

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

FORM 10-Q

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

For the quarterly period ended March 31, 2004

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

For the transition period from _____ to _____

Commission File Number 0-15057

P.A.M. TRANSPORTATION SERVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware

71-0633135

(State or other jurisdiction of
incorporation or organization)

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

297 West Henri De Tonti, Tontitown, Arkansas 72770

(Address of principal executive offices) (Zip Code)

Registrants telephone number, including area code: (479) 361-9111

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class -----	Outstanding at April 23, 2004 -----
Common Stock, \$.01 Par Value	11,296,207

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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P.A.M. TRANSPORTATION SERVICES, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	March 31, 2004 ----	December 31, 2003 ----
	(unaudited) <C>	(note) <C>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,831	\$ 3,064
Receivables:		
Trade, net of allowance	55,052	46,120
Other	1,112	1,150
Inventories	853	653
Prepaid expenses and deposits	10,003	6,771
Marketable equity securities, available for sale, at fair value	5,618	5,492
Income taxes refundable	653	1,256
	-----	-----
Total current assets	75,122	64,506
Property and equipment, at cost	256,199	269,419
Less: accumulated depreciation	(84,314)	(86,689)
	-----	-----
Net property and equipment	171,885	182,730
Other assets:		
Goodwill	15,413	15,413
Non compete agreement	917	1,004
Other	1,329	1,196
	-----	-----
Total other assets	17,659	17,613
	-----	-----
Total assets	\$ 264,666 =====	\$ 264,849 =====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 2,324	\$ 2,039
Trade accounts payable	17,759	22,295
Other current liabilities	12,405	11,167
Deferred income taxes	1,564	1,330
	-----	-----
Total current liabilities	34,052	36,831
Long-term debt, less current portion	26,490	26,740
Non compete agreement	609	695
Deferred income taxes	44,598	43,708
Shareholders' equity:		
Preferred Stock, \$.01 par value: 10,000,000 shares authorized; none issued		
Common stock, \$.01 par value: 40,000,000 shares authorized; issued and outstanding- 11,296,207 at March 31, 2004, 11,294,207 at December 31, 2003	113	113
Additional paid-in capital	75,974	75,957
Accumulated other comprehensive income	158	164
Retained earnings	82,672	80,641
	-----	-----
Total shareholders' equity	158,917	156,875
	-----	-----
Total liabilities and shareholders' equity	\$ 264,666 =====	\$ 264,849 =====

Note: The balance sheet at December 31, 2003 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. See notes to condensed consolidated financial statements.

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P.A.M. TRANSPORTATION SERVICES, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(in thousands, except per share data)

	Three Months Ended March 31,	
	2004	2003
	----	----
<S>	<C>	<C>
Operating revenues	\$ 77,673	\$ 70,139
Operating expenses:		
Salaries, wages and benefits	30,398	29,282
Operating supplies	15,930	14,159
Rent/purchased transportation	9,762	7,027
Depreciation and amortization	7,469	6,055
Operating taxes and licenses	4,011	3,535
Insurance and claims	3,989	3,489
Communications and utilities	708	601
Other	1,349	1,013
Loss on sale of equipment	259	24
	-----	-----
	73,875	65,185
	-----	-----
Operating income	3,798	4,954
Other income (expense)		
Interest expense	(350)	(258)
	-----	-----
Income before income taxes	3,448	4,696
Income taxes --current	317	184
--deferred	1,100	1,694
	-----	-----
	1,417	1,878
	-----	-----
Net income	\$ 2,031	\$ 2,818
	=====	=====
Net income per common share:		
Basic	\$ 0.18	\$ 0.25
	=====	=====
Diluted	\$ 0.18	\$ 0.25
	=====	=====
Average common shares outstanding-Basic	11,294,954	11,286,751
	=====	=====
Average common shares outstanding-Diluted	11,321,279	11,338,463
	=====	=====

See notes to condensed consolidated financial statements.

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P.A.M. TRANSPORTATION SERVICES, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

	Three Months Ended March 31,	
	2004	2003
	----	----
<S>	<C>	<C>
OPERATING ACTIVITIES		
Net income	\$ 2,031	\$ 2,818
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,469	6,055
Non compete agreement amortization	-	33
Provision for deferred income taxes	1,100	1,694
Loss on retirement of property and equipment	259	24
Changes in operating assets and liabilities:		
Accounts receivable	(8,915)	(12,745)
Prepaid expenses and other current assets	(2,962)	(6,009)
Accounts payable	(4,557)	4,855
Other current liabilities	1,238	1,971
	-----	-----
Net cash used in operating activities	(4,337)	(1,304)
INVESTING ACTIVITIES		
Purchases of property and equipment	(7,675)	(5,142)
Acquisition of businesses, net of cash acquired	-	(1,658)
Purchases of marketable securities	(86)	(3,613)
Proceeds from disposal of assets	10,792	2,929
Lease payments received on direct financing leases	21	15
	-----	-----
Net cash provided by (used in) investing activities	3,052	(7,469)
FINANCING ACTIVITIES		
Borrowings under lines of credit	85,583	77,990
Repayments under lines of credit	(85,673)	(75,944)
Borrowings of long-term debt	1,142	-
Repayments of long-term debt	(1,017)	(308)
Proceeds from exercise of stock options	17	59
	-----	-----
Net cash provided by financing activities	52	1,797
	-----	-----
Net decrease in cash and cash equivalents	(1,233)	(6,976)
Cash and cash equivalents at beginning of period	3,064	30,766
	-----	-----
Cash and cash equivalents at end of period	\$ 1,831	\$ 23,790
	=====	=====

See notes to condensed consolidated financial statements.

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P.A.M. TRANSPORTATION SERVICES, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(unaudited)
(in thousands)

	Common Shares	Stock Amount	Additional Paid-In Capital	Other Comprehensive Income	Accumulated Other Comprehensive Income/(Loss)	Retained Earnings	Total
<S> BALANCE AT DECEMBER 31, 2003	<C> 11,294	<C> 113	<C> 75,957	<C>	<C> 164	<C> 80,641	<C> 156,875
Components of comprehensive income:							
Net earnings				\$ 2,031		2,031	2,031
Other comprehensive loss -							
Unrealized loss on hedge, net of tax of \$9				(14)	(14)		(14)
Unrealized gain on marketable securities, net of tax of \$5				8	8		8
Total comprehensive income				\$ 2,025			
Exercise of stock options- shares issued including tax benefits	2		17				17
BALANCE AT MARCH 31, 2004	11,296	\$ 113	\$ 75,974		\$ 158	\$ 82,672	\$158,917

See notes to consolidated financial statements.

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P.A.M. TRANSPORTATION SERVICES, INC.
AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
MARCH 31, 2004

NOTE A: BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In management's opinion, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation have been included. Operating results for the three-month period ended March 31, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004. For further information, refer to the consolidated financial statements and the footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2003.

NOTE B: DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Effective February 28, 2001 the Company entered into an interest rate swap agreement on a notional amount of \$15,000,000. The pay fixed rate under the swap is 5.08%, while the receive floating rate is "1-month" LIBOR. This interest rate swap agreement terminates on March 2, 2006. Effective May 31, 2001 the Company entered into an interest rate swap agreement on a notional amount of \$5,000,000. The pay fixed rate under the swap is 4.83%, while the receive floating rate is "1-month" LIBOR. This interest rate swap agreement terminates on June 2, 2006.

The Company designates both of these interest rate swaps as cash flow hedges of its exposure to variability in future cash flows resulting from interest payments indexed to "1-month" LIBOR. Changes in future cash flows from the interest rate swaps will offset changes in interest rate payments on the first \$20,000,000 of the Company's current revolving credit facility or future "1-month" LIBOR based borrowings that reset on the last London Business Day prior to the start of the next interest period. The hedge locks the interest rate at 5.08% or 4.83% plus the pricing spread (currently 1.15%) for the notional amounts of \$15,000,000 and \$5,000,000, respectively.

These interest rate swap agreements meet the specific hedge accounting criteria. The effective portion of the cumulative gain or loss has been reported as a component of accumulated other comprehensive income in shareholders' equity and will be reclassified into current earnings by June 2, 2006, the latest termination date for all current swap agreements. The Company records all derivatives at fair value as assets or liabilities in the condensed consolidated balance sheet, with classification as current or long-term depending on the duration of the instrument. At March 31, 2004, the net after tax deferred hedging loss in accumulated other comprehensive income was approximately \$796,000.

The measurement of hedge effectiveness is based upon a comparison of the floating-rate leg of the swap and the hedged floating-rate cash flows on the underlying liability. This method is based upon the premise that only the floating-rate component of the swap provides the cash flow hedge, and any changes in the swap's fair value attributable to the fixed-rate leg is not relevant to the variability of the hedged interest payments on the floating-rate liability. The calculation of ineffectiveness involves a comparison of the present value of the cumulative change in the expected future cash flows on the variable leg of the swap and the present value of the cumulative change in the expected future interest cash flows on the floating-rate liability. Ineffectiveness related to these hedges was not significant.

In August 2000 and July 2001, we entered into agreements to obtain price protection and reduce a portion of our exposure to fuel price fluctuations. Under these agreements, we were obligated to purchase minimum amounts of diesel fuel per month, with a price protection component, for the six month periods ended March 31, 2001 and February 28, 2002. The agreements also provide that if during the 48 months commencing April 2001, the average monthly price of heating oil on the New York Mercantile Exchange ("NY MX HO") falls below \$.58 per gallon, we are obligated to pay, for a maximum of twelve different months selected by the contract holder during such 48-month period, the difference between \$.58 per gallon and NY MX HO average price, multiplied by 900,000 gallons. Accordingly, in any month in which the holder exercises such right, we would be obligated to pay the holder \$9,000 for each cent by which \$.58 exceeds the average NY MX HO price for that month. The agreements are stated at their

fair value of \$750,000 which is included in accrued liabilities in the accompanying consolidated financial statements.

NOTE C: RECENT ACCOUNTING PRONOUNCEMENTS

In December 2003, the FASB issued Interpretation No. 46 (revised December 2003), Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51, Consolidated Financial Statements ("FIN 46R"), which replaced FIN 46. FIN 46 clarifies the application of Accounting Research Bulletin No. 51 to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. The Company is required to adopt the provisions of FIN 46R by the beginning of the first annual period beginning after December 15, 2004. The adoption of FIN 46R is not expected to have a material effect on the Company's consolidated financial statements.

In March 2004, the FASB issued an exposure draft entitled Share-Based Payment - an amendment of Statements No.123 and 95 (Proposed Statement of Financial Accounting Standards). The proposed Statement would eliminate the ability to account for share-based compensation transactions using APB Opinion No. 25 and generally require instead that such transactions be accounted for using a fair-value-based method. This accounting, if approved, could result in significant compensation expense charges to our future results of operations. The exposure draft, if adopted as presently drafted, would be applied to public entities prospectively for fiscal years beginning after December 15, 2004, as if all share-based compensation awards granted, modified, or settled after December 15, 1994, had been accounted for using the fair-value method of accounting. Retrospective application of the proposed Statement is not permitted.

NOTE D: MARKETABLE SECURITIES

The Company's investments in marketable securities, which are classified as available for sale, currently consist entirely of equity securities. These equity securities have a combined original cost of approximately \$4,105,000 and a combined fair market value of approximately \$5,618,000 as of March 31, 2004. Unrealized gains and losses from marketable securities classified as available for sale are recorded as a component of accumulated other comprehensive income in shareholders' equity. For the three month period ended March 31, 2004 the Company had a net unrealized gain in market value of \$8,000, net of deferred income taxes. At March 31, 2004 the total unrealized gain, net of deferred income taxes, in accumulated other comprehensive income was approximately \$954,000. During the first quarter of 2004 there were no sales or reclassifications of investment securities.

NOTE E: STOCK BASED COMPENSATION

The Company adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (SFAS No. 123). The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation:

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	Three Months Ended March 31,	
	2004	2003
	-----	-----
	(in thousands, except per share data)	
<S>	<C>	<C>
Net income	\$ 2,031	\$ 2,818
Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(74)	(82)
Pro forma net income	\$ 1,957	\$ 2,736
	=====	=====
Earnings per share:		
Basic - as reported	\$.18	\$.25
Basic - pro forma	\$.17	\$.24
Diluted - as reported	\$.18	\$.25
Diluted - pro forma	\$.17	\$.24

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NOTE F: BUSINESS ACQUISITIONS

On January 31, 2003, P.A.M. Transportation Services, Inc. acquired substantially all of the assets of East Coast Transport, Inc. The results of East Coast Transport, Inc. have been included in the consolidated financial statements since that date. In accordance with SFAS No. 141, "Business Combinations", the acquisition was accounted for under the purchase method of accounting.

The aggregate purchase price of \$6.9 million was paid in the form of a 7 year installment note in the amount of approximately \$5.0 million at an interest rate of 6% and a cash payment of approximately \$1.9 million. A non-compete agreement in the amount of \$1.0 million and covering a 5 year period was also entered into. Approximately \$6.9 million of additional goodwill was recognized as a result of the acquisition.

On April 3, 2003, P.A.M. Transportation Services, Inc. acquired substantially all of the assets of McNeill Trucking, Inc. The results of McNeill Trucking, Inc. have been included in the consolidated financial statements since that date. In accordance with SFAS No. 141, "Business Combinations", the acquisition was accounted for under the purchase method of accounting.

The aggregate purchase price of approximately \$8.9 million was paid in the form of cash in the amount of approximately \$8.8 and the assumption of liabilities aggregating approximately \$70,000. A non-compete agreement in the amount of \$300,000 and covering a 2 year period was also entered into. Approximately \$370,000 of additional goodwill was recognized as a result of the acquisition.

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PART I - FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial
Condition and Results of Operations

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

FORWARD-LOOKING INFORMATION

Certain information included in this Quarterly Report on Form 10-Q constitutes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may relate to expected future financial and operating results or events, and are thus prospective. Such forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Potential risks and uncertainties include, but are not limited to, excess capacity in the trucking industry; surplus inventories; recessionary economic cycles and downturns in customers' business cycles; increases or rapid fluctuations in fuel prices, interest rates, fuel taxes, tolls, license and registration fees; the resale value of the Company's used equipment and the price of new equipment; increases in compensation for and difficulty in attracting and retaining qualified drivers and owner-operators; increases in insurance premiums and deductible amounts relating to accident, cargo, workers' compensation, health, and other claims; unanticipated increases in the number or amount of claims for which the Company is self insured; inability of the Company to continue to secure acceptable financing arrangements; seasonal factors such as harsh weather conditions that increase operating costs; competition from trucking, rail, and intermodal competitors including reductions in rates resulting from competitive bidding; the ability to identify acceptable acquisition candidates, consummate acquisitions, and integrate acquired operations; a significant reduction in or termination of the Company's trucking service by a key customer; and other factors, including risk factors, referred to from time to time in filings made by the Company with the Securities and Exchange Commission. The Company undertakes no obligation to update or clarify forward-looking statements, whether as a result of new information, future events or otherwise.

CRITICAL ACCOUNTING POLICIES

The Company's management makes estimates and assumptions in preparing the consolidated financial statements that affect reported amounts and disclosures therein. In the opinion of management, the accounting policies that generally have the most significant impact on the financial position and results of operations of the Company include:

Accounts Receivable. We continuously monitor collections from our customers, third parties and vendors and maintain a provision for estimated credit losses based upon our historical experience and any specific collection issues that we have identified. While such credit losses have historically been within our expectations and the provisions established, we cannot guarantee that we will continue to experience the same credit loss rates that we have in the past.

Property, plant and equipment. Management must use its judgment in the selection of estimated useful lives and salvage values for purposes of depreciating tractors and trailers which do not have guaranteed residual values. Estimates of salvage value at the expected date of trade-in or sale are based on the expected market values of equipment at the time of disposal which, in many cases include guaranteed residual values by the manufacturers.

Self Insurance. The Company is self-insured for health and workers' compensation benefits up to certain stop-loss limits. Such costs are accrued based on known claims and an estimate of incurred, but not reported (IBNR) claims. IBNR claims are estimated using historical lag information and other data either provided by outside claims administrators or developed internally. This estimation process is subjective, and to the extent that future actual results differ from original estimates, adjustments to recorded accruals may be necessary.

Revenue Recognition. Revenue is recognized in full upon completion of delivery to the receivers location. For freight in transit at the end of a reporting period, the Company recognizes revenue prorata based on relative transit miles completed as a portion of the estimated total transit miles with estimated expenses recognized upon recognition of the related revenue.

Prepaid Tires. Tires purchased with revenue equipment are capitalized as a cost of the related equipment. Replacement tires are included in prepaid expenses and deposits and are amortized over a 24-month period. Costs related to tire recapping are expensed when incurred.

Business Segment and Concentrations of Credit Risk. The Company operates in one business segment, motor carrier operations. The Company provides transportation services to customers throughout the United States and portions of Canada and Mexico. The Company performs ongoing credit evaluations and generally does not require collateral from its customers. The Company maintains reserves for potential credit losses. In view of the concentration of the Company's revenues and accounts receivable among a limited number of customers within the automobile industry, the financial health of this industry is a factor in the Company's overall evaluation of accounts receivable.

Business Combinations and Goodwill. Upon acquisition of an entity, the cost of the acquired entity must be allocated to assets and liabilities acquired. Identification of intangible assets, if any, that meet certain recognition criteria is necessary. This identification and subsequent valuation requires significant judgments. The carrying value of goodwill was tested for impairment on March 31, 2004. The impairment testing requires an estimate of the value of the Company as a whole, as the Company has determined it only has one reporting unit as defined in SFAS No. 142.

BUSINESS OVERVIEW

The Company's administrative headquarters are in Tontitown, AR. From this location we manage operations conducted through nine wholly owned subsidiaries based in various locations around the United States and Canada. The operations of these subsidiaries can generally be classified into either truckload services or brokerage and logistics services. All of the Company's operations are in the trucking and transportation segment.

For both operations substantially all of our revenue is generated by transporting freight for customers. For the period ended March 31, 2004 eighty seven percent of our revenue came from our truckload services and thirteen percent from brokerage and logistics services. For the period ended March 31, 2003 eighty nine percent of our revenue came from our truckload services and eleven percent from brokerage and logistics services. Our revenue is predominantly affected by the rates per mile received from our customers, equipment utilization, and our percentage of non-compensated miles. These aspects of our business are carefully managed and efforts are continuously underway to achieve favorable results.

The main factors that impact our profitability on the expense side are costs incurred in transporting freight for our customers. Currently our most challenging costs include fuel, driver recruitment, training, wage and benefit costs, independent broker costs (which we record as purchased transportation), insurance, and maintenance and capital equipment costs. Competitive rate pressures, coupled with the elevations in the above mentioned expenses over the last few years, have created a difficult operating environment for most of the industry.

RESULTS OF OPERATIONS - TRUCKLOAD SERVICES DIVISION

The following table sets forth, for the truckload services division, the percentage relationship of revenue and expense items to operating revenues for the periods indicated.

	Three Months Ended	
	March 31,	
	2004	2003
	-----	-----
Operating revenues	100.0%	100.0%
Operating expenses:		
Salaries, wages and benefits	44.5	46.4
Operating supplies	23.9	22.7
Rent and purchased transportation	0.6	0.2
Depreciation and amortization	11.1	9.7
Operating taxes and licenses	6.0	5.7
Insurance and claims	6.0	5.6
Communications and utilities	1.0	0.9
Other	1.7	1.4
Loss on sale or disposal of property	0.4	0.0
	-----	-----
Total operating expenses	95.2	92.6
	-----	-----
Operating income	4.8	7.4
Interest expense	(0.4)	(0.4)
	-----	-----
Income before income taxes	4.4	7.0
	-----	-----

THREE MONTHS ENDED MARCH 31, 2004 VS. THREE MONTHS ENDED MARCH 31, 2003

For the quarter ended March 31, 2004, truckload services revenues increased 7.6% to \$67.1 million as compared to \$62.4 million for the quarter ended March 31, 2003. Approximately \$3.6 million of the \$4.7 million increase was attributable to the McNeill Trucking, Inc. asset acquisition which closed on April 3, 2003 and therefore had no comparable revenue for the three months ended March 31, 2003. The remaining increase of \$1.1 million was generated by an increase of approximately \$.02 in the average rate per loaded mile.

Salaries, wages and benefits decreased from 46.4% of revenues in the first quarter of 2003 to 44.5% of revenues in the first quarter of 2004. The decrease relates to a decrease in the amount paid to owner operators due to a decrease in the average number of owner operators under contract from 129 in the first quarter of 2003 to 99 in the first quarter of 2004. This decrease was partially offset by an increase in amounts paid to the corresponding company driver replacement, and in other costs normally absorbed by the owner operator such as repairs and fuel.

Operating supplies and expenses increased from 22.7% of revenues in the first quarter of 2003 to 23.9% of revenues in the first quarter of 2004. The increase relates to an increase in both equipment repair costs and fuel costs. Equipment repair costs increased as a result of preparing a higher volume of tractors to meet trade-in terms and specifications. Fuel costs, while down on a per gallon basis, increased as the result of a 3.3% decrease in the average miles per gallon traveled during the first quarter of 2004 as compared to the first quarter of 2003. Fuel costs were also affected by the replacement of owner operators with company drivers as discussed above.

Rent and purchased transportation increased from 0.2% of revenues in the first quarter of 2003 to 0.6% of revenues in the first quarter of 2004. The increase relates primarily to rental and mileage fees incurred on equipment used past scheduled trade-in dates due to manufacturers delays in providing replacement equipment.

Depreciation and amortization increased from 9.7% of revenues in the first quarter of 2003 to 11.1% of revenues in the first quarter of 2004. The increase was primarily due to the combined effect of higher tractor purchase prices and lower tractor guaranteed residual values offered by the manufacturers.

Insurance and claims expense increased from 5.6% of revenues in the first quarter of 2003 to 6.0% of revenues in the first quarter of 2004. The increase in expense relates to an increase in the auto liability policy coverage acquired during the third quarter of 2003.

The truckload services division operating ratio, which measures the ratio of operating expenses to operating revenues, increased to 95.2% for the first quarter of 2004 from 92.6% for the first quarter of 2003.

RESULTS OF OPERATIONS - LOGISTICS AND BROKERAGE SERVICES DIVISION

The following table sets forth, for the logistics and brokerage services division, the percentage relationship of revenue and expense items to operating revenues for the periods indicated.

	Three Months Ended	
	March 31,	
	2004	2003
	-----	-----
Operating revenues	100.0%	100.0%
Operating expenses:		
Salaries, wages and benefits	5.1	4.5
Operating supplies	0.0	0.0
Rent and purchased transportation	87.4	88.6
Depreciation and amortization	0.3	0.0
Operating taxes and licenses	0.0	0.0
Insurance and claims	0.1	0.1
Communications and utilities	0.4	0.5
Other	1.6	1.8
Loss on sale or disposal of property	0.0	0.0
	-----	-----
Total operating expenses	94.9	95.5
	-----	-----
Operating income	5.1	4.5
Interest expense	(0.6)	(0.3)
	-----	-----
Income before income taxes	4.5	4.2
	-----	-----

THREE MONTHS ENDED MARCH 31, 2004 VS. THREE MONTHS ENDED MARCH 31, 2003

For the quarter ended March 31, 2004, logistics and brokerage services revenues increased 35.9% to \$10.5 million as compared to \$7.8 million for the quarter ended March 31, 2003. The increase of approximately \$2.8 million was attributable to the additional one month revenues generated by East Coast Transport, Inc. which wasn't acquired until January 31, 2003.

Salaries, wages and benefits increased from 4.5% of revenues in the first quarter of 2003 to 5.1% of revenues in the first quarter of 2004. The increase relates to the hiring of an administrative staff at East Coast Transport, Inc. for functions which had previously been outsourced to a third party.

Rent and purchased transportation decreased from 88.6% of revenues in the first quarter of 2003 to 87.4% of revenues in the first quarter of 2004. The decrease relates to a decrease in the average amount paid to third parties for logistics and brokerage services.

The logistics and brokerage services division operating ratio, which measures the ratio of operating expenses to operating revenues, decreased to 94.9% for the first quarter of 2004 from 95.5% for the first quarter of 2003.

RESULTS OF OPERATIONS - COMBINED DIVISIONS

The decrease in the combined income before income taxes to \$3.4 million from \$4.7 million, respectively, for the three month period ended March 31, 2004 and 2003 resulted in a decrease in the provision for income taxes from \$1.9 million for the first quarter of 2003 to \$1.4 million for the first quarter of 2004.

Net income for all divisions decreased to \$2.0 million, or 2.6% of revenues, in the first quarter of 2004 from \$2.8 million, or 4.0% of revenues in the first quarter of 2003. The decrease in net income resulted in a decrease in diluted net income per share to \$.18 in the first quarter of 2004 from \$.25 in the first quarter of 2003.

LIQUIDITY AND CAPITAL RESOURCES

During the first three months of 2004, the Company used \$4.3 million of cash from operating activities. Investing activities provided \$3.1 million in cash in the first three months of 2004. Financing activities provided \$.1 million in the first three months of 2004.

Our primary use of funds is for the purchase of revenue equipment. We typically use our existing lines of credit, proceeds from the sale or trade of equipment, and cash flows from operations to finance capital expenditures and repay long-term debt. During the first quarter of 2004 we utilized cash on hand and our lines of credit to finance revenue equipment purchases of approximately \$7.4 million.

Occasionally we finance the acquisition of revenue equipment through installment notes with fixed interest rates and terms ranging from 36 to 48 months, however as of March 31, 2004, we had no outstanding indebtedness under such installment notes.

In order to maintain our tractor fleet count it is often necessary to purchase replacement tractors and place them in service before trade units are removed from service. The timing difference created during this process often requires the Company to pay for new units without any reduction in price for trade units. In this situation, the Company later receives payment for the trade units as they are delivered to the equipment vendor and have passed vendor inspection. During the three months ended March 31, 2004, the Company received approximately \$10.1 million for 276 tractors delivered for trade.

During the remainder of 2004 we expect to purchase approximately 280 new tractors and approximately 400 new trailers while continuing to sell or trade older equipment, which we expect to result in net capital expenditures of approximately \$18.1 million.

We maintain a \$20.0 million revolving line of credit and a \$30.0 million revolving line of credit (Line A and Line B, respectively) with separate financial institutions. Amounts outstanding under Line A bear interest at LIBOR (determined as of the first day of each month) plus 1.40%, are secured by our accounts receivable and mature on May 31, 2005. At March 31, 2004, \$4.1 million, including \$1.3 million in letters of credit were outstanding under Line A, with availability to borrow \$14.6 million. Amounts outstanding under Line B bear interest at LIBOR (on the last day of the previous month) plus 1.15%, are secured by revenue equipment and mature on June 30, 2005. At March 31, 2004, \$27.0 million, including \$7.0 million in letters of credit were outstanding with availability to borrow \$3.0 million. In an effort to reduce interest rate risk associated with these floating rate facilities, we have entered into interest rate swap agreements in an aggregate notional amount of \$20.0 million. For additional information regarding the interest rate swap agreements, see Note B to the condensed consolidated financial statements.

Trade accounts receivable at March 31, 2004 increased approximately \$8.9 million from December 31, 2003. Certain of the Company's largest customers regularly schedule plant shutdowns for various periods during December and the volume of freight we ship is reduced during such scheduled shutdowns. This reduction in freight volume results in a reduction in accounts receivable at the end of each year.

Prepaid expenses and deposits at March 31, 2004 increased approximately \$3.2 million as compared to December 31, 2003. The increase relates to the Company's annual registration fees for tractors and trailers which occurs each January, and to the prepayment of certain insurance policies. These prepaid expenses will be amortized to expense through the remainder of the year.

Trade accounts payable at March 31, 2004 decreased approximately \$4.5 million as compared to December 31, 2003. Approximately \$3.7 million of the \$4.5 million decrease relates to a decrease in bank drafts payable from \$6.8 million at December 31, 2003 to \$3.1 million at March 31, 2004.

NEW ACCOUNTING PRONOUNCEMENTS

See Note C to the condensed consolidated financial statements for a description of the most recent accounting pronouncements and their impact, if any, on the Company.

Item 3. Quantitative and Qualitative Disclosure about Market Risk.

The Company's primary market risk exposures include commodity price risk (the price paid to obtain diesel fuel for our tractors) and interest rate risk. The potential adverse impact of these risks and the general strategies the Company employs to manage such risks are discussed below.

The following sensitivity analyses do not consider the effects that an adverse change may have on the overall economy nor do they consider additional actions the Company may take to mitigate our exposure to such changes. Actual results of changes in prices or rates may differ materially from the hypothetical results described below.

COMMODITY PRICE RISK

Prices and availability of all petroleum products are subject to political, economic and market factors that are generally outside of our control. Accordingly, the price and availability of diesel fuel, as well as other petroleum products, can be unpredictable. Because our operations are dependent upon diesel fuel, significant increases in diesel fuel costs could materially and adversely affect our results of operations and financial condition. Based upon our 2003 fuel consumption, a 10% increase in the average annual price per gallon of diesel fuel would increase our annual fuel expenses by \$3.5 million.

In August 2000 and July 2001, we entered into agreements to obtain price protection and reduce a portion of our exposure to fuel price fluctuations. Under these agreements, we were obligated to purchase minimum amounts of diesel fuel per month, with a price protection component, for the six month periods ended March 31, 2001 and February 28, 2002. The agreements also provide that if during the 48 months commencing April 2001, the average monthly price of heating oil on the New York Mercantile Exchange ("NY MX HO") falls below \$.58 per gallon, we are obligated to pay, for a maximum of twelve different months selected by the contract holder during such 48-month period, the difference between \$.58 per gallon and NY MX HO average price, multiplied by 900,000 gallons. Accordingly, in any month in which the holder exercises such right, we would be obligated to pay the holder \$9,000 for each cent by which \$.58 exceeds the average NY MX HO price for that month. The agreements are stated at their fair value of \$750,000 which is included in accrued liabilities in the accompanying consolidated financial statements.

INTEREST RATE RISK

Our lines of credit each bear interest at a floating rate equal to LIBOR plus a fixed percentage. Accordingly, changes in LIBOR, which are effected by changes in interest rates generally, will affect the interest rate on, and therefore our costs under, the lines of credit. In an effort to manage the risks associated with changing interest rates, we entered into interest rate swap agreements effective February 28, 2001 and May 31, 2001, on notional amounts of \$15,000,000 and \$5,000,000, respectively. The "pay fixed rates" under the \$15,000,000 and \$5,000,000 swap agreements are 5.08% and 4.83%, respectively. The "receive floating rate" for both swap agreements is "1-month" LIBOR. These interest rate swap agreements terminate on March 2, 2006 and June 2, 2006, respectively. Assuming \$20.0 million of variable rate debt was outstanding under each of Line A and Line B for a full fiscal year, a hypothetical 100 basis point increase in LIBOR would result in approximately \$200,000 of additional interest expense, net of the effect of the swap agreements. For additional information see Note B to the condensed consolidated financial statements.

Item 4. Controls and Procedures.

We maintain a set of disclosure controls and procedures designed to ensure that information required to be disclosed by P.A.M. Transportation Services, Inc. in reports that it files under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. An evaluation was carried out as of March 31, 2004 under the supervision and with the participation of our management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of our disclosure controls and procedures. Based on that evaluation, the CEO and CFO have concluded that our disclosure controls and procedures were effective as of March 31, 2004.

CEO AND CFO CERTIFICATES

Exhibit 31.1 and Exhibit 31.2 to this report on Form 10-Q includes certifications by the CEO and the CFO, respectively. They are required under Section 302 of the Sarbanes-Oxley Act of 2002 (the "Section 302 Certifications"). This Item 4, Controls and Procedures, is referred to in the Section 302 Certifications and should be read in conjunction with the Section 302 Certifications.

DISCLOSURE CONTROLS

"Disclosure Controls" are procedures that are designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, such as this report on Form 10-Q, is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms. Disclosure Controls are also designed to ensure that information required to be disclosed is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding disclosure.

INTERNAL CONTROLS

"Internal Controls" are procedures that are designed to provide reasonable assurance that (1) our transactions are properly authorized, recorded and reported and (2) our assets are safeguarded against unauthorized or improper use, so that our financial statements may be prepared in accordance with generally accepted accounting principles.

LIMITATIONS ON THE EFFECTIVENESS OF CONTROLS

Our management, including the CEO and CFO, do not expect that our Disclosure Controls and/or our Internal Controls will prevent or detect all error or fraud. A system of controls is able to provide only reasonable, not complete, assurance that the control objectives are being met, no matter how extensive those control systems may be. Also, control systems must be established within the opposing forces of risk and resources, (i.e., the benefits of a control system must be considered relative to its costs). Because of these inherent limitations that exist in all control systems, no evaluation of Disclosure Controls and/or Internal Controls can provide absolute assurance that all errors or fraud, if any, have been detected. The inherent limitations in control systems include various human and system factors that may include errors in judgment or interpretation regarding events or circumstances or inadvertent error. Additionally, controls can be circumvented by the acts of a single person, by collusion on the part of two or more people or by management override of the control. Over time, controls can also become ineffective as conditions, circumstances, policies, technologies, level of compliance and people change. Because of such inherent limitations, in any cost-effective control system over financial information, misstatements may occur due to error or fraud and may not be detected.

SCOPE OF EVALUATION OF DISCLOSURE CONTROLS

The evaluation of our Disclosure Controls performed by our CEO and CFO included obtaining an understanding of the design and objective of the controls, the implementation of those controls and the results of the controls on this report on Form 10-Q. We have established a Disclosure Committee whose duty is to perform procedures to evaluate the Disclosure Controls and provide the CEO and CFO with the results of their evaluation as part of the information considered by the CEO and CFO in their evaluation of Disclosure Controls. In the course of the evaluation of Disclosure Controls, we reviewed the controls that are in place to record, process, summarize and report, on a timely basis, matters that require disclosure in our reports filed under the Securities Exchange Act of 1934. We also considered the adequacy of the items disclosed in this report on Form 10-Q.

CONCLUSIONS

Based upon the evaluation of Disclosure Controls described above, our CEO and CFO have concluded that, subject to the limitations described above, our Disclosure Controls are effective so that material information relating to P.A.M. Transportation Services, Inc. and its consolidated subsidiaries is made known to management, including the CEO and CFO, so that required disclosures have been included in this report on Form 10-Q.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On October 10, 2002, a suit was filed against one of the Company's subsidiaries and is entitled "The Official Committee of Unsecured Creditors of Bill's Dollar Stores, Inc. v. Allen Freight Services Co." The suit, which has been filed in the United States Bankruptcy Court for the District of Delaware, alleges preferential transfers of \$660,055 were made to the defendant, Allen Freight Services Co., within the 90 day period preceding the bankruptcy petition date of Bill's Dollar Stores, Inc. The suit remains in pretrial proceedings.

In addition to the specific legal action mentioned above, the nature of our business routinely results in litigation, primarily involving claims for personal injuries and property damage incurred in the transportation of freight. We believe that an unfavorable outcome in one or more of those cases would not have a material adverse effect on our financial condition.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits required by Item 601 of Regulations S-K:

- 3.1 - Amended and Restated Certificate of Incorporation of the Registrant (Incorporated by reference to Exhibit 3.1 to the Company's report on Form 10-Q for the period ending March 31, 2002.)
- 3.2 - Amended and Restated By-Laws of the Registrant (Incorporated by reference to Exhibit 3.2 to the Company's report on Form 10-Q for the period ending March 31, 2002.)
- 11.1 - Statement Re: Computation of Diluted Earnings Per Share
- 31.1 - Rule 13a-14(a) Certification of Principal Executive Officer
- 31.2 - Rule 13a-14(a) Certification of Principal Financial Officer
- 32.1 - Section 1350 Certification of Chief Executive Officer
- 32.2 - Section 1350 Certification of Chief Financial Officer

(b) Reports on Form 8-K:

A Current Report on Form 8-K was filed on February 25, 2004 regarding a press release issued to announce the Company's fourth quarter 2003 results. No other reports on Form 8-K were filed during the first quarter ending March 31, 2004.

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SIGNATURES

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

P.A.M. TRANSPORTATION SERVICES, INC.

Dated: May 6, 2004

By: /s/ Robert W. Weaver

Robert W. Weaver
President and Chief Executive Officer
(principal executive officer)

Dated: May 6, 2004

By: /s/ Larry J. Goddard

Larry J. Goddard
Vice President-Finance, Chief Financial
Officer, Secretary and Treasurer
(principal accounting and financial officer)

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P.A.M. TRANSPORTATION SERVICES, INC.

INDEX TO EXHIBITS TO FORM 10-Q

Exhibit Number	Exhibit Description
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31.2	Rule 13a-14(a) Certification of Principal Financial Officer
32.1	Section 1350 Certification of Chief Executive Officer
32.2	Section 1350 Certification of Chief Financial Officer

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EXHIBIT (11.1)-----STATEMENT RE: COMPUTATION OF DILUTED EARNINGS PER SHARE

Diluted earnings per share computations assume the exercise of stock options to purchase shares of common stock. The shares assumed exercised are based on the weighted average number of shares under options outstanding during the period and only include those options for which the exercise price is less than the average share price during the period. The net additional shares issuable are calculated based on the treasury stock method and are added to the weighted average number of shares outstanding during the period.

<TABLE>
<CAPTION>

DILUTED EARNINGS PER SHARE FOR THE PERIOD ENDED MARCH 31, 2004	Three Months
-----	-----
<S>	<C>
Actual net income (A)	\$ 2,030,817
	=====
Assumed exercise of stock options and warrants	57,715
Application of assumed proceeds (\$564,617) toward repurchase of outstanding common stock at an average market price of \$17.987	(31,390)

Net additional shares issuable	26,325
	=====
Adjustment of shares outstanding:	
Weighted average common shares outstanding	11,294,954
Net additional shares issuable	26,325

Adjusted shares outstanding (B)	11,321,279
	=====
Net income per common share (A) divided by (B)	\$ 0.18
	=====

DILUTED EARNINGS PER SHARE FOR THE PERIOD ENDED MARCH 31, 2003	Three Months
-----	-----
<S>	<C>
Actual net income (A)	\$ 2,817,568
	=====
Assumed exercise of stock options and warrants	369,455
Application of assumed proceeds (\$7,702,095) toward repurchase of outstanding common stock at an average market price of \$24.240	(317,743)

Net additional shares issuable	51,712
	=====
Adjustment of shares outstanding:	
Weighted average common shares outstanding	11,286,751
Net additional shares issuable	51,712

Adjusted shares outstanding (B)	11,338,463
	=====
Net income per common share (A) divided by (B)	\$ 0.25
	=====

</TABLE>

RULE 13a-14(a) CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, ROBERT W. WEAVER, President and Chief Executive Officer, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of P.A.M. TRANSPORTATION SERVICES, INC., a Delaware corporation (the "registrant");
- (2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2004

By: /s/ Robert W. Weaver

Robert W. Weaver
President and Chief Executive Officer
(principal executive officer)

RULE 13a-14(a) CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, LARRY J. GODDARD, Chief Financial Officer, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of P.A.M. TRANSPORTATION SERVICES, INC., a Delaware corporation (the "registrant");
- (2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2004

By: /s/ Larry J. Goddard

Larry J. Goddard
Vice President-Finance, Chief Financial
Officer, Secretary and Treasurer
(principal accounting and financial officer)

SECTION 1350 CERTIFICATION OF CHIEF EXECUTIVE OFFICER

In connection with the Quarterly Report of P.A.M. Transportation Services, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2004, (the "Report") filed with the Securities and Exchange Commission, I, Robert W. Weaver, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 6, 2004

By: /s/ Robert W. Weaver

Robert W. Weaver
President and Chief Executive Officer
(chief executive officer)

SECTION 1350 CERTIFICATION OF CHIEF FINANCIAL OFFICER

In connection with the Quarterly Report of P.A.M. Transportation Services, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2004, (the "Report") filed with the Securities and Exchange Commission, I, Larry J. Goddard, Vice President-Finance, Chief Financial Officer, Secretary and Treasurer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 6, 2004

By: /s/ Larry J. Goddard

Larry J. Goddard
Vice President-Finance, Chief Financial
Officer, Secretary and Treasurer
(chief accounting and financial officer)