

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

FORM 10-QSB

(Mark One)

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

FOR THE PERIOD ENDED APRIL 30, 1998

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

COMMISSION FILE NUMBER 001-13490

MITCHAM INDUSTRIES, INC.
(Name of small business issuer as specified in its charter)

TEXAS 76-0210849
(State or other jurisdiction of (I.R.S. Employer
Incorporation or organization) Identification No.)

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

(409) 291-2277
(Issuer's telephone number)

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

State the number of shares outstanding for each of the issuer's classes
of common equity, as of the latest practicable date: 9,510,658 shares of
Common Stock, \$.01 par value, were outstanding as of June 10, 1998.

Transitional Small Business Disclosure Format (check one): Yes No X
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MITCHAM INDUSTRIES, INC.
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PART I. FINANCIAL INFORMATION
 ITEM 1. FINANCIAL STATEMENTS

MITCHAM INDUSTRIES, INC.
 CONSOLIDATED BALANCE SHEETS
 (In thousands)

ASSETS	April 30, 1998 (Unaudited)	January 31, 1998 (Audited)
	-----	-----
CURRENT ASSETS:		
Cash	\$1,704	\$7,498
Marketable securities, at market	19,855	25,009
Accounts receivable, net	19,169	14,070
Installment trade receivables	331	444
Inventory	1,074	942
Prepaid expenses and other current assets	196	248
Income tax receivable	227	211
Deferred income taxes	321	-
	-----	-----
Total current assets	42,877	48,422
Seismic equipment lease pool, net	37,749	42,236
Property and equipment, net	870	898
Other assets	-	6
	-----	-----
Total assets	\$81,496	\$91,562
	-----	-----
	-----	-----
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	1,364	8,400
Deferred income taxes payable	-	45
Deferred revenue	1,321	1,055
Income taxes payable	-	-
Accrued liabilities and other current liabilities	251	5,532
	-----	-----
Total current liabilities	2,936	15,032
DEFERRED INCOME TAXES	2,700	2,294
	-----	-----
Total liabilities	5,636	17,326
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 9,454,824 and 9,425,759 shares, respectively, issued and outstanding	95	94
Additional paid-in capital	61,314	61,275
Retained earnings	14,451	12,770
Cumulative translation adjustment	-	97
	-----	-----
Total stockholders' equity	75,860	74,236
	-----	-----
Total liabilities and stockholders' equity	\$81,496	\$91,562
	-----	-----

See accompanying notes

MITCHAM INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF INCOME
(in thousands except per share data)

	Three Months ended April 30,	
	1998	1997
REVENUES:		
Short-term leasing	\$5,890	\$4,043
Lease/purchase activities:		
Leasing revenues	1,200	363
Sales of equipment	7,336	765
Sales of seismic equipment	1,026	365
Sales commissions	1	-
	-----	-----
Total revenues	15,453	5,536
	-----	-----
COSTS AND EXPENSES:		
Seismic equipment subleases	271	42
Cost of Sales:		
Sales of seismic equipment under lease/purchase		
Agreements	7,343	598
Other sales of seismic equipment	570	339
Repairs, net	155	-
General and administrative	1,309	586
Provision for doubtful accounts	608	289
Depreciation	2,712	1,219
	-----	-----
Total costs and expenses	12,968	3,073
	-----	-----
OPERATING INCOME	2,485	2,463
OTHER INCOME (EXPENSE):		
Interest, net	63	155
Other, net	38	2
	-----	-----
Total other income (expenses)	101	157
	-----	-----
INCOME BEFORE INCOME TAXES	2,586	2,620
PROVISION FOR INCOME TAXES	906	897
	-----	-----
NET INCOME	\$ 1,680	\$ 1,723
	-----	-----
Earnings per common and share		
Basic	\$.18	\$.28
Diluted	\$.17	\$.28
	-----	-----
Shares used in computing earnings per common share		
Basic	9,437,000	6,060,000
Diluted	9,757,000	6,239,000
	-----	-----

See accompanying notes.

MITCHAM INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Three Months ended April 30,	
	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$1,680	\$1,723
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation	2,712	961
Provision for doubtful accounts, net of charge offs	441	200
Deferred income taxes	361	268
Trade accounts receivable	(5,427)	(2,043)
Accounts payable and other current liabilities	(7,888)	(1,170)
Other, net	(360)	51
Net cash provided by (used in) operating activities	(8,529)	(10)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of seismic equipment held for lease	(4,415)	(1,693)
Purchases of property and equipment	(88)	(161)
Disposal of lease pool equipment	7,043	778
Net cash used in investing activities	2,540	(1,076)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment on short-term borrowings	-	(1,937)
Payments on long-term debt and capitalized lease obligations	-	(2,626)
Proceeds from issuance of common stock, net of offering expenses	-	18,108
Proceeds from issuance of common stock upon exercise of Warrants and options	40	-
Proceeds from sale of marketable securities	155	-
Net cash provided by financing activities	195	13,545
NET INCREASE IN CASH	(5,794)	12,459
CASH, BEGINNING OF PERIOD	7,498	301
CASH, END OF PERIOD	\$ 1,704	\$12,760
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for:		
Interest	\$ -	\$ 17
Taxes	\$ 801	-
Equipment purchases in accounts payable	\$ 757	\$ 429

See accompanying notes.

MITCHAM INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The consolidated financial statements of Mitcham Industries, Inc. ("the Company") have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with the generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. These condensed financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's latest Annual Report to Shareholders and the Annual Report on Form 10-KSB for the year ended January 31, 1998. In the opinion of the Company, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position as of April 30, 1998, and the results of operations and cash flows for the three months ended April 30, 1998 and 1997 have been included.

2. On April 23, 1998, a class action lawsuit was filed against the Company and its chief executive officer and chief financial officer in the U.S. District Court for the Southern District of Texas, Houston Division. The complaint, styled STANLEY MOSKOWITZ V. MITCHAM INDUSTRIES, INC., BILLY F. MITCHAM, JR. AND ROBERTO RIOS, alleges violations of Section 10(b) and 20(a) of the Securities Exchange Act of 1934 and Sections 11 and 12(a)(2) of the Securities Act of 1933. The complaint seeks class action status on behalf of those who purchased the Company's common stock from June 4, 1997 through March 26, 1998 and damages in an unspecified amount plus costs and attorney's fees. The complaint alleges materially false and misleading misrepresentations and omissions in public filings and announcements concerning the Company's business and its allowance for doubtful accounts. The Company believes that the plaintiffs' allegations are without merit and that there are meritorious defenses to the allegations, and intends to defend the action vigorously.

3. Effective May 29, 1998, the Company, agreed in principle to the terms of a new Preferred Supplier Agreement with Input/Output, Inc. ("I/O"). The definitive agreement is expected to be signed no later than June 30, 1998, and will replace the parties' Exclusive Lease Referral Agreement.

The terms provide that the Company will purchase a minimum of between \$90 and \$100 million of I/O products over a five year term. In addition I/O will refer rental inquiries from customers worldwide to the Company during the term of the agreement.

In a related transaction, I/O sold to the Company, for \$15 million a substantial portion of its subsidiary's equipment lease pool, some of which is subject to existing short-term lease agreements. The Company has until June 30, 1998 to purchase the remaining portion of I/O's subsidiary's equipment lease pool, including the assignment of existing short-term lease agreements. I/O has agreed in principle not to lease products covered by the Preferred Supplier Agreement except in limited circumstances.

4. The foregoing interim results are not necessarily indicative of the results of the operations for the full fiscal year ending January 31, 1999.

FORWARD-LOOKING STATEMENTS

Certain information contained in this Quarterly Report on Form 10-QSB (including statements contained in Part I, Item 2. "Management's Discussion and Analysis or Plan of Operation" and in Part II, Item 1. "Legal Proceedings"), as well as other written and oral statements made or incorporated by reference from time to time by the Company and its representatives in other reports, filings with the Securities and Exchange Commission, press releases, conferences, or otherwise, may be deemed to be forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. This information includes, without limitation, statements concerning the Company's future financial position and results of operations; planned capital expenditures; business strategy and other plans for future operations; the future mix of revenues and business; contingent liabilities; Year 2000 issues; and future demand and industry conditions. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. When used in this report, the words "anticipate," "believe," "estimate," "expect," "may," and similar expressions, as they relate to the Company and its management, identify forward-looking statements. The actual results of future events described in such forward-looking statements could differ materially from those results which might be anticipated, forecast or estimated by the Company in such forward-looking statements due to risks and uncertainties such as volatility of the oil and gas industry and demand for services; dependence upon additional lease contracts; customer concentration and credit losses; industry consolidation; the risk of technical obsolescence of the Company's seismic lease fleet; vulnerability to weather conditions and seasonality of results; dependence upon key suppliers, and other factors (as further described in the Company's Annual Report on Form 10-KSB) and other risks and uncertainties set forth from time to time in the Company's other public reports and public statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

OVERVIEW

The Company leases and sells seismic equipment primarily to seismic data acquisition companies and oil and gas companies conducting land and transition zone seismic surveys worldwide. The Company provides short-term leasing of seismic equipment to meet a customer's requirements and offers maintenance and support during the lease term. All leases at April 30, 1998 were for a term of one year or less. Seismic equipment held for lease is carried at cost, net of accumulated depreciation.

For the years ended January 31, 1997 and 1998, revenues from foreign customers totaled \$6.8 million and \$17.1 million, respectively. While most of the Company's transactions with foreign customers are denominated in United States dollars, some of the Company's transactions with Canadian customers are denominated in Canadian dollars. The Company has not been subject to material gains or losses resulting from currency fluctuations and has not engaged in currency hedging activities.

SEASONALITY

Historically, seismic equipment leasing has been susceptible to weather patterns in certain geographic regions. There is some seasonality to the Company's lease revenues from customers operating in Canada, where a significant percentage of the seismic survey activity occurs in the winter months, from October through March. During the months in which the weather is warmer, certain areas are not accessible to trucks, earth vibrators and other heavy equipment because of the unstable terrain. This seasonal leasing

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

RESULTS OF OPERATIONS

FOR THE THREE MONTH PERIOD ENDED APRIL 30, 1998 AND 1997

Revenues for the three month period ended April 30, 1998 of \$15.5 million represented an increase of \$9.9 million, or 179%, over the same prior year period revenues of \$5.5 million. Short-term leasing services generated revenues of \$5.9 million for the three month period ended April 30, 1998, an increase of \$1.8 million, or 46%, as compared to \$4.0 million for the same prior year period. This increase reflected additions to the equipment lease pool to meet lease demand. Seismic equipment sales for the three month period ended April 30, 1998 were \$1.0 million, an increase of \$661,000 or 181%, as compared to \$365,000 for the same prior year period. The increase in sales was due primarily to customer purchases of lease pool equipment at the end of the lease contract that were not entered into originally as a lease/purchase contract. The Company's customers in several instances preferred to enter into a lease of seismic equipment with an option to purchase at the end of the lease term. Lease services from lease/purchase contracts generated revenues of \$1.2 million for the three month period ended April 30, 1998, an increase of \$837,000 or 231%, as compared to \$363,000 for the same prior year period, and sales from lease/purchase equipment generated revenues of \$7.3 million, an increase of \$6.6 million or 859%, as compared to \$765,000 for the same prior year period. The increase in lease/purchase revenues was due primarily to an increase in customer's demand for lease/purchase option contracts.

The Company's leasing revenues from both short-term leasing services and lease/purchase contracts increased by \$2.7 million. The Company's sublease costs increased by \$229,000, or 545%, and depreciation, which related primarily to equipment available for lease, increased by \$1.5 million, or 122%, due to the increase in the equipment lease pool, resulting in an increase in net short-term leasing revenues of \$962,000.

There were no margins on sales of equipment under lease/purchase agreements for the three month period ended April 30, 1998 and 22% for the prior year period. Gross margins decreased significantly due primarily to one transaction involving leased equipment that had only recently been purchased and added to the Company's equipment lease pool.

Gross margins on seismic equipment sales were 44% and 7% for the three month period ended April 30, 1998 and 1997, respectively. Gross margins increased in the fiscal 1998 period because the Company had a few high margin transactions during the quarter.

General and administrative expenses increased \$723,000, or 123%, for the three month period ended April 30, 1998 as compared to the same prior year period and were 8% and 11% of total revenues, respectively. Although general and administrative expenses increased due in part to increased personnel costs and costs associated with the office in Canada, general and administrative expenses decreased as a percentage of total revenues.

The Company's provision for doubtful accounts expense increased from \$289,000 in the same prior year period to \$608,000 for the three month period ended April 30, 1998. The increase was a result of increased business which resulted in an increase in net accounts receivable of 36%. The provision for

doubtful accounts expense was 4% of total revenues in for the three month period ended April 30, 1998 and 5% of total revenues in the same prior year period. As of April 30, 1998, the Company's allowance for doubtful accounts was approximately \$1.5 million.

Net income for the three month period ended April 30, 1998 was \$1.7 million, which decreased slightly by \$43,000, as compared to the same prior year period.

LIQUIDITY AND CAPITAL RESOURCES

As of April 30, 1998, the Company had net working capital of approximately \$39.9 million and \$15.0 million of availability under its bank credit facilities. Net cash provided by operating activities for the three month period ended April 30, 1998 decreased by \$8.5 million, as compared to the same prior year period, primarily as a result of an increase in trade accounts receivable and a decrease in accounts payable. At April 30, 1998, the Company had trade accounts receivable of \$5.7 million that were more than 90 days past due, with four customers owing an aggregate of \$3.4 million of such amount. As of April 30, 1998, the Company's allowance for doubtful accounts was approximately \$1.5 million, which management believes is sufficient to cover any losses in its trade accounts receivable, including any losses in its international customers' trade accounts.

Although the Company has not received payment on the pre-bankruptcy petition claims from Grant Geophysical, the Company expects to collect one-half of pre-bankruptcy petition claims, which total approximately \$755,000. The Company's Chief Financial Officer serves on the creditors' committee. The Company is currently leasing seismic equipment to Grant.

Prior to December 8, 1997, the Company had a \$5.0 million line of credit with Bank One, Texas, N.A. ("Bank One"). As of December 8, 1997, the Company replaced the previous line of credit with a working capital revolving line of credit of up to \$15 million from Bank One (the "New Revolver"). Interest on advances under the New Revolver are payable monthly at a variable rate which is based upon either, at the Company's option, LIBOR or Bank One's base lending rate. The LIBOR rate, if elected, will range between LIBOR plus 1.75% and LIBOR plus 2.75% depending upon the debt service coverage ratio the Company maintains. Similarly, the Bank One base lending rate, if elected, will range between the base rate minus 0.25% and the base rate plus 0.25%, again depending upon the Company's debt service coverage ratio. Additionally, the Company will owe Bank One each fiscal quarter a fee equal of 0.25% of the average daily unused portion of the New Revolver calculated for the previous quarter. Advances will be limited to the total of 80% of eligible accounts receivable and 50% of all eligible lease pool equipment. The New Revolver contains restrictions, among others, on the ability of the Company to incur indebtedness and pay dividends and requires the Company to meet certain financial covenants, including a minimum tangible net worth, a debt service coverage ratio, aging of accounts receivable and net income. The New Revolver will expire on December 8, 1999, at which time the unpaid principal amount of the New Revolver will be due and payable in full. As of April 30, 1998, the Company had not drawn any amounts under the New Revolver.

Capital expenditures in the first quarter of fiscal 1999 totaled \$5.2 million. As of April 30, 1998, the Company had satisfied all minimum purchase requirements of equipment under both its Exclusive Lease Referral Agreement with Input/Output, Inc. ("I/O") and its Exclusive Equipment Lease Agreement with Sercel. Effective May 29, 1998, the Company entered into an Equipment Purchase Agreement with I/O, pursuant to which the Company purchased a substantial portion of the equipment lease pool of I/O's wholly-owned subsidiary for \$15 million, some of which equipment is subject to existing short-term lease agreements. The Company has until June 30, 1998, to

purchase the remaining portion of I/O's subsidiary's equipment lease pool, including the assignment of existing short-term lease agreements, at a price to be agreed upon.

In a related transaction, the Company and I/O agreed in principle to terms of a new Preferred Supplier Agreement. The definitive agreement is expected to be signed by June 30, 1998, and will replace the parties' Exclusive Lease Referral Agreement. The terms provide that the Company will purchase a minimum of between \$90 to \$100 million of I/O equipment (after applicable discounts and credits) over a five-year term. In addition, I/O will refer to the Company equipment lease inquiries from its customers worldwide during the term of the Agreement. The new agreement covers all equipment and products currently manufactured and sold by I/O, and, in consideration for the Company's minimum purchase commitments, I/O has agreed that it will not offer more favorable pricing for any other company in the seismic equipment leasing business. Likewise, the Company has agreed that it will not offer for resale to third parties I/O equipment manufactured less than three years from the date of offer, unless such equipment is offered pursuant to the Company's lease/purchase agreements.

In the first year of the Preferred Supplier Agreement, the Company is required to purchase a minimum of \$30 million of equipment (which includes the \$15 million purchase of I/O's subsidiary's lease pool equipment), before applicable discounts and credits. The Company has budgeted capital expenditures of approximately \$40 million for fiscal 1999, which includes the above minimum purchase requirements. Management believes that the net proceeds of the December 1997 offering, (\$11.4 million remaining) cash provided by operations and funds available from its commercial lender will be sufficient to fund its operations and budgeted capital expenditures for fiscal 1999.

YEAR 2000. The Company has begun to address possible remedial efforts in connection with computer software that could be affected by the Year 2000 problem. The Year 2000 problem is the result of computer programs being written using two digits rather than four to define the applicable year. Any programs that have time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a major system failure or miscalculations. The Company has been informed by the suppliers of substantially all of the Company's software that all of those suppliers' software that is used by the Company is Year 2000 compliant. The software from these suppliers is used in major areas of the Company's operations such as for financial, sales, warehousing and administrative purposes. The Company has no internally generated software. After reasonable investigation, the Company has not yet identified any Year 2000 problem but will continue to monitor the issue. However, there can be no assurances that Year 2000 problem will not occur with respect to the Company's computer systems. The Year 2000 problem may impact other entities with which the Company transacts business, and the Company cannot predict the effect of the Year 2000 problem on such entities.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On April 23, 1998, a class action lawsuit was filed against the Company and its chief executive officer and chief financial officer in the U.S. District Court for the Southern District of Texas, Houston Division. The complaint, styled STANLEY MOSKOWITZ V. MITCHAM INDUSTRIES, INC., BILLY F. MITCHAM, JR. AND ROBERTO RIOS, alleges violations of Section 10(b) and 20(a) of the Securities Exchange Act of 1934 and Sections 11 and 12(a)(2) of the Securities Act of 1933. The complaint seeks class action status on behalf of those who purchased the Company's common stock from June 4, 1997 through March 26, 1998 and

damages in an unspecified amount plus costs and attorney's fees. The complaint alleges materially false and misleading misrepresentations and omissions in public filings and announcements concerning the Company's business and its allowance for doubtful accounts. The Company believes that the plaintiffs' allegations are without merit and that there are meritorious defenses to the allegations, and intends to defend the action vigorously.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(A) REPORTS ON 8K

No reports on Form 8K were filed by the Company during the quarter ended April 30, 1998.

(B) EXHIBITS

10.1 - Equipment Purchase Agreement, effective May 29, 1998, between the Company, Input/Output, Inc., and I/O's subsidiary.

11 - Statement of Computation of Earnings Per Share

27 - Financial Data Schedule

SIGNATURES

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

Date: June 15, 1998

MITCHAM INDUSTRIES, INC.

/s/ ROBERTO RIOS

ROBERTO RIOS,
VICE-PRESIDENT-FINANCE, SECRETARY AND TREASURER
(AUTHORIZED OFFICER AND PRINCIPAL ACCOUNTING OFFICER)

EQUIPMENT PURCHASE AGREEMENT

THIS EQUIPMENT PURCHASE AGREEMENT (the "AGREEMENT") is executed as of the date set forth below by and between INPUT/OUTPUT, INC., a Delaware corporation, and its wholly-owned subsidiary, GLOBAL CHARTER CORPORATION, a Delaware corporation (together, "SELLER") and MITCHAM INDUSTRIES, INC., a Texas corporation ("BUYER").

RECITALS:

- A. Seller is primarily engaged in the business of manufacturing and selling seismic data acquisition equipment and related products, and additionally has been engaged in the business of leasing its equipment to its customers under lease/purchase agreements.
- B. Buyer is primarily engaged in the business of leasing seismic equipment, including equipment and products manufactured by Seller, to its customers.
- C. Seller has agreed to sell to Buyer, and Buyer has agreed to purchase from Seller, certain equipment and products owned by Seller that comprises a substantial portion of Seller's inventory held for rental to customers more particularly described in SCHEDULE 1 attached hereto (the "RENTAL INVENTORY").
- D. Certain of the Rental Inventory (the "LEASED INVENTORY") is subject to certain leases and rental agreements (the "LEASES"), which Leased Inventory and Leases are more particularly described on SCHEDULE 2 attached hereto, and Seller has agreed to assign the Leases to Buyer.
- E. As additional consideration for the purchase and sale of the Rental Inventory, Seller and Buyer have agreed to enter into a Preferred Supplier Agreement ("SUPPLIER AGREEMENT") pursuant to which Buyer will commit to purchase certain amounts of Products (defined therein) manufactured by Seller over the term of the Supplier Agreement and Seller will agree to give certain preferred pricing to Buyer in the form of discounts and credits. The parties have agreed to the basic terms and conditions of the Supplier Agreement as set forth on EXHIBIT A attached hereto (the "SUMMARY OF TERMS"), which will be memorialized in a definitive Supplier Agreement to be executed by the parties after the Effective Date.

NOW, THEREFORE, in consideration of the foregoing, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Seller and Buyer hereby agree as follows:

1. DEFINED TERMS. As used in this Agreement, the following terms shall have the meanings set forth below:

"ADDITIONAL INVENTORY" means the equipment and products owned by Seller and leased to customers pursuant to the Additional Leases, as set forth on SCHEDULE 3 attached hereto.

"ADDITIONAL LEASES" means those rental and lease/purchase agreements between Seller and various customers for the rental of Additional Inventory, as described in SCHEDULE 3 attached hereto.

"ASSIGNMENT" means the Assignment of Leases in the form attached hereto as EXHIBIT B.

"BILL OF SALE" means the Bill of Sale in the form attached hereto as EXHIBIT C.

"EFFECTIVE DATE" means May 29, 1998.

"EQUIPMENT" means, collectively, the Rental Inventory and the Additional Inventory.

"LEASED INVENTORY" means that portion of the Rental Inventory that is leased to customers pursuant to the Leases, and described in SCHEDULE 3 attached hereto.

"LEASES" means those rental and lease/purchase agreements between Seller and various customers for the rental of Leased Inventory, as described in SCHEDULE 3 attached hereto.

"RENTAL INVENTORY" means the equipment and products of Seller described in SCHEDULE 1 attached hereto.

"RENTAL FLEET" means, collectively, the Rental Inventory and the Leases, and following the Second Closing Date, if any, the Additional Inventory and the Additional Leases.

"SECOND CLOSING DATE" has the meaning given that term in SECTION 4.

"SUMMARY OF TERMS" means the basic terms and conditions that have been agreed by Buyer and Seller to be contained in the Supplier Agreement and which are attached hereto as EXHIBIT A.

"SUPPLIER AGREEMENT" means the Preferred Supplier Agreement to be entered into by Buyer and Seller after the Effective Date, which shall incorporate the terms and conditions (among other terms) set forth in the Summary of Terms.

2. SALE OF RENTAL INVENTORY. On the Effective Date, Seller shall sell to Buyer and Buyer shall purchase from Seller, the Rental Inventory. The purchase price for the Rental Inventory shall be \$15,000,000. In addition, on the Effective Date, Seller shall assign the Leases to Buyer.

3. CLOSING. The closing of the transactions contemplated herein ("CLOSING") shall take place at the offices of Seller's counsel, or at such other place as may be agreed by the parties, on the Effective Date. At the Closing:

(a) Buyer shall deliver to Seller:

(i) the sum of \$2,250,000 (being 15% of the purchase price for the Rental Inventory), in cash or immediately available funds, and the remainder of the purchase price for the Rental Equipment shall be due and payable to Seller in cash or immediately available funds immediately upon completion of the definitive form of the Supplier Agreement.

(ii) an executed counterpart of the Assignment, executed by Buyer.

(b) Seller shall deliver to Buyer:

(i) the Rental Inventory (other than the Leased Inventory); provided, however, that certain items of Rental Inventory are in transit to Seller from customers, and Seller will deliver those items of Rental Inventory to Buyer promptly following receipt thereof;

(ii) the Bill of Sale executed by Seller with respect to the Rental Inventory.

(iii) an executed counterpart of the Assignment executed by Seller; and

(iv) the original of all Leases that are in Seller's possession, and if the original of such Leases are not in Seller's possession, a copy of those Leases.

4. SALE OF ADDITIONAL LEASED INVENTORY. Seller and Buyer acknowledge and agree that: (a) the Leased Inventory does not constitute all of the equipment and products owned by Seller that are leased to Seller's customers, (b) certain other equipment and products constituting the Additional Inventory have been leased by Seller to certain customers pursuant to the Additional Leases, and (c) due to incomplete documentation with respect to the Additional Inventory, Seller is not in a position to deliver and assign the Additional Leases on the Effective Date. Seller intends to have the documentation with respect to the Additional Inventory and Additional Leases completed and assembled within fifteen (15) days after the Effective Date. Seller hereby grants to Buyer the right and option to purchase the Additional Equipment and the Additional Leases on or before the date that is thirty (30) days after the Effective Date (the "SECOND CLOSING DATE"). If Buyer elects to exercise its option and purchase the Additional Inventory prior to the Second Closing Date, Seller and Buyer shall execute and deliver (i) an Assignment of Leases with respect to the Additional Leases in substantially the same form as the Assignment and (ii) a Bill of Sale with respect to the Additional Inventory in substantially the

same form as the Bill of Sale. The purchase price for the Additional Inventory shall be determined by agreement of the parties.

5. REPRESENTATIONS AND WARRANTIES OF SELLER. Seller hereby represents and warrants to Buyer as follows:

(a) Seller is authorized to executed and deliver this Agreement and to perform its obligations hereunder.

(b) Seller is the owner of the Rental Inventory and the Additional Inventory, and is the lessor under the Leases and the Additional Leases.

6. REPRESENTATIONS, WARRANTIES AND ACKNOWLEDGMENTS OF BUYER. Buyer hereby represents, warrants and acknowledges to Seller as follows:

(a) Buyer is authorized to executed and deliver this Agreement and to perform its obligations hereunder.

(b) Except for the limited warranties set forth in SECTION 8 below, Buyer hereby acknowledges that Buyer is purchasing the Rental Fleet, and those assets and property shall be conveyed and transferred to Buyer, "AS IS, WHERE IS, AND WITH ALL FAULTS" and specifically and expressly without any warranties, representations, or guarantees, either express or implied, of any kind, nature, or type whatsoever from or on behalf of Seller. SELLER HAS NOT, DOES NOT, AND WILL NOT WITH RESPECT TO THE RENTAL FLEET, MAKE ANY WARRANTIES OR REPRESENTATIONS, EXPRESS OR IMPLIED, OR ARISING BY OPERATION OF LAW, INCLUDING, BUT IN NO WAY LIMITED TO, ANY WARRANTY OF CONDITION, MERCHANTABILITY, HABITABILITY, OR FITNESS FOR A PARTICULAR USE, OR WITH RESPECT TO THE VALUE, PROFITABILITY, OR MARKETABILITY OF THE RENTAL FLEET.

7. PREFERRED SUPPLIER AGREEMENT. As consideration for the execution and consummation of this Agreement, Buyer and Seller have agreed to enter into a Supplier Agreement on the terms set forth in the Summary of Terms. Buyer and Seller acknowledge and agree that (a) the Summary of Terms contain the basic business terms that the parties have agreed upon, but that additional terms and conditions may be reasonably required by the respective parties and their counsel, and (b) they will negotiate the other terms of the Supplier Agreement in good faith and use reasonable efforts to have the definitive form of the Supplier Agreement signed by the parties by June 30, 1998. Seller agrees that the purchase price for the Equipment will count towards the Buyer's minimum annual purchase requirement for Year 1 under the Supplier Agreement.

8. **PRODUCT WARRANTIES.** The sale of the Rental Fleet is made without warranty of any kind, except as set forth in SECTION 5; and provided further that Seller will provide a limited 90-day warranty on the Rental Inventory and the Additional Inventory as provided in EXHIBIT D.

9. **TAXES.** All sales, value added, use, excise and other taxes arising from the transaction are to be paid by Buyer. Buyer agrees to indemnify and hold Seller harmless from and against any liability for such sales, use, excise, or other taxes arising from the transactions contemplated by this Agreement.

10. **EXPORT RESTRICTIONS.** Buyer agrees that it shall comply with any and all laws, regulations, orders, or other restrictions of the United States of America relating to the export and re-export of commodities and technical data which may be imposed from time to time. Buyer will not export or re-export, directly or indirectly any products or information with respect to the Equipment to any destination prohibited by such laws, regulations, orders or other restrictions without the prior authorization of the appropriate U.S. Government authorities. Buyer agrees that its obligations under this section shall survive Closing.

11. **PROPRIETARY RIGHTS, LICENSE AND CONFIDENTIALITY.**

(a) Buyer acknowledges that the Equipment contains certain hardware components and software proprietary to Seller. Seller, for itself and its assignees, hereby grants to Buyer a non-exclusive, irrevocable license to use the software for the purpose of operating the Equipment. The license granted hereunder is for an undetermined period and shall survive the Closing.

(b) Buyer acknowledges that any hardware and software proprietary to Seller are trade secrets and constitute a valuable asset of Seller. Buyer agrees that it shall exercise at least the same degree of care and discretion with respect to the hardware and software as it exercises in protecting its own confidential information; that it shall not disclose or otherwise make available, without the prior written consent of Seller, the hardware or software or any copies of it to any other person and that it shall not copy or reproduce the hardware or software. Buyer agrees that this provision shall survive the Closing.

(c) Buyer further acknowledges that it shall not, without the prior written consent of Seller, divulge any information relating to the terms of this Agreement to any third party, except as to the extent required by law, and shall take all reasonable action to prevent its employees and all others, if any, involved in this Agreement from divulging such information to third parties.

12. **PRORATION OF RENTAL PAYMENTS.** Rental payments under the Leases and the Additional Leases actually paid to and received by Seller for the month in which the Closing (or the Second Closing Date) occurs shall be prorated as of the Effective Date or the Second Closing Date, as appropriate. Buyer shall make a diligent attempt after the Closing to collect any rental payments delinquent at the time of the assignment of the Leases or Additional Leases in the usual

course of business and shall remit Seller's portion of those collections to Seller promptly after receipt by Buyer. Nothing in this subparagraph shall prohibit, limit or restrict Seller from collecting or attempting to collect directly from any lessee in any lawful manner after Closing any rents delinquent as of Closing.

13. NOTICES. Any notice or delivery to be given hereunder by either party to the other may be effected by personal delivery in writing, certified mail, postage prepaid, mailgram or telegram, and shall be deemed communicated as of delivery, unless otherwise provided in this Agreement in accordance with this paragraph at the address set forth below:

Seller: Input/Output, Inc.
 11104 West Airport, Suite 200
 Stafford, Texas 77477
 Attention: Gay Mayeux, Chief Financial Officer

Buyer: Mitcham Industries, Inc.
 P.O. Box 1175
 Huntsville, Texas 77342
 Attention: Bill F. Mitcham, Jr.

14. MISCELLANEOUS PROVISIONS.

(a) ENTIRE AGREEMENT. This Agreement constitutes the entire agreement between Seller and Buyer with respect to the purchase and sale of the Equipment and no representation or statement not contained herein shall be binding upon Seller or Buyer as a warranty or otherwise, unless in writing and executed by the party to be bound thereby. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

(b) GOVERNING LAW. This Agreement shall be construed in accordance with the laws of the State of Texas.

(c) RISK OF LOSS. The sale of the Equipment (other than Leased Inventory and Additional Inventory) hereunder will be F.O.B. Seller's plant in Stafford, Texas, with Buyer being responsible for the cost of shipping and transporting the Equipment.

(d) BINDING EFFECT. This Agreement is binding upon and inures to the benefit of Seller and Buyer and their respective successors and assigns.

(e) FURTHER ACTS. In addition to the acts and deeds recited in this Agreement and contemplated to be performed, executed and/or delivered by Seller or Buyer, Seller and Buyer agree to perform, execute and/or deliver or cause to be performed, executed and/or delivered at the Closing or after the Closing any and all further acts, deeds and

assurances as are reasonably necessary to consummate the transactions contemplated hereby.

(f) TIME OF THE ESSENCE. It is expressly agreed by Buyer and Seller that time is of the essence with respect to this Agreement.

(g) ATTORNEY'S FEES. If either party hereto employs an attorney to enforce or defend its rights hereunder, the prevailing party shall be entitled to recover its reasonable attorney's fees.

(h) MULTIPLE COUNTERPARTS. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same agreement, and any of the parties to this Agreement may execute this Agreement by signing any of the counterparts.

EXECUTED as of May 29, 1998.

INPUT/OUTPUT, INC., a Delaware corporation

By: /s/ DENNIS N. JORDHOY

Dennis N. Jordhoy, Vice President-Sales

GLOBAL CHARTER CORPORATION, a Delaware corporation

By: /s/ RONALD A. HARRIS

Ronald A. Harris, President

MITCHAM INDUSTRIES, INC., a Texas corporation

By: /s/ BILL F. MITCHAM

Bill F. Mitcham, President and Chief
Executive Officer

EXHIBIT A

SUMMARY OF TERMS

I/O has proposed to sell its existing rental fleet to Mitcham. I/O also proposes to restructure its existing agreements with Mitcham by entering into a new Preferred Supplier Agreement (the "NEW AGREEMENT") with Mitcham (which will replace the existing Exclusive Lease Referral Agreement, as amended), on the following terms and conditions:

1. SALE OF RENTAL FLEET. I/O will sell its rental fleet to Mitcham (including Products currently under lease/purchase agreements to I/O's customers) for a price to be determined by the parties. Products currently under lease/purchase agreements will be sold subject to such lease/purchase agreements, which will be assigned to Mitcham.
2. MINIMUM ANNUAL PURCHASES. I/O will agree to sell to Mitcham and Mitcham will agree to purchase from I/O, during the Term of the New Agreement, certain minimum amounts of new and used I/O Products, as follows:

May 26, 1998 through May 31, 1999 ("YEAR 1")	\$30 million
June 1, 1999 through May 31, 2000 ("YEAR 2")	\$25 million
June 1, 2000 through May 31, 2001 ("YEAR 3")	\$25 million
June 1, 2001 through May 31, 2002 ("YEAR 4")	\$25 million
June 1, 2002 through May 31, 2003 ("YEAR 5")	\$25 million

The above amounts shall be based on I/O's list prices for its Products, as published on the date of the New Agreement. Any purchases in excess of the annual minimum aggregate may be applied to purchase commitments for the next year. If Mitcham fails to purchase Products in the minimum amount during any fiscal Year as set forth above, I/O shall have the right to terminate the New Agreement.

3. TERM. Effective as of May 26, 1998 through May 31, 2003.
4. I/O PRODUCTS. "PRODUCTS" covered under the New Agreement will be all products currently manufactured and sold by I/O as of the date of the New Agreement, and shall not refer to any new products introduced and manufactured by I/O after such date; provided, however, that I/O will agree to negotiate with Mitcham for the inclusion of any such new products within the scope of the New Agreement on a case-by-case basis. There will be no territory limitations under the New Agreement.
5. DISCOUNTS AND CREDITS. Mitcham shall be entitled to certain discounts against purchases made pursuant to the terms of the New Agreement. The discount to which Mitcham will be entitled for each Product type purchased will be as set forth on SCHEDULE A. In addition, if Mitcham achieves the minimum annual purchase levels set forth above during each Year, Mitcham shall be entitled to a credit against the purchase price for future purchases of Products in the amount of 10% of the purchase price of Products purchased during that fiscal Year. The credit must be used during the next fiscal Year or it will be waived. Fifty percent (50%) of Products purchased with the credit will count toward Mitcham's minimum annual purchase requirements for that fiscal Year.

6. RENTAL RESTRICTIONS. I/O will not offer to rent Products to third parties during the Term, without the express written consent of Mitcham; provided, however, Seller shall have the right to rent Products to third parties for experimental or developmental purposes. I/O agrees to refer rental inquiries for Products to Mitcham during the Term of the New Agreement. Mitcham agrees to use best efforts to promote I/O Products during the term of the New Agreement.
7. RESALE RESTRICTIONS. The parties understand and agree that Mitcham is in the business of leasing Products to its rental customers, and is not acquiring Products for resale to third parties. As part of the consideration for the discounts and credits being granted to Mitcham, Mitcham agrees that it will not offer for resale to third parties, without the prior written consent of I/O, any Products (other than Products that are purchased by Mitcham's rental customers pursuant to purchase options granted under rental agreements) that it has purchased from I/O that were manufactured less than 3 years from the date of the offer.
8. PAYMENT TERMS. Payment of the purchase price for Products shall be net 30 days; provided, however, that Mitcham will be entitled to an additional 2% discount from the purchase price if payment thereof is received by I/O within 10 days from date of shipment. In addition, if Products purchased at any one time have a purchase price of \$5 million or more, Mitcham will grant to I/O a purchase money security interest in those Products to secure payment of the purchase price thereof. Mitcham agrees to execute all financing statements required by I/O to perfect its security interests at the time of sale.
9. RIGHT OF FIRST REFUSAL. Mitcham shall grant to I/O a right of first refusal to purchase any Products (other than Products that are proposed to be purchased from Mitcham pursuant to a lease/purchase agreement with one of Mitcham's customers) that Mitcham desires to sell (subject to the resale restrictions), but only with respect to Products for which the sale price exceeds \$1 million. I/O shall have the right to match any bona fide third party offer to purchase those Products on the same terms and conditions.
10. TRAINING; MAINTENANCE AND REPAIRS. I/O will offer training courses for Mitcham, and its employees and representatives of customers that lease Products from Mitcham, at a 25% discount to I/O published rates for those services. I/O will provide maintenance and repairs to all Products, at I/O published rates.
11. WARRANTIES. I/O will warrant all new Products based upon I/O's standard limited warranty, as the same is revised from time to time. A limited 90-day warranty will be given on used Products sold to Mitcham.
12. PRESS RELEASES. Neither party will issue any public announcement or press release regarding the New Agreement or any purchase of Products thereunder without the written approval of the other party.
13. PREFERRED PRICING. In consideration for Mitcham's commitment to make the minimum annual purchases described above, I/O agrees that it will not, during the Term, offer pricing for Products to any other customer that is in the same line of business as Mitcham (i.e., seismic equipment rentals) that is more favorable than that offered to Mitcham under the New Agreement.

SCHEDULE A
to Exhibit A -- Summary of Terms

DISCOUNT SCHEDULE

PRODUCT	DISCOUNT
MRX Electronics	25%
RSR Electronics	15%
MSX Electronics	10%
Cables	15%
Geophone and Hydrophone Products	15%
Sleeve Guns	10%
Vibrators	Negotiated on a case by case basis

EXHIBIT B

ASSIGNMENT OF LEASES

THIS ASSIGNMENT OF LEASES (the "ASSIGNMENT") is executed by and between INPUT/OUTPUT, INC., a Delaware corporation, and its wholly-owned subsidiary, GLOBAL CHARTER CORPORATION, a Delaware corporation (together, "ASSIGNOR") and MITCHAM INDUSTRIES, INC., a Texas corporation ("ASSIGNEE")

RECITALS:

- A. Assignor and Assignee have entered into that certain Equipment Purchase Agreement ("PURCHASE AGREEMENT"), pursuant to which Assignor has sold to Assignee, among other property, certain equipment and products manufactured by Assignor and leased to Assignor's customers pursuant to certain lease/purchase and rental agreements more particularly described on EXHIBIT A attached hereto (the "EXISTING LEASES").
- B. In accordance with the terms of the Purchase Agreement, Assignor has agreed to assign and transfer all of its right, title and interest in and to the Existing Leases to Assignee.

NOW, THEREFORE, in consideration of the sum of Ten and No/100 Dollars (\$10.00) in hand paid and other good and valuable consideration, the receipt of which is hereby acknowledged, Assignor and Assignee hereby agree as follows:

1. ASSIGNMENT OF LEASES. Assignor hereby assigns, transfers, sets over and conveys to Assignee, all of Assignor's right, title and interest in and to the Existing Leases. Assignee hereby assumes and agrees to perform all of Assignor's obligations under the Existing Leases that arise thereunder from and after the date hereof.

2. INDEMNITIES.

(a) Assignor hereby agrees to defend, indemnify and hold Assignee harmless from any liability, damages, causes of action, expenses and attorneys' fees incurred by Assignee by reason of the failure of Assignor prior to the effective date hereof to fulfill, perform and discharge all of the various commitments, obligations and liabilities of Assignor under and by virtue of the Existing Leases assigned hereunder, but only to the extent that such failure of Assignor under the Existing Leases accrued and arose prior to the effective date hereof.

(b) Assignee hereby agrees to defend, indemnify and hold Assignor harmless from any liability, damages, causes of action, expenses and attorneys' fees incurred by Assignor by reason of the failure of Assignee on or after the effective date hereof to fulfill, perform and discharge all of the various commitments, obligations and liabilities of Assignee herein assumed under and by virtue of the Existing Leases assigned

hereunder, but only to the extent that such failure of Assignee under the Existing Leases accrued and arose on or after the effective date hereof.

Executed and effective as of the 31 day of May, 1998.

INPUT/OUTPUT, INC., a Delaware corporation

By: /s/ DENNIS N. JORDHOY

Dennis N. Jordhoy, Vice President-Sales

GLOBAL CHARTER CORPORATION, a Delaware corporation

By: /s/ RONALD A. HARRIS

Ronald A. Harris, President

MITCHAM INDUSTRIES, INC., a Texas corporation

By: /s/ BILL F. MITCHAM

Bill F. Mitcham, President and Chief
Executive Officer

Exhibit A

TO EXHIBIT B -- ASSIGNMENT OF LEASES

EXISTING LEASES

Lease Number	Date of Lease	Customer
R9804010	5/26/98	Acadian Geophysical Svcs., Inc.
R9804090	5/26/98	Acadian Geophysical Svcs., Inc.
R9712111	12/22/97	Datum Exploration, Ltd.
R9801090	00/05/98	Mitcham Industries
R9804210	5/26/98	Paragon Geophysical Services, Inc.
R9610170	10/17/96	Suelopetrol, C.A.
R9805200	5/20/98	Universal Seismic Associates
R9705220	5/22/97	Veritas DGC Land, Inc., Suc., Arg.
R9705300	8/12/97	Veritas DGC Land, Inc.
R9804300	4/30/98	Veritas DGC Land, Inc.
R9706100	8/12/97	Veritas DGC Land, Inc.
R9707240	9/30/97	Veritas DGC Land, Inc.(Ecuador)
R9711250	8/20/98	Veritas DGC Land, Inc.
R9805010	5/8/98	Western Geophysical
R9804030	5/1/98	Western Geophysical Company

EXHIBIT C

BILL OF SALE

THIS BILL OF SALE (the "BILL OF SALE") is executed by and between INPUT/OUTPUT, INC., a Delaware corporation, and its wholly-owned subsidiary, GLOBAL CHARTER CORPORATION, a Delaware corporation (together, "SELLER") and MITCHAM INDUSTRIES, INC., a Texas corporation ("BUYER")

RECITALS:

- A. Seller and Buyer have entered into that certain Equipment Purchase Agreement ("PURCHASE AGREEMENT"), pursuant to which Seller has agreed to sell to Buyer certain equipment and products manufactured by Seller, which consists of certain equipment and products held as inventory for rental to Seller's customers, more particularly described on SCHEDULE 1 attached hereto (the "RENTAL INVENTORY").
- B. In accordance with the terms of the Purchase Agreement, Seller has agreed to execute and deliver this Bill of Sale to Buyer to evidence the transfer of title to the Rental Inventory.

NOW, THEREFORE, in consideration of the sum of Ten and No/100 Dollars (\$10.00) in hand paid and other good and valuable consideration, the receipt of which is hereby acknowledged, Seller and Buyer hereby agree as follows:

1. CONVEYANCE. Seller hereby assigns, transfers, sets over and conveys to Buyer, all of Seller's right, title and interest in and to the Rental Inventory. Buyer understands and acknowledges that certain of the Rental Inventory is subject to the rights of lessees under certain lease/purchase and rental agreements, more particularly described as the "LEASES" and attached to the Purchase Agreement as SCHEDULE 2.

2. NO WARRANTIES. Except for Seller's 90-day standard limited warranty with respect to the Rental Inventory set forth in the Purchase Agreement, Buyer hereby acknowledges that Buyer is purchasing the Rental Inventory, and the Rental Inventory is being conveyed and transferred to Buyer, "AS IS, WHERE IS, AND WITH ALL FAULTS" and specifically and expressly without any warranties, representations, or guarantees, either express or implied, of any kind, nature, or type whatsoever from or on behalf of Seller. SELLER HAS NOT, DOES NOT, AND WILL NOT WITH RESPECT TO THE RENTAL INVENTORY, MAKE ANY WARRANTIES OR REPRESENTATIONS, EXPRESS OR IMPLIED, OR ARISING BY OPERATION OF LAW, INCLUDING, BUT IN NO WAY LIMITED TO, ANY WARRANTY OF CONDITION, MERCHANTABILITY, HABITABILITY, OR FITNESS FOR A PARTICULAR USE, OR WITH RESPECT TO THE VALUE, PROFITABILITY, OR MARKETABILITY OF THE RENTAL INVENTORY.

Executed and effective as of the 31 day of May, 1998.

INPUT/OUTPUT, INC., a Delaware corporation

By: /s/ DENNIS N. JORDHOY

Dennis N. Jordhoy, Vice President-Sales

GLOBAL CHARTER CORPORATION, a Delaware corporation

By: /s/ RONALD A. HARRIS

Ronald A. Harris, President

MITCHAM INDUSTRIES, INC., a Texas corporation

By: /s/ BILL F. MITCHAM

Bill F. Mitcham, President and Chief
Executive Officer

EXHIBIT D

INPUT/OUTPUT, INC.
STANDARD LIMITED WARRANTY

GENERAL. Input/Output, Inc. ("I/O") warrants each product that it or its subsidiaries manufacture ("Product") against defects in material and workmanship under normal use and service for the specified time period listed below ("Warranty Period"), in each case commencing upon the date of original purchase (or, in the event of a purchase by exercise of an option to purchase under a rental arrangement, commencing upon the first day of the rental period):

SPECIFIED PRODUCT -----	WARRANTY PERIOD -----
Software (media only) (see below)	30 Days
Air Guns (solenoid metal parts only)	30 Days
Hydrophones and Geophones	See Addendum "A"
Marine Cables and Connectors	90 Days
Streamer Cable - Stretch Sections	90 Days
Lead-ins: Fiber Optic	90 Days
Lead-ins: Analog	180 Days
Land Cables and Connectors	180 Days
Air Guns (metal parts only)	180 Days
Hose Bundles	180 Days
Battery Packs	180 Days
Marine Remote Signal Conditioner (MSX and Bottom Cable Units)	One Year
Remote Signal Conditioner (MRX,RSR,ALX (and MLX Units)	Two Years
Vibrators and other Off-Road Vehicles (see below)	One Year
All Other I/O Products	One Year

I/O, at its option, will either repair, rebuild, adjust or replace the Product or Product parts during the Warranty Period in the event the Product fails to perform as specified under normal usage, which failure to perform has been promptly reported by Purchaser to I/O and determined by I/O to be defective in material or workmanship. Repaired, rebuilt, adjusted or replaced Products or component parts are warranted for sixty (60) days or the remainder of the original Warranty Period, whichever is longer. This Warranty extends solely to the original end-user purchaser ("Purchaser") of the Product.

SOFTWARE. With regards to any I/O Software, I/O warrants that, for 30 days following the date of original purchase, the media containing the I/O Software shall be free from defects in material and workmanship under normal use. I/O's sole and exclusive obligation and liability for any such defect with regard to the I/O Software shall be, in I/O's sole discretion, to replace the defective media with replacement media or to correct the defective media so that it will be free from defects in material and workmanship. Corrected or replaced media on which the I/O Software is furnished shall be covered by this Warranty for thirty (30) days after the date of shipment to Purchaser of the repaired, corrected or replaced physical media. I/O will have no warranty obligation with regard to any I/O Software if (i) the media has been subjected to accident, abuse, or improper use, (ii) Purchaser uses defective media or defectively or improperly duplicates the I/O Software, or (iii) Purchaser violates the "Restrictions on Use" listed below regarding the Software. I/O MAKES NO OTHER REPRESENTATION OR WARRANTY OF ANY KIND, EXPRESS OR IMPLIED WITH REGARD TO ANY I/O SOFTWARE AND EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. I/O DOES NOT WARRANT THAT I/O SOFTWARE IS ERROR-FREE OR THAT OPERATION OF THE I/O SOFTWARE WILL BE UNINTERRUPTED. The Warranty set forth in this paragraph constitutes the only warranty with respect to I/O Software and is further subject to the "General Provisions" set forth below; in all other respects, I/O Software is provided "AS-IS" and all risk as to the quality, performance, capabilities and other requirements of the I/O Software is with Purchaser. For the purposes of this Limited Warranty, I/O Software shall be deemed to include, but not be limited to, embedded software which is organic to and contained in I/O Products at the time such Products are sold.

VIBRATORS. This terms of this portion of the Limited Warranty are applicable only to Vibrators and other Off-Road Vehicles assembled by I/O ("Vibrators"). Subject to the terms of this Limited Warranty, I/O warrants each Vibrator vehicle for repairs, including parts and labor, to correct defects in materials or workmanship under normal use and service, for a Warranty Period of one (1) year from the date of purchase of the Vibrator (or, in the event of a purchase by exercise of an option to purchase under a rental arrangement, commencing upon the first day of the rental period). The Limited Warranty applicable to Vibrators and their parts shall transfer automatically with transfers of vehicle ownership during the Warranty Period. I/O's sole responsibility as to Vibrators under this Limited Warranty shall be, at its option, to repair, rebuild or replace any item which is determined by I/O to be defective in material or workmanship during the Warranty Period in the event the item fails to perform as specified under normal usage. This Warranty does not extend to any routine maintenance of the Vibrator or its components. For other limitations applicable to I/O's obligations with respect to Vibrators under the terms of this Limited Warranty, see "Items Not Covered by this Warranty below." In addition, the Warranty on items not originally manufactured by I/O shall conform to the Warranty, if any, extended by the original manufacturer of those items. I/O MAKES NO REPRESENTATIONS REGARDING THE EXTENT, AVAILABILITY OR APPLICABILITY OF WARRANTIES PROVIDED BY OUTSIDE MANUFACTURERS.

GENERAL PROVISIONS.

THIS AGREEMENT EXPRESSES ALL OF I/O'S RESPONSIBILITIES, WHETHER IN TORT OR IN CONTRACT, REGARDING ITS PRODUCTS. REPAIR, ADJUSTMENT OR REPLACEMENT OF PRODUCTS OR PARTS, AT I/O'S OPTION, IS PURCHASER'S EXCLUSIVE REMEDY. I/O SHALL NOT, IN ANY EVENT, BE RESPONSIBLE FOR DAMAGES OR OTHER SUMS IN EXCESS OF THE PURCHASE PRICE. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, UNDER NO CIRCUMSTANCE SHALL I/O BE RESPONSIBLE OR LIABLE IN ANY REGARD WITH RESPECT TO DAMAGES FROM LOSS OF USE, LOSS OF TIME, LOSS OF DATA, INCONVENIENCE, COMMERCIAL LOSS, LOST PROFITS OR SAVINGS, OR OTHER INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES CLAIMED BY PURCHASER TO ARISE OUT OF THE USE OR INABILITY TO USE THE PRODUCT, EVEN IF PURCHASER HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. ALL OTHER WARRANTIES, WHETHER EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF FITNESS, MERCHANTABILITY, AND FREEDOM FROM PATENT OR COPYRIGHT INFRINGEMENT ARE HEREBY DISCLAIMED TO THE FULLEST EXTENT SUCH MAY BE DISCLAIMED BY LAW. NO PERSON, INCLUDING ANY DEALER, AGENT OR REPRESENTATIVE OF I/O, IS AUTHORIZED TO PROVIDE ANY ADDITIONAL WARRANTY ON BEHALF OF I/O.

ITEMS NOT COVERED BY THIS WARRANTY.

This Warranty does not cover: (1) conditions resulting from customer damage such as misuse, abuse, neglect, accident, alteration or use in any manner contrary to instructions provided by I/O; (2) damage caused by acts of God or nature; (3) damage resulting from alteration, repair or attempted repair by individuals other than I/O employees or I/O designated authorized representatives; (4) conditions resulting from normal wear and tear; (5) failure to perform proper routine maintenance; (6) continued use of the Product after partial failure of any item; (7) items that have been used with an improper accessory; or (8) damage caused during shipment unless I/O expressly agrees in writing, in advance of shipment, to assume the risks of damage caused during shipment. With regard to any Air Gun manufactured by I/O, this Warranty applies only to the metal components of such Air Gun and shall not, under any circumstance, apply to any other parts or components of the Air Gun.

This Warranty applies to I/O Products only. I/O may also provide to a Purchaser certain products which are manufactured by other companies. I/O MAKES NO REPRESENTATIONS REGARDING THE EXTENT, AVAILABILITY OR APPLICABILITY OF WARRANTIES PROVIDED BY OUTSIDE MANUFACTURERS. Therefore, Purchaser may wish to consult such outside manufacturers directly to determine the extent, availability and/or applicability of these warranties, if any.

RESTRICTIONS ON USE.

Purchaser may install, use and execute only one (1) copy of the I/O Software for use on only one (1) computer at a time. I/O Software may not be copied, distributed, republished, uploaded, posted, decompiled, disassembled, modified or transmitted in any way without I/O's prior written consent. I/O Software is licensed on a non-exclusive basis solely for Purchaser's use. Embedded software organic to and contained in I/O Products is to be used by Purchaser solely within the Product in which such I/O Software resides when shipped. ANY VIOLATION OF THIS PROVISION VOIDS ALL WARRANTIES AS TO SUCH PRODUCTS.

I/O's Products may not be copied or reverse-engineered in any way without I/O's prior written consent. In addition, I/O Products may only be repaired or modified by I/O or by an authorized I/O representative, except as otherwise directed in writing by I/O. ANY VIOLATION OF THIS PROVISION VOIDS ALL WARRANTIES AS TO SUCH PRODUCTS.

STATE AND FOREIGN LAW RIGHTS.

Some states and non-U.S. jurisdictions do not permit the exclusion or limitation of incidental or consequential damages, or limitations on how long an implied warranty may last. Therefore, the above limitations or exclusions may not apply to all Purchasers. This Warranty gives Purchasers specific legal rights, and certain Purchasers may also have other rights which vary from state to state, or country to country.

Purchaser agrees that I/O's total liability under this agreement for all causes of action, whether in contract or in tort, shall be limited to a maximum amount equal to the purchase price Purchaser paid for the Product. Purchaser agrees that the internal laws, and not the choice of laws, of Texas shall apply to this Warranty.

SEVERABILITY.

If any one or more of the paragraphs or parts of this Warranty shall be determined to be invalid, illegal or unenforceable in any respect, it is the intent of both parties that the validity, legality and enforceability of the remaining paragraphs and parts contained herein shall not in any way be affected or impaired thereby, and that such invalid, illegal or unenforceable paragraph(s) or part(s) be reformed in a manner consistent with the parties' contractual intent so as to comply with applicable law.

WARRANTY PROCEDURE.

A Purchaser needing to take advantage of this Warranty should advise I/O in writing immediately. Write to:

Input/Output, Inc.
Attention: Warranty Claims
11104 W. Airport Blvd., Suite 200
Stafford, Texas 77477

Or by facsimile: (281) 552-3388

A Purchaser seeking warranty services must, as directed by I/O, ship the Product to I/O, or to I/O's designated representative, along with a detailed description of the problem(s) Purchaser has encountered with the Product(s) and a return shipping address. Purchaser shall be responsible for any freight charge associated with delivering the Product to I/O or its designated representative; if such freight charges are not paid by Purchaser, I/O shall bill Purchaser for any such fees incurred by I/O.

In the event that I/O determines that the Product is defective, I/O shall pay any freight charges associated with returning the repaired, adjusted or replaced Product to Purchaser. In addition, Purchaser shall be responsible for any travel expenses incurred by I/O to satisfy the terms of this Warranty at Purchaser's place of business or other site as requested by Purchaser.

COMPLYING WITH THESE WARRANTY

PROCEDURES IS A CONDITION PRECEDENT TO I/O'S OBLIGATIONS UNDER THIS WARRANTY. I/O RESERVES THE RIGHT TO DETERMINE WHETHER THIS WARRANTY SHALL COVER ANY REPAIRS, ADJUSTMENTS OR REPLACEMENTS REQUESTED BY THE PURCHASER.

ADDENDUM A

Geophones and Hydrophones

SPECIFIED PRODUCT -----	WARRANTY PERIOD -----
1. Cases and Plastic Parts	1.5 Years
2. Geophone Elements:	
SM-24	Three Years
SM-4	Three Years
SM-4 LD	Three Years
SM-4 HS	Three Years
SM-4m	Two Years
SM-6	Two Years
SM-7	Two Years
SM-7m	Two Years
SM-9	Two Years
SM-11	Two Years
SM-15	Two Years
SM-4 HT	30 Days
SM-6 HT	30 Days
3. Testers	180 Days
4. Connectors	90 Days
5. Hydrophones	90 Days
6. Ocean Bottom Sensor	30 Days

SCHEDULE 1

RENTAL INVENTORY

PART NUMBER	DESCRIPTION	QUANTITY
1380000001	MRX Remote Units	711
1390000963	RSR-3 Remote Units	197
1385000001	BCX Module	300
136200	RSX Remote Units	72
13200	RSC Remote Units	319
136100	ALX	51
1361500001	ALX Battery Converter	55
1381710001	RSC Battery Packs	405
1381710002	Solar Battery Packs	343
1338002200	Line Interface Module (LIM)	6
1348002200	System Control Module (SCM)	3
1312002201	Operator Console Module (OCM)	3
1388000001	Marine Line Controller (MPC-1)	1
232100	Oscilloscope	1
1090250005	Seismic Source Synchronizer Decoder Model DEC-301	5
1091500005	SSS Encoder 301	1
229081	Radio Maxtrac (Motorola)	4
CA-2417-18	ALX/ALX Cables	6
CA-2174	ALX/Near MRX Cables	11
1358700112	Microwave Link Set	1
145062	Sentry System	1
	SM 4HS Geophones (6 per), CL 1000, MP16	1,974
	SM 24 Geophones (6 per) AE-8, MP16	2,473
	SM 24 Geophone (6 per) CL-100, MP16	1,597
	SM 4 Geophones (9 per) CL 100, MP16	2,171
	3C singles, 10 Hz	378
	SM-24, 6 per, PE-3, MP16	2,400
CA-2255	MRX Cables 450 meter	18
CA-2450	BCX Cables 3 T.O. 30 meter	60
7205895003	Sleeve Guns-10 CID	3
0700007B5070	Sleeve Gun-70 CID	8
0700007B5100	Sleeve Guns-100 CID	2
0700007B5150	Sleeve Guns-150 CID	2
1443000002	3490 Tape Transport Module	2
1376500001	Correlator (CSX)	1
1350003036	Correlator (CSM)	1
1346140001	Power Supply	4
1375100001	Battery Charger	1

SCHEDULE 2
LEASES AND LEASED INVENTORY

Lease Number	Date of Lease	Customer	Description of Equipment
R9804010	5/26/98	Acadian Geophysical Svcs., Inc.	4 SSS Decoder Model 301 W/Backpack
R9804090	5/26/98	Acadian Geophysical Svcs., Inc.	4 Radio Max Trac 300
R9712111	12/22/97	Datum Exploration, Ltd.	50 MRX-1 Remote Units 100 Solar Battery Packs (SBP)
R9801090	00/05/98	Mitcham Industries	3 Gun SG-1, 10 CID (No Hangers)
R9804210	5/26/98	Paragon Geophysical Services, Inc.	40 MRX-1 Remote Units 40 Solar Battery Packs
R9610170	10/17/96	Suelopetrol, C.A.	4 Advance Line Tap (ALX) 4 ALX Down Converters 4 Solar Battery Pack (SBP) 6 ALX/ALX (400 Meter) Cables
R9805200	5/20/98	Universal Seismic Associates	600 SM-24 Land Strings, 3S/2P
R9705220	5/22/97	Veritas DGC Land, Inc., Suc., Arg.	50 MRX-1 Remote Units 50 Solar Battery Packs (SBP)
R9705300	8/12/97	Veritas DGC Land, Inc.	193 MRX-1 Remote Units 35 ALX's 1 Sentry System 1 CSX 2 Line Interface Module
R9804300	4/30/98	Veritas DGC Land, Inc.	137 RSR-3 Remote Units
R9706100	8/12/97	Veritas DGC Land, Inc.	82 MRX-1 Remote Units 2 ALX 1 Operator Control Module (OCM) 1 System Control Module (SCM) 1 Tape Transport Module (TTM) 1 Line Interface Module (LIM)
R9707240	9/30/97	Veritas DGC Land, Inc.(Ecuador)	50 MRX-1 Remote Units
R9711250	8/20/98	Veritas DGC Land, Inc.	2400 Strings of 6 SM-24 Geophones
R9805010	5/8/98	Western Geophysical	1 Operator Control Modules(OCM) 1 System Control Module (SCM) 1 Line Interface Module (LIM) 1 Power Supply 8 MRX-1 Remote Units 24 Solar Battery Packs 4 Advanced Line Tap (ALX) 4 ALX Battery Converters 1 Battery Charger 4 MRX/MRX Cables

3 ALX/ALX Cables
4 ALX/Near MRX Cables

R9804030 5/1/98 Western Geophysical Company

2 Gun SG-IIB, 150 CID
2 Gun SG-IIB, 100 CID

SCHEDULE 3
 ADDITIONAL LEASES AND ADDITIONAL INVENTORY

Lease Number	Date of Lease	Customer	Description of Equipment
R9803220	3/22/98	Grant Geophysical	1 CNE Board
R980504	5/29/98	Kaliningradgeofizika	1-540 Channel RSR-3 Seismic Recording System
R01340	4/14/98	PGS Onshore	1 Wire Wrap Assembly
R980420	4/28/98	Polish Oil and Gas	1 Microwave Link Set
R9709220	9/23/97	3-D Geophysical	4 CNE Boards
R00860	4/19/97	Veritas DGC Land, Inc.	2 DCU to RSR-3 Cable
R9707181	7/18/97	Veritas DGC Land, Inc.	1 Tape Transport Model 42 (TTM)
R9710020	10/4/97	Veritas DGC Land, Inc.	2 Line Interface Modules (LIM)
R9712081	12/15/97	Veritas DGC Land, Inc.	106 MRX-1 Remote Units
R9802770	3/10/97	Veritas DGC Land, Inc.	1 Line Interface Module (LIM)
R9801071	1/7/98	Veritas DGC Land, Inc.	1 QCR System
R01339	3/20/98	Veritas DGC Land, Inc.	1 Fujitsu Tape Drive
R9804230	4/23/98	Veritas DGC Land, Inc.	22 RSR-3 Remote Units 22 Solar Battery Packs
R9805140	5/11/98	Veritas DGC Land, Inc.	185 MRX-1 Remote Units 295 Solar Battery Packs 4 Battery Chargers
R00861	5/29/97	Veritas DGC Land, Inc.	1 DPM PC Assy
R9801070	1/8/98	Western Geophysical Company	1 QCR System
R9803270	3/27/98	Western Geophysical Company	2 Microwave Link Sets

EXHIBIT 11

MITCHAM INDUSTRIES, INC.
 Computation of Earnings per Common
 and Common Equivalent Share
 (In thousands except per share data)

	Three months ended April 30,	
	1998	1997
COMPUTATION OF BASIC EARNINGS PER COMMON SHARE:		
Net income.....	\$ 1,680	\$ 1,723
Weighted average number of common shares outstanding.....	9,437,000	6,060,000
Earnings per common share.....	\$ 0.18	\$ 0.28
COMPUTATION OF EARNING PER COMMON SHARE ASSUMING DILUTION:		
Net income.....	\$ 1,680	\$ 1,723
Weighted average number of common shares outstanding.....	9,437,000	6,060,000
Net effect of dilutive stock options and warrants based on the treasury stock method, using the average market price.....	320,000	179,000
Common shares outstanding assuming dilution.....	9,757,000	6,239,000
Earnings per common share assuming dilution.....	\$ 0.17	\$ 0.28

3-MOS

JAN-31-1999
FEB-01-1998
APR-30-1998
1,704
19,855
20,965
1,465
1,074
42,877
48,481
9,862
81,496
2,936
0
0
95
75,765
81,496
8,362
15,453
7,913
12,968
4,447
608
0
2,586
906
1,680
0
0
0
1,680
.18
.17