094.04	485,933.03	411,719.16	1,521,533.92	5,305,280.15
			54.40 %	9.16 %	7.76 %	28.68 %	

Calculate balance as of: Nov 30 96
 Control account [] to [zzzzzz]
 Vendor number [] to [zzzzzz]
 Report group [] to [zzzzzz]

Vendor Number	Vendor Name/ Doc. Number	Doc. Date	Due Date	Disc. Date	Disc. Rate	Reference	Post. Seq.	Original Amount	Current Amount
A0053	ANIMAL HOSPITAL IN 102196	Oct 21 96	Nov 20 96				123	146.64	146.64 ----- 146.64
A0423	AIR TIGER EXPRESS (USA) INC. IN 6112046	Nov 07 96	Dec 07 96				115	125.00	125.00 ----- 125.00
A0424	ADVERTISING, AGENCY THE IN 2581	Nov 15 96	Dec 15 96				115	8,436.88	8,436.88 ----- 8,436.88
A0549	AVA COFFEE SERVICE IN 407388	Nov 06 96	Nov 06 96				113	152.98	152.98
	IN 829150	Nov 15 96	Nov 15 96				113	9.74	9.74
	IN 408100	Nov 20 96	Nov 20 96				113	97.15	97.15 ----- 259.87
B1202	BOGEL SALES, INC. IN 115104	Nov 22 96	Dec 22 96				110	66.90	66.90 ----- 66.90
B1208	BLACKWELL SCIENCE LTD IN 30277572	Nov 19 96	Dec 19 96				115	231.20	231.20 ----- 231.20
B1211	BAY TACT CORPORATION IN 27964	Nov 25 96	Dec 25 96				110	53.50	53.50 ----- 53.50
C1344	C & M SEISMOGRAPH EQUIPMENT IN 25530	Nov 21 96	Dec 21 96				110	701.35	701.35 ----- 701.35
C1350	C & H DISTRIBUTORS, INC. IN 267070501	Nov 19 96	Dec 19 96				110	463.99	463.99
	IN 267495700	Nov 22 96	Dec 22 96				110	464.05-	464.05- ----- 0.06-
C1375	COPY TIME, ETC. IN 110696	Nov 06 96	Nov 16 96				113	500.12	500.12
	IN 11-6-96	Nov 06 96	Nov 16 96				113	17.05	17.05 ----- 517.17
C1406	CASE WINE CELLARS IN 262	Nov 25 96	Dec 25 96				113	1,127.18	1,127.18

Vendor Number	Vendor Name/ Doc. Number	Doc. Date	Due Date	Disc Date	Disc. Rate	Reference	Post. Seq.	Original Amount	Current Amount
(Vendor H3850 continued)									
IN	96-3012	Nov 30 96	Dec 30 96				123	5,317.00	5,317.00
									----- 5,317.00
I4210	INPUT/OUTPUT, INC.								
IN	54416	Nov 04 96	Dec 04 96				102	4,343.56	4,343.56
IN	54417	Nov 04 96	Dec 04 96				102	571.50	571.50
IN	54418	Nov 04 96	Dec 04 96				102	1,633.21	1,633.21
IN	54419	Nov 04 96	Dec 04 96				102	382.50	382.50
IN	54420	Nov 04 96	Dec 04 96				102	15.00	15.00
IN	54423	Nov 04 96	Dec 04 96				102	15.00	15.00
IN	54425	Nov 04 96	Dec 04 96				102	198.75	198.75
IN	54426	Nov 04 96	Dec 04 96				102	15.00	15.00
IN	54427	Nov 04 96	Dec 04 96				102	721.87	721.87
IN	54428	Nov 04 96	Dec 04 96				102	150.00	150.00
IN	54432	Nov 04 96	Dec 04 96				102	408.86	408.86
IN	54497	Nov 11 96	Dec 11 96				102	229.50	229.50
IN	54553	Nov 14 96	Dec 14 96				102	187.48	187.48
IN	54722	Nov 25 96	Dec 25 96				110	276.34	276.34
IN	54761	Nov 27 96	Dec 27 96				113	84,474.22	84,474.22
IN	54772	Nov 27 96	Dec 27 96				113	178.64	178.64
IN	54773	Nov 27 96	Dec 27 96				113	4,783.35	4,783.35
IN	54774	Nov 27 96	Dec 27 96				116	4,120.82	4,120.82
IN	54775	Nov 27 96	Dec 27 96				113	445.11	445.11
									----- 103,150.71
J2494	JENSEN TOOLS, INC.								
IN	2005052	Jul 22 96	Aug 21 96				115	167.74	167.74
									----- 167.74
L4848	LTI WIRE SERVICES								
IN	3479	Nov 22 96	Nov 22 96				123	586.20	586.20
									----- 586.20
L4863	LTI, INC.								
IN	69136	May 10 96	May 10 96				121	188.50	188.50
									----- 188.50
M4958	MERRILL CORPORATION								
IN	1903758	Oct 17 96	Oct 17 96				115	865.62	865.62
IN	1903770	Oct 17 96	Oct 17 96				115	521.85	521.85
IN	1904030	Nov 30 96	Nov 30 96				113	6,028.77	6,028.77
IN	1904033	Nov 30 96	Nov 30 96				113	313.93	313.93
IN	1904034	Nov 30 96	Nov 30 96				113	281.07	281.07
									----- 8,011.24
M5069	MARK PRODUCTS/CANADA								
IN	12676	Nov 01 96	Dec 01 96				120	205,380.00	205,380.00
									----- 205,380.00
M5071	MARK PRODUCTS/HOUSTON								
IN	42523	Nov 26 96	Dec 26 96				111	53,767.25	53,767.25

Vendor Number	Vendor Name/ Doc. Number	Doc. Date	Due Date	Disc Date	Disc. Rate	Reference	Post. Seq.	Original Amount	Current Amount
(Vendor M5071 continued)									
								-----	53,767.25
M5310	MITCHAM, BILLY F., SR.								
	IN 1195	Nov 08 95	Jan 08 97				113	531.53	531.53
								-----	531.53
N6030	NORTON, JACOBS, KUHN & McTOPY								
	IN 2637	Oct 31 96	Nov 30 96				102	421.10	421.10
	IN 2638	Oct 31 96	Nov 30 96				102	9.33	9.33
	IN 2639	Oct 31 96	Nov 30 96				102	877.50	877.50
	IN 2722	Oct 31 96	Nov 30 96				102	3,327.41	3,327.41
	IN 2723	Oct 31 96	Nov 30 96				102	1,664.60	1,664.60
	IN 2727	Oct 31 96	Nov 30 96				102	5,777.95	5,777.95
	IN 2808	Nov 30 96	Dec 30 96				115	39.00	39.00
	IN 2824	Nov 30 96	Dec 30 96				115	562.50	562.50
	IN 2827	Nov 30 96	Dec 30 96				115	370.50	370.50
	IN 2828	Nov 30 96	Dec 30 96				115	1,764.90	1,764.90
	IN 2829	Nov 30 96	Dec 30 96				115	1,912.65	1,912.65
								-----	16,727.44
O6221	O.R.E. INTERNATIONAL, INC.								
	IN 25000	Aug 31 96	Sep 30 96				114	22,850.00	22,850.00
	IN 25001	Aug 31 96	Sep 30 96				114	31,205.00	31,205.00
	IN 25009	Aug 31 96	Sep 30 96				114	1,380.00	1,380.00
	IN 25063	Sep 30 96	Oct 30 96				114	1,800.00	1,800.00
								-----	57,235.00
P6288	PELAGOS CORP.								
	IN 1232(2714)	Nov 30 96	Dec 30 96				115	1,479.55	1,479.55
								-----	1,479.55
Q6374	QUIK-PAK, INC.								
	IN 291196GNR	Nov 29 96	Dec 14 96				113	45.90	45.90
								-----	45.90
R6442	REID OFFICE SYSTEMS, INC.								
	IN 87734	Oct 09 96	Nov 08 96				120	13.79	13.79
								-----	13.79
R6700	RELIABLE PARTS CO.								
	IN 4822	Nov 21 96	Dec 21 96				110	90.86	90.86
	IN 5107	Nov 22 96	Dec 22 96				110	19.19-	19.19-
	IN 5790	Nov 26 96	Dec 26 96				110	29.20	29.20
								-----	100.87
S7101	SETON NAME PLATE COMPANY								
	IN B702650-01	Nov 27 96	Dec 27 96				110	739.95	739.95
								-----	739.95
S7126	SERCEL, INC.								
	IN 96/11/0450	Nov 18 96	Dec 18 96				104	740,350.00	740,350.00

Vendor Number	Vendor Name/ Doc. Number	Doc. Date	Due Date	Disc Date	Disc. Rate	Reference	Post. Seq.	Original Amount	Current Amount
(Vendor S7126 continued)									
IN	96/11/0451	Nov 18 96	Dec 18 96				105	1,021,751.00	1,021,751.00
IN	96/11/0452	Nov 18 96	Dec 18 96				105	204,561.00	204,561.00
IN	96/11/0458	Nov 21 96	Dec 21 96				111	2,574.99	2,574.99
IN	96/11/0466	Nov 30 96	Dec 30 96				111	627,376.00	627,376.00
IN	96/11/0467	Nov 30 96	Dec 30 96				113	75.50	75.50
IN	96/11/0468	Nov 30 96	Dec 30 96				113	2,188.36	2,188.36
IN	96/11/0482	Nov 30 96	Dec 30 96				113	857,618.00	857,618.00 H

									3,456,494.85
T8236	THOMAS INSTRUMENTS INC.								
IN	4554	Nov 22 96	Dec 22 96				110	92.50	92.50

									92.50
T8243	TERRASCAN EXPLORATION, LTD.								
IN	10-19-95	Oct 19 95	Nov 18 95				58	150,000.00	22,500.00
AD	57-1	Jan 31 96					9	22,500.00-	22,500.00-F

									0.00
T8246	TESCORP SEISMIC PRODUCTS								
IN	8133	Nov 25 96	Dec 25 96				110	9,021.24	9,021.24
IN	3153	Nov 26 96	Dec 26 96				110	7,121.40	7,121.40
IN	8258	Nov 30 96	Dec 30 96				111	20,344.50	20,344.50

									36,487.14
T8739	TRACE VENTURES EXPLORATIONS, IN								
IN	82-9611	Nov 30 96	Nov 30 96				115	3,420.00	3,420.00

									3,420.00
T8740	TRACE EXPLORATIONS LTD.								
IN	736-9611	Nov 30 96	Dec 30 96				116	15,200.00	15,200.00
IN	737-9611	Nov 30 96	Dec 30 96				116	3,000.00	3,000.00

									18,200.00
T8742	TERMINIX								
IN	112096	Nov 20 96	Dec 20 96				110	27.06	27.06

									27.06
W9339	WAGGONERS TRUCKING								
IN	133405A	Nov 07 96	Nov 17 96				112	280.00	280.00
IN	133450A	Nov 16 96	Nov 26 96				112	180.00	180.00
IN	133495A	Nov 16 96	Nov 26 96				112	120.00	120.00
IN	134763A	Nov 25 96	Dec 05 96				112	243.20	243.20
IN	134785A	Nov 25 96	Dec 05 96				112	352.00	352.00
IN	134823A	Nov 27 96	Dec 07 96				112	336.00	336.00

									1,511.20
W9341	WALKER COUNTY APPRAISAL DIST								
IN	16054	Oct 08 96	Jan 01 97				87	4,655.24	4,655.24
IN	16055	Oct 08 96	Jan 01 97				87	4,129.21	4,129.21

									8,784.45

Vendor Number	Vendor Name/ Doc. Number	Doc. Date	Due Date	Disc Date	Disc. Rate	Reference	Post. Seq.	Original Amount	Current Amount
W9344	WARD ELECTRIC SUPPLY CO. IN 224596-00	Nov 27 96	Dec 27 96				113	19.71	19.71
									----- 19.71
W9345	WALKER COUNTY TAX ASSESSOR/ IN 1908196	Oct 25 96	Jan 01 97				91	2,190.77	2,190.77
	IN 1908296	Oct 25 96	Jan 01 97				91	2,469.86	2,469.86
									----- 4,660.63
W9349	WARREN, GORHAM & LAMONT IN 55445076	Nov 14 96	Dec 14 96				115	85.00	85.00
									----- 85.00
	Control account total (1)								----- 4,170,429.02
	Total								----- 4,170,429.02 =====

F: indicates transaction forced for payment.
 H: indicates transaction placed on hold.
 48 vendor(s) printed.

ASSIGNMENT OF LEASES

In consideration of Ten and No/100 Dollars (\$10.00) and other good and valuable considerations in hand paid, the receipt and sufficiency of which are hereby acknowledged and confessed, Mitcham Industries, Inc., a Texas corporation ("Borrower"), having an address of P.O. Box 1175, Huntsville, Texas 77342, and Bank One, Texas, N.A. ("Lender"), having an address of 910 Travis, Houston, Texas 77002, in connection with and as security for the Indebtedness described in that certain Letter Loan Agreement of even date herewith by and among Borrower and Lender ("Agreement") enter into this Assignment of Leases ("Assignment"). Unless otherwise defined herein, capitalized terms defined in the Agreement shall have the same meaning when used herein. Borrower and Lender hereby agree as follows:

1. Notwithstanding the restrictions against leasing or renting Collateral in the Agreement, Borrower may lease any item of equipment ("Lease/Purchase Equipment") which is (i) to be leased to a third party under a lease/purchase agreement upon the terms and conditions set forth in the Agreement, (ii) purchased by Borrower with funds advanced by Lender under a Traunch, and (iii) covered by an Advance Note under the Revolving Line of Credit, but only upon the following conditions:

(a) as used in this Assignment, the term "Lease" shall include any present or future lease, rental contract and any other contract for the use or operation of any of the Lease/Purchase Equipment;

(b) Borrower shall have absolute and unconditional primary liability for payment and performance of all its obligations, agreements and indemnities under the Agreement, including, without limitation, payment of all principal and interest payments and other amounts due or to become due under the Agreement directly to Lender;

(c) each Lease shall be entered into in the ordinary course of Borrower's business and the terms of each Lease shall be arm's length terms;

(d) each Lease shall not involve the transfer of legal or beneficial title to the Lease/Purchase Equipment to the lessee except upon the purchase of such Lease/Purchase Equipment by the lessee and in accordance with, and as provided in, the Agreement; and

(e) Borrower shall remain liable under each Lease to perform all of its agreements, obligations and indemnities thereunder and Lender shall have absolutely no obligation or liability under any Lease.

2. As collateral security for all of its agreements, obligations and indemnities under the Agreement, Borrower hereby assigns to Lender, and hereby grants to Lender a continuing first priority security interest in, all of Borrower's right, title and interest in, to and under (a) the Leases and all rental payments and other monies from time to time payable to or receivable by Borrower under the Leases, including all proceeds thereof, and (b) all of Borrower's rights, powers and remedies under the Leases. Borrower represents, warrants and covenants to Lender: (i) that the collateral described in the immediately preceding sentence is now and will remain at all times free and clear of any liens, security interests and other claims other than the rights of the lessees under the Leases and the rights of Lender under the Agreement and this Assignment; and (ii) that if an event of default occurs under the Agreement, then Lender shall have all the rights and remedies of a secured party under the applicable Uniform Commercial Code as well as the rights and remedies provided under the Agreement and/or the Leases, by law or in equity.

3. Notwithstanding anything to the contrary contained herein, the liens created by this Assignment are junior, second and inferior to the liens against the Collateral described in that certain Assignment of Leases from Borrower in favor of Lender and Banc One Leasing Corporation (collectively, the lender thereunder), executed by Borrower as of January 31, 1996 (the "Bank One First Lien"). Neither Borrower nor Lender intend that there be, and there shall not in any event be, a merger of any of the liens created by this Assignment with the title, any other lien or other interest of Lender in the Collateral by virtue of the Bank One First Lien or any of the Loan Documents (as defined in that certain Letter Loan Agreement dated as of January 31, 1996 entered into by and among Borrower, Lender, and Banc One Leasing Corporation), and the parties hereto expressly provide that each such interest in any lien created hereby on one hand and any other title, lien or other interest on the other are and remain at all times SEPARATE and DISTINCT.

4. Except as expressly amended by this Assignment, the Agreement remains unchanged and in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment as of January 16, 1997.

BORROWER:

MITCHAM INDUSTRIES, INC.,
a Texas Corporation

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

Billy F. Mitcham, Jr., President

LENDER:

BANK ONE, TEXAS, N.A.

By: /s/ WALTER F. RODEE, III

Name: Walter F. Rodee, III

Title: Vice President

SECURITY AGREEMENT

THIS SECURITY AGREEMENT ("Agreement") is made as of the 16th day of January, 1997, by MITCHAM INDUSTRIES, INC., a Texas corporation (hereinafter called "Debtor"), in favor of BANK ONE, TEXAS, N.A. (hereinafter called "Secured Party"). Debtor hereby agrees with Secured Party as follows:

1. DEFINITIONS. As used in this Agreement, the following terms shall have the meanings indicated below:

(a) The term "Code" shall mean the Uniform Commercial Code as in effect in the State of Texas on the date of this Agreement or as it may hereafter be amended from time to time.

(b) The term "Collateral" shall mean all of the property set forth below:

(i) All present and future accounts, chattel paper, contract rights, documents, instruments, deposit accounts and general intangibles (including any right to payment for goods sold or leased or services rendered arising out of the sale or delivery of personal property or work done or labor performed by Debtor), now or hereafter owned, held, or acquired by Debtor, together with any and all books of account, customer lists and other records relating in any way to the foregoing (including, without limitation, computer software, whether on tape, disk, card, strip, cartridge or any other form), and in any case where an account arises from the sale or lease of goods or equipment, the interest of Debtor in such goods or equipment.

(ii) All finished goods, equipment, fixtures and machinery of whatsoever kind and character now or hereafter possessed, held, acquired or owned by Debtor and held for resale, lease or ordinary disposition in the course of Debtor's business, together with all replacements, accessories, additions, substitutions and accessions to all of the foregoing, all records relating in any way to the foregoing (including, without limitation, any computer software, whether on tape, disk, card, strip, cartridge or any other form).

(iii) All of Debtor's right, title and interest in, to and under (a) present or future leases, rental contracts and any other contracts for the use or operation of any equipment owned by Debtor (each a "Lease" collectively, "Leases") for and all rental payments and other monies from time to time payable to or

receivable by Debtor under the Leases, including all proceeds thereof, and (b) all of Debtor's rights, powers and remedies under the Leases.

The term Collateral, as used herein, shall also include all PRODUCTS and PROCEEDS of all of the foregoing (including without limitation, insurance payable by reason of loss or damage to the foregoing property) and any property, securities, guaranties or monies of Debtor which may at any time come into the possession of Secured Party (as hereinafter defined). The designation of proceeds does not authorize Debtor to sell, transfer or otherwise convey any of the foregoing property except finished goods intended for sale in the ordinary course of Debtor's business or as otherwise provided herein.

(c) The term "Indebtedness" shall mean:

(i) all indebtedness, obligations and liabilities of Debtor to Secured Party of any kind or character, now existing or hereafter arising, whether direct, indirect, related, unrelated, fixed, contingent, liquidated, unliquidated, joint, several or joint and several, and regardless of whether such indebtedness, obligations and liabilities may, prior to their acquisition by Secured Party, be or have been payable to or in favor of a third party and subsequently acquired by Secured Party (it being contemplated that Secured Party may make such acquisitions from third parties), including without limitation all indebtedness, obligations and liabilities of Debtor to Secured Party now existing or hereafter arising by note, draft, acceptance, guaranty, endorsement, letter of credit, assignment, purchase, overdraft, discount, indemnity agreement or otherwise, (ii) all accrued but unpaid interest on any of the indebtedness described in (i) above, (iii) all obligations of Debtor to Secured Party under any documents evidencing, securing, governing and/or pertaining to all or any part of the indebtedness described in (i) and (ii) above, (iv) all costs and expenses incurred by Secured Party in connection with the collection and administration of all or any part of the indebtedness and obligations described in (i), (ii) and (iii) above or the protection or preservation of, or realization upon, the collateral securing all or any part of such indebtedness and obligations, including without limitation all reasonable attorneys' fees, and (v) all renewals, extensions, modifications and rearrangements of the indebtedness and obligations described in (i), (ii), (iii) and (iv) above, including, without limitation, the Notes of even date herewith in the principal amounts of \$4,000,000.00 (the "Revolving Line of Credit") and

\$1,000,000.00 (the "Term Loan") (collectively, the "Notes"), and all accrued but unpaid interest on the Notes.

(f) The term "Loan Documents" shall mean all instruments and documents evidencing, securing, governing, guaranteeing and/or pertaining to the Indebtedness.

(g) The term "Obligated Party" shall mean any party other than Debtor who secures, guarantees and/or is otherwise obligated to pay all or any portion of the Indebtedness.

(h) The term "Secured Party" shall mean Bank One, Texas, N.A., and its successors and assigns, including without limitation, any party to whom Secured Party, or its successors or assigns, may assign its rights and interests under this Agreement.

All words and phrases used herein which are expressly defined in Section 1.201 or Chapter 9 of the Code shall have the meaning provided for therein. Other words and phrases defined elsewhere in the Code shall have the meaning specified therein except to the extent such meaning is inconsistent with a definition in Section 1.201 or Chapter 9 of the Code.

2. SECURITY INTEREST. As security for the Indebtedness, Debtor, for value received, hereby grants to Secured Party a continuing security interest in the Collateral.

3. REPRESENTATIONS AND WARRANTIES. Debtor hereby represents and warrants the following to Secured Party:

(a) Due Authorization. The execution, delivery and performance of this Agreement and all of the other Loan Documents by Debtor have been duly authorized by all necessary corporate action of Debtor, to the extent Debtor is a corporation.

(b) Enforceability. This Agreement and the other Loan Documents constitute legal, valid and binding obligations of Debtor, enforceable in accordance with their respective terms, except as limited by bankruptcy, insolvency or similar laws of general application relating to the enforcement of creditors' rights and except to the extent specific remedies may generally be limited by equitable principles.

(c) Ownership and Liens. Debtor has good and marketable title to the Collateral free and clear of all liens, security interests, encumbrances or adverse claims, except for the security interest created by this Agreement. No dispute, right of setoff, counterclaim or defense exists with respect to all or any part of the Collateral. Debtor has not executed

any other security agreement currently affecting the Collateral and no effective financing statement or other instrument similar in effect covering all or any part of the Collateral is on file in any recording office except as may have been executed or filed in favor of Secured Party.

(d) No Conflicts or Consents. Neither the ownership, the intended use of the Collateral by Debtor, the grant of the security interest by Debtor to Secured Party herein nor the exercise by Secured Party of its rights or remedies hereunder, will (i) conflict with any provision of (A) any domestic or foreign law, statute, rule or regulation, (B) the articles or certificate of incorporation, charter, bylaws or partnership agreement, as the case may be, of Debtor, or (C) any agreement, judgment, license, order or permit applicable to or binding upon Debtor, or (ii) result in or require the creation of any lien, charge or encumbrance upon any assets or properties of Debtor or of any person except as may be expressly contemplated in the Loan Documents. Except as expressly contemplated in the Loan Documents, no consent, approval, authorization or order of, and no notice to or filing with, any court, governmental authority or third party is required in connection with the grant by Debtor of the security interest herein or the exercise by Secured Party of its rights and remedies hereunder.

(e) Security Interest. Debtor has and will have at all times full right, power and authority to grant a security interest in the Collateral to Secured Party in the manner provided herein, free and clear of any lien (other than liens held by Secured Party), security interest or other charge or encumbrance. This Agreement creates a legal, valid and binding security interest in favor of Secured Party in the Collateral securing the Indebtedness. Possession by Secured Party of all certificates, instruments and cash constituting Collateral from time to time and/or the filing of the financing statements delivered prior hereto and/or concurrently herewith by Debtor to Secured Party will perfect and establish the first priority of Secured Party's security interest hereunder in the Collateral.

(f) Location. Debtor's residence or chief executive office, as the case may be, and the office where the records concerning the Collateral are kept is located at its address set forth on the signature page hereof.

(g) Solvency of Debtor. As of the date hereof, and after giving effect to this Agreement and the completion of all other transactions contemplated by Debtor at the time of the execution of this Agreement, (i) Debtor is and will be solvent, (ii) the fair saleable value of Debtor's assets exceeds and will continue to exceed Debtor's liabilities (both

fixed and contingent), (iii) Debtor is paying and will continue to be able to pay its debts as they mature, and (iv) if Debtor is not an individual, Debtor has and will have sufficient capital to carry on Debtor's businesses and all businesses in which Debtor is about to engage.

(h) Compliance with Environmental Laws. Except as disclosed in writing to Secured Party: (i) Debtor is conducting Debtor's businesses in material compliance with all applicable federal, state and local laws, statutes, ordinances, rules, regulations, orders, determinations and court decisions, including without limitation, those pertaining to health or environmental matters such as the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986 (collectively, together with any subsequent amendments, hereinafter called "CERCLA"), the Resource Conservation and Recovery Act of 1976, as amended by the Used Oil Recycling Act of 1980, the Solid Waste Disposal Act Amendments of 1980, and the Hazardous Substance Waste Amendments of 1984 (collectively, together with any subsequent amendments, hereinafter called "RCRA"), the Texas Water Code and the Texas Solid Waste Disposal Act; (ii) none of the operations of Debtor is the subject of a federal, state or local investigation evaluating whether any material remedial action is needed to respond to a release or disposal of any toxic or hazardous substance or solid waste into the environment; (iii) Debtor has not filed any notice under any federal, state or local law indicating that Debtor is responsible for the release into the environment, the disposal on any premises in which Debtor is conducting its businesses or the improper storage, of any material amount of any toxic or hazardous substance or solid waste or that any such toxic or hazardous substance or solid waste has been released, disposed of or is improperly stored, upon any premise on which Debtor is conducting its businesses; and (iv) Debtor otherwise does not have any known material contingent liability in connection with the release into the environment, disposal or the improper storage, of any such toxic or hazardous substance or solid waste. The terms "hazardous substance" and "release", as used herein, shall have the meanings specified in CERCLA, and the terms "solid waste" and "disposal", as used herein, shall have the meanings specified in RCRA; provided, however, that to the extent that the laws of the State of Texas establish meanings for such terms which are broader than that specified in either CERCLA or RCRA, such broader meanings shall apply.

(i) Accounts. Each account represents the valid and legally binding indebtedness of a bona fide account debtor arising from the sale or lease by Debtor of goods or the rendition by Debtor of services and is not subject to contra

accounts, setoffs, defenses or counterclaims by or available to account debtors obligated on the accounts except as disclosed by Debtor to Secured Party from time to time in writing. The amount shown as to each account on Debtor's books is the true and undisputed amount owing and unpaid thereon, subject only to discounts, allowances, rebates, credits and adjustments to which the account debtor has a right and which have been disclosed to Secured Party in writing.

(j) Chattel Paper, Documents and Instruments. The chattel paper, documents and instruments of Debtor pledged hereunder have only one original counterpart and no party other than Debtor or Secured Party is in actual or constructive possession of any such chattel paper, documents or instruments.

4. AFFIRMATIVE COVENANTS. Debtor will comply with the covenants contained in this Section 4 at all times during the period of time this Agreement is effective unless Secured Party shall otherwise consent in writing.

(a) Ownership and Liens. Debtor will maintain good and marketable title to all Collateral free and clear of all liens, security interests, encumbrances or adverse claims, except for the security interest created by this Agreement and the security interests and other encumbrances expressly permitted by the other Loan Documents. Debtor will not permit any dispute, right of setoff, counterclaim or defense to exist with respect to all or any part of the Collateral. Debtor will cause any financing statement or other security instrument with respect to the Collateral to be terminated, except as may exist or as may have been filed in favor of Secured Party. Debtor will defend at its expense Secured Party's right, title and security interest in and to the Collateral against the claims of any third party.

(b) Further Assurances. Debtor will from time to time at its expense promptly execute and deliver all further instruments and documents and take all further action necessary or appropriate or that Secured Party may request in order (i) to perfect and protect the security interest created or purported to be created hereby and the first priority of such security interest, (ii) to enable Secured Party to exercise and enforce its rights and remedies hereunder in respect of the Collateral, and (iii) to otherwise effect the purposes of this Agreement, including without limitation: (A) executing and filing such financing or continuation statements, or amendments thereto; and (B) furnishing to Secured Party from time to time statements and schedules further identifying and describing the Collateral and such

other reports in connection with the Collateral, all in reasonable detail satisfactory to Secured Party.

(c) Inspection of Collateral. Debtor will keep adequate records concerning the Collateral and will permit Secured Party and all representatives and agents appointed by Secured Party to inspect any of the Collateral and the books and records of or relating to the Collateral at any time during normal business hours, to make and take away photocopies, photographs and printouts thereof and to write down and record any such information.

(d) Payment of Taxes. Debtor (i) will timely pay all property and other taxes, assessments and governmental charges or levies imposed upon the Collateral or any part thereof, (ii) will timely pay all lawful claims which, if unpaid, might become a lien or charge upon the Collateral or any part thereof, and (iii) will maintain appropriate accruals and reserves for all such liabilities in a timely fashion in accordance with generally accepted accounting principles. Debtor may, however, delay paying or discharging any such taxes, assessments, charges, claims or liabilities so long as the validity thereof is contested in good faith by proper proceedings and provided Debtor has set aside on Debtor's books adequate reserves therefor; provided, however, Debtor understands and agrees that in the event of any such delay in payment or discharge and upon Secured Party's written request, Debtor will establish with Secured Party an escrow acceptable to Secured Party adequate to cover the payment of such taxes, assessments and governmental charges with interest, costs and penalties and a reasonable additional sum to cover possible costs, interest and penalties (which escrow shall be returned to Debtor upon payment of such taxes, assessments, governmental charges, interests, costs and penalties or disbursed in accordance with the resolution of the contest to the claimant) or furnish Secured Party with an indemnity bond secured by a deposit in cash or other security acceptable to Secured Party. Notwithstanding any other provision contained in this Subsection, Secured Party may at its discretion exercise its rights under Subsection 6(c) at any time to pay such taxes, assessments, governmental charges, interest, costs and penalties.

(e) Mortgagee's and Landlord's Waivers. Debtor shall cause each mortgagee of real property owned by Debtor and each landlord of real property leased by Debtor to execute and deliver agreements satisfactory in form and substance to Secured Party by which such mortgagee or landlord waives or subordinates any rights it may have in the Collateral.

(f) Condition of Goods. Debtor will maintain, preserve, protect and keep all Collateral which constitutes goods or

Equipment in good condition, repair and working order and will cause such Collateral to be used and operated in good and workmanlike manner, in accordance with applicable laws and in a manner which will not make void or cancelable any insurance with respect to such Collateral. Debtor will promptly make or cause to be made all repairs, replacements and other improvements to or in connection with the Collateral which Secured Party may request from time to time.

(g) Insurance. Debtor will, at its own expense, maintain insurance with respect to all Collateral which constitutes goods or Equipment in such amounts, against such risks, in such form and with such insurers, as shall be satisfactory to Secured Party from time to time. If requested by Secured Party, each policy for property damage insurance shall provide for all losses to be paid directly to Secured Party. If requested by Secured Party, each policy of insurance maintained by Debtor shall (i) name Debtor and Secured Party as insured parties thereunder (without any representation or warranty by or obligation upon Secured Party) as their interests may appear, (ii) contain the agreement by the insurer that any loss thereunder shall be payable to Secured Party notwithstanding any action, inaction or breach of representation or warranty by Debtor, (iii) provide that there shall be no recourse against Secured Party for payment of premiums or other amounts with respect thereto, and (iv) provide that at least thirty (30) days prior written notice of cancellation or of lapse shall be given to Secured Party by the insurer. Debtor will, if requested by Secured Party, deliver to Secured Party original or duplicate policies of such insurance and, as often as Secured Party may reasonably request, a report of a reputable insurance broker with respect to such insurance. Debtor will also, at the request of Secured Party, duly execute and deliver instruments of assignment of such insurance policies and cause the respective insurers to acknowledge notice of such assignment. All insurance payments in respect of loss of or damage to any Collateral shall be paid to Secured Party and applied as Secured Party in its sole discretion deems appropriate.

(h) Accounts and General Intangibles. Debtor will, except as otherwise provided in Subsection 6(e), collect, at Debtor's own expense, all amounts due or to become due under each of the accounts and general intangibles. In connection with such collections, Debtor may and, at Secured Party's direction, will take such action not otherwise forbidden by Subsection 5(e) as Debtor or Secured Party may deem necessary or advisable to enforce collection or performance of each of the accounts and general intangibles. Debtor will also duly perform and cause to be performed all of its obligations with respect to the goods or services, the sale or lease or rendition of which gave rise or will give rise to each account

and all of its obligations to be performed under or with respect to the general intangibles. Debtor also covenants and agrees to take any action and/or execute any documents that Secured Party may request in order to comply with the Federal Assignment of Claims Act, as amended.

(i) Chattel Paper, Documents and Instruments. Debtor will take such action as may be requested by Secured Party in order to cause any chattel paper, documents or instruments to be valid and enforceable and will cause all chattel paper to have only one original counterpart. Upon request by Secured Party, Debtor will deliver to Secured Party all originals of chattel paper, documents or instruments and will mark all chattel paper with a legend indicating that such chattel paper is subject to the security interest granted hereunder.

(j) Equipment. Debtor will furnish Secured Party with written notice within two (2) business days of Debtor's knowledge, or reasonable belief, of the occurrence from time to time of any change in the location of any part of the Collateral that is not within the United States of America and Canada.

5. NEGATIVE COVENANTS. Debtor will comply with the covenants contained in this Section 5 at all times during the period of time this Agreement is effective, unless Secured Party shall otherwise consent in writing.

(a) Transfer or Encumbrance. Debtor will not (i) sell, assign (by operation of law or otherwise), transfer, exchange, lease or otherwise dispose of any of the Collateral, (ii) grant a lien or security interest in or execute, file or record any financing statement or other security instrument with respect to the Collateral to any party other than Secured Party, or (iii) deliver actual or constructive possession of any of the Collateral to any party other than Secured Party, except for (A) sales and leases of leased equipment and the sale of inventory in the ordinary course of business, and (B) the sale or other disposal of any item of equipment which is worn out or obsolete and which has been replaced by an item of equal suitability and value, owned by Debtor and made subject to the security interest under this Agreement, but which is otherwise free and clear of any lien, security interest, encumbrance or adverse claim; provided, however, the exceptions permitted in clauses (A) and (B) above shall automatically terminate upon the occurrence of an Event of Default.

(b) Impairment of Security Interest. Debtor will not take or fail to take any action which would in any manner impair the value or enforceability of Secured Party's security interest in any Collateral.

(c) Possession of Collateral. Debtor will not cause or permit the removal of any Collateral from its possession, control and risk of loss other than (i) as permitted by Subsection 4(j) and/or 5(a), or (ii) in connection with the possession of any Collateral by Secured Party or by its bailee. Notwithstanding the foregoing, Debtor will not cause or permit the removal of 50% of the Collateral from the United States of America and Canada.

(d) Goods. Debtor will not permit any Collateral which constitutes goods to at any time (i) be covered by any document except documents in the possession of the Secured Party, (ii) become so related to, attached to or used in connection with any particular real property so as to become a fixture upon such real property, or (iii) be installed in or affixed to other goods so as to become an accession to such other goods unless such other goods are subject to a perfected first priority security interest under this Agreement.

(e) Compromise of Collateral. Debtor will not adjust, settle, compromise, amend or modify any Collateral, except an adjustment, settlement, compromise, amendment or modification in good faith and in the ordinary course of business; provided, however, this exception shall automatically terminate upon the occurrence of an Event of Default or upon Secured Party's written request. Debtor shall provide to Secured Party such information concerning (i) any adjustment, settlement, compromise, amendment or modification of any Collateral, and (ii) any claim asserted by any account debtor for credit, allowance, adjustment, dispute, setoff or counterclaim, as Secured Party may request from time to time.

(f) Financing Statement Filings. Debtor recognizes that financing statements pertaining to the Collateral have been or may be filed where Debtor maintains any Collateral, has its records concerning any Collateral or has its residence or chief executive office, as the case may be. Without limitation of any other covenant herein, Debtor will not cause or permit any change in the location of (i) any Collateral (except as permitted in that certain Letter Loan Agreement, of even date herewith, entered into by and between Debtor and Secured Party), (ii) any records concerning any Collateral, or (iii) Debtor's residence or chief executive office, as the case may be, to a jurisdiction other than as represented in Subsection 3(f) unless Debtor shall have notified Secured Party in writing of such change at least thirty (30) days prior to the effective date of such change, and shall have first taken all action required by Secured Party for the purpose of further perfecting or protecting the security interest in favor of Secured Party in the Collateral or unless otherwise permitted by Section 4.(j) hereof. In any written notice furnished pursuant to this Subsection, Debtor will

expressly state that the notice is required by this Agreement and contains facts that may require additional filings of financing statements or other notices for the purpose of continuing perfection of Secured Party's security interest in the Collateral.

6. RIGHTS OF SECURED PARTY. Secured Party shall have the rights contained in this Section 6 at all times during the period of time this Agreement is effective.

(a) Additional Financing Statements Filings. Debtor hereby authorizes Secured Party to file, without the signature of Debtor, one or more financing or continuation statements, and amendments thereto, relating to the Collateral. Debtor further agrees that a carbon, photographic or other reproduction of this Security Agreement or any financing statement describing any Collateral is sufficient as a financing statement and may be filed in any jurisdiction Secured Party may deem appropriate.

(b) Power of Attorney. Debtor hereby irrevocably appoints Secured Party as Debtor's attorney-in-fact, such power of attorney being coupled with an interest, with full authority in the place and stead of Debtor and in the name of Debtor or otherwise, from time to time in Secured Party's discretion, to take any action and to execute any instrument which Secured Party may deem necessary or appropriate to accomplish the purposes of this Agreement, including without limitation: (i) to obtain and adjust insurance required by Secured Party hereunder; (ii) to demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of the Collateral; (iii) to receive, endorse and collect any drafts or other instruments, documents and chattel paper in connection with clause (i) or (ii) above; and (iv) to file any claims or take any action or institute any proceedings which Secured Party may deem necessary or appropriate for the collection and/or preservation of the Collateral or otherwise to enforce the rights of Secured Party with respect to the Collateral.

(c) Performance by Secured Party. If Debtor fails to perform any agreement or obligation provided herein, Secured Party may itself perform, or cause performance of, such agreement or obligation, and the expenses of Secured Party incurred in connection therewith shall be a part of the Indebtedness, secured by the Collateral and payable by Debtor on demand.

(d) Debtor's Receipt of Proceeds. All amounts and proceeds (including instruments and writings) received by Debtor in respect of such accounts or general intangibles

shall be received in trust for the benefit of Secured Party hereunder and, upon request of Secured Party, shall be segregated from other property of Debtor and shall be forthwith delivered to Secured Party in the same form as so received (with any necessary endorsement) and applied to the Indebtedness in such manner as Secured Party deems appropriate in its sole discretion.

(e) Notification of Account Debtors. If Secured Party has a reasonable basis to believe an Event of Default has occurred, or with the passage of time, could occur, Secured Party may at its discretion notify any or all obligors under any accounts or general intangibles (i) of Secured Party's security interest in such accounts or general intangibles and direct such obligors to make payment of all amounts due or to become due to Debtor thereunder directly to Secured Party, and (ii) to verify the accounts or general intangibles with such obligors. Secured Party shall have the right, at the expense of Debtor, to enforce collection of any such accounts or general intangibles and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as Debtor.

7. EVENTS OF DEFAULT. Each of the following constitutes an "Event of Default" under this Agreement:

(a) Failure to Pay Indebtedness. The failure, refusal or neglect of Debtor to make any payment of principal or interest on the Indebtedness or any other amounts owing by Debtor to Secured Party, or any portion thereof, as the same shall become due and payable; or

(b) Non-Performance of Covenants. The failure of Debtor or any Obligated Party to timely and properly observe, keep or perform any covenant, agreement, warranty or condition required herein or in any of the other Loan Documents; or

(c) Default Under other Loan Documents. The occurrence of an event of default under any of the other Loan Documents or any other agreement between Debtor and Secured Party; or

(d) False Representation. Any representation contained herein or in any of the other Loan Documents made by Debtor or any Obligated Party is false or misleading in any material respect; or

(e) Default to Third Party. The occurrence of any event which permits the acceleration of the maturity of any indebtedness owing by Debtor or any Obligated Party to any third party under any agreement or undertaking; or

(f) Bankruptcy or Insolvency. If Debtor or any Obligated Party:

(i) becomes insolvent, or makes a transfer in fraud of creditors, or makes an assignment for the benefit of creditors, or admits in writing its inability to pay its debts as they become due; or

(ii) generally is not paying its debts as such debts become due; or

(iii) has a receiver or custodian appointed for, or take possession of, all or substantially all of the assets of such party or any of the Collateral, either in a proceeding brought by such party or in a proceeding brought against such party and such appointment is not discharged or such possession is not terminated within thirty (30) days after the effective date thereof or such party consents to or acquiesces in such appointment or possession; or

(iv) files a petition for relief under the United States Bankruptcy Code or any other present or future federal or state insolvency, bankruptcy or similar laws (all of the foregoing hereinafter collectively called "Applicable Bankruptcy Law") or an involuntary petition for relief is filed against such party under any Applicable Bankruptcy Law and such involuntary petition is not dismissed within thirty (30) days after the filing thereof, or an order for relief naming such party is entered under any Applicable Bankruptcy Law, or any composition, rearrangement, extension, reorganization or other relief of debtors now or hereafter existing is requested or consented to by such party; or

(v) fails to have discharged within a period of thirty (30) days any attachment, sequestration or similar writ levied upon any property of such party; or

(vi) fails to pay within thirty (30) days any final money judgment against such party; or

(g) Execution on Collateral. The Collateral or any portion thereof is taken on execution or other process of law in any action against Debtor; or

(h) Abandonment. Debtor abandons the Collateral or any portion thereof; or

(i) Action by Other Lienholder. The holder of any lien or security interest on any of the assets of Debtor, including

without limitation, the Collateral (without hereby implying the consent of Secured Party to the existence or creation of any such lien or security interest on the Collateral), declares a default thereunder or institutes foreclosure or other proceedings for the enforcement of its remedies thereunder; or

(j) Liquidation, Death and Related Events. If Debtor or any Obligated Party is an entity, the liquidation, dissolution, merger or consolidation of any such entity or, if Debtor or any Obligated Party is an individual, the death or legal incapacity of any such individual.

8. REMEDIES AND RELATED RIGHTS. If an Event of Default shall have occurred, and without limiting any other rights and remedies provided herein, under any of the other Loan Documents or otherwise available to Secured Party, Secured Party may exercise one or more of the rights and remedies provided in this Section.

(a) Remedies. Secured Party may from time to time at its discretion, without limitation and without notice except as expressly provided in any of the Loan Documents:

(i) exercise in respect of the Collateral all the rights and remedies of a secured party under the Code (whether or not the Code applies to the affected Collateral);

(ii) require Debtor to, and Debtor hereby agrees that it will at its expense and upon request of Secured Party, assemble the Collateral as directed by Secured Party and make it available to Secured Party at a place to be designated by Secured Party which is reasonably convenient to both parties;

(iii) reduce its claim to judgment or foreclose or otherwise enforce, in whole or in part, the security interest granted hereunder by any available judicial procedure;

(iv) sell or otherwise dispose of, at its office, on the premises of Debtor or elsewhere, the Collateral, as a unit or in parcels, by public or private proceedings, and by way of one or more contracts (it being agreed that the sale or other disposition of any part of the Collateral shall not exhaust Secured Party's power of sale, but sales or other dispositions may be made from time to time until all of the Collateral has been sold or disposed of or until the Indebtedness has been paid and performed in full), and at any such sale or other disposition it shall not be necessary to exhibit any of the Collateral;

(v) buy the Collateral, or any portion thereof, at any public sale;

(vi) buy the Collateral, or any portion thereof, at any private sale if the Collateral is of a type customarily sold in a recognized market or is of a type which is the subject of widely distributed standard price quotations;

(vii) apply for the appointment of a receiver for the Collateral, and Debtor hereby consents to any such appointment; and

(viii) at its option, retain the Collateral in satisfaction of the Indebtedness whenever the circumstances are such that Secured Party is entitled to do so under the Code or otherwise.

Debtor agrees that in the event Debtor is entitled to receive any notice under the Uniform Commercial Code, as it exists in the state governing any such notice, of the sale or other disposition of any Collateral, reasonable notice shall be deemed given when such notice is deposited in a depository receptacle under the care and custody of the United States Postal Service, postage prepaid, at Debtor's address set forth on the signature page hereof, five (5) days prior to the date of any public sale, or after which a private sale, of any of such Collateral is to be held. Secured Party shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. Secured Party may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(b) Application of Proceeds. If any Event of Default shall have occurred, Secured Party may at its discretion apply or use any cash held by Secured Party as Collateral, and any cash proceeds received by Secured Party in respect of any sale or other disposition of, collection from, or other realization upon, all or any part of the Collateral as follows in such order and manner as Secured Party may elect:

(i) to the repayment or reimbursement of the reasonable costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) incurred by Secured Party in connection with (A) the administration of the Loan Documents, (B) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, the Collateral, and (C) the exercise or enforcement of any of the rights and remedies of Secured Party hereunder;

(ii) to the payment or other satisfaction of any liens and other encumbrances upon the Collateral;

(iii) to the satisfaction of the Indebtedness;

(iv) by holding such cash and proceeds as Collateral;

(v) to the payment of any other amounts required by applicable law (including without limitation, Section 9.504(a)(3) of the Code or any other applicable statutory provision); and

(vi) by delivery to Debtor or any other party lawfully entitled to receive such cash or proceeds whether by direction of a court of competent jurisdiction or otherwise.

(c) Deficiency. In the event that the proceeds of any sale of, collection from, or other realization upon, all or any part of the Collateral by Secured Party are insufficient to pay all amounts to which Secured Party is legally entitled, Debtor and any party who guaranteed or is otherwise obligated to pay all or any portion of the Indebtedness shall be liable for the deficiency, together with interest thereon as provided in the Loan Documents.

(d) Non-Judicial Remedies. In granting to Secured Party the power to enforce its rights hereunder without prior judicial process or judicial hearing, Debtor expressly waives, renounces and knowingly relinquishes any legal right which might otherwise require Secured Party to enforce its rights by judicial process. Debtor recognizes and concedes that non-judicial remedies are consistent with the usage of trade, are responsive to commercial necessity and are the result of a bargain at arm's length. Nothing herein is intended to prevent Secured Party or Debtor from resorting to judicial process at either party's option.

(e) Other Recourse. Debtor waives any right to require Secured Party to proceed against any third party, exhaust any Collateral or other security for the Indebtedness, or to have any third party joined with Debtor in any suit arising out of the Indebtedness or any of the Loan Documents, or pursue any other remedy available to Secured Party. Debtor further waives any and all notice of acceptance of this Agreement and of the creation, modification, rearrangement, renewal or extension of the Indebtedness. Debtor further waives any defense arising by reason of any disability or other defense of any third party or by reason of the cessation from any cause whatsoever of the liability of any third party. Until all of the Indebtedness shall have been paid in full, Debtor

shall have no right of subrogation and Debtor waives the right to enforce any remedy which Secured Party has or may hereafter have against any third party, and waives any benefit of and any right to participate in any other security whatsoever now or hereafter held by Secured Party. Debtor authorizes Secured Party, and without notice or demand and without any reservation of rights against Debtor and without affecting Debtor's liability hereunder or on the Indebtedness to (i) take or hold any other property of any type from any third party as security for the Indebtedness, and exchange, enforce, waive and release any or all of such other property, (ii) apply such other property and direct the order or manner of sale thereof as Secured Party may in its discretion determine, (iii) renew, extend, accelerate, modify, compromise, settle or release any of the Indebtedness or other security for the Indebtedness, (iv) waive, enforce or modify any of the provisions of any of the Loan Documents executed by any third party, and (v) release or substitute any third party.

9. INDEMNITY. Debtor hereby indemnifies and agrees to hold harmless Secured Party, and its officers, directors, employees, agents and representatives (each an "Indemnified Person") from and against any and all liabilities, obligations, claims, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature, including, but not limited to attorney's fees and any settlement costs, (collectively, the "Claims") which may be imposed on, incurred by, or asserted against, any Indemnified Person (whether or not caused by any Indemnified Person's sole, concurrent or contributory negligence) arising in connection with the Loan Documents, the Indebtedness or the Collateral (including without limitation, the enforcement of the Loan Documents and the defense of any Indemnified Person's actions and/or inactions in connection with the Loan Documents), except to the limited extent the Claims against an Indemnified Person are proximately caused by such Indemnified Person's gross negligence or willful misconduct. If Debtor or any third party ever alleges such gross negligence or willful misconduct by any Indemnified Person, the indemnification provided for in this Section shall nonetheless be paid upon demand, subject to later adjustment or reimbursement, until such time as a court of competent jurisdiction enters a final judgment as to the extent and effect of the alleged gross negligence or willful misconduct. The indemnification provided for in this Section shall survive the termination of this Agreement and shall extend and continue to benefit each individual or entity who is or has at any time been an Indemnified Person hereunder.

10. MISCELLANEOUS.

(a) Entire Agreement. This Agreement contains the entire agreement of Secured Party and Debtor with respect to

the Collateral. If the parties hereto are parties to any prior agreement, either written or oral, relating to the Collateral, the terms of this Agreement shall amend and supersede the terms of such prior agreements as to transactions on or after the effective date of this Agreement, but all security agreements, financing statements, guaranties, other contracts and notices for the benefit of Secured Party shall continue in full force and effect to secure the Indebtedness unless Secured Party specifically releases its rights thereunder by separate release.

(b) Amendment. No modification, consent or amendment of any provision of this Agreement or any of the other Loan Documents shall be valid or effective unless the same is in writing and signed by the party against whom it is sought to be enforced.

(c) Actions by Secured Party. The lien, security interest and other security rights of Secured Party hereunder shall not be impaired by (i) any renewal, extension, increase or modification with respect to the Indebtedness, (ii) any surrender, compromise, release, renewal, extension, exchange or substitution which Secured Party may grant with respect to the Collateral, or (iii) any release or indulgence granted to any endorser, guarantor or surety of the Indebtedness. The taking of additional security by Secured Party shall not release or impair the lien, security interest or other security rights of Secured Party hereunder or affect the obligations of Debtor hereunder.

(d) Waiver by Secured Party. Secured Party may waive any Event of Default without waiving any other prior or subsequent Event of Default. Secured Party may remedy any default without waiving the Event of Default remedied. Neither the failure by Secured Party to exercise, nor the delay by Secured Party in exercising, any right or remedy upon any Event of Default shall be construed as a waiver of such Event of Default or as a waiver of the right to exercise any such right or remedy at a later date. No single or partial exercise by Secured Party of any right or remedy hereunder shall exhaust the same or shall preclude any other or further exercise thereof, and every such right or remedy hereunder may be exercised at any time. No waiver of any provision hereof or consent to any departure by Debtor therefrom shall be effective unless the same shall be in writing and signed by Secured Party and then such waiver or consent shall be effective only in the specific instances, for the purpose for which given and to the extent therein specified. No notice to or demand on Debtor in any case shall of itself entitle Debtor to any other or further notice or demand in similar or other circumstances.

(e) Costs and Expenses. Debtor will upon demand pay to Secured Party the amount of any and all costs and expenses (including without limitation, reasonable attorneys' fees and expenses), which Secured Party may incur in connection with (i) the transactions which give rise to the Loan Documents, (ii) the preparation of this Agreement and the perfection and preservation of the security interests granted under the Loan Documents, (iii) the administration of the Loan Documents, (iv) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, the Collateral, (v) the exercise or enforcement of any of the rights of Secured Party under the Loan Documents, or (vi) the failure by Debtor to perform or observe any of the provisions hereof.

(F) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS AND APPLICABLE FEDERAL LAWS, EXCEPT TO THE EXTENT PERFECTION AND THE EFFECT OF PERFECTION OR NON-PERFECTION OF THE SECURITY INTEREST GRANTED HEREUNDER, IN RESPECT OF ANY PARTICULAR COLLATERAL, ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF TEXAS.

(g) Venue. This Agreement has been entered into in the county in Texas where Secured Party's address for notice purposes is located, and it shall be performable for all purposes in such county. Courts within the State of Texas shall have jurisdiction over any and all disputes arising under or pertaining to this Agreement and venue for any such disputes shall be in the county or judicial district where this Agreement has been executed and delivered.

(h) Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be illegal, invalid or unenforceable under present or future laws, such provision shall be fully severable, shall not impair or invalidate the remainder of this Agreement and the effect thereof shall be confined to the provision held to be illegal, invalid or unenforceable.

(i) No Obligation. Nothing contained herein shall be construed as an obligation on the part of Secured Party to extend or continue to extend credit to Debtor.

(j) Notices. All notices, requests, demands or other communications required or permitted to be given pursuant to this Agreement shall be in writing and given by (i) personal delivery, (ii) expedited delivery service with proof of delivery, or (iii) United States mail, postage prepaid, registered or certified mail, return receipt requested, sent to the intended addressee at the address set forth on the signature page hereof or to such different address as the

addressee shall have designated by written notice sent pursuant to the terms hereof and shall be deemed to have been received either, in the case of personal delivery, at the time of personal delivery, in the case of expedited delivery service, as of the date of first attempted delivery at the address and in the manner provided herein, or in the case of mail, upon deposit in a depository receptacle under the care and custody of the United States Postal Service. Either party shall have the right to change its address for notice hereunder to any other location within the continental United States by notice to the other party of such new address at least thirty (30) days prior to the effective date of such new address.

(k) Binding Effect and Assignment. This Agreement (i) creates a continuing security interest in the Collateral, (ii) shall be binding on Debtor and the heirs, executors, administrators, personal representatives, successors and assigns of Debtor, and (iii) shall inure to the benefit of Secured Party and its successors and assigns. Without limiting the generality of the foregoing, Secured Party may pledge, assign or otherwise transfer the Indebtedness and its rights under this Agreement and any of the other Loan Documents to any other party. Debtor's rights and obligations hereunder may not be assigned or otherwise transferred without the prior written consent of Secured Party.

(l) Termination. It is contemplated by the parties hereto that from time to time there may be no outstanding Indebtedness, but notwithstanding such occurrences, this Agreement shall remain valid and shall be in full force and effect as to subsequent outstanding Indebtedness. Upon (i) the satisfaction in full of the Indebtedness, (ii) the termination or expiration of any commitment of Secured Party to extend credit to Debtor, (iii) written request for the termination hereof delivered by Debtor to Secured Party, and (iv) written release or termination delivered by Secured Party to Debtor, this Agreement and the security interests created hereby shall terminate. Upon termination of this Agreement and Debtor's written request, Secured Party will, at Debtor's sole cost and expense, return to Debtor such of the Collateral as shall not have been sold or otherwise disposed of or applied pursuant to the terms hereof and execute and deliver to Debtor such documents as Debtor shall reasonably request to evidence such termination.

(m) Cumulative Rights. All rights and remedies of Secured Party hereunder are cumulative of each other and of every other right or remedy which Secured Party may otherwise have at law or in equity or under any of the other Loan Documents, and the exercise of one or more of such rights or

remedies shall not prejudice or impair the concurrent or subsequent exercise of any other rights or remedies.

(n) Gender and Number. Within this Agreement, words of any gender shall be held and construed to include the other gender, and words in the singular number shall be held and construed to include the plural and words in the plural number shall be held and construed to include the singular, unless in each instance the context requires otherwise.

(o) Descriptive Headings. The headings in this Agreement are for convenience only and shall in no way enlarge, limit or define the scope or meaning of the various and several provisions hereof.

(p) First Lien; No Merger. Notwithstanding anything to the contrary contained herein, the liens created by this Security Agreement are junior, second and inferior to the liens against the Collateral described in that certain Security Agreement from Debtor in favor of Secured Party and Banc One Leasing Corporation (collectively, the secured party thereunder), executed by Debtor as of January 31, 1996 (the "Bank One First Lien"). Neither Debtor nor Secured Party intend that there be, and there shall not in any event be, a merger of any of the liens created by this Agreement with the title, any other lien or other interest of Secured Party in the Collateral by virtue of the Bank One First Lien or any of the Loan Documents (as defined in that certain Letter Loan Agreement dated as of January 31, 1996 entered into by and among Debtor, Secured Party, and Banc One Leasing Corporation), and the parties hereto expressly provide that each such interest in any lien created hereby on one hand and any other title, lien or other interest on the other are and remain at all times SEPARATE and DISTINCT.

EXECUTED as of the date first written above.

DEBTOR:

Debtor's Address:

MITCHAM INDUSTRIES, INC.,
a Texas corporation

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

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

Billy F. Mitcham, Jr., President

Secured Party's Address:

Bank One, Texas, N.A.
910 Travis
Houston, Harris County, Texas 77002
Attn: Walter F. Rodee, III, Vice President

PROMISSORY NOTE

\$1,000,000.00

Houston, Texas

January 16, 1997

FOR VALUE RECEIVED, on or before January 31, 1999 ("Maturity Date"), the undersigned and if more than one, each of them, jointly and severally (hereinafter referred to as "Borrower"), promises to pay to the order of BANK ONE, TEXAS, N.A. ("Bank") at its offices in Harris County, Texas, at 910 Travis, Houston, Texas 77002, the principal amount of ONE MILLION AND NO/100 DOLLARS (\$1,000,000.00) ("Total Principal Amount"), or such amount less than the Total Principal Amount which has been advanced to Borrower if the total amount advanced under this Promissory Note ("Note") is less than the Total Principal Amount, together with interest on such portion of the Total Principal Amount which has been advanced to Borrower from the date advanced until paid at a fluctuating rate per annum which shall from day to day be equal to the lesser of (a) the Maximum Rate (as hereinafter defined), or (b) a rate ("Contract Rate"), calculated on the basis of actual days elapsed but computed as if each year consisted of 365 days, equal to the sum of (i) the Bank One Base Rate of interest ("Base Rate") as established from time to time by Bank (which may not be the lowest, best or most favorable rate of interest which Bank may charge on loans to its customers) plus (ii) one-half of one percent (0.5%), each change in the rate to be charged on this Note to become effective without notice to Borrower on the effective date of each change in the Maximum Rate or the Base Rate, as the case may be; provided, however that if at any time the Contract Rate shall exceed the Maximum Rate, thereby causing the interest on this Note to be limited to the Maximum Rate, then any subsequent reduction in the Base Rate shall not reduce the rate of interest on this Note below the Maximum Rate until the total amount of interest accrued on this Note equals the amount of interest which would have accrued on this Note if the Contract Rate had at all times been in effect.

The term "Maximum Rate," as used herein, shall mean at the particular time in question the maximum rate of interest which, under applicable law, may then be charged on this Note. If such maximum rate of interest changes after the date hereof and this Note provides for a fluctuating rate of interest, the Maximum Rate shall be automatically increased or decreased, as the case may be, without notice to Borrower from time to time as of the effective date of each change in such maximum rate. If applicable law ceases to provide for such a maximum rate of interest, the Maximum Rate shall be equal to eighteen percent (18%) per annum.

The principal of and all accrued but unpaid interest on this Note shall be due and payable as follows: The principal of this Note shall be due and payable in twenty-four (24) equal monthly installments, together with all accrued but unpaid interest thereon, commencing on the 1st day of February, 1997, and continuing on the 1st day of each successive month thereafter until January ____, 1999, when the outstanding principal balance of this

Note, together with all accrued but unpaid interest, shall be due and payable without demand.

The indebtedness evidenced by this Note may be prepaid, in whole or in part, any time during the term hereof.

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

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

This Note has been executed and delivered pursuant to that certain Letter Loan Agreement, of even date herewith, by and between Borrower and Bank ("Loan Agreement"), and is secured by (i) inter alia, a Security Agreement of even date herewith, by and among Borrower, its Subsidiaries and Affiliates (as defined in the Loan Agreement) and Bank, covering certain collateral as more particularly described therein, (ii) an Assignment of Leases, of even date herewith, and (iii) all liens and security interests granted by Borrower pursuant to, and in connection with, that certain Letter Loan Agreement dated January 31, 1996 entered into by and among Borrower, Bank and Banc One Leasing Corporation, as amended by that certain First Amendment to Letter Loan Agreement dated of even date herewith (such loan agreement, together with the first amendment, and any future amendments, the "Leasing Loan Agreement");

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

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

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

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

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

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

(d) an Event of Default as that term is defined in the Leasing Loan Agreement;

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

The failure to exercise the option to accelerate the maturity of this Note or any other right, remedy or recourse available to the holder hereof upon the occurrence of an Event of Default hereunder shall not constitute a waiver of the right of the holder of this Note to exercise the same at that time or at any subsequent time with respect to such Event of Default or any other Event of Default. The rights, remedies and recourses of the holder hereof, as provided in this Note and in any of the other Loan Documents, shall be cumulative and concurrent and may be pursued separately, successively or together as often as occasion therefore shall arise, at the sole discretion of the holder hereof. The acceptance

by the holder hereof of any payment under this Note which is less than the payment in full of all amounts due and payable at the time of such payment shall not (i) constitute a waiver of or impair, reduce, release or extinguish any right, remedy or recourse of the holder hereof, or nullify any prior exercise of any such right, remedy or recourse, or (ii) impair, reduce, release or extinguish the obligations of any party liable under any of the Loan Documents as originally provided herein or therein.

This Note and all of the other Loan Documents are intended to be performed in accordance with, and only to the extent permitted by, all applicable usury laws. If any provision hereof or of any of the other Loan Documents or the application thereof to any person or circumstance shall, for any reason and to any extent, be invalid or unenforceable, neither the application of such provision to any other person or circumstance nor the remainder of the instrument in which such provision is contained shall be affected thereby and shall be enforced to the greatest extent permitted by law. It is expressly stipulated and agreed to be the intent of the holder hereof to at all times comply with the usury and other applicable laws now or hereafter governing the interest payable on the indebtedness evidenced by this Note. If the applicable law is ever revised, repealed or judicially interpreted so as to render usurious any amount called for under this Note or under any of the other Loan Documents, or contracted for, charged, taken, reserved or received with respect to the indebtedness evidenced by this Note, or if Bank's exercise of the option to accelerate the maturity of this Note, or if any prepayment by Borrower results in Borrower having paid any interest in excess of that permitted by law, then it is the express intent of Borrower and Bank that all excess amounts theretofore collected by Bank be credited on the principal balance of this Note (or, if this Note and all other indebtedness arising under or pursuant to the other Loan Documents have been paid in full, refunded to Borrower), and the provisions of this Note and the other Loan Documents immediately be deemed reformed and the amounts thereafter collectable hereunder and thereunder reduced, without the necessity of the execution of any new document, so as to comply with the then applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder or thereunder. All sums paid, or agreed to be paid, by Borrower for the use, forbearance, detention, taking, charging, receiving or reserving of the indebtedness of Borrower to Bank under this Note or arising under or pursuant to the other Loan Documents shall, to the maximum extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such indebtedness until payment in full so that the rate or amount of interest on account of such indebtedness does not exceed the usury ceiling from time to time in effect and applicable to such indebtedness for so long as such indebtedness is outstanding. To the extent federal law permits Bank to contract for, charge or receive a greater amount of interest, Bank will rely on federal law instead of Tex. Rev. Civ. Stat. Ann. art. 5069-1.04, as amended, for the purpose of determining the Maximum Rate. Additionally, to

the maximum extent permitted by applicable law now or hereafter in effect, Bank may, at its option and from time to time, implement any other method of computing the Maximum Rate under such Article 5069-1.04, as amended, or under other applicable law by giving notice, if required, to Borrower as provided by applicable law now or hereafter in effect. Notwithstanding anything to the contrary contained herein or in any of the other Loan Documents, it is not the intention of Bank to accelerate the maturity of any interest that has not accrued at the time of such acceleration or to collect unearned interest at the time of such acceleration.

In no event shall Tex. Rev. Civ. Stat. Ann. art. 5069 Ch. 15 (which regulates certain revolving loan accounts and revolving tri-party accounts) apply to this Note. To the extent that Tex. Rev. Civ. Stat. Ann. art. 5069-1.04, as amended, is applicable to this Note, the "indicated rate ceiling" specified in such article is the applicable ceiling; provided that, if any applicable law permits greater interest, the law permitting the greatest interest shall apply.

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

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

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

BORROWER:

MITCHAM INDUSTRIES, INC.

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

Billy F. Mitcham, Jr., President

FIRST AMENDMENT
TO LETTER LOAN AGREEMENT

This First Amendment to Letter Loan Agreement dated as of January 16, 1997 ("First Amendment") is entered into by and between MITCHAM INDUSTRIES, INC., a Texas corporation (the "Borrower"), BANK ONE, TEXAS, N.A., a national banking association and BANC ONE LEASING CORPORATION (collectively, the "Lender").

W I T N E S S E T H:

Borrower and Lender entered into a Letter Loan Agreement dated January 31, 1996 (as such may be amended, modified, supplemented or restated, the "Loan Agreement").

Borrower has requested that the Lender modify certain financial covenants of the credit facility evidenced by the Loan Agreement, and Lender has agreed to such request, subject to the terms and conditions of the Loan Agreement as amended by this First Amendment.

NOW, THEREFORE, in consideration of the premises herein contained, and each intending to be legally bound hereby, the parties agree as follows:

1. Amendments to Loan Agreement.

- A. Section 1.(a) of the Loan Agreement is hereby amended by replacing the first two (2) full paragraphs of such section with the following:

"1.(a) Revolving Line of Credit. Subject to the terms and conditions set forth herein, Bank agrees to lend to Borrower, on a revolving basis from time to time during the period commencing on the date hereof and continuing through and including 11:00 a.m. on January 1, 1998 (the "Termination Date"), such amounts as Borrower may request hereunder (the "Revolving Line of Credit"); provided, however, the total principal amount outstanding at any time shall not exceed the lesser of an amount (the "Borrowing Base") equal to (i) 80% of the then Eligible Accounts plus 50% of Eligible Inventory, such Eligible Inventory not to exceed \$200,000, or (ii) \$1,000,000 (the "Committed Sum"). If at any time the aggregate principal amount outstanding under the Revolving Line of Credit Loan shall exceed an amount equal to the Borrowing Base, Borrower agrees to immediately repay to Bank such excess amount, plus all accrued but unpaid interest thereon. Subject to the terms and conditions hereof, Borrower may borrow, repay and reborrow hereunder. All sums advanced

hereunder, together with all accrued but unpaid interest thereon, shall be due and payable in full on the Termination Date. The sums advanced under the Revolving Line of Credit shall be used for working capital and general corporate purposes. Borrower shall give Bank not less than two (2) business days' prior written notice of each requested advance hereunder, specifying (i) the aggregate amount of such requested advance, and (ii) the requested date of such advance, with such advances to be requested in a form satisfactory to Bank.

"As used in this Loan Agreement, the term "Eligible Accounts" means, at any time, an amount equal to the aggregate net invoice or ledger amount owing on all trade accounts receivable of Borrower for goods sold or leased or services rendered in the ordinary course of business, in which the Bank has a perfected, first priority lien, and after deducting (without duplication): (i) each such account that is unpaid ninety (90) days or more after the original invoice date thereof, (ii) the amount of all discounts, allowances, rebates, credits and adjustments to such accounts (iii) the amount of all contra accounts, setoffs, defenses or counterclaims asserted by or available to the account debtors, (iv) all accounts with respect to which goods are placed on consignment or subject to a guaranteed sale or other terms by reason of which payment by the account debtor may be conditional, (v) the amount billed for or representing retainage, if any, until all prerequisites to the immediate payment of retainage have been satisfied, (vi) all accounts owing by account debtors for which there has been instituted a proceeding in bankruptcy or reorganization under the United States Bankruptcy Code or other law, whether state or federal, now or hereafter existing for relief of debtors, (vii) all accounts in which the account debtor is the United States or any department, agency or instrumentality of the United States, except to the extent an acknowledgment of assignment to Bank of such account in compliance with the Federal Assignment of Claims Act and other applicable laws has been received by Bank, (viii) all accounts subject to any provision prohibiting assignment or requiring notice of or consent to such assignment, (ix) that portion of all account balances owing by any single account debtor which exceeds twenty-five percent (25%) of the aggregate of all accounts otherwise deemed eligible hereunder which are owing to Borrower by all account debtors, (x) any accounts for any unbilled work in process, progress payments, unapplied client retainer payments and net of client advances, (xi) all accounts existing outside of the United States of America (unless such accounts are insured by The Export Import Bank, or a bank acceptable

to Lender has issued a letter of credit guaranteeing the payment of such account), and (xii) any other accounts deemed unacceptable by Bank in its sole and absolute discretion; provided, however, if more than twenty percent (20%) of the then balance owing by any single account debtor does not qualify as an Eligible Account under the foregoing provisions, then the aggregate amount of all accounts owing by such account debtor shall be excluded from Eligible Accounts. Borrower shall give Bank not less than two (2) business days' prior notice of each requested advance hereunder, specifying (1) the aggregate amount of such requested advance, and (2) the requested date of such advance, with such advances to be requested in a form satisfactory to Bank."

2. B. Section 5 of the Loan Agreement is hereby amended by replacing the last sentence contained in said Section 5 with the following:

"Borrower agrees to pay a fee to Bank of 0.25% of the unused portion of the indebtedness on a quarter annual basis beginning on April 1, 1997."

3. Reaffirmation of Representations and Warranties. To induce the Lender to enter into this First Amendment, the Borrower hereby reaffirms, as of the date hereof, its representations and warranties contained in Section 4 of the Loan Agreement and in all other documents executed pursuant thereto, and additionally represents and warrants as follows:

A. The execution and delivery of this First Amendment and the performance by the Borrower of its obligations under this First Amendment are within the Borrower's power, and does not and will not contravene or conflict with any provision of law or of any agreement binding upon the Borrower.

B. The Loan Agreement as amended by this First Amendment represents the legal, valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with their respective terms subject as to enforcement only to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally.

C. No Event of Default has occurred and is continuing as of the date hereof.

4. Defined Terms. Except as amended hereby, terms used herein that are defined in the Loan Agreement shall have the same meanings herein.

5. Reaffirmation of Loan Agreement. This First Amendment shall be deemed to be an amendment to the Loan Agreement, and the Loan Agreement, as amended hereby, is hereby ratified, approved and confirmed in each and every respect. All references to the Loan Agreement herein and in any other document, instrument, agreement or writing shall hereafter be deemed to refer to the Loan Agreement as amended hereby.

6. Entire Agreement. The Loan Agreement, as hereby amended, embodies the entire agreement between the Borrower and the Lender and supersedes all prior proposals, agreements and understandings relating to the subject matter hereof. The Borrower certifies that it is relying on no representation, warranty, covenant or agreement except for those set forth in the Loan Agreement as hereby amended and the other documents previously executed or executed of even date herewith.

7. Governing Law. THIS FIRST AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS AND THE APPLICABLE LAWS OF THE UNITED STATES OF AMERICA. This First Amendment has been entered into in Harris County, Texas, and it shall be performable for all purposes in Harris County, Texas. Courts within the State of Texas shall have jurisdiction over any and all disputes between the Borrower and the Lender, whether in law or equity, including, but not limited to, any and all disputes arising out of or relating to this First Amendment or any other Loan Document; and venue in any such dispute whether in federal or state court shall be laid in Harris County, Texas.

8. Severability. Whenever possible each provision of this First Amendment shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this First Amendment shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this First Amendment.

9. Execution in Counterparts. This First Amendment may be executed in any number of counterparts and by the different parties on separate counterparts, and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same agreement.

10. Section Captions. Section captions used in this First Amendment are for convenience of reference only, and shall not affect the construction of this First Amendment.

11. Successors and Assigns. This First Amendment shall be binding upon the Borrower and the Lender and their respective successors and assigns, and shall inure to the benefit of the Borrower and the Lender, and the respective successors and assigns of the Lender.

12. Non-Application of Chapter 15 of Texas Credit Codes. The provisions of Chapter 15 of the Texas Credit Code (Vernon's Texas Civil Statutes, Article 5069-15) are specifically declared by the parties hereto not to be applicable to the Loan Agreement as hereby amended or any of the other Loan Documents or to the transactions contemplated hereby.

13. NOTICE. THIS FIRST AMENDMENT TOGETHER WITH THE LOAN AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be duly executed as of the day and year first above written.

BORROWER:

MITCHAM INDUSTRIES, INC.,
a Texas corporation

By: /s/ BILLY F. MITCHAM

Billy F. Mitcham, President

Lender:

BANK ONE, TEXAS, N.A.

By: /s/ WALTER F. RODEE, III

Name: Walter F. Rodee, III

Title: Vice President

BANC ONE LEASING CORPORATION

By: _____
Name: _____
Title: _____

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We consent to the use of our reports on the financial statements and related financial statement schedule as of January 31, 1995 and 1996 and for each of the years in the three year period ended January 31, 1996, dated February 23, 1996, included herein, in this Registration Statement on Form S-1 and to the reference to our Firm under the heading "Experts."

/s/ HEIN + ASSOCIATES LLP

HEIN + ASSOCIATES LLP
Certified Public Accountants
Houston, Texas

January 31, 1997