

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2009.

- 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 001-32472

TGC INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Texas

(State or other jurisdiction of incorporation or organization)

74-2095844

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

101 East Park Blvd., Suite 955, Plano, Texas

(Address of principal executive offices)

75074

(Zip Code)

Registrant's telephone number, including area code: (972) 881-1099

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (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.

Title of Each Class	Outstanding at April 24, 2009
Common Stock (\$.01 Par Value)	17,409,909

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

Reference is made to the succeeding pages for the following financial information:

[Balance Sheets as of March 31, 2009 \(unaudited\) and December 31, 2008.](#)

[Statements of Income for the three months ended March 31, 2009 and 2008 \(unaudited\)](#)

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TGC Industries, Inc.
BALANCE SHEETS

	March 31, 2009 <u>(Unaudited)</u>	December 31, 2008 <u></u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 24,251,308	\$ 24,114,351
Trade accounts receivable	8,370,845	5,853,908
Cost and estimated earnings in excess of billings on uncompleted contracts	6,956,798	2,300,985
Prepaid expenses and other	276,878	718,301
Prepaid federal income tax	—	1,220,154
Total current assets	39,855,829	34,207,699
PROPERTY AND EQUIPMENT - at cost		
Machinery and equipment	91,477,200	91,233,877
Automobiles and trucks	9,119,222	8,792,645
Furniture and fixtures	351,103	348,103
Leasehold improvements	14,994	14,994
	100,962,519	100,389,619
Less accumulated depreciation and amortization	(53,228,036)	(49,757,056)
	47,734,483	50,632,563
Goodwill	201,530	201,530
Other assets	46,129	49,129
	247,659	250,659
Total assets	\$ 87,837,971	\$ 85,090,921

See Notes to Financial Statements

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TGC Industries, Inc.
BALANCE SHEETS — CONTINUED

	March 31, 2009 <u>(Unaudited)</u>	December 31, 2008 <u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Trade accounts payable	\$ 3,683,143	\$ 4,569,911
Accrued liabilities	1,682,829	863,756
Billings in excess of costs and estimated earnings on uncompleted contracts	2,524,609	5,776,444
Federal and state income taxes payable	2,915,498	—
Current maturities of notes payable	4,952,329	5,171,872
Current portion of capital lease obligations	818,952	856,673
Total current liabilities	16,577,360	17,238,656
NOTES PAYABLE, less current maturities	9,610,147	10,851,621
CAPITAL LEASE OBLIGATIONS, less current portion	708,181	600,214
LONG-TERM DEFERRED TAX LIABILITY	5,288,206	5,973,000
COMMITMENTS AND CONTINGENCIES	—	—

SHAREHOLDERS' EQUITY

Preferred stock, \$1.00 par value; 4,000,000 shares authorized; issued - none	—	—
Common stock, \$.01 par value; 25,000,000 shares authorized; 17,447,712 and 17,435,319 issued in each period, respectively	174,477	174,353
Additional paid-in capital	26,692,872	26,501,011
Retained earnings	29,044,051	24,009,389
Treasury stock, at cost, 37,803 shares	(257,323)	(257,323)
	<u>55,654,077</u>	<u>50,427,430</u>
Total liabilities and shareholders' equity	<u>\$ 87,837,971</u>	<u>\$ 85,090,921</u>

See Notes to Financial Statements

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TGC Industries, Inc. STATEMENTS OF INCOME (Unaudited)

	Three Months Ended March 31,	
	2009	2008
Revenue	\$ 36,010,877	\$ 22,470,690
Cost and expenses		
Cost of services	22,245,122	14,875,602
Selling, general and administrative	1,173,533	934,270
Depreciation and amortization expense	3,799,437	3,276,420
	<u>27,218,092</u>	<u>19,086,292</u>
Income from operations	8,792,785	3,384,398
Interest expense	268,647	161,382
Income before income taxes	8,524,138	3,223,016
Income tax expense	3,489,476	1,240,429
NET INCOME	<u>\$ 5,034,662</u>	<u>\$ 1,982,587</u>
Earnings per common share:		
Basic	\$ 0.28	\$ 0.11
Diluted	\$ 0.28	\$ 0.11
Weighted average number of shares outstanding:		
Basic	18,270,326	18,254,361
Diluted	18,277,077	18,304,936

See Notes to Financial Statements

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TGC Industries, Inc. STATEMENTS OF CASH FLOWS (Unaudited)

	Three Months Ended March 31,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 5,034,662	\$ 1,982,587
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,799,437	3,276,420
Gain on disposal of property and equipment	(72,726)	(79,056)
Non-cash compensation	182,385	141,996

Deferred income taxes	(684,794)	342,829
Changes in operating assets and liabilities		
Trade accounts receivable	(2,516,937)	4,945,173
Cost and estimated earnings in excess of billings on uncompleted contracts	(4,655,813)	(1,335,871)
Prepaid expenses and other	441,423	307,152
Other assets	3,000	1,080
Trade accounts payable	(886,768)	318,952
Accrued liabilities	819,073	(686,249)
Billings in excess of cost and estimated earnings on uncompleted contracts	(3,251,835)	(2,517,978)
Income taxes payable	4,135,652	822,570
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,346,759	7,519,605
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(600,203)	(1,342,547)
Proceeds from sale of property and equipment	138,125	87,406
NET CASH USED IN INVESTING ACTIVITIES	(462,078)	(1,255,141)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(1,461,017)	(2,098,369)
Principal payments on capital lease obligations	(296,307)	(350,936)
Proceeds from exercise of stock options	9,600	—
NET CASH USED IN FINANCING ACTIVITIES	(1,747,724)	(2,449,305)
NET INCREASE IN CASH AND CASH EQUIVALENTS	136,957	3,815,159
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	24,114,351	4,503,826
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 24,251,308	\$ 8,318,985
Supplemental cash flow information		
Interest paid	\$ 268,647	\$ 161,382
Income taxes paid	\$ 58,097	\$ 75,030
Noncash investing and financing activities		
Capital lease obligations incurred	\$ 366,553	\$ 97,387
Financed equipment purchase	\$ —	\$ 5,438,944

See Notes to Financial Statements

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TGC INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2009

NOTE A

BASIS OF PRESENTATION

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America for interim financial information and the instructions to Form 10-Q. Accordingly, they do not include all of the financial information and footnotes required by generally accepted accounting principles for complete financial statements. References to “we,” “us,” “our,” “its,” or the “Company” refer to TGC Industries, Inc. and our subsidiaries.

REVENUE RECOGNITION

Seismic Surveys

The Company provides seismic data acquisition survey services to its customers under general service agreements which define certain obligations for the Company and for its customers. A supplemental agreement setting forth the terms of a specific project, which may be cancelled by either party upon 30 days’ advance written notice, is entered into for every project. These supplemental agreements are either “turnkey” agreements providing for a fixed fee to be paid for each unit of seismic data acquired or “term” agreements providing for a fixed hourly, daily, or monthly fee during the term of the project. The duration of these projects will vary from a few days to several months. The Company recognizes revenue when services are performed under both types of agreements. Services are defined as the commencement of data acquisition. Under turnkey agreements, the total number of units of seismic data to be gathered is set forth in the agreement and revenue is recognized as services are performed on a per unit of seismic data acquired rate. Under term agreements, revenue is recognized as services are performed based on the time worked rate provided in the term agreement. Under both turnkey and term agreements, cost of earned revenue is recognized by multiplying total estimated agreement cost by the percentage-of-completion of the agreement. The excess of that

amount over the cost of earned revenue reported in prior periods is recognized as cost of earned revenue for the period. Agreements are not segmented or combined for purposes of calculating percentage of completion. The asset, "Cost and estimated earnings in excess of billings on uncompleted contracts" represents cost incurred on turnkey agreements in excess of billings on those agreements. The liability, "Billings in excess of costs and estimated earnings on uncompleted contracts" represents billings on turnkey agreements in excess of cost on those agreements. Claims have been negligible in the three-month periods ended March 31, 2009 and 2008.

Gravity Data

The Company owns a data bank which contains gravity data, and to a lesser extent magnetic data, from many of the major oil and natural gas producing areas located within the United States. When an order for gravity data is received, the portion of gravity data requested by the customer is prepared in digital format for licensing and shipment to the customer. This process is performed by an employee in the Company's headquarters office and is normally completed within a few days. The licensing of gravity data is not a material part of the Company's revenue. Gravity data revenue during the three-month period ended March 31, 2009, was approximately \$11,900. Gravity revenue for the year ended December 31, 2008, was approximately \$46,100.

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TGC INDUSTRIES, INC.
 NOTES TO FINANCIAL STATEMENTS
 March 31, 2009
 NOTE A (CONTINUED)

CHANGE IN ACCOUNTING ESTIMATE

Management evaluates its estimates on a routine basis. Effective July 1, 2007, the Company revised the estimated useful lives of certain seismic equipment and related components. The Company purchased this new equipment, not previously used, from November 2004 through June 2007. Management employed this equipment in operations for an average holding period of one year as of July 1, 2007. Based on the information gained from operations during this holding period, management believes that this equipment will benefit periods ranging from 5 to 7 years, beginning at the point the assets were originally placed in service. The original estimated useful lives ranged from 3 to 5 years.

The net book value of this equipment at June 30, 2007, was not modified and is amortized over the revised estimated useful lives of the equipment. The Company does not believe that this equipment will become obsolete at the end of the original estimate and has revised the estimated life of these assets. The effect to depreciation expense, net income and earnings per share for the three months ended March 31, 2009, is:

	Three Months Ended March 31, 2009	
	As Reported	Pro Forma
Depreciation Expense	\$ 3,799,437	\$ 4,542,374
Net Income	\$ 5,034,662	\$ 4,595,857
Earnings per common share:		
Basic	\$.28	\$.25
Diluted	\$.28	\$.25

NOTE B — MANAGEMENT PRESENTATION

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of financial position, results of operations, and changes in financial position have been included. The results of the interim periods are not necessarily indicative of results to be expected for the entire year. For further information, refer to the financial statements and the footnotes thereto included in the Company's Annual Report for the year ended December 31, 2008, filed on Form 10-K.

NOTE C — EARNINGS PER SHARE

Basic earnings per common share are based upon the weighted average number of shares of common stock ("common shares") outstanding. Diluted earnings per share are based upon the weighted average number of common shares outstanding and, when dilutive, common shares issuable for stock options, warrants, and convertible securities. All earnings per common share for the three-month periods ended March 31, 2009 and 2008 have been adjusted for the 5% stock dividend payable May 12, 2009 to shareholders of record as of April 28, 2009.

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TGC INDUSTRIES, INC.
 NOTES TO FINANCIAL STATEMENTS
 March 31, 2009
 NOTE C (CONTINUED)

EARNINGS PER SHARE

The following is a reconciliation of net income and weighted average common shares outstanding for purposes of calculating basic and diluted earnings per share common share:

	Three Months Ended March 31, (Unaudited)	
	2009	2008
Basic:		
Numerator:		
Net income	\$ 5,034,662	\$ 1,982,587
Denominator:		
Basic - weighted average common shares outstanding	18,270,326	18,254,361
Basic EPS	\$ 0.28	\$ 0.11
Diluted:		
Numerator:		
Net income	\$ 5,034,662	\$ 1,982,587
Denominator:		
Weighted average common shares outstanding	18,270,326	18,254,361
Effect of Dilutive Securities:		
Stock options	6,751	50,575
	<u>18,277,077</u>	<u>18,304,936</u>
Diluted EPS	\$ 0.28	\$ 0.11

NOTE D — DIVIDENDS

On April 16, 2009, the Company declared a five percent (5%) stock dividend on its outstanding common shares. The 5% stock dividend is payable on May 12, 2009, to shareholders of record as of April 28, 2009. Cash in lieu of fractional shares in the total amount of \$385.50 will be paid to shareholders based on the last sales price of the Company's common shares on the record date.

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TGC INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2009

NOTE E — INCOME TAXES

Deferred income taxes reflect the impact of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. In addition, the Company paid various state estimated income taxes for tax year 2009, as well as various state income taxes for tax year 2008, during the first three months of 2009.

NOTE F — STOCK-BASED COMPENSATION

Prior to January 1, 2006, the Company accounted for its stock options under the recognition and measurement principles of APB Opinion No. 25 and related interpretations. Accordingly, no stock-based employee compensation cost was reflected in our financial statements prior to January 1, 2006, since all options to purchase common shares of the Company have an exercise price equal to, or greater than, the market value of the underlying common shares on the date of grant.

Effective January 1, 2006, the Company implemented Statement of Financial Accounting Standards (SFAS) No. 123R, "Share Based Payment (SFAS 123R)" for stock-based compensation awards granted after that date and for unvested awards outstanding at that date using the modified prospective application method. We recognize the fair value of the stock-based compensation awards as wages in the Statements of Income on a straight-line basis over the vesting period. Such implementation is expected to have minimal impact on our results of operations, financial position, and liquidity. The adoption of SFAS 123R resulted in the recognition of compensation expense, relative to stock-based awards, in wages in the Statements of Income of approximately \$145,000 and \$104,000, less than \$0.01 per share, for the three months ended March 31, 2009 and 2008, respectively. In accordance with the modified prospective application method permitted by SFAS 123R, prior period amounts have not been restated to reflect the recognition of stock-based compensation costs.

As of March 31, 2009, there was approximately \$573,000 of unrecognized compensation expense related to our two share-based compensation plans.

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

The following discussion and analysis should be read in conjunction with our financial statements and related notes thereto included elsewhere in this Form 10-Q. Portions of this document that are not statements of historical or current fact are forward-looking statements that involve risk and uncertainties, such as statements of our plans, objectives, expectations, and intentions. The cautionary statements made in this Form 10-Q should be read as applying to all related forward-looking statements wherever they appear in this Form 10-Q. Our actual results could differ materially from those anticipated in the forward-looking statements. Factors that could cause our actual results to differ materially from our anticipated results include those discussed in Part II, Item 1A. "RISK FACTORS."

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Forward Looking Statements

This report includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact included in this report regarding the Company’s strategies and plans for growth are forward-looking statements. These forward-looking statements are often characterized by the terms “may,” “will,” “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” “target,” and other words and terms of similar meanings and do not reflect historical facts. Although management 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. Important factors that could cause actual results to differ materially from such expectations are disclosed in the Company’s Securities and Exchange Commission filings, and include, but are not limited to, the dependence upon energy industry spending for seismic services, the unpredictable nature of forecasting weather, the potential for contract delay or cancellation, the potential for fluctuations in oil and gas prices, the availability of capital resources, and the current economic downturn which could adversely affect our revenues and cash flow if our customers, and/or potential customers, become unable to pay, or must delay payment of, amounts owing to the Company because such customers are not successful in generating revenues or are precluded from securing necessary financing. The forward-looking statements contained herein reflect the current views of the Company’s management, and the Company assumes no obligation to update the forward-looking statements or to update the reasons actual results could differ from those contemplated by such forward-looking statements.

Executive Overview

The Company is a leading provider of seismic data acquisition services throughout the continental United States. As of mid April, we currently operate eight seismic crews. These seismic crews supply seismic data to companies engaged in the domestic exploration and development of oil and natural gas on land and in land-to-water transition areas. Our customers rely on seismic data to identify areas where subsurface conditions are favorable for the accumulation of existing hydrocarbons, to optimize the development and production of hydrocarbon reservoirs, to better delineate existing oil and natural gas fields, and to augment reservoir management techniques.

We acquire geophysical data using the latest in 3-D survey techniques. We introduce acoustic energy into the ground by using vibration equipment or dynamite detonation, depending on the surface terrain and subsurface requirements. The reflected energy, or echoes, is received through geophones, converted into a digital signal at a multi-channel recording unit, and then transmitted to a central recording vehicle. Subsurface requirements dictate the number of channels necessary to perform our services. With our state-of-the-art seismic equipment, including computer technology and multiple channels, we acquire, on a cost effective basis, immense volumes of seismic data that when processed and interpreted produce more precise images of the earth’s subsurface. Our customers then use our seismic data to generate 3-D geologic models that help reduce finding costs and improve recovery rates from existing wells.

We provide our seismic data acquisition services primarily to major and independent domestic onshore oil and natural gas exploration and development companies for use in the onshore drilling and production of oil and natural gas in the continental United States. The main factors influencing demand for seismic data acquisition services in our industry are the level of drilling activity by oil and natural gas companies and the sizes of such companies’ exploration and development budgets, which, in turn, depend largely on current and anticipated future crude oil and natural gas prices and depletion rates.

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The services we provide to our customers vary according to the size and needs of each customer. Our services are marketed by supervisory and executive personnel who contact customers to determine their needs and respond to customer inquiries regarding the availability of crews. Contacts are based principally upon professional relationships developed over a number of years. There are a number of consultants in the oil and natural gas industry who process and interpret seismic data for oil and natural gas companies. These consultants can influence which company their customers use to acquire seismic data.

The acquisition of seismic data for the oil and natural gas industry is a highly competitive business. There are approximately 56 seismic crews currently operating in the continental United States. Contracts for such services generally are awarded on the basis of price quotations, crew experience, and the availability of crews to perform in a timely manner, although factors other than price, such as crew safety performance history, and technological and operational expertise, are often determinative. Our competitors include companies with financial resources that are significantly greater than our own as well as companies of comparable and smaller size. Our primary competitors are Dawson Geophysical Company, Geo Kinetics, Inc., Petroleum Geo Services, and to a lesser extent, CGG-Veritas. These competitors are publicly-traded companies with long operating histories who field numerous crews and work in a number of different regions and terrain. These companies field approximately 50% of the estimated 56 seismic crews currently operating in the continental United States. In addition to the previously named companies, we also compete for projects from time to time with smaller seismic companies which operate in local markets with only one or two crews and often specialize in specific regions or types of operations. We believe that our long-term industry expertise, the customer relationships developed over our history, and our financial stability give us an advantage over most of our competitors in the industry.

Results of Operations

Three Months Ended March 31, 2009, Compared to Three Months Ended March 31, 2008 (Unaudited)

Revenues. Our revenues were \$36,010,877 for the three months ended March 31, 2009, compared to \$22,470,690 for the same period of 2008, an increase of 60.3%. This increase in revenues was attributable to several factors, including an increase in crew productivity, additional shot-hole revenue, favorable weather conditions, and our operation of nine seismic crews during the three months ended March 31, 2009 compared to eight crews for the same period of 2008.

Cost of services. Our cost of services was \$22,245,122 for the three months ended March 31, 2009, compared to \$14,875,602 for the same period of 2008, an increase of 49.5%. This increase was primarily attributable to an increase in the amount of shot-hole work which typically contains higher third-party costs, and our operation of nine seismic crews during the three months ended March 31, 2009 compared to eight crews for the same period of 2008. As a percentage of revenue, cost of services was 61.8% for the three months ended March 31, 2009 compared to 66.2% for the same period of 2008.

Selling, general, and administrative expenses. SG&A expenses were \$1,173,533 for the three months ended March 31, 2009, compared to \$934,270 for the same period of 2008, an increase of 25.6%. This increase was primarily attributable to additional expenses associated with additional selling and administrative personnel in the three months ended March 31, 2009, compared to the same period of 2008. SG&A expense as a percentage of revenues was 3.3% for the three months ended March 31, 2009, compared with 4.2% for the same period of 2008.

Depreciation and amortization expense. Depreciation and amortization expense was \$3,799,437 for the three months ended March 31, 2009, compared to \$3,276,420 for the same period of 2008, an increase of 16.0%. This increase was primarily attributable to additions of new seismic recording equipment and vibration vehicles. Depreciation and amortization expense as a percentage of revenues was 10.6% for the three months ended March 31, 2009 compared to 14.6% for the same period of 2008.

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Income from operations. Income from operations was \$8,792,785 for the three months ended March 31, 2009, compared to \$3,384,398 for the same period of 2008, an increase of 159.8%. The increase was primarily attributable to several factors, including an increase in crew productivity, additional shot-hole revenue, favorable weather conditions, and our operation of nine seismic crews during the three months ended March 31, 2009 compared to eight crews for the same period of 2008. EBITDA increased \$5,931,404 to \$12,592,222 for the three months ended March 31, 2009, from \$6,660,818 for the same period of 2008, an increase of 89.0%. This increase was a result of factors mentioned above and an increase in income tax expense discussed below. For a definition of EBITDA, a reconciliation of EBITDA to net income, and discussion of EBITDA, please refer to the section entitled "EBITDA" found below.

Interest expense. Interest expense was \$268,647 for the three months ended March 31, 2009, compared to \$161,382 for the same period of 2008, an increase of 66.5%. This increase was primarily attributable to the additional debt incurred for the purchase of our eighth ARAM ARIES recording system, 7,000 additional recording channels and 13 new vibration vehicles.

Income tax expense. Income tax expense was \$3,489,476 for the three months ended March 31, 2009, compared to \$1,240,429 for the same period of 2008. The effective tax rate was 40.9% for the three months ended March 31, 2009 compared to 38.5% for the same period of 2008. See Note E of Notes to Financial Statements in Item 1.

EBITDA

We define EBITDA as net income plus interest expense, income taxes, and depreciation and amortization expense. We use EBITDA as a supplemental financial measure to assess:

- the financial performance of our assets without regard to financing methods, capital structures, taxes, or historical cost basis;
- our liquidity and operating performance over time and in relation to other companies that own similar assets and that we believe calculate EBITDA in a manner similar to us; and
- the ability of our assets to generate cash sufficient for us to pay potential interest costs.

We also understand that such data is used by investors to assess our performance. However, EBITDA is not a measure of operating income, operating performance, or liquidity presented in accordance with generally accepted accounting principles. When assessing our operating performance or our liquidity, you should not consider this data in isolation or as a substitute for our net income, cash flow from operating activities, or other cash flow data calculated in accordance with generally accepted accounting principles. EBITDA excludes some, but not all, items that affect net income and operating income, and these measures may vary among other companies. Therefore, EBITDA as presented below may not be comparable to similarly titled measures of other companies. Further, the results presented by EBITDA cannot be achieved without incurring the costs that the measure excludes: interest, taxes, depreciation and amortization.

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The following table reconciles our EBITDA to our net income:

	Three Months Ended March 31,	
	2009	2008
	(unaudited)	
Net income	\$ 5,034,662	\$ 1,982,587
Depreciation and amortization	3,799,437	3,276,420
Interest expense	268,647	161,382
Income tax expense	3,489,476	1,240,429
EBITDA	<u>\$ 12,592,222</u>	<u>\$ 6,660,818</u>

Liquidity and Capital Resources

Cash Flows

Cash flows from operating activities.

Net cash provided by operating activities was \$2,346,759 for the three months ended March 31, 2009, compared to \$7,519,605 for the same period of 2008. The \$5,172,846 decrease in the first three months of 2009 from the same period of 2008 was principally attributable to timing of receipts and payment of invoices, the timing of billings and revenue recognition, federal and state income taxes payable and the mix of contracts.

Working capital increased \$6,309,426 to \$23,278,469 as of March 31, 2009, from the December 31, 2008 working capital of \$16,969,043. This increase was primarily due to a \$2,516,937 increase in trade accounts receivable, a \$4,655,813 increase in cost and estimated earnings in excess of billings on uncompleted contracts, a \$886,768 decrease in trade accounts payable, a \$3,251,835 decrease in billings in excess of costs and estimated earnings on uncompleted contracts, partially offset by a decrease in prepaid federal income taxes of \$1,220,154, an increase in accrued liabilities of \$819,073 and an increase in federal and state income taxes payable of \$2,915,498.

Cash flows used in investing activities.

Net cash used in investing activities was \$462,078 for the three months ended March 31, 2009, and \$1,255,141 for the three months ended March 31, 2008. This decrease was due primarily to a decrease in capital expenditures.

Cash flows used in financing activities.

Net cash used in financing activities was \$1,747,724 for the three months ended March 31, 2009, and \$2,449,305 for the three months ended March 31, 2008. The decrease was due primarily to a decrease in the amount of principal payments on our outstanding notes payable.

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Capital expenditures.

During the three months ended March 31, 2009, the Company acquired \$966,756 of additional equipment and vehicles. Cash of \$600,203 and \$366,553 of capital lease obligations from a vehicle leasing company was used to finance these acquisitions. Although we do not budget for our capital expenditures, we may purchase additional equipment during 2009 should the demand for our services increase.

Liquidity

Our primary source of liquidity is cash generated from operations and short-term borrowings from commercial banks and equipment lenders. Based on current forecasts, we believe that we have sufficient available cash and borrowing capacity to fund our working capital needs over the next 12 months.

Capital Resources

Since 2005, we have relied on cash generated from operations, short-term borrowings from commercial banks and equipment lenders, and proceeds from a public offering of our common shares to fund our working capital requirements and capital expenditures.

In April of 2005, we entered into a revolving credit agreement with a commercial bank. Effective September 16, 2006, we renewed our revolving credit agreement and increased the borrowing limit from \$3,500,000 to \$5,000,000. The borrowing limit under that revolving line of credit agreement remains at \$5,000,000, and was renewed on September 16, 2007, and September 16, 2008, respectively. The revolving line of credit agreement does not expire until September 16, 2009. Our obligations under this agreement are secured by a security interest in our accounts receivable. Interest on the outstanding amount under the revolving credit agreement is payable monthly at the prime rate of interest. The credit loan agreement provides for non-financial and financial covenants including a minimum debt service coverage ratio in excess of 2.0 to 1.0 and a ratio of debt to worth not in excess of 1.25 to 1.0. As of March 31, 2009, we had no borrowings outstanding under the revolving credit agreement.

In April of 2004, we executed an addendum to our lease of a facility in Plano, Texas, that included approximately 10,500 square feet of office and warehouse space and an outdoor storage area of approximately 20,000 square feet. This facility was used to repair geophysical equipment and housed our corporate offices until September of 2006. In September of 2005, we leased an additional facility, in Plano, Texas, with approximately 10,000 square feet of office and warehouse space and an additional 10,000 square feet of outdoor storage to accommodate our growth. This facility is used primarily to repair geophysical equipment. In January of 2006, we leased a 600-square foot facility in Houston, Texas, to be used as a sales office. In July of 2006, we entered into a lease for 7,269 square feet of office space located in Plano, Texas. In September of 2006, we relocated our corporate offices to this facility. This lease was modified in September 2008 to include an additional 1,254 square feet, for a total of 8,523 square feet of office space located in Plano, Texas. In October of 2006, we leased an 800-square foot facility in Oklahoma City, Oklahoma, to be used as a sales office. In September of 2007, we leased a 1,130-square foot facility in Denver, Colorado, to be used as a sales office. In September 2008, we leased a 400-square foot facility in Pratt, Kansas, to be used as a permit office. In November of 2008, we vacated our two Plano repair, warehouse and outdoor storage facilities, and moved to a leased repair, warehouse and outside storage facility in Denison, Texas. The Denison, Texas, facility consists of one 5,000-square foot building, two 10,000-square foot adjacent buildings and an outdoor storage area of approximately 60,500 square feet.

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Contractual Obligations

We believe that our capital resources, including our short-term investments, funds available under our revolving credit agreement and cash flow from operations will be adequate to meet our current operational needs. We believe that we will be able to finance our 2009 capital expenditures through cash flow from operations, borrowings from commercial lenders, and the funds available under our line of credit loan agreement. However, our ability to satisfy working capital requirements, meet debt repayment obligations, and fund future capital requirements will depend principally upon our future operating performance, which is subject to the risks inherent in our business, and will also depend on the extent to which the current economic downturn adversely affects the ability of our customers, and/or potential customers, to pay promptly amounts owing to the Company under their service contracts with us.

Off-Balance Sheet Arrangements

As of March 31, 2009, we had no off-balance sheet arrangements.

Critical Accounting Policies

A discussion of our critical accounting policies can be found in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008. There have been no material changes to these policies (including critical accounting estimates and assumptions or judgments affecting the application of those estimates and assumptions) during the first three months of 2009.

Recently Issued Accounting Pronouncements

A discussion of recently issued accounting pronouncements can be found in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We have not entered into any hedging agreements or swap agreements. Our principal market risks include fluctuations in commodity prices which affect demand for and pricing of our services and the risk related to the concentration of our customers in the oil and natural gas industry. Since all of our customers are involved in the oil and natural gas industry, there may be a negative effect on our exposure to credit risk because our customers may be similarly adversely affected by the current economic recession. For the year ended December 31, 2008, our top two customers accounted for approximately 14.4% and 12.3% of our revenues, respectively.

ITEM 4. CONTROLS AND PROCEDURES.

The Company maintains controls and procedures to ensure that it is able to collect the information it is required to disclose in the reports it files with the Securities and Exchange Commission, and to process, summarize, and disclose this information within the time periods specified in the rules of the Securities and Exchange Commission. Based on an evaluation of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report conducted by the Company's management, with the participation of the Chief Executive and Chief Financial Officers, the Chief Executive and Chief Financial Officers believe that these controls and procedures are effective to ensure that the Company is able to record, process, summarize, and report information required to be included in reports filed or submitted under the Exchange Act within the required time period. There were no changes in the Company's internal controls over financial reporting or in other factors during the quarter ended March 31, 2009, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

The Company is a defendant in various legal actions that arose or may arise out of the normal course of business. In our opinion, none of these actions have or will result in any significant loss to us.

ITEM 1A. RISK FACTORS.

For a discussion of those "Risk Factors" affecting the Company, you should carefully consider the "Risk Factors" discussed in Part I, under "Item 1A. Risk Factors" contained in our Annual Report on Form 10-K for the year ended December 31, 2008, which is herein incorporated by reference. There have been no material changes in those risk factors previously disclosed in such Annual Report.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS. — None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES. — None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS. — None.

ITEM 5. OTHER INFORMATION. — None.

ITEM 6. EXHIBITS.

The following exhibits are included herein:

EXHIBIT NO.	DESCRIPTION
3.1	Restated Articles of Incorporation (with amendment) as filed with the Secretary of State of Texas on June 20, 2003, filed as Exhibit 3.4 to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2003, and incorporated herein by reference.
3.2	Bylaws, as amended and restated March 25, 2009, filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on March 31, 2009, and incorporated herein by reference.
*31.1	Certification of Chief Executive Officer, required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act, promulgated pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

- *31.2 Certification of Principal Financial Officer, required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act, promulgated pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- *32.1 Certification of Chief Executive Officer, required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code, promulgated pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- *32.2 Certification of Principal Financial and Accounting Officer, required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code, promulgated pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

*Filed herewith.

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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.

TGC INDUSTRIES, INC.

Date: May 8, 2009

/s/ Wayne A. Whitener

 Wayne A. Whitener
 President and Chief Executive Officer
 (Principal Executive Officer)

Date: May 8, 2009

/s/ James K. Brata

 James K. Brata
 Vice President and Chief Financial Officer
 (Principal Financial and Accounting Officer)

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EXHIBITS INDEX

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*32.1	Certification of Chief Executive Officer, required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code, promulgated pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*32.2	Certification of Principal Financial and Accounting Officer, required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code, promulgated pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

*Filed herewith.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Wayne A. Whitener, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TGC Industries, Inc.;
2. Based on my knowledge, this 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 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. 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
 - d. 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 8, 2009

/s/ Wayne A. Whitener

Wayne A. Whitener
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, James K. Brata, certify that:

1. I have reviewed this report on Form 10-Q of TGC Industries, Inc.;
2. Based on my knowledge, this 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 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. 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
 - d. 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 8, 2009

/s/ James K. Brata

James K. Brata

Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)

**Certification of
Chief Executive Officer
of TGC Industries, Inc. Pursuant to
18 U.S.C. Section 1350, as adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

This certification is furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and accompanies the quarterly report on Form 10-Q (the "Form 10-Q") for the quarter ended March 31, 2009 of TGC Industries, Inc. (the "Company"). I, Wayne A. Whitener, the Chief Executive Officer of the Company, certify that, to the best of my knowledge:

- (1) The Form 10-Q fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Form 10-Q.

Dated: May 8, 2009

/s/ Wayne A. Whitener

Wayne A. Whitener

President and Chief Executive Officer

The foregoing certification is being furnished as an exhibit to the Form 10-Q pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and accordingly, is not being filed as part of the Form 10-Q for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

**Certification of
Principal Financial and Accounting Officer
of TGC Industries, Inc. Pursuant to
18 U.S.C. Section 1350, as adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

This certification is furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and accompanies the quarterly report on Form 10-Q (the "Form 10-Q") for the quarter ended March 31, 2009 of TGC Industries, Inc. (the "Company"). I, Kenneth W. Usselton, Principal Financial and Accounting Officer of the Company, certify that, to the best of my knowledge:

- (1) The Form 10-Q fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Form 10-Q.

Dated: May 8, 2009

/s/ James K. Brata

James K. Brata

Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)

The foregoing certification is being furnished as an exhibit to the Form 10-Q pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and accordingly, is not being filed as part of the Form 10-Q for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.
