

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-QSB**

(Mark One)

**QUARTERLY REPORT UNDER TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE QUARTERLY PERIOD ENDING JUNE 30, 2005.**

**TRANSITION REPORT UNDER 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 small business issuer as specified in its charter)

**Texas**  
(State or other jurisdiction of  
incorporation or organization)

**74-2095844**  
(I.R.S. Employer  
Identification No.)

**1304 Summit, Suite 2**  
**Plano, Texas**  
(Address of principal executive offices)

**75074**  
(Zip Code)

Issuer's telephone number, including area code: **972-881-1099**

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

Class	Outstanding at August 12, 2005
Common Stock (\$.01 Par Value)	6,433,673

**PART I — FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

Incorporated herein is the following unaudited financial information:

[Balance Sheet as of June 30, 2005.](#)

[Statements of Income for the three and six month periods ended June 30, 2005 and 2004.](#)

[Statements of Cash Flows for the six month periods ended June 30, 2005 and 2004.](#)

[Notes to Financial Statements.](#)

TGC INDUSTRIES, INC.  
BALANCE SHEET  
(UNAUDITED)

**JUNE 30,  
2005**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 4,351,919
Trade accounts receivable	1,329,746
Cost and estimated earnings in excess of billings on uncompleted contracts	321,366
Prepaid expenses and other	752,390
	<hr/>
Total current assets	6,755,421
PROPERTY AND EQUIPMENT - at cost	
Machinery and equipment	22,341,694
Automobiles and trucks	2,122,461
Furniture and fixtures	344,784
Leasehold improvements	6,646
	<hr/>
	24,815,585
Less accumulated depreciation and amortization	(14,283,713)
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	10,531,872
OTHER ASSETS	
	<hr/>
	3,395
	<hr/>
Total assets	<u>\$ 17,290,688</u>

See notes to Financial Statements

3

TGC INDUSTRIES, INC.  
BALANCE SHEET — CONTINUED  
(UNAUDITED)

	<u>JUNE 30, 2005</u>
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES	
Trade accounts payable	\$ 1,631,636
Accrued liabilities	1,011,885
Income taxes payable	142,264
Billings in excess of costs and estimated earnings on uncompleted contracts	1,248,111
Current maturities of notes payable	1,937,443
Current portion of capital lease obligations	290,045
	<hr/>
Total current liabilities	6,261,384
NOTES PAYABLE, less current maturities	3,371,197
CAPITAL LEASE OBLIGATIONS, less current portion	352,358
COMMITMENTS AND CONTINGENCIES	—
STOCKHOLDERS' EQUITY	
Preferred stock, \$1.00 par value; 4,000,000 shares authorized: 8-1/2% Senior convertible preferred stock; 2,645,764 shares issued and outstanding	2,645,764
Common stock, \$.01 par value; 25,000,000 shares authorized; 6,356,617 shares issued	63,566
Additional paid-in capital	6,755,025
Accumulated deficit	(1,943,292)
Treasury stock, at cost (31,944 shares)	(215,314)
	<hr/>
	7,305,749
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Total liabilities and stockholders' equity	<u>\$ 17,290,688</u>

See notes to Financial Statements

4

## STATEMENTS OF INCOME

	Three Months Ended June 30, (Unaudited)		Six Months Ended June 30, (Unaudited)	
	2005	2004	2005	2004
Revenues	\$ 7,193,981	\$ 4,783,197	\$ 12,947,724	\$ 7,754,069
Cost and expenses				
Cost of services	3,851,867	3,750,314	7,298,355	5,440,662
Selling, general and administrative	585,231	268,951	924,625	562,532
Depreciation expense	521,801	238,349	1,026,733	432,709
	<u>4,958,899</u>	<u>4,257,614</u>	<u>9,249,713</u>	<u>6,435,903</u>
<b>INCOME FROM OPERATIONS</b>	<b>2,235,082</b>	<b>525,583</b>	<b>3,698,011</b>	<b>1,318,166</b>
Interest expense	<u>46,406</u>	<u>5,334</u>	<u>79,362</u>	<u>8,402</u>
<b>INCOME BEFORE INCOME TAXES</b>	<b>2,188,676</b>	<b>520,249</b>	<b>3,618,649</b>	<b>1,309,764</b>
Income tax expense current	<u>(396,448)</u>	<u>—</u>	<u>(753,252)</u>	<u>—</u>
<b>NET INCOME</b>	<b>1,792,228</b>	<b>520,249</b>	<b>2,865,397</b>	<b>1,309,764</b>
Less dividend requirements on preferred stock	<u>(64,798)</u>	<u>(79,716)</u>	<u>(134,177)</u>	<u>(159,431)</u>
<b>INCOME ALLOCABLE TO COMMON STOCKHOLDERS</b>	<b>\$ 1,727,430</b>	<b>\$ 440,533</b>	<b>\$ 2,731,220</b>	<b>\$ 1,150,333</b>
Earnings per common share:				
Basic	\$ .28	\$ .08	\$ .44	\$ .20
Diluted	\$ .14	\$ .04	\$ .23	\$ .11
Weighted average number of common shares:				
Basic	6,274,057	5,726,881	6,185,204	5,710,973
Diluted	12,452,365	12,015,284	12,343,412	11,796,154

See notes to Financial Statements

TGC INDUSTRIES, INC.  
STATEMENTS OF CASH FLOWS (UNAUDITED)

	Six Months Ended June 30,	
	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 2,865,397	\$ 1,309,764
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,026,733	432,709
Directors fees	—	11,512
Warrants issued for services	—	5,319
Gain on disposal of property and equipment	(102,950)	—
Changes in operating assets and liabilities		
Trade accounts receivable	325,338	(843,987)
Cost and estimated earnings in excess of billings on uncompleted contracts	(89,842)	24,259
Prepaid expenses and other	(631,670)	(16,906)
Other assets	—	1,429
Trade accounts payable	889,854	1,539,873
Accrued liabilities	661,659	(27,208)
Income taxes payable	127,913	—
Billings in excess of cost and estimated earnings on uncompleted contracts	<u>590,155</u>	<u>2,274,709</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>5,662,587</b>	<b>4,711,473</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(2,453,729)	(1,227,158)
Proceeds from sale of property and equipment	<u>102,950</u>	<u>—</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(2,350,779)</b>	<b>(1,227,158)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	(142,962)	(147,811)
Redemption of 8% Series C Convertible Exchangeable Preferred Stock	<u>(36,750)</u>	<u>—</u>

Proceeds from exercise of stock options	50,000	
Principal payments on notes payable	(455,647)	(32,637)
Principal payments on capital lease obligations	(204,434)	(71,907)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(789,793)</b>	<b>(252,355)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>2,522,015</b>	<b>3,231,960</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>1,829,904</b>	<b>1,025,221</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 4,351,919</b>	<b>\$ 4,257,181</b>

Supplemental cash flow information

Interest paid	\$ 79,362	\$ 8,402
Income taxes paid	\$ 635,579	\$ —

Noncash investing and financing activities

Capital lease obligations incurred	\$ 255,458	\$ 235,775
Financed equipment purchase	\$ 3,366,253	\$ 176,094

See notes to Financial Statements

TGC INDUSTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)  
June 30, 2005

NOTE A — BASIS OF PRESENTATION

The accompanying unaudited 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-QSB. Accordingly, they do not include all of the financial information and footnotes required by generally accepted accounting principles for complete financial statements.

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, 2004 filed on Form 10-KSB.

NOTE C — EARNINGS PER SHARE

Basic earnings per common share are based upon the weighted average number of shares of common stock 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. The effect of preferred stock dividends on the amount of income available to common stockholders was \$.01 for the three months ended June 30, 2005 and 2004, and \$.02 and \$.03 for the six months ended June 30, 2005 and 2004 respectively.

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

	Three Months Ended June 30, (Unaudited)		Six Months Ended June 30, (Unaudited)	
	2005	2004	2005	2004
<b>Numerator:</b>				
Net income	\$ 1,792,228	\$ 520,249	\$ 2,865,397	\$ 1,309,764
Less dividend requirements on preferred stock	(64,798)	(79,716)	(134,177)	(159,431)
Income allocable to common stockholders	\$ 1,727,430	\$ 440,533	\$ 2,731,220	\$ 1,150,333
<b>Denominator:</b>				
Basic - weighted average common shares outstanding	6,274,057	5,726,881	6,185,204	5,710,973
Basic EPS	\$ .28	\$ .08	\$ .44	\$ .20

Diluted:

Numerator:								
Income allocable to common stockholders	\$	1,727,430	\$	440,533	\$	2,731,220	\$	1,150,333
Plus dividend requirements on preferred stock		64,798		79,716		134,177		159,431
Net income	\$	1,792,228	\$	520,249	\$	2,865,397	\$	1,309,764
Denominator:								
Weighted average common shares outstanding		6,274,057		5,726,881		6,185,204		5,710,973
Effect of Dilutive Securities:								
Warrants		3,371,193		3,092,335		3,348,345		2,948,180
Stock options		161,351		123,387		164,099		64,320
Convertible Preferred Stock		2,645,764		3,072,681		2,645,764		3,072,681
		12,452,365		12,015,284		12,343,412		11,796,154
Diluted EPS	\$	.14	\$	.04	\$	.23	\$	.11

#### NOTE D – DIVIDENDS

Holders of the Company's Series C 8% Convertible Exchangeable Preferred Stock ("Series C Preferred Stock") received when declared by the Board of Directors of the Company, dividends at a rate of 8% per annum. The dividends were payable semi-annually during January and July of each year. At its regular meeting, held on June 7, 2005, the Company's Board of Directors approved the redemption by the Company of all of its currently outstanding Series C Preferred Stock effective June 30, 2005. The redemption price was \$5.00 per share plus a premium of 40% per share (i.e., \$2.00 per share). In addition, each share was entitled to receive the regular \$.20 dividend that had accrued for the first half of the year. As of June 30, 2005, all outstanding shares of the Series C Preferred Stock had been redeemed and there were no dividends in arrears.

Holders of the Company's 8-1/2% Senior Convertible Preferred Stock (the "Senior Preferred Stock") will receive, when, as and if declared by the Board of Directors of the Company, dividends at a rate of 8-1/2% per annum. The dividends are payable semi-annually during June and December of each year. Dividends paid during 2000 on the Senior Preferred Stock, were paid in additional shares of Senior Preferred Stock, in accordance with the terms of the Statement of Resolution Establishing the Senior Preferred Stock. In addition, the holders elected to receive payment of the 2001, 2002 and 2003 dividends in additional shares of Senior Preferred Stock. At June 30, 2005, there were no dividends in arrears on the Senior Preferred Stock.

8

#### NOTE E – INCOME TAXES

At December 31, 2004, the Company had net operating loss carryforwards of approximately \$4,980,000 available to offset future taxable income, which expire at various dates through 2024. However, the Company anticipates its net operating loss carryforwards will be fully utilized during 2005. As a result, the Company began accruing for federal and various state income taxes during the first quarter of 2005. The Company paid estimated federal alternative minimum tax and various state income taxes for tax year 2004 in the first quarter of 2005. In addition, during the second quarter of 2005, the Company began making federal and various state estimated income tax payments for tax year 2005. These taxes are reflected as current tax expense on the statements of income. Presently deferred tax assets are fully reserved.

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

### Overview

We are one of the leading providers of onshore seismic data acquisition services in the United States. We currently operate four seismic data acquisition crews. Substantially all of our revenues are derived from the seismic data acquisition services which we provide to our customers, primarily major and independent oil and natural gas companies in the United States. Demand for our services depends upon the level of spending by these oil and natural gas companies for exploration, production and development, which activities depend, in part, on oil and natural gas prices. Fluctuations in domestic oil and natural gas exploration activities and commodity prices have affected the demand for our services and our results of operations in years past and continue to be the single most important factor affecting our business and results of operations.

Our return to profitability in 2003 after several years of losses is directly related to an increase in the level of exploration for domestic oil and natural gas reserves by the petroleum industry. The increased level of exploration is a function of higher prices for oil and natural gas. As a result of the increase in domestic exploration spending, we have experienced an increased demand for our seismic data acquisition services. While the markets for oil and natural gas have historically been volatile and are likely to continue to be so in the future and we can make no assurances as to future levels of domestic exploration or commodity prices, we believe that opportunities exist for us in our market place.

We continue to focus on increasing revenues and profitability. Because we have fixed cost operating expenses, we also strive to maintain high utilization rates for our crews. While our revenues are mainly affected by the level of customer demand for our services, our revenues are also affected by the pricing for our services that we negotiate with our customers. As a result of the fixed cost structure of our business, our profitability is affected by the downtime and level of productivity of our data acquisition crews, including crew downtime related to inclement weather, equipment downtime or delays in acquiring land access permits. Consequently, our continued growth in revenues and improved profitability is, in part, due to our successful efforts to negotiate more favorable weather protection provisions in our service agreements with our customers, our ability to mitigate access permit delays and our continued efforts to improve overall crew productivity by purchasing equipment that operates more efficiently in our markets. Although our customers may cancel their supplemental service agreements with us on short notice, we believe that we currently have a sufficient contracts to sustain operations at full capacity into 2006.

9

## *How We Generate Our Revenue*

Our contracts are obtained either through competitive bidding or as a result of negotiations with customers. Contract terms offered by us are generally dependent on the complexity and risk of operations, technique being used (vibroiseis or dynamite), type of equipment and the anticipated duration of the work to be performed. The majority of our contracts are typically subject to termination by the customer upon notice to us with little or no penalty. Our contracts provide for compensation on either a turnkey or term basis.

### *Contracts*

Our services are conducted under agreements for geophysical service contracts with our customers. These agreements for geophysical service contracts define certain obligations for us and for our customers. A supplemental agreement setting forth the terms of a specific project, which may be cancelled by either party on short notice, is entered into for every project. We currently operate under supplemental agreements that are either "turnkey" agreements providing for a fixed fee to be paid to us for each unit of data acquired, or "term" agreements providing for a fixed hourly, daily or monthly fee during the term of the project or projects. Turnkey agreements generally provide us more profit potential, but involve more risks because of the potential of crew downtime or operational delays. Under the term agreements, we forego an increased profit potential in exchange for a more consistent revenue stream with improved protection from crew downtime or operational delays. We attempt to negotiate on a project-by-project basis some level of weather downtime protection within our agreements. We strive to manage our crews and equipment as a portfolio, balancing the mix of turnkey and term contracts, and the type of equipment we use whenever possible.

### *How We Manage our Operations*

Our management team uses a variety of tools to manage our operations. These tools include monitoring: (1) seismic crew performance; (2) project scheduling calendar; (3) schedule of pending proposals; and (4) safety performance.

*Seismic crew performance.* We monitor crew performance on a daily basis by monitoring the production obtained by each crew the prior day in relation to the type of geography, weather and type of acquisition technique being employed, vibroseis or dynamite. This review allows us to monitor the profitability of turnkey contracts and reallocate resources if necessary to increase productivity to maximize profitability.

*Project scheduling calendar.* Our management team reviews our project scheduling calendar on a daily basis. Monitoring this schedule allows management to schedule or reschedule projects to most efficiently utilize our resources. This continuous monitoring allows us to limit our crews' down time between jobs and helps us effectively communicate with customers concerning the estimated completion date of pending projects.

*Schedule of pending proposals.* We monitor on a daily basis our list of outstanding proposals. By monitoring this list we are able to more effectively schedule our future projects and determine whether we need to follow up with the customer on any of the pending proposals.

*Safety performance.* Maintaining a strong safety record is a critical component of our operational success. Our field level management team holds a safety meeting every day to discuss any safety issues that arose the previous day. In an effort to maintain our history of safety performance we have engaged a safety specialist through our insurance agency to conduct our safety training courses and review our safety reports on a regular basis.

### *Our Growth Strategy*

Our growth strategy contemplates the integration of additional seismic crews to take advantage of the increase in demand of our services, maintaining our competitive technology position through the acquisition of at least one additional ARAM ARIES recording unit and additional vibrators, and maintaining our efficient management structure.

## **Results of Operations**

### *Six Months Ended June 30, 2005 Compared to Six Months Ended June 30, 2004*

*Revenues.* Our revenues were \$12,947,724 for the six months ended June 30, 2005 compared to \$7,754,069 for the same period of 2004, an increase of 67.0%. This increase in revenues was attributable to several factors including operating three seismic data acquisition crews in 2005 compared with two crews for the same period of 2004, increased demand for our services due to increased exploration and development activity by domestic oil and natural gas companies, price improvements and more favorable contract terms in our agreements with customers and the increased productivity derived from a new ARAM ARIES recording system, which was put into service in the fourth quarter of 2004.

*Cost of services.* Cost of services includes the wages and expenses directly related to our field crews and support operations, as well as third party costs associated with certain contracts provided by non-employee contractors but excludes depreciation expense. Our cost of services was \$7,298,355 for the six months ended June 30, 2005 compared to \$5,440,662 for the same period of 2004, an increase of 34.1%. This increase was principally attributable to our increase in revenues. However, as a percentage of revenues, cost of services was 56.3% for the six months ended June 30, 2005 compared to 70.2% for the same period of 2004, a decrease of 13.9%. This decrease was primarily attributable to the mix of contracts, non-recurring equipment rental expense that occurred in the second quarter of 2004 and the increased productivity attributable to the new ARAM ARIES recording system.

*Selling, general and administrative.* SG&A expenses include the wages and salaries of administrative and sales personnel, as well as other general overhead costs not directly related to field operations. SG&A expenses were \$924,625 for the six months ended June 30, 2005 compared to \$562,532 for the same period of 2004, an increase of 64.4%. This increase was primarily attributable to additional expenses associated with the Company's common stock being listed on the American Stock Exchange, additional compensation expense accrued for incentive bonuses, increased insurance costs and additional expenses associated with the operation of three crews during the first half of 2005 compared to two crews in the same period of 2004. However, SG&A expenses as a percent of revenue decreased to 7.1% for the first half of 2005 from 7.3% in the first half of 2004.

*Depreciation expense.* Depreciation expense was \$1,026,733 for the six months ended June 30, 2005 compared to \$432,709 for the same period of 2004, an increase of 137.3%. This increase was primarily attributable to capital expenditures of \$5,794,553 in 2004 for which depreciation expense was

realized for the six months ended June 30, 2005. As a result, depreciation as a percent of revenue was 7.9% during the first half of 2005 compared to 5.6% during the first half of 2004, an increase of 2.3%.

*Income from operations.* Income from operations was \$3,698,011 for the six months ended June 30, 2005 compared to \$1,318,166 for the same period of 2004 an increase of 180.5%. This increase was primarily attributable to the increase in revenues and the improvement in our cost of services and SG&A expenses, partially

offset by increases in depreciation expense. EBITDA increased \$2,974,000 to \$4,725,000 in the first half of 2005 from \$1,751,000 in the first half of 2004, an increase of 169.8%. This increase was a result of factors mentioned above and greater absorption of our fixed operating costs. For a definition of EBITDA, a reconciliation of EBITDA to net income and a discussion of EBITDA please refer to the section entitled "EBITDA" found below.

*Interest expense.* Interest expense was \$79,362 for the six months ended June 30, 2005 compared to \$8,402 for the same period of 2004. This increase was primarily attributable to the debt incurred for the purchase of our first ARAM ARIES seismic recording system in October 2004.

*Income tax expense.* Income tax expense was \$753,252 for the six months ended June 30, 2005. No income tax expense was recorded in the same period of 2004. At December 31, 2004, we had net operating loss carryforwards of approximately \$4,980,000 available to offset future taxable income that expire at various dates through 2024. The Company anticipates the net operating loss carryforwards will be depleted during 2005 and the Company will incur federal income taxes as well as income taxes from various states. See Note E of Notes to Financial Statements in Item 1.

#### *Three Months Ended June 30, 2005 Compared to Three Months Ended June 30, 2004*

*Revenues.* Our revenues were \$7,193,981 for the three months ended June 30, 2005 compared to \$4,783,197 for the same period of 2004, an increase of 50.4%. This increase in revenues was attributable to several factors including operating three seismic data acquisition crews in 2005 compared with two crews for the same period of 2004, increased demand for our services due to increased exploration and development activity by domestic oil and natural gas companies, price improvements and more favorable contract terms in our agreements with customers, and the increased productivity derived from a new ARAM ARIES recording system, which was put into service in the fourth quarter of 2004.

*Cost of services.* Our cost of services was \$3,851,867 for the three months ended June 30, 2005 compared to \$3,750,314 for the same period of 2004, an increase of 2.7%. This increase was principally attributable to our increase in revenues. However, as a percentage of revenues, cost of services was 53.5% for the three months ended June 30, 2005 compared to 78.4% for the same period of 2004, a decrease of 24.9%. This decrease was attributable to several factors including the mix of contracts, non-recurring equipment rental expense that occurred in the second quarter of 2004 and the increased productivity attributable to the new ARAM ARIES recording system.

*Selling, general and administrative.* SG&A expenses were \$585,231 for the three months ended June 30, 2005 compared to \$268,951 for the same period of 2004, an increase of 117.6%. This increase was primarily attributable to additional expenses associated with the Company's common stock being listed on the American Stock Exchange, additional compensation expense accrued for incentive bonuses, increased insurance costs and additional expenses associated with the operation of three crews during the second quarter of 2005 compared to two crews in the same period of 2004. SG&A expense as a percentage of revenues increased to 8.1% for the three months ended June 30, 2005 from 5.6% in the comparable prior year period.

*Depreciation expense.* Depreciation expense was \$521,801 for the three months ended June 30, 2005 compared to \$238,349 for the same period of 2004, an increase of 118.9%. This increase was primarily attributable to capital expenditures of \$5,794,553 in 2004. As a result, depreciation expense as a percent of revenues was 7.2% during the three-months ended June 30, 2005 compared to 5.0% in the comparable prior year period.

*Income from operations.* Income from operations was \$2,235,082 for the three months ended June 30, 2005 compared to \$525,583 for the same period of 2004, an increase of 325%. This increase was primarily attributable to the increase in revenues and improvement in our cost of services expense, partially offset by increases in SG&A and depreciation expense. EBITDA increased \$1,993,000 to

\$2,757,000 in the three-months ended June 30, 2005 from \$764,000 in the comparable prior year period, an increase of 260.9%. This increase was a result of factors mentioned above and greater absorption of our fixed operating costs. 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 \$46,406 for the three months ended June 30, 2005 compared to \$5,334 for the same period of 2004. This increase was primarily attributable to the debt incurred for the purchase of our first ARAM ARIES seismic recording system in October 2004.

*Income tax expense.* Income tax expense was \$396,448 for the three months ended June 30, 2005. No income tax expense was recorded in the same period of 2004. At December 31, 2004, we had net operating loss carryforwards of approximately \$4,980,000 available to offset future taxable income that expire at various dates through 2024. The Company anticipates the net operating loss carryforwards will be depleted during 2005 and the Company will incur federal income taxes as well as income taxes from various states. 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.

The following table reconciles our EBITDA to our net income:

(amounts in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
	(unaudited)			
Net income	\$ 1,792	\$ 520	\$ 2,866	\$ 1,310
Depreciation	523	239	1,027	433
Interest expense	46	5	79	8
Income tax expense	396	0	753	0
EBITDA	\$ 2,757	\$ 764	\$ 4,725	\$ 1,751

13

## General Trends and Outlook

We expect that the primary factor influencing demand for seismic data acquisition services in our industry will continue to be the level of exploration and production activity by oil and natural gas companies, which in turn, depends largely on current and anticipated future crude oil and natural gas prices and depletion and consumption rates. In addition, the Energy Information Agency of the U.S. Department of Energy, or EIA, forecasts that U.S. oil and natural gas consumption will increase at an average annual rate of 1.5% through 2025. Conversely, the EIA forecasts that U.S. oil production will continue to decline at an average annual rate of 0.5% and natural gas production will increase at an average annual rate of only 0.6%.

We believe that historical data and industry forecasts suggest an increasing demand for oil and natural gas coupled with a flat or declining production curve, which should result in the continuation of historically high crude oil and natural gas commodity prices. We anticipate that oil and natural gas exploration and production companies will continue to respond to sustained increases in demand and declines in production by expanding their exploration activities and increasing their capital spending.

## Liquidity and Capital Resources

### Cash Flows

#### *Cash flows from operating activities.*

Net cash provided by operating activities was \$5,662,587 for the six months ended June 30, 2005 compared to \$4,711,473 for the same period of 2004. The \$951,114 increase in the first six months of 2005 was principally due to a \$1,555,633 increase in net income and a \$594,024 increase in depreciation expense offset by a gain on the disposal of equipment of \$102,950. Significant components of net cash provided by operations are the changes, period over period, in accounts receivable, accounts payable and billings in excess of costs and estimated earnings on uncompleted contracts. Accounts receivable increased \$843,987 in the first six months of 2004 to \$1,641,441 and decreased \$325,338 in the first six months of 2005 to \$1,329,746. These receivable fluctuations were primarily due to the timing of billings and collections. Accounts payable increased \$1,539,873 in the first six months of 2004 to \$1,660,022 and increased \$889,854 in the first six months of 2005 to \$1,631,636. These payable fluctuations were primarily due to the mix of contracts and the timing of receipt and payment of invoices. Billings in excess of costs and estimated earnings on uncompleted contracts increased \$2,274,709 in the first six months of 2004 and increased \$590,155 in the first six months of 2005. These billings in excess of costs and estimated earnings on uncompleted contracts fluctuations were primarily due to the timing of billings and revenue recognition.

Working capital decreased \$359,096 to \$494,037 as of June 30, 2005 from the December 31, 2004 working capital of \$853,133. This was due primarily to an increase in current maturities of notes payable of approximately \$1,122,000 associated with the financings by us of a second ARAM ARIAS recording system.

#### *Cash flows used in investing activities.*

Net cash used in investing activities was \$1,227,158 for the six months ended June 30, 2004 and \$2,350,779 for the six months ended June 30, 2005. This increase was due to capital expenditures of \$2,453,729 in the six months ended June 30, 2005 compared to \$1,227,158 for the same period of 2004 offset by proceeds from the sale of equipment of \$102,950.

14

#### *Cash flows used in financing activities.*

Net cash used in financing activities was \$252,355 for the six months ended June 30, 2004 and \$789,793 for the six months ended June 30, 2005. The increase was due to our redemption of the 8% Series C Convertible Exchangeable Preferred Stock for \$36,750, an increase in the amount of principal



payments on our outstanding notes payable of \$423,010, an increase in the amount of principal payments on capital lease obligations of \$132,527, offset by a decrease in paid dividends of \$4,849 and proceeds from the exercise of stock options of \$50,000.

#### Capital expenditures.

During the six months ended June 30, 2005, capital expenditures of \$2,453,729 were used to acquire additional seismic equipment and vehicles. In June 2005, we completed a \$3,366,253 loan transaction with a commercial lender for the purpose of providing funds for the purchase of a new ARAM ARIES recording system. The loan is repayable over a period of thirty-six months at a fixed per annum interest rate of 7.25%. The loan is collateralized by the new recording system equipment and the recording truck and two semi-trailers that transport the newly purchased equipment between projects. In addition, in May 2005 we entered into an equipment sales contract to purchase three new vibrators for a cost of approximately \$948,000. We anticipate delivery of these vibrators will be prior to September 30, 2005. We have a verbal commitment from a lender to finance these vibrators for a period of thirty-six months at a fixed per annum simple interest rate of 7.25%. Although we do not budget for our capital expenditures, we may purchase additional equipment as the demand for our services increases.

#### Capital Resources

Historically, we have relied on cash generated from operations and short-term borrowings from commercial banks and equipment lenders and loans from directors to fund our working capital requirements and capital expenditures. We believe that our capital resources, including our short-term investments, funds available under our line of credit loan agreement and cash flow from operations, are adequate to meet our current operational needs. We believe that we will be able to finance our 2005 capital expenditures through cash flow from operations and borrowings from commercial lenders, along with the possible raising of capital through equity issuances. 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 risk inherent in our business.

Several years ago we experienced an inadequacy of cash to enable us to sustain our desired level of operations. We sought financing from third parties to meet our cash needs but found such financing unavailable. As a result, certain of our directors have provided us with the necessary funds. In 1999, we issued subordinated promissory notes payable in an aggregate principal amount of \$312,500 to certain of our directors for debt financing provided and, in connection therewith, we issued stock purchase warrants to such persons exercisable into an aggregate of 850,000 shares of our common stock at an exercise price of \$0.30 per share and with a termination date of July 31, 2009. The subordinated promissory notes bore interest at 8% per annum and were paid in full in December 1999. In 2002 and 2003, certain of our directors agreed to provide us with a needed line of credit in exchange for the issuance of stock purchase warrants. In September 2002, we issued an aggregate of 1,500,000 stock purchase warrants to these directors in exchange for a line of credit that expired December 31, 2002, in an amount up to \$300,000. The warrants cover 1,500,000 shares of common stock, expire on September 10, 2012, and are exercisable at \$.20 per share. During September 2002, TGC borrowed \$150,000 of the available funds. The promissory notes, which bore interest at 6.75% per annum, were paid in full during December 2002 and January 2003. In March 2003, the same group of directors committed to provide a line of credit up to \$300,000 through December 31, 2003. Warrants covering an aggregate of 750,000 shares of common stock were issued in consideration for the commitment to provide the line of credit. The warrants expire on June 12, 2013, and are exercisable at \$.20 per share. The Company had no borrowings against the line of credit in 2003. In addition, our majority shareholder, at the time, chose not to provide the lines

of credit and approved the transactions in 2002 and 2003. Pursuant to the terms of the warrants issued in 2002 and 2003, the number of shares into which such warrants are issuable and the exercise price have been adjusted due to the issuance of dividends on the shares of our Series 8-1/2% Senior Convertible Preferred Stock in the form of additional shares of Series 8-1/2% Senior Convertible Preferred Stock such that the warrants issued in 2002 are currently exercisable into an aggregate of 1,855,000 shares of our common stock at an exercise price of \$0.16 per share and the warrants issued in 2003 are currently exercisable into an aggregate of 811,645 shares of our common stock at an exercise price of \$0.18 per share.

In April 2005, we entered into a revolving line of credit loan agreement with a commercial bank under which we may borrow, repay and re-borrow, from time to time until April 2006, up to \$500,000. Our obligations under this agreement are secured by a security interest in our accounts receivable. Interest on the outstanding amount under the line of credit loan agreement is payable monthly at a rate of prime plus 1.0%. As of June 30, 2005 we had no borrowings outstanding under the line of credit loan agreement.

In June 2005, we completed a \$3,366,253 loan transaction with a commercial lender for the purpose of providing funds for the purchase of a new ARAM ARIES recording system. The loan is repayable over a period of thirty-six months at a fixed per annum interest rate of 7.25%. The loan is collateralized by the new recording system equipment and the recording truck and two semi-trailers that transport the newly purchased equipment between jobs. In addition, in May 2005 the Company entered into an equipment sales contract with an equipment manufacturer to purchase three new vibrators for a cost of approximately \$947,955. It is anticipated that delivery of these vibrators will be prior to September 30, 2005. We have a verbal commitment from a lender to finance these vibrators for a period of thirty-six months at a fixed per annum simple interest rate of 7.25%.

In April 2005, the Company's common stock was approved for listing on the American Stock Exchange (AMEX) and began trading on the AMEX on April 18, 2005 under the symbol "TGE." Although there can be no assurance, management believes that the Exchange listing will increase liquidity in the Company's shares as it strives to execute its growth strategy.

The Board of Directors determined to eliminate unnecessary administrative expenses and dividend payments with respect to our outstanding Series C Preferred Stock by redeeming all of such preferred stock. As a result, the Board of Directors, at its regular meeting held on June 7, 2005, approved the redemption by the Company of the Series C Preferred Stock. The redemption privilege was contained in the Resolution establishing such Preferred Stock. The redemption price was \$5.00 per share plus a premium of 40% per share (i.e., \$2.00 per share). In addition, each share was entitled to receive the regular \$.20 dividend that has accrued for the first half of the year. Thus, the redemption price was \$7.20 per share. On June 30, 2005, the Company redeemed all 5,250 shares of its Series C Preferred Stock for \$36,750 plus accrued dividends of \$1,050.

The following table summarizes payments due in specific periods related to our contractual obligations as of June 30, 2005:

Contractual Obligations	Payments Due by Period				
	Total	Within 1 Year	1-3 Years	3-5 Years	After 5 Years
Operating lease obligations	\$ 303	\$ 79	\$ 162	\$ 62	\$ 0

Debt Obligations	\$	5,309	\$	1,937	\$	1,918	\$	1,454	\$	0
Capital lease obligations	\$	642	\$	348	\$	294	\$	0	\$	0
Total	\$	6,254	\$	2,364	\$	2,374	\$	1,516	\$	0

## Off-Balance Sheet Arrangements

As of June 30, 2005, we had no off-balance sheet arrangements.

16

## Critical Accounting Policies

The preparation of our financial statements in conformity with generally accepted accounting principles requires us to make certain assumptions and estimates that affect the reported amounts of assets and liabilities at the date of our financial statements and the reported amounts of revenues and expenses during the reporting period. Because of the use of assumptions and estimates inherent in the reporting process, actual results could differ from those estimates.

### *Revenue Recognition.*

Our services are provided under cancelable service contracts. These contracts are either “turnkey” or “term” agreements. The Company recognizes revenues when services are performed under both types of agreements. Services are defined as the commencement of data acquisition. Under turnkey agreements, revenue is recognized on a-per unit of data acquired rate, as services are performed. Under term agreements, revenue is recognized on a-per unit of time worked rate, as services are performed. In the case of a cancelled service contract, we recognize revenue and bill our customer for services performed up to the date of cancellation.

In some instances, we bill customers in advance of the services performed. In those cases, we recognize the liability as deferred revenue.

### *Allowance for Doubtful Accounts.*

We prepare our allowance for doubtful accounts receivable based on our past experience of historical write-offs, our current customer base and our review of past due accounts. The inherent volatility of the energy industry’s business cycle can cause swift and unpredictable changes in the financial stability of our customers.

### *Impairment of Long-lived Assets.*

We review long-lived assets for impairment when triggering events occur suggesting deterioration in the assets recoverability or fair value. Recognition of an impairment charge is required if future expected net cash flows are insufficient to recover the carrying value of the asset. Our forecast of future cash flows used to perform impairment analysis includes estimates of future revenues and profitability based on our historical results and analysis of future oil and natural gas prices which is fundamental in assessing demand for our services. If we are unable to achieve these cash flows, our estimates would be revised, potentially resulting in an impairment charge in the period of revision.

### *Depreciable Lives of Property, Plant and Equipment.*

Our property, plant and equipment are capitalized at historical cost and depreciated over the useful life of the asset. Our estimation of this useful life is based on circumstances that exist in the seismic industry and information available at the time of the purchase of the asset. The technology of the equipment used to gather data in the seismic industry has historically evolved such that obsolescence does not occur quickly. As circumstances change and new information becomes available, these estimates could change. We amortize these capitalized items using the straight-line method.

### *Tax Accounting.*

We account for our income taxes in accordance with SFAS No. 109, “Accounting for Income Taxes,” which requires the recognition of amounts of taxes payable or refundable for the current year and an asset and liability approach in recognizing the amount of deferred tax liabilities and assets for the future tax consequences of events that have been recognized in our financial statements or tax returns. We determine deferred taxes by identifying the types and amounts of existing temporary differences, measuring the total deferred tax asset or liability using the applicable tax rate and reducing the deferred tax asset by a valuation allowance if,

17

based on available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Our methodology for recording income taxes requires judgment regarding assumptions and the use of estimates, including determining our annual effective tax rate and the valuation of deferred tax assets, which can create variance between actual results and estimates. The process involves making forecasts of current and future years’ taxable income and unforeseen events may significantly effect these estimates. Those factors, among others, could have a material impact on our provision or benefit for income taxes.

### *Stock Based Compensation.*

In accordance with the Accounting Principles Board (APB) Opinion No. 25, “Accounting for Stock Issued to Employees,” we do not record compensation for stock options or other stock-based awards that are granted to employees or non-employee directors with an exercise price equal to or above the common stock market price on the grant date.

## Recently Issued Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 123R, "Share Based Payment" (FAS 123R), which requires that compensation costs relating to share-based payments be recognized in our financial statements. We currently account for those payments under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. The final requirements are effective for periods beginning after June 15, 2005. Although the transition method to be used to adopt the standard has not been selected, the impact of adoption is expected to have minimal impact on our results of operations, financial position and liquidity.

In December 2004, the FASB issued FASB Statement No. 153, "Exchange of Nonmonetary Assets, - an Amendment of APB Opinion No. 29," (FAS 153), which is effective for our asset-exchange transactions beginning July 1, 2005. Under APB 29, assets received in certain types of nonmonetary exchanges were permitted to be recorded at the carrying value of the assets that were exchanged (i.e., recorded on a carryover basis). As amended by FAS 153, assets received in some circumstances will have to be recorded instead at their fair values. In the past, we have not engaged in the nonmonetary asset exchanges for significant amounts.

## 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, and the availability of capital resources. 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.

## ISSUES AND UNCERTAINTIES

*We derive all our revenues from companies in the oil and natural gas*

18

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*exploration and production industry, a historically cyclical industry with levels of activity that are significantly affected by the levels and volatility of oil and natural gas prices.*

We derive all our revenues from companies in the oil and natural gas exploration and production industry, a historically cyclical industry with levels of activity that are significantly affected by the levels and volatility of oil and natural gas prices. Any prolonged reduction in the overall level of exploration and development activities, whether resulting from changes in oil and natural gas prices or otherwise, can adversely impact us in many ways by negatively affecting:

- our revenues, cash flows, and profitability;
- our ability to maintain or increase our borrowing capacity;
- our ability to obtain additional capital to finance our business and the cost of that capital; and
- our ability to retain skilled personnel whom we would need in the event of an upturn in the demand for our services.

Worldwide political, economic, and military events have contributed to oil and natural gas price volatility and are likely to continue to do so in the future. Depending on the market prices of oil and natural gas, oil and natural gas exploration and production, companies may cancel or curtail their drilling programs, thereby reducing demand for our services. Oil and natural gas prices have been volatile historically and, we believe, will continue to be so in the future. Many factors beyond our control affect oil and natural gas prices, including:

- the cost of exploring for, producing, and delivering oil and natural gas;
- the discovery rate of new oil and natural gas reserves;
- the rate of decline of existing and new oil and natural gas reserves;
- available pipeline and other oil and natural gas transportation capacity;
- the ability of oil and natural gas companies to raise capital;
- actions by OPEC (the Organization of Petroleum Exporting Countries);
- political instability in the Middle East and other major oil and natural gas producing regions;
- economic conditions in the United States and elsewhere;
- domestic and foreign tax policy;
- weather conditions in the United States and elsewhere;

- the pace adopted by foreign governments for the exploration, development, and production of their national reserves;
- the price of foreign imports of oil and natural gas; and
- the overall supply and demand for oil and natural gas.

*Our operating results can be expected to fluctuate from period to period.*

Our operating results may fluctuate. These fluctuations are usually due to the level of new business awards in a particular period and the timing of the initiation, progress, or cancellation of significant projects. Fluctuations in our operating results may also be affected by other factors that are outside of our control such as permit delays, weather delays, and crew productivity. Since our

business has high fixed costs, the negative effect of one or more of these factors could trigger wide variations in our operating revenues from quarter to quarter. Because of our relatively small size and the relatively small number of our shares outstanding, even minor variations in our operating results can have a material effect on our results in a given reporting period.

*We are dependent upon significant customers.*

We derive a significant amount of our revenue from a small number of oil and natural gas producers. During 2004 and the six months ending June 30, 2005, our two largest customers accounted for approximately 34% and 19% of revenues, respectively. While our revenues are derived from a concentrated customer base, our significant customers may vary between years. If we lose one or more major customers in the future, or if one or more customers encounter financial difficulties, our business, financial condition, and results of operations could be materially and adversely affected.

*We extend credit to our customers without requiring collateral, and a default by a customer could have a material adverse effect on our operating revenue.*

We sell our geophysical services primarily to both major oil and natural gas companies and independent oil and natural gas companies operating in the United States. We perform ongoing credit evaluations of our customers' financial conditions and, generally, require no collateral from our customers. A default in payment from one of these large customers could have a material adverse effect on our operating revenues for the period involved.

*We may be subject to liability claims that are not covered by our insurance.*

Many of our oilfield services and products are delivered or used in hostile environments. An accident or a failure can cause personal injury, loss of life, damage to property, equipment, or the environment, and suspensions of operations. Our insurance may not adequately protect us against liability for some kinds of events, including events involving pollution or against losses resulting from business interruption. Moreover, in the future we may not be able to maintain insurance at levels of risk coverage or policy limits that we deem adequate.

*We are dependent on our management team and key employees, and the loss of any of them could harm our business.*

Especially in view of our substantially increased operating revenues, we have limited management depth with the result that the loss, whether by death, departure, or illness, of one or two senior executives could have a material adverse effect on the ability of management to continue operations at the same level of efficiency. We do have in place key man insurance on the life of our President and CEO so that, in the event of his untimely death, we would receive the insurance proceeds under such policy.

*The members of our management team are not subject to employment agreements and may leave our employment at anytime.*

The members of our management team are not subject to employment agreements or non-competition agreements; therefore, any of the members of our management team could leave our employment upon little or no notice which could have a material adverse effect on our management's ability to continue operations at the same level of effectiveness. Additionally, the lack of non-competition agreements would allow members of our management team to immediately begin working for one of our competitors upon the termination of their relationship with us, which could have a negative impact on our strategic plan and our relationships with customers.

*There could be an adverse effect on the market price of our common stock by substantial sales of our common stock.*

As of August 12, 2005, we had 6,433,673 shares of common stock outstanding. If all of our outstanding options and warrants were exercised, and all of our

convertible securities were converted to common stock, there would be a total of 12,751,082 shares of common stock outstanding. The market price of our common stock could be adversely affected by sales in the public market of substantial amounts of these additional shares.

### **ITEM 3. CONTROLS AND PROCEDURES**

Under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Principal Financial and Accounting Officer, the Company performed an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act) as of June 30, 2005. Based upon that evaluation, the Chief Executive Officer and Principal Financial and Accounting Officer concluded that the Company's disclosure controls and procedures are effective in enabling the Company 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 June 30, 2005 that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

The Company continues to take action to assure compliance with the internal controls, disclosure controls, and other requirements of the Sarbanes-Oxley Act of 2002. Our management, including our Chief Executive Officer and Principal Financial and Accounting Officer, cannot guarantee that our internal controls and disclosure controls will prevent all possible errors or all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of a control system must reflect the fact that there are resource constraints, and the benefit of controls must be relative to their costs. Because of the inherent limitations in all control systems, no system of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Further, controls can be circumvented by individual acts of some persons, by collusion of two or more persons, or by management override of the controls.

The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, a control may be inadequate because of changes in conditions or the degree of compliance with the policies or procedures may deteriorate. Because of inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

## **PART II - OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

There have been no material changes to the information reported under Item 3 – Legal Proceedings of our annual report on Form 10-KSB for the year ended December 31, 2004, except as follows:

We are a defendant in a wrongful death lawsuit filed on July 26, 2005, in the 280<sup>th</sup> Judicial District Court of Harris County, Texas. Our insurance company is currently representing us in this case and we do not believe that the ultimate outcome of the case will have a material effect on our financial results.

We may be named as a defendant in various other legal actions that arise out of the normal course of business. In our opinion, none of these actions will result in any material loss to the Company.

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### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

Pursuant to Section 3(a)(9) of the Securities Act of 1933, as amended, and the terms of our Series 8-1/2% Senior Convertible Preferred Stock, on April 1, 2005, Nicholas A. Baker, III converted 35,000 shares of such preferred stock into 35,000 shares of our common stock.

Pursuant to Section 3(a)(9) of the Securities Act of 1933, as amended, and the terms of our Series 8-1/2% Senior Convertible Preferred Stock, on April 14, 2005, William J. Barrett, Jr. converted 29,800 shares of such preferred stock into 29,800 shares of our common stock.

Pursuant to Section 3(a)(9) of the Securities Act of 1933, as amended, and the terms of our Series 8-1/2% Senior Convertible Preferred Stock, on April 15, 2005, William D. Marohn converted 60,000 shares of such preferred stock into 60,000 shares of our common stock.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES** – None.

### **ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

The annual meeting of shareholders was held June 7, 2005. The following matters were voted upon and approved by the Company's shareholders:

- a. Election to the Board of Directors of Messrs. Allen T. McInnes, Wayne A. Whitener, Edward L. Flynn and William J. Barrett was approved by the shareholders by a majority vote of 7,187,603 to 63,047. Mr. Herbert M. Gardner was elected to the Board of Directors by a majority vote of 7,222,603 to 28,047 and Mr. William C. Hurtt, Jr. was elected to the Board of Directors by a majority vote of 7,221,653 to 28,997.
- b. Ratification of the selection of the Company's auditors, Lane Gorman Trubitt, L.L.P., was approved by the shareholders by a majority vote by a vote of 7,250,368 to 207 with 75 abstaining.

**ITEM 5. OTHER INFORMATION** – None.

### **ITEM 6. EXHIBITS**

The following exhibits are included herein:

<b>EXHIBIT NO.</b>	<b>DESCRIPTION</b>
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	First Amended Bylaws as amended, filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1987, and incorporated herein by reference.
3.3	Amendment to First Amended Bylaws as adopted by the Board of Directors on March 7, 1988, filed as Exhibit 3.3 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1987, and incorporated herein by reference.

4.1 Statement of Resolution Establishing Series of Preferred Stock of TGC Industries, Inc. filed as Exhibit 2 to the Company's Current Report on Form 8-K filed on August 11, 1993, and incorporated herein by reference.

22

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- 4.2 Statement of Resolution Establishing Series C 8% Convertible Exchangeable Preferred Stock of TGC Industries, Inc. filed as Exhibit B to the Company's Current Report on Form 8-K dated July 15, 1996, filed with the Securities and Exchange Commission and incorporated herein by reference.
- 4.3 Statement of Resolution Regarding Series C 8% Convertible Exchangeable Preferred Stock of TGC Industries, Inc. filed as Exhibit 4.3 to the Company's Annual Report on Form 10-KSB/A for the fiscal year ended December 30, 1998, and incorporated herein by reference.
- 4.4 Statement of Resolution Regarding Series C 8% Convertible Exchangeable Preferred Stock of TGC Industries, Inc. filed as Exhibit 4.4 to the Company's Annual Report on Form 10-KSB for fiscal year ended December 31, 2000, and incorporated herein by reference.
- 4.5 Statement of Resolution regarding Series C 8% Convertible Exchangeable Preferred Stock of TGC Industries, Inc. filed as Exhibit 4.5 to the Company's Annual Report on Form 10-KSB for fiscal year ended December 31, 2001, and incorporated herein by reference.
- 4.6 Statement of Resolution regarding Series C 8% Convertible Exchangeable Preferred Stock of TGC Industries, Inc. filed as Exhibit 4.6 to the Company's Annual Report on Form 10-KSB for fiscal year ended December 31, 2002, and incorporated herein by reference.
- 4.7 Statement of Resolution regarding Series C 8% Convertible Exchangeable Preferred Stock of TGC Industries, Inc. filed as Exhibit 4.7 to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2004, and incorporated herein by reference.
- 4.8 Form of Debenture Agreement and Debenture for 8% Subordinated Convertible Debentures, Series A, filed as Exhibit 4.2 to the Company's Registration Statement on Form SB-2 (Registration No. 333-12269), as amended, filed with the Securities and Exchange Commission on September 19, 1996, and incorporated herein by reference.
- 4.9 Form of Warrant Agreement dated July 28, 1995, as amended, and Warrant, filed as Exhibit 4.3 to the Company's Registration Statement on Form SB-2 (Registration No. 333-12269), as amended, filed with the Securities and Exchange Commission and incorporated herein by reference.
- 4.10 Debenture Agreement dated December 10, 1999, with respect to the Company's \$2,500,000 8 1/2% Convertible Subordinated Debenture, Series B payable to Wedge Energy Services, L.L.C., filed as Exhibit 4.6 to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1999, and incorporated herein by reference.
- 4.11 Statement of Resolution Establishing 8-1/2% Senior Convertible Preferred Stock of TGC Industries, Inc. filed as Exhibit 4.8 to the Company's Annual Report on Form 10-KSB for fiscal year ended December 31, 2000, and incorporated herein by reference.
- 4.12 Statement of Resolution regarding 8-1/2% Senior Convertible Preferred Stock of TGC Industries, Inc. filed as Exhibit 4.11 to the Company's Annual Report on Form 10-KSB for fiscal year ended December 31, 2002, and incorporated herein by reference.

23

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- \*10.1 Master Security Agreement by and among TGC Industries, Inc. and General Electric Capital Corporation, dated October 22, 2004.
- \*10.2 Promissory Note for \$2,386,649 by and among TGC Industries, Inc. and General Electric Capital Corporation, dated October 26, 2004.
- \*10.3 Promissory Note for \$3,366,253.04 by and among TGC Industries, Inc. and General Electric Capital Corporation, dated June 6, 2005.
- \*10.4 Promissory Note by and among TGC Industries, Inc. and Sovereign Bank, N.A., dated April 26, 2005.
- \*31.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- \*31.2 Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- \*32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- \*32.2 Certification of Principal Financial and Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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\*Filed herewith.

24

## SIGNATURES

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

TGC INDUSTRIES, INC.

Date: August 15, 2005

/s/ Wayne A. Whitener  
\_\_\_\_\_  
Wayne A. Whitener  
President & Chief  
Executive Officer  
(Principal Executive Officer)

Date: August 15, 2005

/s/ Kenneth W. Uselton  
\_\_\_\_\_  
Kenneth W. Uselton  
Treasurer (Principal Financial  
and Accounting Officer)

25

## EXHIBITS INDEX

<u>EXHIBIT NO.</u>	<u>DESCRIPTION</u>
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	First Amended Bylaws as amended, filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1987, and incorporated herein by reference.
3.3	Amendment to First Amended Bylaws as adopted by the Board of Directors on March 7, 1988, filed as Exhibit 3.3 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1987, and incorporated herein by reference.
4.1	Statement of Resolution Establishing Series of Preferred Stock of TGC Industries, Inc. filed as Exhibit 2 to the Company's Current Report on Form 8-K filed on August 11, 1993, and incorporated herein by reference.
4.2	Statement of Resolution Establishing Series C 8% Convertible Exchangeable Preferred Stock of TGC Industries, Inc. filed as Exhibit B to the Company's Current Report on Form 8-K dated July 15, 1996, filed with the Securities and Exchange Commission and incorporated herein by reference.
4.3	Statement of Resolution Regarding Series C 8% Convertible Exchangeable Preferred Stock of TGC Industries, Inc. filed as Exhibit 4.3 to the Company's Annual Report on Form 10-KSB/A for the fiscal year ended December 30, 1998, and incorporated herein by reference.
4.4	Statement of Resolution Regarding Series C 8% Convertible Exchangeable Preferred Stock of TGC Industries, Inc. filed as Exhibit 4.4 to the Company's Annual Report on Form 10-KSB for fiscal year ended December 31, 2000, and incorporated herein by reference.
4.5	Statement of Resolution regarding Series C 8% Convertible Exchangeable Preferred Stock of TGC Industries, Inc. filed as Exhibit 4.5 to the Company's Annual Report on Form 10-KSB for fiscal year ended December 31, 2001, and incorporated herein by reference.
4.6	Statement of Resolution regarding Series C 8% Convertible Exchangeable Preferred Stock of TGC Industries, Inc. filed as Exhibit 4.6 to the Company's Annual Report on Form 10-KSB for fiscal year ended December 31, 2002, and incorporated herein by reference.
4.7	Statement of Resolution regarding Series C 8% Convertible Exchangeable Preferred Stock of TGC Industries, Inc. filed as Exhibit 4.7 to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2004, and incorporated herein by reference.

26

4.8	Form of Debenture Agreement and Debenture for 8% Subordinated Convertible Debentures, Series A, filed as Exhibit 4.2 to the Company's Registration Statement on Form SB-2 (Registration No. 333-12269), as amended, filed with the Securities and Exchange Commission on September 19, 1996, and incorporated herein by reference.
4.9	Form of Warrant Agreement dated July 28, 1995, as amended, and Warrant, filed as Exhibit 4.3 to the Company's Registration Statement on Form SB-2 (Registration No. 333-12269), as amended, filed with the Securities and Exchange Commission and incorporated herein by reference.
4.10	Debenture Agreement dated December 10, 1999, with respect to the Company's \$2,500,000 8 1/2% Convertible Subordinated Debenture, Series B payable to Wedge Energy Services, L.L.C., filed as Exhibit 4.6 to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1999, and incorporated herein by reference.
4.11	Statement of Resolution Establishing 8-1/2% Senior Convertible Preferred Stock of TGC Industries, Inc. filed as Exhibit 4.8 to the

Company's Annual Report on Form 10-KSB for fiscal year ended December 31, 2000, and incorporated herein by reference.

- 4.12 Statement of Resolution regarding 8-1/2% Senior Convertible Preferred Stock of TGC Industries, Inc. filed as Exhibit 4.11 to the Company's Annual Report on Form 10-KSB for fiscal year ended December 31, 2002, and incorporated herein by reference.
- \*10.1 Master Security Agreement by and among TGC Industries, Inc. and General Electric Capital Corporation, dated October 22, 2004.
- \*10.2 Promissory Note for \$2,386,649 by and among TGC Industries, Inc. and General Electric Capital Corporation, dated October 26, 2004.
- \*10.3 Promissory Note for \$3,366,253.04 by and among TGC Industries, Inc. and General Electric Capital Corporation, dated June 6, 2005.
- \*10.4 Promissory Note by and among TGC Industries, Inc. and Sovereign Bank, N.A., dated April 26, 2005.
- \*31.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- \*31.2 Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- \*32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- \*32.2 Certification of Principal Financial and Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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\*Filed herewith.





GE Capital

Commercial Equipment Financing  
 General Electric Capital Corporation  
 16479 Dallas Parkway, Suite 300, Addison, TX 75001  
 972 713-2500

October 28, 2004

Mr. Wayne Whitener  
 TGC Industries, Inc.  
 1304 Summit Ave. Ste. 2  
 Plano, TX 75074

GE Capital Financing Transaction - Account # 4158983-001

Dear Mr. Whitener:

Thank you for allowing GE Capital to finance your recent equipment acquisition. Enclosed in this package are copies of the executed documents for this transaction.

GE Capital is here to serve you. If you need assistance regarding your account, please feel free to contact our Customer Service Department at (800) 362-0135.

Providing quality service is our commitment to you. To help us learn how to improve the service we provide to you, you may be contacted to participate in a customer satisfaction survey. We encourage your participation in this survey and thank you in advance for your input. If you have additional financing needs, please contact David Swan (972) 713-2531.

Once again, we wish to express our sincere appreciation for allowing GE Capital this opportunity to assist you with your financing needs. We look forward to servicing you again soon.

Very truly yours,

General Electric Capital Corporation  
 Commercial Equipment Financing

/s/ Sharon Ersch  
 Sharon Ersch  
 Credit Assistant

A GE Capital Services Company

**PROMISSORY NOTE**

10/26/04

**(Date)**

FOR VALUE RECEIVED, TGC Industries, Inc. a corporation located at the address stated below ("Maker") promises, jointly and severally if more than one, to pay to the order of General Electric Capital Corporation or any subsequent holder hereof (each, a "Payee") at its office located at 16479 Dallas Parkway #300, Addison, TX 75001-2512 or at such other place as Payee or the holder hereof may designate, the principal sum of Two million three hundred eighty-six thousand six hundred forty-nine and no/100 Dollars (\$2,386,649.00), with interest on the unpaid principal balance, from the date hereof through and including the dates of payment, at a fixed per annum simple interest rate of Six and 85/100 percent (6.85%).

Subject to the other provisions hereof, the principal on this Note is payable in lawful money of the United States in Thirty-six (36) consecutive monthly installments as follows:

Periodic Installment	Amount
35@	\$ 66,295.81

each ("Periodic Installment") and a final installment which shall be in the amount of the total outstanding unpaid principal. The first Periodic Installment shall be due and payable on December 1, 2004 and the following Periodic Installments and the final installment shall be due and payable on the same day of each succeeding period (each, a "Payment Date"). In addition to the payments of principal provided above, accrued interest shall be payable on the Payment Date.

All payments shall be applied first to interest and then to principal. Each payment may, at the option of the Payee, be calculated and applied on an assumption that such payment would be made on its due date. The acceptance by Payee of any payment which is less than payment in full of all amounts due and owing

at such time shall not constitute a waiver of Payee's right to receive payment in full at such time or at any prior or subsequent time. Interest shall be calculated on the basis of a 365 day year (366 day leap year).

The Maker hereby expressly authorizes the Payee to insert the date value is actually given in the blank space on the face hereof and on all related documents pertaining hereto.

This Note may be secured by a security agreement, chattel mortgage, pledge agreement or like instrument (each of which is hereinafter called a "Security Agreement").

Time is of the essence hereof. If any installment or any other sum due under this Note or any Security Agreement is not received within ten (10) days after its due date, the Maker agrees to pay, in addition to the amount of each such installment or other sum, a late payment charge of five percent (5%) of the amount of said installment or other sum, but not exceeding any lawful maximum. If (i) Maker fails to make payment of any amount due hereunder within ten (10) days after the same becomes due and payable; or (ii) Maker is in default under, or fails to perform under any term or condition contained in any Security Agreement, then the entire principal sum remaining unpaid, together with all accrued interest thereon and any other sum payable under this Note or any Security Agreement, at the election of Payee, shall immediately become due and payable, with interest thereon at the lesser of eighteen percent (18%) per annum or the highest rate not prohibited by applicable law from the date of such accelerated maturity until paid (both before and after any judgment).

The Maker may prepay in full, but not in part, its entire indebtedness hereunder upon payment of the entire indebtedness plus an additional sum as a premium equal to the following percentages of the original principal balance for the indicated period:

Prior to the first annual anniversary date of this Note: Three percent (3%)

Thereafter and prior to the second annual anniversary date of this Note: Two percent (2%)

Thereafter and prior to the third annual anniversary date of this Note: One percent (1%)

and zero percent (0%) thereafter, plus all other sums due hereunder or under any Security Agreement.

It is the intention of the parties hereto to comply with the applicable usury laws; accordingly, it is agreed that, notwithstanding any provision to the contrary in this Note or any Security Agreement, in no event shall this Note or any Security Agreement require the payment or permit the collection of interest in excess of the maximum amount permitted by applicable law. If any such excess interest is contracted for, charged or received under this Note or any Security Agreement, or if all of the principal balance shall be prepaid, so that under any of such circumstances the amount of interest contracted for, charged or received under this Note or any Security Agreement on the principal balance shall exceed the maximum amount of interest permitted by applicable law, then in such event (a) the provisions of this paragraph shall govern and control, (b) neither Maker nor any other person or entity now or hereafter liable for the payment hereof shall be obligated to pay the amount of such interest to the extent that it is in excess of the maximum amount of interest permitted by applicable law, (c) any such excess which may have been collected shall be either applied as a credit against the then unpaid principal balance or refunded to Maker, at the option of the Payee, and (d) the effective rate of interest shall be automatically reduced to the maximum lawful contract rate allowed under applicable law as now or hereafter construed by the courts having jurisdiction thereof. It is further agreed that without limitation of the foregoing, all calculations of the rate of interest contracted for, charged or received under this Note or any Security Agreement which are made for the purpose of determining whether such rate exceeds the maximum lawful contract rate, shall be made, to the extent permitted by applicable law, by amortizing, prorating, allocating and spreading in equal parts during the period of the full stated term of the indebtedness evidenced hereby, all interest at any time contracted for, charged or received from Maker or otherwise by Payee in connection with such indebtedness; provided, however, that if any applicable state law is amended or the law of the United States of America preempts any applicable state law, so that it becomes lawful for the Payee to receive a greater interest per annum rate than is presently allowed, the Maker agrees that, on the effective date of such amendment or preemption, as the case may be, the lawful maximum hereunder shall be increased to the maximum interest per annum rate allowed by the amended state law or the law of the United States of America.

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The Maker and all sureties, endorsers, guarantors or any others (each such person, other than the Maker, an "Obligor") who may at any time become liable for the payment hereof jointly and severally consent hereby to any and all extensions of time, renewals, waivers or modifications of, and all substitutions or releases of, security or of any party primarily or secondarily liable on this Note or any Security Agreement or any term and provision of either, which may be made, granted or consented to by Payee, and agree that suit may be brought and maintained against any one or more of them, at the election of Payee without joinder of any others as a party thereto, and that Payee shall not be required first to foreclose, proceed against, or exhaust any security hereof in order to enforce payment of this Note. The Maker and each Obligor hereby waives presentment, demand for payment, notice of nonpayment, protest, notice of protest, notice of dishonor, and all other notices in connection herewith, as well as filing of suit (if permitted by law) and diligence in collecting this Note or enforcing any of the security hereof, and agrees to pay (if permitted by law) all expenses incurred in collection, including Payee's actual attorneys' fees. Maker and each Obligor agrees that fees not in excess of twenty percent (20%) of the amount then due shall be deemed reasonable.

THE MAKER HEREBY UNCONDITIONALLY WAIVES ITS RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF, DIRECTLY OR INDIRECTLY, THIS NOTE, ANY OF THE RELATED DOCUMENTS, ANY DEALINGS BETWEEN MAKER AND PAYEE RELATING TO THE SUBJECT MATTER OF THIS TRANSACTION OR ANY RELATED TRANSACTIONS, AND/OR THE RELATIONSHIP THAT IS BEING ESTABLISHED BETWEEN MAKER AND PAYEE. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT (INCLUDING, WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS.) THIS WAIVER IS IRREVOCABLE MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THE WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS NOTE, ANY RELATED DOCUMENTS, OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THIS TRANSACTION OR ANY RELATED TRANSACTION. IN THE EVENT OF LITIGATION, THIS NOTE MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

This Note and any Security Agreement constitute the entire agreement of the Maker and Payee with respect to the subject matter hereof and supercedes all prior understandings, agreements and representations, express or implied.

No variation or modification of this Note, or any waiver of any of its provisions or conditions, shall be valid unless in writing and signed by an authorized representative of Maker and Payee. Any such waiver, consent, modification or change shall be effective only in the specific instance and for the specific purpose given.

Any provision in this Note or any Security Agreement which is in conflict with any statute, law or applicable rule shall be deemed omitted, modified or altered to conform thereto.

**TGC Industries, Inc.**

/s/ David Swan  
(Witness)  
David Swan  
(Print name)  
16479 Dallas Pkwy, Addison, TX  
(Address)

By: /s/ Wayne Whitener  
Name: Wayne Whitener  
Title: President/CEO  
Federal Tax ID #: 742095844

Address: 1304 Summit Ave Suite 2, Plano, Collin County, TX 75074



**COLLATERAL SCHEDULE NO. 001**

**THIS COLLATERAL SCHEDULE NO. 001** is annexed to and made a part of that certain Master Security Agreement dated as of 10/22/04 between General Electric Capital Corporation, together with its successors and assigns, if any, as Secured Party and TGC Industries, Inc. as Debtor and describes collateral in which Debtor has granted Secured Party a security interest in connection with the Indebtedness (as defined in the Security Agreement) including without limitation that certain Promissory Note dated 10/26/04 in the original principal amount of \$2,386,649.00.

<u>Quantity</u>	<u>Manufacturer</u>	<u>Serial Number</u>	<u>Year/Model and Type of Equipment</u>
1	ARAM Aries	SP376	Seismic Processor Module w/ fast download capability. More fully described on Schedule B attached
4	ARAM Ariies		PC - Quad Line Interface Cards. More fully described on Schedule B attached
1	ARAM Ariies		Impulse Source Software. More fully described on Schedule B attached
1	ARAM Aires		Vibroseis Option. More fully described on Schedule B attached
2	Misc Test Equipment		Additional Flat Panel Display Units w/ Mounting Hardware. More fully described on Schedule B attached
1	ARAM Aries		Standard installation kit. More fully described on Schedule B attached
1	Misc Test Equipment	TD276	Dual 3490 tape drive w/ mounting hardware. More fully described on Schedule B attached
1	Misc Test Equipment	20235	iSYS-VI 2 thermal plotter w/ mounting hardware
350	AMAR Aries		Remote Acquisition Module (Rams). More fully described on Schedule B attached
18	ARAM Aries		Line Tap Unit (A-LTUs). More fully described on Schedule B attached
480	ARAM Aries		Lead Acid Battery Pack. More fully described on Schedule B attached
16	ARAM Aries		Lead Acid Battery Charger. More fully described on Schedule B attached
700	ARAM Aries		Seismic Land-Lt Cable 300M
1400	ARAM Aries		Land Cable Back to Backs integrated. More fully described on Schedule B attached
36	ARAM Aries		Seismic Multiport Baseline Cable 280M. More fully described on Schedule B attached
72	ARAM Aries		Land Baseline Cable Back to Backs Integrated. More fully described on Schedule B attached
4	ARAM Aries		Multiport Baseline Splitter Cable. More fully described on Schedule B attached
4	Misc Test Equipment		Hand held test unit w/ meter and matching Geophone Adapter. More fully described on Schedule B attached
4	Misc Test Equipment		Power Head w/ 9-volt Battery
1	ARAM Aries		Battery Discharge Station. More fully described on Schedule B attached
1	International	1HTLDTVN8EHA55043	1984 Truck

Equipment immediately listed above is located at: 1304 Summit Ave, Suite 2, Plano, Collin County, TX 75074

SECURED PARTY:

**General Electric Capital Corporation**

By: /s/ Chris Jones

Name: CHRIS JONES

DEBTOR:

**TGC Industries, Inc.**

By: /s/ Wayne Whitener

Name: Wayne Whitener

**SCHEDULE B**  
**TO COLLATERAL SCHEDULE NO. 001**  
**Naming General Electric Capital Corporation as Secured Party**  
**and TGC Industries, Inc. as Debtor**

Device	Serial Number	Qty
ARIES Central System	ACS091	1
Seismic Processing Module	SP376-	1
Tape Drive Module	TD276-	1
Power Supply Module	PS087	1
Aries Remote Acquisition Module	see attached List	350
ARIES Line Tap Units	see attached List	18
ARIES Lead Acid Battery Packs	Not Available at this time	480
ARIES Lead Acid Battery Chargers	154	1
ARIES Lead Acid Battery Chargers	96	1
ARIES Lead Acid Battery Chargers	139	1
ARIES Lead Acid Battery Chargers	114	1
ARIES Lead Acid Battery Chargers	73	1
ARIES Lead Acid Battery Chargers	88	1
ARIES Lead Acid Battery Chargers	63	1
ARIES Lead Acid Battery Chargers	85	1
ARIES Lead Acid Battery Chargers	149	1
ARIES Lead Acid Battery Chargers	140	1
ARIES Lead Acid Battery Chargers	142	1
ARIES Lead Acid Battery Chargers	146	1
ARIES Lead Acid Battery Chargers	14B	1
ARIES Lead Acid Battery Chargers	152	1
ARIES Lead Acid Battery Chargers	146	1
ARIES Lead Acid Battery Chargers	91	1
ARIES Seismic Lead-Lt Cable 300m	see attached List	700
ARIES Multiport Baseline Cables 280m	see attached List	36
Aries Multiport Baseline Splitter Cables	7609-025	1
Aries Multiport Baseline Splitter Cables	7609-019	1
Aries Multiport Baseline Splitter Cables	7609-020	1
Aries Multiport Baseline Splitter Cables	5408-004	1
HandHeld Test Unit	91	1
HandHeld Test Unit	97	1
HandHeld Test Unit	92	1
HandHeld Test Unit	79	1
Power Head	N/A	4
Battery Discharge Station	69	1
V12 Plotter	20235	1

Initial /s/ CWJ / WAW  
GECC TGC Industries, Inc.

Remote Acquisition Module

## RAMS

16552	18182	18858	19844	20059	20214	20346	20499	20799
17097	18184	18704	19847	20083	20217	20347	20501	20800
17113	18186	18723	19855	20064	20219	20348	20503	20808
17154	18195	18747	19857	20085	20227	20354	20504	20809
17348	18205	18778	19863	20071	20231	20362	20506	20818
17398	18220	18786	19864	20081	20234	20363	20508	20825
17442	18228	18830	19865	20082	20235	20365	20512	20828
17446	18230	18850	19868	20087	20241	20367	20519	20833
17571	18231	18854	19881	20088	20245	20373	20521	20834
17630	18234	18855	19885	20089	20252	20378	20522	20858
17632	18242	18864	19890	20090	20261	20386	20523	20857
17634	18269	18865	19893	20092	20266	20391	20524	20866
17649	18287	18866	19897	20093	20277	20393	20527	20871
17691	18289	18888	19899	20094	20283	20396	20529	20886
17703	18292	18880	19928	20097	20284	20398	20532	20888

17704	18314	19012	19934	20099	20288	20401	20535	20890
17728	18321	19028	19946	20122	20290	20409	20544	20892
17752	18324	19073	19947	20130	20291	20410	20547	20894
17769	18326	19084	19950	20143	20292	20421	20551	20917
17773	18336	19086	19959	20144	20294	20422	20556	20926
17831	18348	19262	19963	20145	20297	20423	20577	20939
17846	18350	19287	19968	20146	20298	20425	20601	20946
17849	18367	19354	19974	20151	20303	20434	20612	20999
17863	18384	19373	19979	20152	20305	20440	20618	21110
17888	18396	19377	19986	20153	20306	20442	20648	21210
17892	18401	19446	19988	20154	20307	20444	20688	21216
17944	18404	19460	19989	20155	20308	20445	20695	21219
17956	18405	19501	19993	20157	20309	20449	20707	21220
17968	18408	19522	19998	20159	20313	20453	20720	21237
17987	18412	19576	20008	20160	20314	20459	20725	21249
18003	18426	19602	20012	20163	20315	20461	20745	
18009	18427	19610	20026	20166	20316	20462	20751	
18021	18441	19612	20027	20167	20317	20463	20760	
18087	18443	19619	20029	20171	20318	20465	20764	
18108	18453	19622	20031	20184	20321	20475	20765	
18140	18457	19666	20033	20185	20335	20479	20775	
18145	18478	19722	20034	20191	20341	20487	20785	
18180	18488	19752	20039	20192	20342	20488	20786	
18164	18507	19780	20048	20207	20343	20491	20787	
18174	18855	19841	20057	20213	20345	20494	20797	

Initial /s/ CWJ / WAW  
 GECC TGC Industries, Inc.

Line Tap Units

TAPS

- 12631
- 12660
- 12664
- 12672
- 12674
- 12677
- 12681
- 12688
- 12718
- 12720
- 12722
- 12793
- 12726
- 12727
- 12729
- 12732
- 12734
- 12735

ARIES Seismic Lead-Lt Cable 300m

**BOX: 1865**

4 T/O CABLES FOR TIDELANDS

**3D ARIES CABLES**

3146-273	51637-181	51637-199	51637-218	51637-253	51637-291
5520-073	5520-101	8520-137	5520-150	5520-203	5520-287
5520-292	5520-334	5520-400	5520-411	5520-464	6424-014
6424-040	6424-104	6424-188	6424-203	6424-513	6424-564
8090-043	8098-063	8098-156	8098-180	8098-193	8122-050
8122-083	8122-087	8224-017	8224-042	8280-002	

**Quantity: 35**

Initial /s/ CWJ / WAW  
 GECC TGC Industries, Inc.

**BOX: 1872**

4 T/O CABLES FOR TIDELANDS

**3D ARIES CABLES**

3146-174	5159-062	5159-078	51637-076	51637-248	5520-029
5520-036	5520-081	5520-123	5520-129	5520-216	5520-222
5520-344	5520-364	5520-379	5520-396	5520-450	5520-482
6424-106	6424-134	6424-301	6424-394	6424-554	6424-585
8090-015	8090-070	8098-099	8098-118	8098-175	8122-089
8224-014	8224-047	8224-067	8224-096	8224-116	

**Quantity: 35****BOX: 1873**

4 T/O CABLES FOR TIDELANDS

**3D ARIES CABLES**

3146-054	3146-204	3146-212	5159-051	5159-075	51637-090
51637-202	5520-056	5520-059	5520-213	5520-225	5520-277
5520-281	5520-313	5520-347	5520-423	6424-036	6424-062
6424-070	6424-152	6424-280	6424-379	6424-389	6424-397
6424-427	6424-457	6424-559	6424-597	8098-022	8098-045
8098-056	8098-154	8224-036	8224-123	8224-128	

**Quantity: 35**

Initial /s/ CWJ / WAW  
 GECC TGC Industries, Inc.

**BOX: 1874**

4 T/O CABLES FOR TIDELANDS

**3D ARIES CABLES**

3146-034	3146-192	3146-267	3146-272	3146-280	5159-060
51637-216	51637-246	5520-021	5520-033	5520-105	5520-164
5520-170	5520-335	5520-338	5520-368	5520-391	5520-395
5520-485	5520-491	6424-035	6424-150	6424-170	6424-369
6424-377	6424-399	6424-511	8098-027	8098-092	8098-128
8098-146	8098-166	8122-048	8224-093	8280-004	

**Quantity: 35****BOX: 1875**

4 T/O CABLES FOR TIDELANDS

**3D ARIES CABLES**

3146-073	3146-224	5159-016	51637-234	51637-276	5520-022
5520-083	5520-144	5520-211	5520-311	5520-328	5520-366
5520-490	6424-047	6424-060	6424-146	6424-167	6424-242
6424-274	6424-382	6424-424	6424-530	6424-586	8090-007
8090-091	8090-096	8098-081	8098-094	8122-011	8122-078
8224-005	8224-069	8224-136	8224-138	8280-025	

**Quantity: 35****BOX: 1876**

4 T/O CABLES FOR TIDELANDS

**3D ARIES CABLES**

3146-010	3146-032	3146-129	3146-180	3146-181	3146-221
3146-276	51637-110	51637-236	5520-050	5520-194	5520-267
5520-304	5520-337	5520-361	5520-378	5520-451	6424-156
6424-196	6424-210	6424-225	6424-241	6424-248	6424-269
6424-484	6424-510	6424-528	6424-551	8090-008	8090-011
8090-018	8090-108	8098-122	8098-137	8224-028	

**Quantity: 35**

Initial /s/ CWJ / WAW  
 GECC TGC Industries, Inc.

**BOX: 1877**

4 T/O CABLES FOR TIDELANDS

**3D ARIES CABLES**

3146-001	3146-013	3146-121	3146-184	3146-244	3146-259
3146-289	5159-017	51637-008	51637-180	51637-240	51637-252
5520-001	5520-035	5520-280	5520-405	6424-064	6424-137
6424-166	6424-307	6424-331	6424-493	8090-012	8090-029
8090-109	8090-125	8098-031	8098-147	8098-149	8122-091
8224-026	8224-076	8224-105	8224-135	8280-009	

**Quantity: 35**

**BOX: 1878**

4 T/O CABLES FOR TIDELANDS

**3D ARIES CABLES**

3146-079	3146-091	3146-165	3146-296	51637-244	51637-255
51637-280	5520-006	5520-037	5520-125	5520-160	5520-178
5520-353	5520-354	5520-376	5520-406	5520-416	5520-456
6424-092	6424-354	6424-406	6424-441	6424-442	6424-481
6424-487	6424-577	8098-034	8098-069	8098-142	8098-160
8098-164	8098-170	8098-194	8098-197	8122-027	

**Quantity: 35**

**BOX: 1879**

4 T/O CABLES FOR TIDELANDS

**3D ARIES CABLES**

3146-033	3146-169	3146-297	5159-034	5159-068	51637-070
51637-209	51637-231	5520-066	5520-099	5520-122	5520-233
5520-288	5520-326	5520-341	5520-433	5520-476	5520-480
6424-003	6424-013	6424-078	6424-162	6424-263	6424-324
6424-367	6424-415	8090-072	8098-003	8098-017	8098-060
8122-017	8122-067	8122-090	8224-003	8224-078	

**Quantity: 35**

Initial /s/ CWJ / WAW  
 GECC TGC Industries, Inc.

**BOX: 1880**

4 T/O CABLES FOR TIDELANDS

**3D ARIES CABLES**

3146-058	3146-247	3146-292	5159-057	5159-070	5159-077
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51637-074	51637-079	51637-201	51637-242	51637-271	51637-279
5520-007	5520-082	5520-121	5520-184	5520-370	5520-389
6424-289	6424-346	6424-380	6424-407	6424-449	6424-486
6424-538	8090-004	8090-044	8098-010	8098-163	8098-188
8224-039	8224-084	8224-092	8224-141	8280-001	

Quantity: 35

BOX: 1881

4 T/O CABLES FOR TIDELANDS

**3D ARIES CABLES**

3146-004	3146-100	3146-125	3146-138	3146-173	5159-012
5159-029	51637-282	5520-002	5520-005	5520-159	5520-243
5520-382	5520-385	5520-465	5520-468	6424-010	6424-100
6424-118	6424-202	6424-213	6424-276	6424-279	6424-314
6424.431	6424-460	6424-462	6424-506	8098-051	8098-093
8122-045	8224-031	8224-074	8224-094	8224-104	

Quantity: 35

BOX: 1882

4 T/O CABLES FOR TIDELANDS

**3D ARIES CABLES**

3146-080	3146-116	3146-161	3146-227	3146-239	3146-240
3146-293	51637-064	5520-107	5520-109	5520-146	5520-182
5520-192	5520-330	5520-333	5520-424	5520-462	6424-002
6424-063	6424-069	6424-311	6424-366	6424-507	8090-024
8090-048	8090-117	8098-053	8098-082	8098-133	8098-150
8098-172	8098-181	8122-022	8122-075	8122-086	

Quantity: 35

Initial /s/ CWJ / WAW  
GECC TGC Industries, Inc.

BOX: 1883

4 T/O CABLES FOR TIDELANDS

**3D ARIES CABLES**

3146-011	3146-069	3146-105	3146-168	3146-197	3146-252
5159-005	51637-023	51637-187	51637-256	51637-257	51637-296
5520-067	5520-157	5520-218	5520-269	5520-351	5520-472
6424-075	6424-097	6424-145	6424-158	6424-207	6424-229
6424-579	8098-023	8098-042	8098-121	8122-039	8122-043
8122-061	8122-099	8224-055	8224-064	8224-117	

Quantity: 35

BOX: 1884

4 T/O CABLES FOR TIDELANDS

**3D ARIES CABLES**

3146-057	5159-053	5159-059	51637-003	51637-012	51637-081
51637-104	51637-148	51637-195	51637-274	51637-301	5520-128
5520-283	5520-284	5520-315	5520-320	5520-331	5520-343
5520-345	5520-428	6424-007	6424-009	6424-083	6424-392
6424-410	6424-417	6424-455	6424-495	6424-497	6424-505
8090-006	8098-030	8098-106	8224-032	8224-095	

Quantity: 35

Initial /s/ CWJ / WAW



**BOX: 1886**

4 T/O CABLES FOR TIDELANDS

**3D ARIES CABLES**

3146-063	3146-072	3146-076	3146-082	3146-115	5159-052
5159-058	51637-230	5520-040	5520-106	5520-156	5520-161
5520-166	5520-205	5520-259	5520-272	5520-317	5520-355
5520-430	6424-042	6424-096	6424-157	6424-164	6424-194
6424-319	6424-350	6424-362	6424-372	6424-403	6424-550
8090-002	8098-036	8098-183	8122-016	8224-059	8224-083
8224-133					

**Quantity: 37**

**BOX: 1887**

4 T/O CABLES FOR TIDELANDS

**3D ARIES CABLES**

3146-099	3146-101	3146-152	3146-242	51637-071	51637-075
51637-196	51637-277	5520-020	5520-054	5520-061	5520-097
5520-261	5520-309	5520-412	5520-499	6424-030	6424-056
6424-184	6424-201	6424-304	6424-445	6424-466	6424-468
6424-471	6424-475	8090-050	8090-051	8090-071	8090-095
8090-115	8098-186	8122-053	8224-052	8224-113	8224-121
8224-130					

**Quantity: 37**

Initial /s/ CWJ / WAW  
 GECC TGC Industries, Inc.

**BOX: 1888**

4 T/O CABLES FOR TIDELANDS

**3D ARIES CABLES**

3146-018	3146-067	3146-154	51637-117	51637-193	51637-207
51637-232	5520-062	5520-171	5520-199	5520-209	5520-322
5520-327	5520-346	5520-358	5520-386	6424-054	6424-208
6424-215	6424-288	6424-368	6424-416	6424-456	6424-562
8090-111	8098-002	8098-071	8098-089	8098-126	8098-139
8098-157	8098-185	8122-049	8122-063	8224-070	8224-115
8224-145					

**Quantity: 37**

**BOX: 1896**

ARIES BASELINE CABLES FOR TIDELANDS

**ARIES OCTAL CABLES**

5407-043	5407-057	5407-070	5407-090	5407-094	5407-100
5407-108	5407-111	5407-147	6415-11	6415-20	6415-21
6415-28	6415-40	6704-009b	6704-014b	6704-024b	6704-026b
6704-027b	6704-040b	8123-44b	8123-53b		

**Quantity: 22**

**BOX: 1897**

**ARIES OCTAL CABLES**

5407-059	5407-079	5407-080	5407-083	5407-087	5407-088
5407-109	5407-140	6415-18	6415-39	6704-004b	6704-012b
6704-020b	6704-034b				

**Quantity: 14**

Initial /s/ CWJ / WAW  
GECC TGC Industries, Inc.



**ANNEX A  
 TO  
 COLLATERAL SCHEDULE NO. 001  
 TO MASTER SECURITY AGREEMENT  
 DATED AS OF 10/22/04**

**CERTIFICATE OF DELIVERY/INSTALLATION**

To: General Electric Capital Corporation (together with its successors and assigns, if any, "Secured Party")

Pursuant to the provisions of the above Collateral Schedule to the above Master Security Agreement and the related Promissory Note (collectively, the "Loan"), the undersigned ("Debtor") hereby certifies and warrants that (a) all Equipment listed below has been delivered and installed (if applicable); (b) the Debtor has inspected the Equipment, and all such testing as it deems necessary has been performed by Debtor, Supplier or the manufacturer and; (c) Debtor has found all such Equipment to be satisfactory and meets all applicable specifications and is fully operational for its intended use.

<u>Number of Units</u>	<u>Manufacturer</u>	<u>Serial Numbers</u>	<u>Model and Type of Equipment</u>
1	ARAM Aries	SP376	Seismic Processor Module w/fast download capability
4	ARAM Ariies		PC - Quad Line Interface Cards
1	ARAM Ariies		Impulse Source Software
1	ARAM Aires		Vibroseis Option.
2	Misc Test Equipment		Additional Flat Panel Display Units w/Mounting Hardware
1	ARAM Aries		Standard Installation Kit
1	Misc Test Equipment	TD276	Dual 3490 tape drive w/ mounting hardware
1	Misc Test Equipment	20235	iSYS-V12 thermal plotter w/mounting hardware
350	AMAR Aries		Remote Acquisition Module (Rams)
18	ARAM Aries		Line Tap Unit (A-LTUs)
480	ARAM Aries		Lead Acid Battery Pack
16	ARAM Aries		Lead Acid Battery Charger
700	ARAM Aries		Seismic Land-Lt Cable 300M
1400	ARAM Aries		Land Cable Back to Backs intergrated
36	ARAM Aries		Seismic Multiport Baseline Cable 280M
72	ARAM Aries		Land Baseline Cable Back to Backs Intergrated
4	ARAM Aries		Multiport Baseline Splitter Cable.
4	Misc Test Equipment		Hand held test unit w/meter and matching Geophone Adapter
4	Misc Test Equipment		Power Head w/9-volt Battery
1	ARAM Aries		Battery Discharge Station
1	International	1 HTLDTVN8EHA55043	Truck

Equipment more fully described on Schedule B to Collateral Schedule No. 001

Equipment immediately listed above is located at: 1304 Summit Ave, Suite 2, Plano, Collin County, TX 75074

**TGC Industries, Inc.**

By: /s/ Wayne Whitener  
 Name: Wayne Whitener  
 Title: President/CEO  
 Date: 10/22/04

Date \_\_\_\_\_

General Electric Capital Corporation  
16479 Dallas Parkway #300  
Addison, TX 75001-2512

Gentlemen:

You are hereby irrevocably authorized and directed to deliver and apply the proceeds of your loan to the undersigned evidenced by that Note dated 10/26/04 and secured by that Security Agreement or Chanel Mortgage dated 10/22/04, as follows:

GEO-X Systems, Ltd.	\$	2,386,149.00
GE capital Corporation Documentation Fee	\$	500.00

This authorization and direction is given pursuant to the same authority authorizing the above-mentioned borrowing.

Very truly yours,

**TGC Industries, Inc.**

By: /s/ Wayne Whitener

Name: Wayne Whitener

Title: President/CEO

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**MASTER SECURITY AGREEMENT**  
dated as of 10/22/04 ("Agreement")

**THIS AGREEMENT** is between General Electric Capital Corporation (together with its successors and assigns, if any, "Secured Party") and TGC Industries, Inc. ("Debtor"). Secured Party has an office at 16479 Dallas Parkway #300, Addison, TX 75001-2512. Debtor is a corporation organized and existing under the laws of the state of Texas ("the State"). Debtor's mailing address and chief place of business is 1304 Summit Ave, Suite 2, Plano, TX 75074.

**1. CREATION OF SECURITY INTEREST.**

Debtor grants to Secured Party, its successors and assigns, a security interest in and against all property listed on any collateral schedule now or in the future annexed to or made a part of this Agreement ("Collateral Schedule"), and in and against all additions, attachments, accessories and accessions to such property, all substitutions, replacements or exchanges therefor, and all insurance and/or other proceeds thereof (all such property is individually and collectively called the "Collateral"). This security interest is given to secure the payment and performance of all debts, obligations and liabilities of any kind whatsoever of Debtor to Secured Party, now existing or arising in the future, including but not limited to the payment and performance of certain Promissory Notes from time to time identified on any Collateral Schedule (collectively "Notes" and each a "Note"), and any renewals, extensions and modifications of such debts, obligations and liabilities (such Notes, debts, obligations and liabilities are called the "Indebtedness").

**2. REPRESENTATIONS, WARRANTIES AND COVENANTS OF DEBTOR.**

Debtor represents, warrants and covenants as of the date of this Agreement and as of the date of each Collateral Schedule that:

(a) Debtor's exact legal name is as set forth in the preamble of this Agreement and Debtor is, and will remain, duly organized, existing and in good standing under the laws of the State set forth in the preamble of this Agreement, has its chief executive offices at the location specified in the preamble, and is, and will remain, duly qualified and licensed in every jurisdiction wherever necessary to carry on its business and operations;

(b) Debtor has adequate power and capacity to enter into, and to perform its obligations under this Agreement, each Note and any other documents evidencing, or given in connection with, any of the Indebtedness (all of the foregoing are called the "Debt Documents");

(c) This Agreement and the other Debt Documents have been duly authorized, executed and delivered by Debtor and constitute legal, valid and binding agreements enforceable in accordance with their terms, except to the extent that the enforcement of remedies may be limited under applicable bankruptcy and insolvency laws;

(d) No approval, consent or withholding of objections is required from any governmental authority or instrumentality with respect to the entry into, or performance by Debtor of any of the Debt Documents, except any already obtained;

(e) The entry into, and performance by, Debtor of the Debt Documents will not (i) violate any of the organizational documents of Debtor or any judgment, order, law or regulation applicable to Debtor, or (ii) result in any breach of or constitute a default under any contract to which Debtor is a party, or result in the creation of any lien, claim or encumbrance on any of Debtor's property (except for liens in favor of Secured Party) pursuant to any indenture, mortgage, deed of trust, bank loan, credit agreement, or other agreement or instrument to which Debtor is a party;

(f) There are no suits or proceedings pending in court or before any commission, board or other administrative agency against or affecting Debtor which could, in the aggregate, have a material adverse effect on Debtor, its business or operations, or its ability to perform its obligations under the Debt Documents, nor does Debtor have reason to believe that any such suits or proceedings are threatened;

(g) All financial statements delivered to Secured Party in connection with the Indebtedness have been prepared in accordance with generally accepted accounting principles, and since the date of the most recent financial statement, there has been no material adverse change in Debtors financial condition;

(h) The Collateral is not, and will not be, used by Debtor for personal, family or household purposes;

(i) The Collateral is, and will remain, in good condition and repair and Debtor will not be negligent in its care and use;

(j) Debtor is, and will remain, the sole and lawful owner, and in possession of, the Collateral, and has the sole right and lawful authority to grant the security interest described in this Agreement;

(k) The Collateral is, and will remain, free and clear of all liens, claims and encumbrances of any kind whatsoever, except for (i) liens in favor of Secured Party, (ii) liens for taxes not yet due or for taxes being contested in good faith and which do not involve, in the judgment of Secured Party, any risk of the sale forfeiture or loss of any of the Collateral, and (iii) inchoate materialmen's, mechanic's, repairmen's and similar liens arising by operation of law in the normal course of business for amounts which are not delinquent (all of such liens are called "Permitted Liens"); and

(l) Debtor is and will remain in full compliance with all laws and regulations applicable to it including, without limitation, (i) ensuring that no person who owns a controlling interest in or otherwise controls Debtor is or shall be (Y) listed on the Specially Designated Nationals and Blocked Person List maintained by the Office of Foreign Assets Control ("OFAC"), Department of the Treasury, and/or any other similar lists maintained by OFAC pursuant to any authorizing statute, Executive Order or regulation or (Z) a person designated under Section 1 (b), (c) or (d) of Executive Order No. 13224 (September 23, 2001), any related enabling legislation or any other similar Executive Orders, and (ii) compliance with all applicable Bank Secrecy Act ("BSA") laws, regulations and government guidance on BSA compliance and on the prevention and detection of money laundering violations.

**3. COLLATERAL.**

(a) Until the declaration of any default, Debtor shall remain in possession of the Collateral; except that Secured Party shall have the right to possess (i) any chattel paper or instrument that constitutes a part of the Collateral, and (ii) any other Collateral in which Secured Party's security interest may be perfected only by possession. Secured Party may inspect any of the Collateral during normal business hours after giving Debtor reasonable prior notice. If Secured Party asks, Debtor will promptly notify Secured Party in writing of the location of any Collateral.

(b) Debtor shall (i) use the Collateral only in its trade or business, (ii) maintain all of the Collateral in good operating order and repair, normal wear and tear excepted, (iii) use and maintain the Collateral only in compliance with manufacturers recommendations and all applicable laws, and (iv) keep all of the Collateral free and clear of all liens, claims and encumbrances (except for Permitted Liens).

(c) Secured Party does not authorize and Debtor agrees it shall not (i) part with possession of any of the Collateral (except to Secured Party or for maintenance and repair), (ii) remove any of the Collateral from the continental United States, or (iii) sell, rent, lease, mortgage, license, grant a security interest in or otherwise transfer or encumber (except for Permitted Liens) any of the Collateral.

(d) Debtor shall pay promptly when due all taxes, license fees, assessments and public and private charges levied or assessed on any of the Collateral, on its use, or on this Agreement or any of the other Debt Documents. At its option, Secured Party may discharge taxes, liens, security interests or other encumbrances at any time levied or placed on the Collateral and may pay for the maintenance, insurance and preservation of the Collateral and effect compliance with the terms of this Agreement or any of the other Debt Documents. Debtor agrees to reimburse Secured Party, on demand, all costs and expenses incurred by Secured Party in connection with such payment or performance and agrees that such reimbursement obligation shall constitute Indebtedness.

(e) Debtor shall, at all times, keep accurate and complete records of the Collateral, and Secured Party shall have the right to inspect and make copies of all of Debtor's books and records relating to the Collateral during normal business hours, after giving Debtor reasonable prior notice.

(f) Debtor agrees and acknowledges that any third person who may at any time possess all or any portion of the Collateral shall be deemed to hold, and shall hold, the Collateral as the agent of, and as pledge holder for, Secured Party, Secured party may at any time give notice to any third person described in the preceding sentence that such third person is holding the Collateral as the agent of, and as pledge holder for, the Secured Party,

#### **4. INSURANCE.**

(a) Debtor shall at all times bear the entire risk of any loss, theft, damage to, or destruction of, any of the Collateral from any cause whatsoever.

(b) Debtor agrees to keep the Collateral insured against loss or damage by fire and extended coverage perils, theft, burglary, and for any or all Collateral which are vehicles, for risk of loss by collision, and if requested by Secured Party, against such other risks as Secured Party may reasonably require. The insurance coverage shall be in an amount no less than the full replacement value of the Collateral, and deductible amounts, insurers and policies shall be acceptable to Secured Party. Debtor shall deliver to Secured Party policies or certificates of insurance evidencing such coverage. Each policy shall name Secured party as a loss payee, shall provide for coverage to Secured Party regardless of the breach by Debtor of any warranty or representation made therein, shall not be subject to co-insurance, and shall provide that coverage may not be canceled or altered by the insurer except upon thirty (30) days prior written notice to Secured Party. Debtor appoints Secured Party as its attorney-in-fact to make proof of loss, claim for insurance and adjustments with insurers, and to receive payment of and execute or endorse all documents, checks or drafts in connection with insurance payments. Secured party shall not act as Debtor's attorney-in-fact unless Debtor is in default. Proceeds of insurance shall be applied, at the option of Secured Party, to repair or replace the Collateral or to reduce any of the Indebtedness.

#### **5. REPORTS.**

(a) Debtor shall promptly notify Secured Party of (i) any change in the name of Debtor, (ii) any change in the state of its incorporation, organization or registration, (iii) any relocation of its chief executive offices, (iv) any relocation of any of the Collateral, (v) any of the Collateral being lost, stolen, missing, destroyed, materially damaged or worn out, or (vi) any lien, claim or encumbrance other than Permitted Liens attaching to or being made against any of the Collateral.

(b) Debtor will deliver to Secured Party Debtor's complete financial statements, certified by a recognized firm of certified public accountants, within ninety (90) days of the close of each fiscal year of Debtor. If Secured Party requests, Debtor will deliver to Secured Party copies of Debtor's quarterly financial reports certified by Debtor's chief financial officer, within ninety (90) days after the close of each of Debtor's fiscal quarter. Debtor will deliver to Secured Party copies of all Forms 10-K and 10-Q, if any, within 30 days after the dates on which they are filed with the Securities and Exchange Commission.

#### **6. FURTHER ASSURANCES.**

(a) Debtor shall, upon request of Secured Party, furnish to Secured Party such further information, execute and deliver to Secured Party such documents and instruments (including, without limitation, Uniform Commercial Code financing statements) and shall do such other acts and things as Secured Party may at any time reasonably request relating to the perfection or protection of the security interest created by this Agreement or for the purpose of carrying out the intent of this Agreement. Without limiting the foregoing, Debtor shall cooperate and do all acts deemed necessary or advisable by Secured Party to continue in Secured Party a perfected first security interest in the Collateral, and shall obtain and furnish to Secured party any subordinations, releases, landlord waivers, lessor waivers, mortgagee waivers, or control agreements, and similar documents as may be from time to time requested by, and in form and substance satisfactory to, Secured Party.

(b) Debtor authorizes Secured Party to file a financing statement and amendments thereto describing the Collateral and containing any other information required by the applicable Uniform Commercial Code. Debtor irrevocably grants to Secured Party the power to sign Debtor's name and generally to act on behalf of Debtor to execute and file applications for title, transfers of title, financing statements, notices of lien and other documents pertaining to any or all of the Collateral; this power is coupled with Secured Party's interest in the Collateral. Debtor shall, if any certificate of title be required or permitted by law for any of the Collateral, obtain and promptly deliver to Secured Party such certificate showing the lien of this Agreement with respect to the Collateral. Debtor ratifies its prior authorization for Secured party to file financing statements and amendments thereto describing the Collateral and containing any other information required by the Uniform Commercial Code if filed prior to the date hereof.

(c) Debtor shall indemnify and defend the Secured Party, its successors and assigns, and their respective directors, officers and employees, from and against all claims, actions and suits (including, without limitation, related attorneys' fees) of any kind whatsoever arising, directly or indirectly, in connection

with any of the Collateral.

## 7. DEFAULT AND REMEDIES.

(a) Debtor shall be in default under this Agreement and each of the other Debt Documents if:

(i) Debtor breaches its obligation to pay when due any installment or other amount due or coming due under any of the Debt Documents;

(ii) Debtor, without the prior written consent of Secured Party, attempts to or does sell, rent, lease, license, mortgage, grant a security interest in, or otherwise transfer or encumber (except for Permitted Liens) any of the Collateral;

(iii) Debtor breaches any of its insurance obligations under Section 4;

(iv) Debtor breaches any of its other obligations under any of the Debt Documents and fails to cure that breach within thirty (30) days after written notice from Secured Party;

(v) Any warranty, representation or statement made by Debtor in any of the Debt Documents or otherwise in connection with any of the Indebtedness shall be false or misleading in any material respect;

(vi) Any of the Collateral is subjected to attachment, execution, levy, seizure or confiscation in any legal proceeding or otherwise, or if any legal or administrative proceeding is commenced against Debtor or any of the Collateral, which in the good faith judgment of Secured Party subjects any of the Collateral to a material risk of attachment, execution, levy, seizure or confiscation and no bond is posted or protective order obtained to negate such risk;

(vii) Debtor breaches or is in default under any other agreement between Debtor and Secured Party;

(viii) Debtor or any guarantor or other obligor for any of the Indebtedness (collectively "Guarantor") dissolves, terminates its existence, becomes insolvent or ceases to do business as a going concern;

(ix) If Debtor or any Guarantor is a natural person, Debtor or any such Guarantor dies or becomes incompetent;

(x) A receiver is appointed for all or of any part of the property of Debtor or any Guarantor, or Debtor or any Guarantor makes any assignment for the benefit of creditors;

(xi) Debtor or any Guarantor files a petition under any bankruptcy, insolvency or similar law, or any such petition is filed against Debtor or any Guarantor and is not dismissed within forty-five (45) days;

(xii) Debtor's improper filing of an amendment or termination statement relating to a filed financing statement describing the Collateral;

(xiii) Any Guarantor revokes or attempts to revoke its guaranty of any of the Indebtedness or fails to observe or perform any covenant, condition or agreement to be performed under any guaranty or other related document to which it is a party; or

(xiv) Debtor defaults under any other material obligation for (A) borrowed money, (B) the deferred purchase price of property or (C) payments due under any lease agreement.

(b) If Debtor is in default, the Secured Party, at its option, may declare any or all of the Indebtedness to be immediately due and payable, without demand or notice to Debtor or any Guarantor. The accelerated obligations and liabilities shall bear interest (both before and after any judgment) until paid in full at the lower of eighteen percent (18%) per annum or the maximum rate not prohibited by applicable law.

(c) After default, Secured Party shall have all of the rights and remedies of a Secured Party under the Uniform Commercial Code, and under any other applicable law. Without limiting the foregoing, Secured Party shall have the right to (i) notify any account debtor of Debtor or any obligor on any instrument which constitutes part of the Collateral to make payment to the Secured Party, (ii) with or without legal process, enter any premises where the Collateral may be and take possession of and remove the Collateral from the premises or store it on the premises, (iii) sell the Collateral at public or private sale, in whole or in part, and have the right to bid and purchase at said sale, or (iv) lease or otherwise dispose of all or part of the Collateral, applying proceeds from such disposition to the obligations then in default. If requested by Secured Party, Debtor shall promptly assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party which is reasonably convenient to both parties. Secured Party may also render any or all of the Collateral unusable at the Debtor's premises and may dispose of such Collateral on such premises without liability for rent or costs. Any notice that Secured Party is required to give to Debtor under the Uniform Commercial Code of the time and place of any public sale or the time after which any private sale or other intended disposition of the Collateral is to be made shall be deemed to constitute reasonable notice if such notice is given to the last known address of Debtor at least five (5) days prior to such action.

(d) Proceeds from any sale or lease or other disposition shall be applied: first, to all costs of repossession, storage, and disposition including without limitation attorneys', appraisers', and auctioneers' fees; second, to discharge the obligations then in default; third, to discharge any other Indebtedness of Debtor to Secured Party, whether as obligor, endorser, guarantor, surety or indemnitor; fourth, to expenses incurred in paying or settling liens and claims against the Collateral; and lastly, to Debtor, if there exists any surplus. Debtor shall remain fully liable for any deficiency.

(e) Debtor agrees to pay all reasonable attorneys' fees and other costs incurred by Secured Party in connection with the enforcement, assertion, defense or preservation of Secured Party's rights and remedies under this Agreement, or if prohibited by law, such lesser sum as may be permitted. Debtor further agrees that such fees and costs shall constitute Indebtedness.

(f) Secured Party's rights and remedies under this Agreement or otherwise arising are cumulative and may be exercised singularly or concurrently. Neither the failure nor any delay on the part of the Secured Party to exercise any right, power or privilege under this Agreement shall operate as a waiver, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise of that or any other right, power or privilege.

SECURED PARTY SHALL NOT BE DEEMED TO HAVE WAIVED ANY OF ITS RIGHTS UNDER THIS AGREEMENT OR UNDER ANY OTHER AGREEMENT, INSTRUMENT OR PAPER SIGNED BY DEBTOR UNLESS SUCH WAIVER IS EXPRESSED IN WRITING AND SIGNED BY SECURED PARTY. A waiver on any one occasion shall not be construed as a bar to or waiver of any right or remedy on any future occasion.

(g) DEBTOR AND SECURED PARTY UNCONDITIONALLY WAIVE THEIR RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT, ANY OF THE OTHER DEBT DOCUMENTS, ANY OF THE INDEBTEDNESS SECURED HEREBY, ANY DEALINGS BETWEEN DEBTOR AND SECURED PARTY RELATING TO THE SUBJECT MATTER OF THIS TRANSACTION OR ANY RELATED TRANSACTIONS, AND/OR THE RELATIONSHIP THAT IS BEING ESTABLISHED BETWEEN DEBTOR AND SECURED PARTY. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT. THIS WAIVER IS IRREVOCABLE. THIS WAIVER MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING. THE WAIVER ALSO SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT, ANY OTHER DEBT DOCUMENTS, OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THIS TRANSACTION OR ANY RELATED TRANSACTION. THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

8. MISCELLANEOUS.

(a) This Agreement, any Note and/or any of the other Debt Documents may be assigned, in whole or in part, by Secured Party without notice to Debtor, and Debtor agrees not to assert against any such assignee, or assignee's assigns, any defense, set-off, recoupment claim or counterclaim which Debtor has or may at any time have against Secured Party for any reason whatsoever. Debtor agrees that if Debtor receives written notice of an assignment from Secured Party, Debtor will pay all amounts payable under any assigned Debt Documents to such assignee or as instructed by Secured Party. Debtor also agrees to confirm in writing receipt of the notice of assignment as may be reasonably requested by Secured Party or assignee.

(b) All notices to be given in connection with this Agreement shall be in writing, shall be addressed to the parties at their respective addresses set forth in this Agreement (unless and until a different address may be specified in a written notice to the other party), and shall be deemed given (i) on the date of receipt if delivered in hand or by facsimile transmission, (ii) on the next business day after being sent by express mail, and (iii) on the fourth business day after being sent by regular, registered or certified mail. As used herein, the term "business day" shall mean and include any day other than Saturdays, Sundays, or other days on which commercial banks in New York, New York are required or authorized to be closed.

(c) Secured Party may correct patent errors and fill in all blanks in this Agreement or in any Collateral Schedule consistent with the agreement of the parties.

(d) Time is of the essence of this Agreement. This Agreement shall be binding, jointly and severally, upon all parties described as the "Debtor" and their respective heirs, executors, representatives, successors and assigns, and shall inure to the benefit of Secured Party, its successors and assigns.

(e) This Agreement and its Collateral Schedules constitute the entire agreement between the parties with respect to the subject matter of this Agreement and supersede all prior understandings (whether written, verbal or implied) with respect to such subject matter. THIS AGREEMENT AND ITS COLLATERAL SCHEDULES SHALL NOT BE CHANGED OR TERMINATED ORALLY OR BY COURSE OF CONDUCT, BUT ONLY BY A WRITING SIGNED BY BOTH PARTIES. Section headings contained in this Agreement have been included for convenience only, and shall not affect the construction or interpretation of this Agreement.

(f) This Agreement shall continue in full force and effect until all of the Indebtedness has been indefeasibly paid in full to Secured Party or its assignee. The surrender, upon payment or otherwise, of any Note or any of the other documents evidencing any of the Indebtedness shall not affect the right of Secured Party to retain the Collateral for such other Indebtedness as may then exist or as it may be reasonably contemplated will exist in the future. This Agreement shall automatically be reinstated if Secured Party is ever required to return or restore the payment of all or any portion of the Indebtedness (all as though such payment had never been made).

(g) THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL IN ALL RESPECTS BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF CONNECTICUT (WITHOUT REGARD TO THE CONFLICT OF LAWS PRINCIPLES OF SUCH STATE), INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, REGARDLESS OF THE LOCATION OF THE COLLATERAL.

**IN WITNESS WHEREOF**, Debtor and Secured Party, intending to be legally bound hereby, have duly executed this Agreement in one or more counterparts, each of which shall be deemed to be an original, as of the day and year first aforesaid.

SECURED PARTY:

**General Electric Capital Corporation**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

DEBTOR:

**TGC Industries, Inc.**

By: /s/ Wayne Whitener

Name: Wayne Whitener

Title: President/CEO

**PROMISSORY NOTE**

6/8/05

Date

FOR VALUE RECEIVED, TGC Industries, Inc. a corporational located at the stated below ("Maker") promises, jointly and severally if more than one, to pay to the order of General Electric Capital Corporation or any subsequent holder hereof (each, a "Payee") at its office located at 16479 Dallas Parkway # 308, Addison, TX 75091-2512 or at such other place as Payee or the holder hereof may designate, the principal sum of Three million three hundred sixty six thousand two hundred and fifty three and 64/169 Dollars (\$3,366,253.04), with interest on the unpaid principal balance, from the date hereof through and including the dates of payment, at a fixed per annum simple interest rate of 725/100 WAW percent (7.25%).

Subject to the other provisions hereof, the principal on this Note is payable in lawful money of the United States in Thirty six (36) consecutive monthly installments as follows:

<u>Periodic Installment</u>	<u>Amount</u>
35	[ILLEGIBLE] \$ 93,507.03

each ("Periodic Installment") and a final installment which shall be in the amount of the total outstanding unpaid principal. The first Periodic Installment shall be due and payable on 7/8/05 and the following Periodic Installments and the final installment shall be due and payable on the same day of each succeeding period (each, a "Payment Date"). In addition to the payments of principal provided above, accrued interest shall be payable on the Payment Date.

All payments shall be supplied first to interest and then to principal. Each payment may, at the option of the Payee, be calculated and applied on an assumption that such payment would be made on its due date. The acceptance by Payee of any payment which is less than payment in full of all amounts due and owing as such time shall not continue a waiver of Payee's right to receive payment in full at such time or at any prior or subsequent time. Interest shall be calculated on the basis of a 365 day year (366 day leap year).

The Maker hereby expressly authorizes the Payee to insert the date value is actually given in the blank space on the face hereof and on all related documents pertaining hereto.

This Note may be secured by a security agreement, chattel mortgage, pledge agreement or like instrument (each of which is hereinafter called a "Security Agreement").

Time is of the essence hereof. If any installment or any other sum due under this Note or any Security Agreement is not received within ten (10) days after its due date, the Maker agrees to pay, in addition to the amount of each such installment or other sum, a late payment charge of five percent (5%) of the amount of said installment or other sum, but not exceeding any lawful maximum. If (i) Maker fails to make payment of any amount due hereunder within ten (10) days after the same becomes due and payable; or (ii) Maker is in default under, or fails to perform under any term or condition contained in any Security Agreement, then the entire principal sum remaining unpaid, together with all accrued interest thereon and any other sum payable under this Note or any Security Agreement, as the election of Payee, shall immediately become due and payable, with interest thereon at the lesser of eighteen percent (18%) per annum or the highest rate not prohibited by applicable law from the date of such accelerated maturity until paid (both before and after any judgment).

The Maker may prepay in full, but not in part, its entire indebtedness hereunder upon payment of the entire indebtedness plus an additional sum as a premium equal to the following percentages of the original principal balance for the indicated period:

Prior to the first annual anniversary date of this Note: (Three percentage (3%) and zero percent (0%) thereafter, plus all other sums due hereunder or under any Security Agreement.

It is the intention of the parties herein to comply with the applicable usury laws; accordingly, it is agreed that, notwithstanding any provision to the contrary in this Note or any Security Agreement, in no event shall this Note or any Security Agreement require the payment or permit the collection of interest in excess of the maximum amount permitted by applicable law. If any such excess interest is contracted for, charged or received under this Note or any Security Agreement, or if all of the principal balance shall be prepaid, so that under any of such circumstances the amount of interest contracted for, charged or received under this Note or any Security Agreement, on the principal balance shall exceed the maximum amount of interest permitted by applicable law, then in such event (a) the provisions of this paragraph shall govern and control, (b) neither Maker nor any other person or entity now or hereafter liable for the payment hereof shall be obligated to pay the amount of such interest to the extent that it is in excess of the maximum amount of interest permitted by applicable law, (c) any such excess which may have been collected shall be either applied as a credit against the then unpaid principal balance or refunded to Maker, at the option of the Payee, and (d) the effective rate of interest shall be automatically reduced to the maximum lawful contract rate allowed under applicable law as now or hereafter construed by the courts having jurisdiction thereof. It is further agreed that without limitation of the foregoing, all calculations of the rate of interest contracted for, charged or received under this Note or any Security Agreement which are made for the purpose of determining whether such rate exceeds the maximum lawful contract rate, shall be made, to the extent permitted by applicable law, by amortizing, prorating, allocating and spreading in equal parts during the period of the full stated term of the indebtedness evidenced hereby, all interest of any time contracted for, charged or received from Maker or otherwise by Payee in connection with such indebtedness; provided, however, that if any applicable state law is amended or the law of the United States of America preempts any applicable state law, so that it becomes lawful for the Payee to receive a greater interest per annum rate than is presently allowed, the Maker agrees that, on the effective date of such amendment or preemption, as the case may be, the lawful maximum hereunder shall be increased to the maximum interest per annum rate allowed by the amended state law or the law of the United States of America.

The Maker and all sureties, endorsers, guarantors or any others (each such person, other than the Maker, an "Obligor") who may at any time become liable for the payment hereof jointly and severally consent hereby to any and all extensions of time, renewals, waivers or modifications of, and all substitutions or releases of, security or of any party primarily or secondarily liable on this Note or any Security Agreement or any term and provision of either, which may be made, granted or consented to by Payee, and agree that suit may be brought and maintained against any one or more of them, at the election of Payee without joinder of

any other as a party thereto, and that Payee shall not be required first to foreclose, proceed against or exhaust any security hereof in order to enforce payment of this Note. The Maker and each Obligor hereby waives presentment, deemed for payment, notice of nonpayment, protest, notice of protest, notice of dishonor, and all other notices in connection herewith, as well as filing of suit (if permitted by law) and diligence in collecting this Note or enforcing any of



the security hereof, and agrees to pay (if permitted by law) all expenses incurred in collection, including Payee's actual attorneys' fees. Maker and each Obligor agrees that fees not in excess of twenty percent (20%) of the amount then due shall be deemed reasonable.

THE MAKER HEREBY UNCONDITIONALLY WAIVES ITS RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF, DIRECTLY OR INDIRECTLY. THIS NOTE, ANY OF THE RELATED DOCUMENTS, ANY DEALINGS BETWEEN MAKER AND PAYEE RELATING TO THE SUBJECT MATTER OF THIS TRANSACTION OR ANY RELATED TRANSACTIONS, AND/OR THE RELATIONSHIP THAT IS BEING ESTABLISHED BETWEEN MAKER AND PAYEE. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL INCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT (INCLUDING, WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS.) THIS WAIVER IS IRREVOCABLE MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THE WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS NOTE, ANY RELATED DOCUMENTS, OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THIS TRANSACTION OR ANY RELATED TRANSACTION. IN THE EVENT OF LITIGATION, THIS NOTE MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

This Note and other Debt Documents constitute the entire agreements of the Maker and Payee with respect to the subject matter hereof and supercedes all prior understandings, agreements and representations, express or implied.

No variation or modification of this Note, or any waiver of any of its provisions or conditions, shall be valid unless in writing and signed by an authorized representative of Maker and Payee. Any such waiver, consent modification or change shall be effective only in the specific instance and for the specific purpose given.

Any provision in this Note or any of the other Debt Documents which is in conflict with any statute, law or applicable rule shall be deemed omitted, modified or altered to conform thereto.

**TGC Industries, Inc.**

By: /s/ Wayne Whitener

Name: Wayne Whitener

Title: President / CEO

Federal Tax ID #:

742095844

Address:

1304 Summit Ave Suite 2, Plano, Collin County, TX 75074

(Witness)

(Print name)

Address

**LOAN3009**

**COLLATERAL SCHEDULE NO. 002**

THIS COLLATERAL SCHEDULE NO. 002 is annexed to and made a part of that certain Master Security Agreement dated as of October 22, 2004 between General Electric Capital Corporation, together with its successors and assigns, if any, as Secured Party and TGC Industries, Inc. as Debtor and describes collateral in which Debtor has granted Secured Party a security interest in connection with the Indebtedness (as defined in the Security Agreement) including without limitation that certain Promissory Note dated 6.8.05 in the original principal amount of \$3,366,253.04.

Quantity	Manufacturer	Serial Number	Year/Model and Type of Equipment
1	Aram Aries	SPM 381	Seismic Processor Module with fast download capability, more fully described on the attached Exhibit A pages 1-13
4	Aram Aries		PC-Quad Line Interface Cards, more fully described on the attached Exhibit A pages 1-13
1	Aram Aries		Impulse source software, more fully described on the attached Exhibit A pages 1-13
1	Aram Aries		Vibroseis Option, more fully described on the attached Exhibit A pages 1-13
1	Aram Aries	48008522YA	Additional Flat panel Display Units with Mounting Hardware, more fully described on the attached Exhibit A pages 1-13
1	Aram Aries		Standard Installation Kit, more fully described on the attached Exhibit A pages 1-13
1	Misc Test Equip	TD 289	Dual 3490 tape drive with mounting hardware, more fully described on the attached Exhibit A pages 1-13
1	Misc Test Equip	20267	ISYS-V12 Thermal plotter with mounting hardware, more fully described on the attached Exhibit A pages 1-13
1	Aram Aries		Remote acquisition module (RAMs) used, more fully described on the attached Exhibit A pages 1-13
1	Aram Aries		Line tap unit (A-LTUs) used, more fully described on the attached Exhibit A pages 1-13
1	Aram Aries	81	Lead acid battery discharge station, more fully described on the attached Exhibit A pages 1-13
1	Aram Aries		Lead acid battery charger, more fully described on the attached Exhibit A pages 1-13
1	Aram Aries		Seismic Land Cable 4 x 75 M, more fully described on the attached Exhibit A pages 1-13
1	Aram Aries		Land Cable back to backs, more fully described on the attached Exhibit

1	Aram Aries	A pages 1-13 Seismic Multiport baseline cable 280M used, more fully described on the attached Exhibit A pages 1-13
1	Misc Test Equip	Hand held test unit with meter and matching geophone adapter, more fully described on the attached Exhibit A pages 1-13
1	Misc Test Equip	Power head with 9 volt battery, more fully described on the attached Exhibit A pages 1-13
1	Misc Test Equip	Shipping crates, more fully described on the attached Exhibit A pages 1-13
1	Aram Aries	Land Baseline cable back to backs integrated, more fully described on the attached Exhibit A pages 1-13
1	Aram Aries	Multiport Baseline splitter cable used, more fully described on the attached Exhibit A pages 1-13

SECURED PARTY:

General Electric Capital Corporation

By: /s/ W. Scott Cummins

Name: W. SCOTT CUMMINS  
 Title: RISK ANALYST  
 Date: 6-8-05

DEBTOR:

TGC Industries, Inc.

By: /s/ Wayne Whitener

Name: Wayne Whitener  
 Title: President / CEO  
 Date: 6-8-05

**\*LOAN3006\***

**ANNEX A  
 TO  
 COLLATERAL SCHEDULE NO. 002  
 TO MASTER SECURITY AGREEMENT  
 DATED AS OF October 22, 2004**

**CERTIFICATE OF DELIVERY/INSTALLATION**

To : General Electric Capital Corporation (together with its successors and assigns, if any, "Secured Party")

Pursuant to the provisions of the above Collateral Schedule to the above Master Security Agreement and the related Promissory Note (collectively, the "Loan"), the undersigned ("Debtor") hereby certifies and warrants that (a) all Equipment listed below has been delivered and installed (if applicable); (b) the Debtor has inspected the Equipment, and all such testing as it deems necessary has been performed by Debtor, Supplier or the manufacturer; (c) Debtor has found all such Equipment to be satisfactory and meets all applicable specifications and is fully operational for its intended use; and (d) the Equipment was first delivered to Debtor on 6/8/05 and copies of the Bill(s) of Lading or other documentation acceptable to Secured Party which show the date of delivery are attached hereto.

<u>Number of Units</u>	<u>Manufacturer</u>	<u>Serial Numbers</u>	<u>Model and Type of Equipment</u>
1	Aram Aries	SPM 381	Seismic Processor Module with fast download capability, more fully described on the attached Exhibit A pages 1-13
4	Aram Aries		PC - Quad Line Interface Cards, more fully described on the attached Exhibit A pages 1-13
1	Aram Aries		Impulse source software, more fully described on the attached Exhibit A pages 1-13
1	Aram Aries		Vibroseis Option, more fully described on the attached Exhibit A pages 1-13
1	Aram Aries	48008522YA	Additional Flat Panel Display Units with Mounting Hardware, more fully described on the attached Exhibit A pages 1-13
1	Aram Aries		Standard Installation Kit, more fully described on the attached Exhibit A pages 1-13
1	Misc Test Equip	TD 289	Dual 3490 tape drive with mounting hardware, more fully described on the attached Exhibit A pages 1-13
1	Misc Test Equip	20267	ISYS-V12 Thermal plotter with mounting hardware, more fully described on the attached Exhibit A pages 1-13
1	Aram Aries		Remote acquisition module (RAMs) used, more fully described on the attached Exhibit A pages 1-13
1	Aram Aries		Line tap unit (A-LTUs) used, more fully described on

1	Aram Aries	81	the attached Exhibit A pages 1-13
1	Aram Aries		Lead acid battery discharge station, more fully described on the attached Exhibit A pages 1-13
1	Aram Aries		Lead acid battery charger, more fully described on the attached Exhibit A pages 1-13
1	Aram Aries		Seismic Land Cable 4x75M, more fully described on the attached Exhibit A pages 1-13
1	Aram Aries		Land Cable back to backs, more fully described on the attached Exhibit A pages 1-13
1	Aram Aries		Seismic Multiport baseline cable 280M used, more fully described on the attached Exhibit A pages 1-13

1	Misc Test Equip		Hand held test unit with meter and matching geophone adapter, more fully described on the attached Exhibit A pages 1-13
1	Misc Test Equip		Power head with 9 volt battery, more fully described on the attached Exhibit A pages 1-13
1	Misc Test Equip		Shipping crates, more fully described on the attached Exhibit A pages 1-13
1	Aram Aries		Land Baseline cable back to backs integrated, more fully described on the attached Exhibit A pages 1-13
1	Aram Aries		Multiport Baseline splitter cable used, more fully described on the attached Exhibit A pages 1-13

Equipment immediately listed above is located at: 1304 Summit Ave, Suite 2, Plano, Collin County, TX 75074

**TGC Industries, Inc.**

By: /s/ Wayne Whitener  
Name: WAYNE WHITENER  
Title: President / CEO  
Date: 6-8-05

Exhibit A

**TGC Industries Inc.**  
**ARAM ARIES SEISMIC RECORDING SYSTEM - Serial Numbers**  
**Exhibit "A"**

Discription	Serial Number	Qty
ARAM ARIES Seismic Processor Module	SPM 381	1
ARAM ARIES PC - Quad Line Interface Cards	No Serial Numbers	4
ARAM ARIES Impulse source software	No Serial Numbers	1
Annual software license & upgrades	No Serial Numbers	1
ARAM ARIES Vibroseis Option	No Serial Numbers	1
Additional Flat Panel Display Units with Mounting Hardware	48008522YA	1
Additional Flat Panel Display Units with Mounting Hardware	48008516YA	1
Additional Flat Panel Display Units with Mounting Hardware	48008497YA	1
Exchange Portable Cases for Zero Clearance Rack	No Serial Numbers	1
ARAM ARIES Standard Installation Kit	No Serial Numbers	1
Dual 3490 tape drive with mounting hardware	TD 289	1
1SYS-V12 thermal plotter with Mounting Hardware	20267	1
ARAM ARIES Remote Acquisition Module (RAMs) Used	See RAM Serial List	500
ARAM ARIES Line Tap Unit (A-LTUs) Used	See TAP Serial List	36
ARAM ARIES Lead Acid Battery Discharge Station	81	1
ARAM ARIES Lead Acid Battery Charger	See CHARGER Serial List	26
ARAM ARIES Seismic Land-Lt Cable 300M Used	SN Provided By Steward Cable	1000
ARAM ARIES Land Cable Back to Backs Integrated	No Serial Numbers	2000
ARAM ARIES Seismic Multiport Baseline Cable 280M Used	See BASELINE Serial List	72
ARAM ARIES Land Baseline Cable Back to Backs integrated	No Serial Numbers	144
ARAM ARIES Multiport Baseline Splitter Cable Used	See SPLITTER Serial List	6
Hand held test unit with meter and matching geophone adapter	78	1
Hand held test unit with meter and matching geophone adapter	99	1
Hand held test unit with meter arid matching geophone adapter	109	1
Hand held test unit with meter and matching geophone adapter	110	1
Hand held test unit with meter and matching geophone adapter	112	1
Power Head with 9 volt battery	No Serial Numbers	5
Shipping Crates	No Serial Numbers	NA

**Part Of Central Recording Unit Not Specifically Listed On Invoice**

UPS Power Supply Module	PS 103	1
ARAM ARIES proprietary Interface cards and cables	No Serial Numbers	NA
ARAM ARIES Interface to thermal plotter	No Serial Numbers	1
Keyboard and mouse	No Serial Numbers	1 Ea

Mirrored high capacity hard disc drive	No Serial Numbers	1
CD ROM Drive	No Serial Numbers	1
Lightning Protector	228	1
5M Lightning Protection Cable	007256-020	1
5M Lightning Protection Cable	007256-024	1
5M Lightning Protection Cable	007256-025	1
5 Port Ethernet Switch	4CC0401015	1

**TGC Industries Inc.  
Serial Numbers**

**500 - ARAM ARIES Remote Acquisition Module (RAMs) Used**

Serial	Serial	Serial	Serial	Serial	Serial	Serial	Serial	Serial	Serial
24172	22975	22971	24307	24307	22161	21917	23792	24030	24236
24207	21698	22848	22891	22891	24491	22027	23796	24033	24240
23625	22703	24214	24195	24195	23896	22269	23797	24035	24246
23809	22950	22294	23838	23838	24319	22284	23799	24036	24252
23756	24099	23426	24311	24311	22446	22288	23802	24039	24270
24278	23965	24031	23057	23057	23039	22315	23822	24045	24273
21624	24006	21706	22709	22709	24729	22319	23889	24048	24279
24184	21600	24055	23235	23235	23830	22528	23896	24051	24284
24254	24166	24088	23875	23875	22467	22588	23899	24052	24293
24165	23526	21632	23035	23035	22985	22729	23900	24054	24299
23719	21740	24297	23361	23361	23337	22743	23901	24056	22885
22578	24082	24237	23689	23689	24595	22764	23903	24062	22785
24000	23975	23905	24832	24832	23081	22779	23911	24063	22947
23987	22721	24238	22832	22832	23320	22805	23915	24065	22772
24127	21695	22965	23384	23384	23283	22834	23917	24067	22888
21685	22742	24128	23807	23807	24343	22840	23925	24068	22741
21440	22833	24162	23071	23071	24747	22851	23929	24069	22564
24283	22704	22301	22938	22938	22890	22870	23930	24071	23979
24132	23970	22282	22578	22578	23195	22888	23931	24072	22850
23882	22824	24189	22225	22225	23840	22907	23833	24073	22951
24249	24298	24122	24718	24718	23179	22912	23936	24076	23073
23793	20399	21742	24365	24365	24352	22946	23938	24079	23025
23986	22705	23092	24355	24355	24370	23000	23941	24087	23806
24289	22485	23119	23229	23229	22566	23031	23842	24098	23833
22803	22597	24041	22661	22561	23492	23032	23944	24101	22739
23795	22372	24243	24304	24304	16683	23050	23946	24106	24156
24158	23096	23886	24665	24565	17462	23108	23947	24114	23125
21494	23973	23907	23264	23264	21310	23178	23949	24119	22764
24215	23117	22747	22313	22313	21317	23203	23950	24124	22878
22812	22308	19648	24470	24470	21342	23255	23951	24125	22799
24155	23042	21583	24733	24733	21583	23277	23952	24131	22343
23894	24178	24216	24781	24781	21672	23278	23954	24133	22245
23676	23002	24275	21612	21612	21605	23282	23957	24134	23114
24094	22822	22925	22785	22765	21610	23304	23958	24138	22949
24245	23084	24029	23992	23992	21621	23312	23959	24139	22944
24135	23045	22314	22798	22798	21623	23321	23961	24141	23734
23522	24183	22702	24044	24044	21635	23324	23962	24142	23834
23976	23074	22919	22981	22981	21636	23507	23971	24143	22963
24181	21611	22740	23912	23912	21644	23511	23977	24153	23027
24080	24123	23916	21656	21656	21647	23524	23978	24154	22540
23999	24292	22636	22505	22505	21650	23599	23984	24170	22865
23873	23958	22883	22945	22945	21854	23807	23985	24179	22831
23744	22288	23741	23807	23897	21657	23713	23988	24180	22396
23463	23011	22988	22922	22922	21674	23724	23990	24194	22926
24161	22923	24028	22906	22906	21675	23733	23993	24203	22837
23714	23876	22286	22726	22726	21683	23768	23994	24211	22863
23887	24168	23053	22531	22531	21685	23774	24012	24212	22753
21533	23928	23061	23784	23784	21699	23780	24018	24222	22836
23909	24197	21729	24449	24449	21725	23788	24019	24229	22808
23254	24258	21904	22793	22793	21899	23769	24023	24230	23040

**36 - ARAM ARIES Line Tap Unit (A-LTUs) Used**

Number	Serial
1	13001
2	13016

3	13024
4	13026
5	13032
6	13044
7	13058
8	13061
9	13077
10	13078
11	13087
12	13095
13	13098
14	13100
15	13130
16	13145
17	12765
18	13011
19	13017
20	13022
21	13027
22	13054
23	13058
24	13064
25	13086
26	13103
27	13104
28	13105
29	13109
30	13112
31	13117
32	13118
33	13121
34	13126
35	13129
36	13132

**26 - ARAM ARIES Lead Acid Battery Charger**

Number	Serial
1	98
2	110
3	143
4	147
5	169
6	170
7	176
8	177
9	180
10	181
11	184
12	185
13	186
14	188
15	189
16	191
17	193
18	194
19	195
20	197
21	198
22	199
23	182
24	187
25	190
26	192

SN# CA-100-300M- 001  
 SN# CA-100-300M- 002  
 SN# CA-100-300M- 003

SN# CA-100-300M- 051  
 SN# CA-100-300M- 052  
 SN# CA-100-300M- 053

SN# CA-100-300M- 101  
 SN# CA-100-300M- 102  
 SN# CA-100-300M- 103





SN# CA-100-300M- 342	SN# CA-100-300M- 392	SN# CA-100-300M- 442
SN# CA-100-300M- 343	SN# CA-100-300M- 393	SN# CA-100-300M- 443
SN# CA-100-300M- 344	SN# CA-100-300M- 394	SN# CA-100-300M- 444
SN# CA-100-300M- 345	SN# CA-100-300M- 395	SN# CA-100-300M- 445
SN# CA-100-300M- 346	SN# CA-100-300M- 396	SN# CA-100-300M- 446
SN# CA-100-300M- 347	SN# CA-100-300M- 397	SN# CA-100-300M- 447
SN# CA-100-300M- 348	SN# CA-100-300M- 398	SN# CA-100-300M- 448
SN# CA-100-300M- 349	SN# CA-100-300M- 399	SN# CA-100-300M- 449
SN# CA-100-300M- 350	SN# CA-100-300M- 400	SN# CA-100-300M- 450
SN# CA-100-300M- 451	SN# CA-100-300M- 501	SN# CA-100-300M- 551
SN# CA-100-300M- 452	SN# CA-100-300M- 502	SN# CA-100-300M- 552
SN# CA-100-300M- 453	SN# CA-100-300M- 503	SN# CA-100-300M- 553

Tidelands Geophysical 3

SN# CA-100-300M- 454	SN# CA-100-300M- 504	SN# CA-100-300M- 554
SN# CA-100-300M- 455	SN# CA-100-300M- 505	SN# CA-100-300M- 555
SN# CA-100-300M- 456	SN# CA-100-300M- 506	SN# CA-100-300M- 556
SN# CA-100-300M- 457	SN# CA-100-300M- 507	SN# CA-100-300M- 557
SN# CA-100-300M- 458	SN# CA-100-300M- 508	SN# CA-100-300M- 558
SN# CA-100-300M- 459	SN# CA-100-300M- 509	SN# CA-100-300M- 559
SN# CA-100-300M- 460	SN# CA-100-300M- 510	SN# CA-100-300M- 560
SN# CA-100-300M- 461	SN# CA-100-300M- 511	SN# CA-100-300M- 561
SN# CA-100-300M- 462	SN# CA-100-300M- 512	SN# CA-100-300M- 562
SN# CA-100-300M- 463	SN# CA-100-300M- 513	SN# CA-100-300M- 563
SN# CA-100-300M- 464	SN# CA-100-300M- 514	SN# CA-100-300M- 564
SN# CA-100-300M- 465	SN# CA-100-300M- 515	SN# CA-100-300M- 565
SN# CA-100-300M- 466	SN# CA-100-300M- 516	SN# CA-100-300M- 566
SN# CA-100-300M- 467	SN# CA-100-300M- 517	SN# CA-100-300M- 567
SN# CA-100-300M- 468	SN# CA-100-300M- 518	SN# CA-100-300M- 568
SN# CA-100-300M- 469	SN# CA-100-300M- 519	SN# CA-100-300M- 569
SN# CA-100-300M- 470	SN# CA-100-300M- 520	SN# CA-100-300M- 570
SN# CA-100-300M- 471	SN# CA-100-300M- 521	SN# CA-100-300M- 571
SN# CA-100-300M- 472	SN# CA-100-300M- 522	SN# CA-100-300M- 572
SN# CA-100-300M- 473	SN# CA-100-300M- 523	SN# CA-100-300M- 573
SN# CA-100-300M- 474	SN# CA-100-300M- 524	SN# CA-100-300M- 574
SN# CA-100-300M- 475	SN# CA-100-300M- 525	SN# CA-100-300M- 575
SN# CA-100-300M- 476	SN# CA-100-300M- 526	SN# CA-100-300M- 576
SN# CA-100-300M- 477	SN# CA-100-300M- 527	SN# CA-100-300M- 577
SN# CA-100-300M- 478	SN# CA-100-300M- 528	SN# CA-100-300M- 578
SN# CA-100-300M- 479	SN# CA-100-300M- 529	SN# CA-100-300M- 579
SN# CA-100-300M- 480	SN# CA-100-300M- 530	SN# CA-100-300M- 580
SN# CA-100-300M- 481	SN# CA-100-300M- 531	SN# CA-100-300M- 581
SN# CA-100-300M- 482	SN# CA-100-300M- 532	SN# CA-100-300M- 582
SN# CA-100-300M- 483	SN# CA-100-300M- 533	SN# CA-100-300M- 583
SN# CA-100-300M- 484	SN# CA-100-300M- 534	SN# CA-100-300M- 584
SN# CA-100-300M- 485	SN# CA-100-300M- 535	SN# CA-100-300M- 585
SN# CA-100-300M- 486	SN# CA-100-300M- 536	SN# CA-100-300M- 586
SN# CA-100-300M- 487	SN# CA-100-300M- 537	SN# CA-100-300M- 587
SN# CA-100-300M- 488	SN# CA-100-300M- 538	SN# CA-100-300M- 588
SN# CA-100-300M- 489	SN# CA-100-300M- 539	SN# CA-100-300M- 589
SN# CA-100-300M- 490	SN# CA-100-300M- 540	SN# CA-100-300M- 590
SN# CA-100-300M- 491	SN# CA-100-300M- 541	SN# CA-100-300M- 591
SN# CA-100-300M- 492	SN# CA-100-300M- 542	SN# CA-100-300M- 592
SN# CA-100-300M- 493	SN# CA-100-300M- 543	SN# CA-100-300M- 593
SN# CA-100-300M- 494	SN# CA-100-300M- 544	SN# CA-100-300M- 594
SN# CA-100-300M- 495	SN# CA-100-300M- 545	SN# CA-100-300M- 595
SN# CA-100-300M- 496	SN# CA-100-300M- 546	SN# CA-100-300M- 596
SN# CA-100-300M- 497	SN# CA-100-300M- 547	SN# CA-100-300M- 597
SN# CA-100-300M- 498	SN# CA-100-300M- 548	SN# CA-100-300M- 598
SN# CA-100-300M- 499	SN# CA-100-300M- 549	SN# CA-100-300M- 599
SN# CA-100-300M- 500	SN# CA-100-300M- 550	SN# CA-100-300M- 600
SN# CA-100-300M- 601	SN# CA-100-300M- 651	SN# CA-100-300M- 701
SN# CA-100-300M- 602	SN# CA-100-300M- 652	SN# CA-100-300M- 702
SN# CA-100-300M- 603	SN# CA-100-300M- 653	SN# CA-100-300M- 703
SN# CA-100-300M- 604	SN# CA-100-300M- 654	SN# CA-100-300M- 704

Tidelands Geophysical 4



SN# CA-100-300M- 605	SN# CA-100-300M- 655	SN# CA-100-300M- 705
SN# CA-100-300M- 606	SN# CA-100-300M- 656	SN# CA-100-300M- 706
SN# CA-100-300M- 607	SN# CA-100-300M- 657	SN# CA-100-300M- 707
SN# CA-100-300M- 608	SN# CA-100-300M- 658	SN# CA-100-300M- 708
SN# CA-100-300M- 609	SN# CA-100-300M- 659	SN# CA-100-300M- 709
SN# CA-100-300M- 610	SN# CA-100-300M- 660	SN# CA-100-300M- 710
SN# CA-100-300M- 611	SN# CA-100-300M- 661	SN# CA-100-300M- 711
SN# CA-100-300M- 612	SN# CA-100-300M- 662	SN# CA-100-300M- 712
SN# CA-100-300M- 613	SN# CA-100-300M- 663	SN# CA-100-300M- 713
SN# CA-100-300M- 614	SN# CA-100-300M- 664	SN# CA-100-300M- 714
SN# CA-100-300M- 615	SN# CA-100-300M- 665	SN# CA-100-300M- 715
SN# CA-100-300M- 616	SN# CA-100-300M- 666	SN# CA-100-300M- 716
SN# CA-100-300M- 617	SN# CA-100-300M- 667	SN# CA-100-300M- 717
SN# CA-100-300M- 618	SN# CA-100-300M- 668	SN# CA-100-300M- 718
SN# CA-100-300M- 619	SN# CA-100-300M- 669	SN# CA-100-300M- 719
SN# CA-100-300M- 620	SN# CA-100-300M- 670	SN# CA-100-300M- 720
SN# CA-100-300M- 621	SN# CA-100-300M- 671	SN# CA-100-300M- 721
SN# CA-100-300M- 622	SN# CA-100-300M- 672	SN# CA-100-300M- 722
SN# CA-100-300M- 623	SN# CA-100-300M- 673	SN# CA-100-300M- 723
SN# CA-100-300M- 624	SN# CA-100-300M- 674	SN# CA-100-300M- 724
SN# CA-100-300M- 625	SN# CA-100-300M- 675	SN# CA-100-300M- 725
SN# CA-100-300M- 626	SN# CA-100-300M- 676	SN# CA-100-300M- 726
SN# CA-100-300M- 627	SN# CA-100-300M- 677	SN# CA-100-300M- 727
SN# CA-100-300M- 628	SN# CA-100-300M- 678	SN# CA-100-300M- 728
SN# CA-100-300M- 629	SN# CA-100-300M- 679	SN# CA-100-300M- 729
SN# CA-100-300M- 630	SN# CA-100-300M- 680	SN# CA-100-300M- 730
SN# CA-100-300M- 631	SN# CA-100-300M- 681	SN# CA-100-300M- 731
SN# CA-100-300M- 632	SN# CA-100-300M- 682	SN# CA-100-300M- 732
SN# CA-100-300M- 633	SN# CA-100-300M- 683	SN# CA-100-300M- 733
SN# CA-100-300M- 634	SN# CA-100-300M- 684	SN# CA-100-300M- 734
SN# CA-100-300M- 635	SN# CA-100-300M- 685	SN# CA-100-300M- 735
SN# CA-100-300M- 636	SN# CA-100-300M- 686	SN# CA-100-300M- 736
SN# CA-100-300M- 637	SN# CA-100-300M- 687	SN# CA-100-300M- 737
SN# CA-100-300M- 638	SN# CA-100-300M- 688	SN# CA-100-300M- 738
SN# CA-100-300M- 639	SN# CA-100-300M- 689	SN# CA-100-300M- 739
SN# CA-100-300M- 640	SN# CA-100-300M- 690	SN# CA-100-300M- 740
SN# CA-100-300M- 641	SN# CA-100-300M- 691	SN# CA-100-300M- 741
SN# CA-100-300M- 642	SN# CA-100-300M- 692	SN# CA-100-300M- 742
SN# CA-100-300M- 643	SN# CA-100-300M- 693	SN# CA-100-300M- 743
SN# CA-100-300M- 644	SN# CA-100-300M- 694	SN# CA-100-300M- 744
SN# CA-100-300M- 645	SN# CA-100-300M- 695	SN# CA-100-300M- 745
SN# CA-100-300M- 646	SN# CA-100-300M- 696	SN# CA-100-300M- 746
SN# CA-100-300M- 647	SN# CA-100-300M- 697	SN# CA-100-300M- 747
SN# CA-100-300M- 648	SN# CA-100-300M- 698	SN# CA-100-300M- 748
SN# CA-100-300M- 649	SN# CA-100-300M- 699	SN# CA-100-300M- 749
SN# CA-100-300M- 650	SN# CA-100-300M- 700	SN# CA-100-300M- 750
SN# CA-100-300M- 751	SN# CA-100-300M- 801	SN# CA-100-300M- 851
SN# CA-100-300M- 752	SN# CA-100-300M- 802	SN# CA-100-300M- 852
SN# CA-100-300M- 753	SN# CA-100-300M- 803	SN# CA-100-300M- 853
SN# CA-100-300M- 754	SN# CA-100-300M- 804	SN# CA-100-300M- 854
SN# CA-100-300M- 755	SN# CA-100-300M- 805	SN# CA-100-300M- 855

SN# CA-100-300M- 756	SN# CA-100-300M- 806	SN# CA-100-300M- 856
SN# CA-100-300M- 757	SN# CA-100-300M- 807	SN# CA-100-300M- 857
SN# CA-100-300M- 758	SN# CA-100-300M- 808	SN# CA-100-300M- 858
SN# CA-100-300M- 759	SN# CA-100-300M- 809	SN# CA-100-300M- 859
SN# CA-100-300M- 760	SN# CA-100-300M- 810	SN# CA-100-300M- 860
SN# CA-100-300M- 761	SN# CA-100-300M- 811	SN# CA-100-300M- 861
SN# CA-100-300M- 762	SN# CA-100-300M- 812	SN# CA-100-300M- 862
SN# CA-100-300M- 763	SN# CA-100-300M- 813	SN# CA-100-300M- 863
SN# CA-100-300M- 764	SN# CA-100-300M- 814	SN# CA-100-300M- 864
SN# CA-100-300M- 765	SN# CA-100-300M- 815	SN# CA-100-300M- 865
SN# CA-100-300M- 766	SN# CA-100-300M- 816	SN# CA-100-300M- 866
SN# CA-100-300M- 767	SN# CA-100-300M- 817	SN# CA-100-300M- 867
SN# CA-100-300M- 768	SN# CA-100-300M- 818	SN# CA-100-300M- 868
SN# CA-100-300M- 769	SN# CA-100-300M- 819	SN# CA-100-300M- 869
SN# CA-100-300M- 770	SN# CA-100-300M- 820	SN# CA-100-300M- 870

SN# CA-100-300M- 771	SN# CA-100-300M- 821	SN# CA-100-300M- 871
SN# CA-100-300M- 772	SN# CA-100-300M- 822	SN# CA-100-300M- 872
SN# CA-100-300M- 773	SN# CA-100-300M- 823	SN# CA-100-300M- 873
SN# CA-100-300M- 774	SN# CA-100-300M- 824	SN# CA-100-300M- 874
SN# CA-100-300M- 775	SN# CA-100-300M- 825	SN# CA-100-300M- 875
SN# CA-100-300M- 776	SN# CA-100-300M- 826	SN# CA-100-300M- 876
SN# CA-100-300M- 777	SN# CA-100-300M- 827	SN# CA-100-300M- 877
SN# CA-100-300M- 778	SN# CA-100-300M- 828	SN# CA-100-300M- 878
SN# CA-100-300M- 779	SN# CA-100-300M- 829	SN# CA-100-300M- 879
SN# CA-100-300M- 780	SN# CA-100-300M- 830	SN# CA-100-300M- 880
SN# CA-100-300M- 781	SN# CA-100-300M- 831	SN# CA-100-300M- 881
SN# CA-100-300M- 782	SN# CA-100-300M- 832	SN# CA-100-300M- 882
SN# CA-100-300M- 783	SN# CA-100-300M- 833	SN# CA-100-300M- 883
SN# CA-100-300M- 784	SN# CA-100-300M- 834	SN# CA-100-300M- 884
SN# CA-100-300M- 785	SN# CA-100-300M- 835	SN# CA-100-300M- 885
SN# CA-100-300M- 786	SN# CA-100-300M- 836	SN# CA-100-300M- 886
SN# CA-100-300M- 787	SN# CA-100-300M- 837	SN# CA-100-300M- 887
SN# CA-100-300M- 788	SN# CA-100-300M- 838	SN# CA-100-300M- 888
SN# CA-100-300M- 789	SN# CA-100-300M- 839	SN# CA-100-300M- 889
SN# CA-100-300M- 790	SN# CA-100-300M- 840	SN# CA-100-300M- 890
SN# CA-100-300M- 791	SN# CA-100-300M- 841	SN# CA-100-300M- 891
SN# CA-100-300M- 792	SN# CA-100-300M- 842	SN# CA-100-300M- 892
SN# CA-100-300M- 793	SN# CA-100-300M- 843	SN# CA-100-300M- 893
SN# CA-100-300M- 794	SN# CA-100-300M- 844	SN# CA-100-300M- 894
SN# CA-100-300M- 795	SN# CA-100-300M- 845	SN# CA-100-300M- 895
SN# CA-100-300M- 796	SN# CA-100-300M- 846	SN# CA-100-300M- 896
SN# CA-100-300M- 797	SN# CA-100-300M- 847	SN# CA-100-300M- 897
SN# CA-100-300M- 798	SN# CA-100-300M- 848	SN# CA-100-300M- 898
SN# CA-100-300M- 799	SN# CA-100-300M- 849	SN# CA-100-300M- 899
SN# CA-100-300M- 800	SN# CA-100-300M- 850	SN# CA-100-300M- 900
SN# CA-100-300M- 901	SN# CA-100-300M- 951	
SN# CA-100-300M- 902	SN# CA-100-300M- 952	
SN# CA-100-300M- 903	SN# CA-100-300M- 953	
SN# CA-100-300M- 904	SN# CA-100-300M- 954	
SN# CA-100-300M- 905	SN# CA-100-300M- 955	
SN# CA-100-300M- 906	SN# CA-100-300M- 956	

Tidelands Geophysical 6

SN# CA-100-300M- 907	SN# CA-100-300M- 957
SN# CA-100-300M- 908	SN# CA-100-300M- 958
SN# CA-100-300M- 909	SN# CA-100-300M- 959
SN# CA-100-300M- 910	SN# CA-100-300M- 960
SN# CA-100-300M- 911	SN# CA-100-300M- 961
SN# CA-100-300M- 912	SN# CA-100-300M- 962
SN# CA-100-300M- 913	SN# CA-100-300M- 963
SN# CA-100-300M- 914	SN# CA-100-300M- 964
SN# CA-100-300M- 915	SN# CA-100-300M- 965
SN# CA-100-300M- 916	SN# CA-100-300M- 966
SN# CA-100-300M- 917	SN# CA-100-300M- 967
SN# CA-100-300M- 918	SN# CA-100-300M- 968
SN# CA-100-300M- 919	SN# CA-100-300M- 969
SN# CA-100-300M- 920	SN# CA-100-300M- 970
SN# CA-100-300M- 921	SN# CA-100-300M- 971
SN# CA-100-300M- 922	SN# CA-100-300M- 972
SN# CA-100-300M- 923	SN# CA-100-300M- 973
SN# CA-100-300M- 924	SN# CA-100-300M- 974
SN# CA-100-300M- 925	SN# CA-100-300M- 975
SN# CA-100-300M- 926	SN# CA-100-300M- 976
SN# CA-100-300M- 927	SN# CA-100-300M- 977
SN# CA-100-300M- 928	SN# CA-100-300M- 978
SN# CA-100-300M- 929	SN# CA-100-300M- 979
SN# CA-100-300M- 930	SN# CA-100-300M- 980
SN# CA-100-300M- 931	SN# CA-100-300M- 981
SN# CA-100-300M- 932	SN# CA-100-300M- 982
SN# CA-100-300M- 933	SN# CA-100-300M- 983
SN# CA-100-300M- 934	SN# CA-100-300M- 984
SN# CA-100-300M- 935	SN# CA-100-300M- 985
SN# CA-100-300M- 936	SN# CA-100-300M- 986
SN# CA-100-300M- 937	SN# CA-100-300M- 987
SN# CA-100-300M- 938	SN# CA-100-300M- 988

SN# CA-100-300M- 939	SN# CA-100-300M- 989
SN# CA-100-300M- 940	SN# CA-100-300M- 990
SN# CA-100-300M- 941	SN# CA-100-300M- 991
SN# CA-100-300M- 942	SN# CA-100-300M- 992
SN# CA-100-300M- 943	SN# CA-100-300M- 993
SN# CA-100-300M- 944	SN# CA-100-300M- 994
SN# CA-100-300M- 945	SN# CA-100-300M- 995
SN# CA-100-300M- 946	SN# CA-100-300M- 996
SN# CA-100-300M- 947	SN# CA-100-300M- 997
SN# CA-100-300M- 948	SN# CA-100-300M- 998
SN# CA-100-300M- 949	SN# CA-100-300M- 999
SN# CA-100-300M- 950	SN# CA-100-300M- 1000

**TGC Industries Inc.  
Serial Numbers**

**72 - ARAM ARIES Seismic Multiport Baseline Cable 280M Used**

<b>Number</b>	<b>Serial</b>
1	513674-31
2	513674-63
3	513674-70
4	513674-73
5	513674-80
6	70309-134
7	70308-151
8	70309-3
9	70309-48
10	70309-67
11	70309-76
12	70536-100
13	70536-103
14	70536-104
15	70536-105
16	70536-106
17	70536-107
18	70536-108
19	70536-111
20	70536-113
21	70536-114
22	70536-115
23	70536-116
24	70536-12
25	70536-123
26	70536-124
27	70536-132
28	70536-2
29	70536-20
30	70536-22
31	70536-23
32	70536-26
33	70536-28
34	70536-3
35	70536-31
36	70536-33
37	70536-36
38	70536-37
39	70536-41
40	70536-42
41	70536-48
42	70536-5
43	70536-50
44	70536-53
45	70536-55
46	70536-61
47	70536-65
48	70536-66
49	70536-67
50	70536-68
51	70536-69

52	70536-7
53	70536-72
54	70536-74
55	70536-77
56	70536-78
57	70536-8
58	70536-81
59	70536-82
60	70536-87
61	70536-88
62	70536-9
63	70536-90
64	70536-91
65	70536-92
66	70536-93
67	70536-94
68	70536-95
69	70536-96
70	70536-97
71	70536-98
72	70536-99

**TGC Industries Inc.  
Serial Numbers**

**8 - ARAM ARIES Multiport Baseline Splitter Cable Used**

Number	Serial
1	7809-1
2	7809-10
3	7809-6
4	7809-7
5	7809-8
6	7809-9

**\*LOAN3007\***

Date 6/8/05

General Electric Capital Corporation  
16479 Dallas Parkway # 300  
Addison, TX 75001-2512

Gentlemen:

You are hereby irrevocably authorized and directed to deliver and apply the proceeds of your loan to the undersigned evidenced by that Note dated 6/8/05 and secured by that Security Agreement or Channel Mortgage dated October 22, 2004, as follows:

Texas Seismic Rentals, Inc. \$ 3,366,253,04

This authorization and direction is given pursuant to the same authority authorizing the above-mentioned borrowing.

Very truly yours,

**TGC Industries, Inc.**

By: /s/ Wayne Whitener

Name: WAYNE WHITENER

Title: President / CEO

**CORPORATE RESOLUTION TO BORROW / GRANT COLLATERAL**

<u>Principal</u>	<u>Loan Date</u>	<u>Maturity</u>	<u>Loan No</u>	<u>Call / Coll</u>	<u>Account</u>	<u>Officer</u>	<u>Initials</u>
\$ 500,000.00	04-26-2005	04-26-2006	17003864	4A / 466		SBV	

References in the shaded area are for Lender’s use only and do not limit the applicability of this document to any particular loan or item. Any item above containing \* \* \* \* has been omitted due to text length limitations.

**Corporation:** TGC Industries, Inc.  
 1304 Summit Avenue, Ste. 2  
 Plano, TX 75074

**Lender:** Sovereign Bank, N.A.  
 Preston Center  
 6060 Sherry Lane  
 Dallas, TX 75225

**COPY**

**I, THE UNDERSIGNED, DO HEREBY CERTIFY THAT:**

**THE CORPORATION’S EXISTENCE.** The complete and correct name of the Corporation is TGC Industries, Inc. (“Corporation”). The Corporation is a corporation for profit which is, and at all times shall be, duly organized, validly existing, and in good standing under and by virtue of the laws of the State of Texas. The Corporation is duly authorized to transact business in all other states in which the Corporation is doing business, having obtained all necessary filings, governmental licenses and approvals for each state in which the Corporation is doing business. Specifically, the Corporation is, and at all times shall be, duly qualified as a foreign corporation in all states in which the failure to so qualify would have a material adverse effect on its business or financial condition. The Corporation has the full power and authority to own its properties and to transact the business in which it is presently engaged or presently proposes to engage. The Corporation maintains an office at 1304 Summit Avenue, Ste. 2, Plano, TX 75074. Unless the Corporation has designated otherwise in writing, the principal office is the office at which the Corporation keeps its books and records. The Corporation will notify Lender prior to any change in the location of The Corporation’s state of organization or any change in The Corporation’s name. The Corporation shall do all things necessary to preserve and to keep in full force and effect its existence, rights and privileges, and shall comply with all regulations, rules, ordinances, statutes, orders and decrees of any governmental or quasi-governmental authority or court applicable to the Corporation and The Corporation’s business activities.

**RESOLUTIONS ADOPTED.** At a meeting of the Directors of the Corporation, or if the Corporation is a close corporation having no Board of Directors then at a meeting of the Corporation’s shareholders, duly called and held on \_\_\_\_\_, at which a quorum was present and voting, or by other duly authorized action in lieu of a meeting, the resolutions set forth in this Resolution were adopted.

**OFFICER.** The following named person is an officer of TGC Industries, Inc.:

<u>NAMES</u>	<u>TITLES</u>	<u>AUTHORIZED</u>	<u>ACTUAL SIGNATURES</u>
Wayne Whitener	President & CEO	Y	X

**ACTIONS AUTHORIZED.** The authorized person listed above may enter into any agreements of any nature with Lender, and those agreements will bind the Corporation. Specifically, but without limitation, the authorized person is authorized, empowered, and directed to do the following for and on behalf of the Corporation:

**Borrow Money.** To borrow, as a cosigner or otherwise, from time to time from Lender, on such terms as may be agreed upon between the Corporation and Lender, such sum or sums of money as in his or her judgment should be borrowed, without limitation.

**Execute Notes.** To execute and deliver to Lender the promissory note or notes, or other evidence of the Corporation’s credit accommodations, on Lender’s forms, at such rates of interest and on such terms as may be agreed upon, evidencing the sums of money so borrowed or any of the Corporation’s indebtedness to Lender, and also to execute and deliver to Lender one or more renewals, extensions, modifications, refinancings, consolidations, or substitutions for one or more of the notes, any portion of the notes, or any other evidence of credit accommodations.

**Grant Security.** To mortgage, pledge, transfer, endorse, hypothecate, or otherwise encumber and deliver to Lender any property now or hereafter belonging to the Corporation or in which the Corporation now or hereafter may have an interest, including without limitation all of the Corporation’s real property and all of the Corporation’s personal property (tangible or intangible), as security for the payment of any loans or credit accommodations so obtained, any promissory notes so executed (including any amendments to or modifications, renewals, and extensions of such promissory notes), or any other or further indebtedness of the Corporation to Lender at any time owing, however the same may be evidenced. Such property may be mortgaged, pledged, transferred, endorsed, hypothecated or encumbered at the time such loans are obtained or such indebtedness is incurred, or at any other time or times, and may be either in addition to or in lieu of any property theretofore mortgaged, pledged, transferred, endorsed, hypothecated or encumbered.

**Execute Security Documents.** To execute and deliver to Lender the forms of mortgage, deed of trust, pledge agreement, hypothecation agreement, and other security agreements and financing statements which Lender may require and which shall evidence the terms and conditions under and pursuant to which such liens and encumbrances, or any of them, are given; and also to execute and deliver to Lender any other written instruments, any chattel paper, or any other collateral, of any kind or nature, which Lender may deem necessary or proper in connection with or pertaining to the giving of the liens and encumbrances.

**Negotiate Items.** To draw, endorse, and discount with Lender all drafts, trade acceptances, promissory notes, or other evidences of indebtedness payable to or belonging to the Corporation or in which the Corporation may have an interest, and either to receive cash for the same or to cause such proceeds to be credited to the Corporation’s account with Lender, or to cause such other disposition of the proceeds derived therefrom as he or she may deem advisable.

**Further Acts.** In the case of lines of credit, to designate additional or alternate individuals as being authorized to request advances under such lines, and in all cases, to do and perform such other acts and things, to pay any and all fees and costs, and to execute and deliver such other documents and agreements as the officer may in his or her discretion deem reasonably necessary or proper in order to carry into effect the provisions of this Resolution.

**ASSUMED BUSINESS NAMES.** The Corporation has filed or recorded all documents or filings required by law relating to all assumed business names used by the Corporation. Excluding the name of the Corporation, the following is a complete list of all assumed business names under which the Corporation does business: **None.**

**NOTICES TO LENDER.** The Corporation will promptly notify Lender in writing at Lender's address shown above (or such other addresses as Lender may designate from time to time) prior to any (A) change in the Corporation's name; (B) change in the Corporation's assumed business name(s); (C) change in the management of the Corporation; (D) change in the authorized signer(s); (E) change in the Corporation's principal office address; (F) change in the Corporation's state of organization; (G) conversion of the Corporation to a new or different type of business entity; or (H) change in any other aspect of the Corporation that directly or indirectly relates to any agreements between the Corporation and Lender. No change in the Corporation's name or state of organization will take effect until after Lender has received notice.

**CERTIFICATION CONCERNING OFFICERS AND RESOLUTIONS.** The officer named above is duly elected, appointed, or employed by or for the Corporation, as the case may be, and occupies the position set opposite his or her respective name. This Resolution now stands of record on the books of the Corporation, is in full force and effect, and has not been modified or revoked in any manner whatsoever.

**NO CORPORATE SEAL.** The Corporation has no corporate seal, and therefore, no seal is affixed to this Resolution.

**CONTINUING VALIDITY.** Any and all acts authorized pursuant to this Resolution and performed prior to the passage of this Resolution are hereby ratified and approved. This Resolution shall be continuing, shall remain in full force and effect and Lender may rely on it until written notice of its revocation shall have been delivered to Lender and receipt acknowledged by Lender in writing at Lender's address shown above (or such addresses as Lender may designate from time to time). Any such notice shall not affect any of the Corporation's agreements or commitments in effect at the time notice is given.

IN TESTIMONY WHEREOF, I have hereunto set my hand and attest that the signature set opposite the name listed above is his or her genuine signature.

I have read all the provisions of this Resolution, and I personally and on behalf of the Corporation certify that all statements and representations made in this Resolution are true and correct. This Corporate Resolution to Borrow / Grant Collateral is dated

CERTIFIED TO AND ATTESTED BY:

X COPY  
 \_\_\_\_\_  
 Wayne Whitener, President & CEO of TGC Industries,  
 Inc.

NOTE: If the officer signing this Resolution is designated by the foregoing document as one of the officers authorized to act on the Corporation's behalf, it is advisable to have this Resolution signed by at least one non-authorized officer of the Corporation.

**PROMISSORY NOTE**

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$ 500,000.00	04-26-2005	04-26-2006	17003864	4A / 466		SBV	

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**Borrower:** TGC Industries, Inc.  
 1304 Summit Avenue, Ste. 2  
 Plano, TX 75074

**Lender:** Sovereign Bank, N.A.  
 Preston Center  
 6060 Sherry Lane  
 Dallas, TX 75225

**Principal Amount: \$500,000.00**

**Initial Rate: 6.750%**

**Date of Note: April 26, 2005**

**PROMISE TO PAY.** TGC Industries, Inc. ("Borrower") promises to pay to Sovereign Bank, N.A. ("Lender"), or order, in lawful money of the United States of America, the principal amount of Five Hundred Thousand & 00/100 Dollars (\$500,000.00) or so much as may be outstanding, together with interest on the unpaid outstanding principal balance of each advance. Interest shall be calculated from the date of each advance until repayment of each advance or maturity, whichever occurs first.

**CHOICE OF USURY CEILING AND INTEREST RATE.** The interest rate on this Note has been implemented under the "Quarterly Ceiling" as referred to in Section 303.006 of the Texas Finance Code. The terms, including the rate, or index, formula, or provision of law used to compute the rate on the Note, will be subject to revision as to current and future balances, from time to time by notice from Lender in compliance with Section 303.103 of the Texas Finance Code.

**PAYMENT.** Borrower will pay this loan in one payment of all outstanding principal plus all accrued unpaid interest on April 26, 2006. In addition, Borrower will pay regular monthly payments of all accrued unpaid interest due as of each payment date, beginning May 26, 2005, with all subsequent interest payments to be due on the same day of each month after that. Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued unpaid interest; and then to principal. The annual interest rate for this Note is computed on a 365/360 basis: that is, by applying the ratio of the annual interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding, unless such calculation would result in a usurious rate, in which case interest shall be calculated on a per diem basis of a year of 365 or 366 days, as the case may be. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing. Notwithstanding any other provision of this Note, Lender will not charge interest on any undisbursed loan proceeds. No scheduled payment, whether of principal or interest or both, will be due unless sufficient loan funds have been disbursed by the scheduled payment date to justify the payment.

**VARIABLE INTEREST RATE.** The interest rate on this Note is subject to change from time to time based on changes in an independent index which is the Sovereign Bank, N.A. Prime Rate as determined, currently equal to Wall Street Journal Prime Rate as quoted in the Southwestern Addition of the Wall Street Journal (the "Index"). The Index is not necessarily the lowest rate charged by Lender on its loans. If the Index becomes unavailable during the term of this loan, Lender may designate a substitute index after notice to Borrower. Lender will tell Borrower the current Index rate upon Borrower's request. The interest rate change will not occur more often than each Day. Borrower understands that Lender may make loans based on other rates as well. The Index currently is 5.750% per annum. The interest rate to be applied prior to maturity to the unpaid principal balance of this Note will be at a rate of 1.000 percentage point over the Index, resulting in an initial rate of 6.750% per annum. NOTICE: Under no circumstances will the interest rate on this Note be more than the maximum rate allowed by applicable law. For purposes of this Note, the "maximum rate allowed by applicable law" means the greater of (A) the maximum rate of interest permitted under federal or other law applicable to the indebtedness evidenced by this Note, or (B) the "Quarterly Ceiling" as referred to in Section 303.006 of the Texas Finance Code.

**PREPAYMENT.** Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Prepayment in full shall consist of payment of the remaining unpaid principal balance together with all accrued and unpaid interest and all other amounts, costs and expenses for which Borrower is responsible under this Note or any other agreement with Lender pertaining to this loan, and in no event will Borrower ever be required to pay any unearned interest. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments of accrued unpaid interest. Rather, early payments will reduce the principal balance due. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: Sovereign Bank, N.A., 7301 North State Highway 161 Irving, TX 75039.

**POST MATURITY RATE.** The Post Maturity Rate on this Note is the lesser of the maximum rate allowed by law or the variable interest rate in effect at the time of final maturity. Borrower will pay interest on all sums due after final maturity, whether by acceleration or otherwise, at that rate.

**DEFAULT.** Each of the following shall constitute an event of default ("Event of Default") under this Note:

**Payment Default.** Borrower fails to make any payment when due under this Note.

**Other Defaults.** Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

**Default in Favor of Third Parties.** Borrower or any Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's ability to repay this Note or perform Borrower's obligations under this Note or any of the related documents.

**False Statements.** Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

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

**Creditor or Forfeiture Proceedings.** Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or

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forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

**Events Affecting Guarantor.** Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note.

**Change In Ownership.** Any change in ownership of twenty-five percent (25%) or more of the common stock of Borrower.

**Adverse Change.** A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.

**Insecurity.** Lender in good faith believes itself insecure.

**LENDER'S RIGHTS.** Upon default, Lender may declare the entire indebtedness, including the unpaid principal balance on this Note, all accrued unpaid interest, and all other amounts, costs and expenses for which Borrower is responsible under this Note or any other agreement with Lender pertaining to this loan, immediately due, without notice, and then Borrower will pay that amount.

**ATTORNEYS' FEES; EXPENSES.** Lender may hire an attorney to help collect this Note if Borrower does not pay, and Borrower will pay Lender's reasonable attorneys' fees. Borrower also will pay Lender all other amounts Lender actually incurs as court costs, lawful fees for filing, recording, releasing to any public office any instrument securing this Note; the reasonable cost actually expended for repossessing, storing, preparing for sale, and selling any security; and fees for noting a lien on or transferring a certificate of title to any motor vehicle offered as security for this Note, or premiums or identifiable charges received in connection with the sale of authorized insurance.

**GOVERNING LAW.** This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Texas without regard to its conflicts of law provisions. This Note has been accepted by Lender in the State of Texas.

**CHOICE OF VENUE.** If there is a lawsuit, and if the transaction evidenced by this Note occurred in Dallas County, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of Dallas County, State of Texas.

**DISHONORED CHECK CHARGE.** Borrower will pay a processing fee of \$30.00 if any check given by Borrower to Lender as a payment on this loan is dishonored.

**RIGHT OF SETOFF.** To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts.

**COLLATERAL.** Borrower acknowledges this Note is secured by Assignment of Accounts Receivables and General Intangibles.

**LINE OF CREDIT.** This Note evidences a revolving line of credit. Advances under this Note, as well as directions for payment from Borrower's accounts, may be requested orally or in writing by Borrower or by an authorized person. Lender may, but need not, require that all oral requests be confirmed in writing. Borrower agrees to be liable for all sums either: (A) advanced in accordance with the instructions of an authorized person or (B) credited to any of Borrower's accounts with Lender. The unpaid principal balance owing on this Note at any time may be evidenced by endorsements on this Note or by Lender's internal records, including daily computer print-outs. Lender will have no obligation to advance funds under this Note if: (A) Borrower or any guarantor is in default under the terms of this Note or any agreement that Borrower or any guarantor has with Lender, including any agreement made in connection with the signing of this Note; (B) Borrower or any guarantor ceases doing business or is insolvent; (C) any guarantor seeks, claims or otherwise attempts to limit, modify or revoke such guarantor's guarantee of this Note or any other loan with Lender; (D) Borrower has applied funds provided pursuant to this Note for purposes other than those authorized by Lender; or (E) Lender in good faith believes itself insecure. **This revolving line of credit shall not be subject to Ch. 346 of the Texas Finance Code.**

**SUCCESSOR INTERESTS.** The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

**GENERAL PROVISIONS.** If any part of this Note cannot be enforced, this fact will not affect the rest of the Note. Borrower does not agree or intend to pay, and Lender does not agree or intend to contract for, charge, collect, take, reserve or receive (collectively referred to herein as "charge or collect"), any amount in the nature of interest or in the nature of a fee for this loan, which would in any way or event (including demand, prepayment, or acceleration) cause Lender to charge or collect more for this loan than the maximum Lender would be permitted to charge or collect by federal law or the law of the State of Texas (as applicable). Any such excess interest or unauthorized fee shall, instead of anything stated to the contrary, be applied first to reduce the principal balance of this loan, and when the principal has been paid in full, be refunded to Borrower. The right to accelerate maturity of sums due under this Note does not include the right to accelerate any interest which has not otherwise accrued on the date of such acceleration, and Lender does not intend to charge or collect any unearned interest in the event of acceleration. All sums paid or agreed to be paid to Lender for the use, forbearance or detention of sums due hereunder shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of the loan evidenced by this Note until payment in full so that the rate or amount of interest on account of the loan evidenced hereby does not exceed the applicable usury ceiling. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive presentment, demand for payment, notice of dishonor, notice of intent to accelerate the maturity of this Note, and notice of acceleration of the maturity of this Note. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Note are joint and several.

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PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE, INCLUDING THE VARIABLE INTEREST RATE PROVISIONS. BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

BORROWER:

TGC INDUSTRIES, INC.

By: COPY  
Wayne Whitener, President & CEO of TGC  
Industries, Inc.

LENDER:

SOVEREIGN BANK, N.A.

X COPY  
Stephanie Baird Velasquez, Senior Vice President



**BUSINESS LOAN AGREEMENT**

<b>Principal</b>	<b>Loan Date</b>	<b>Maturity</b>	<b>Loan No</b>	<b>Call / Coll</b>	<b>Account</b>	<b>Officer</b>	<b>Initials</b>
\$ 500,000.00	04-26-2005	04-26-2006	17003864	4A / 466		SBV	

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**Borrower:** TGC Industries, Inc.  
1304 Summit Avenue, Ste. 2  
Plano, TX 75074

**Lender:** Sovereign Bank, N.A.  
Preston Center  
6060 Sherry Lane  
Dallas, TX 75225

THIS BUSINESS LOAN AGREEMENT dated April 26, 2005, is made and executed between TGC Industries, Inc. ("Borrower") and Sovereign Bank, N.A. ("Lender") on the following terms and conditions. Borrower has received prior commercial loans from Lender or has applied to Lender for a commercial loan or loans or other financial accommodations, including those which may be described on any exhibit or schedule attached to this Agreement ("Loan"). Borrower understands and agrees that: (A) in granting, renewing, or extending any Loan, Lender is relying upon Borrower's representations, warranties, and agreements as set forth in this Agreement; (B) the granting, renewing, or extending of any Loan by Lender at all times shall be subject to Lender's sole judgment and discretion; and (C) all such Loans shall be and remain subject to the terms and conditions of this Agreement.

**TERM.** This Agreement shall be effective as of April 26, 2005, and shall continue in full force and effect until such time as all of Borrower's Loans in favor of Lender have been paid in full, including principal, interest, costs, expenses, attorneys' fees, and other fees and charges, or until April 26, 2006.

**CONDITIONS PRECEDENT TO EACH ADVANCE.** Lender's obligation to make the initial Advance and each subsequent Advance under this Agreement shall be subject to the fulfillment to Lender's satisfaction of all of the conditions set forth in this Agreement and in the Related Documents.

**Loan Documents.** Borrower shall provide to Lender the following documents for the Loan: (1) the Note; (2) Security Agreements granting to Lender security interests in the Collateral; (3) financing statements and all other documents perfecting Lender's Security Interests; (4) evidence of insurance as required below; (5) together with all such Related Documents as Lender may require for the Loan; all in form and substance satisfactory to Lender and Lender's counsel.

**Borrower's Authorization.** Borrower shall have provided in form and substance satisfactory to Lender properly certified resolutions, duly authorizing the execution and delivery of this Agreement, the Note and the Related Documents. In addition, Borrower shall have provided such other resolutions, authorizations, documents and instruments as Lender or its counsel, may require.

**Payment of Fees and Expenses.** Borrower shall have paid to Lender all fees, charges, and other expenses which are then due and payable as specified in this Agreement or any Related Document.

**Representations and Warranties.** The representations and warranties set forth in this Agreement, in the Related Documents, and in any document or certificate delivered to Lender under this Agreement are true and correct.

**No Event of Default.** There shall not exist at the time of any Advance a condition which would constitute an Event of Default under this Agreement or under any Related Document.

**REPRESENTATIONS AND WARRANTIES.** Borrower represents and warrants to Lender, as of the date of this Agreement, as of the date of each disbursement of loan proceeds, as of the date of any renewal, extension or modification of any Loan, and at all times any Indebtedness, exists:

**Organization.** Borrower is a corporation for profit which is, and at all times shall be, duly organized, validly existing, and in good standing under and by virtue of the laws of the State of Texas. Borrower is duly authorized to transact business in all other states in which Borrower is doing business, having obtained all necessary filings, governmental licenses and approvals for each state in which Borrower is doing business. Specifically, Borrower is, and at all times shall be, duly qualified as a foreign corporation in all states in which the failure to so qualify would have a material adverse effect on its business or financial condition. Borrower has the full power and authority to own its properties and to transact the business in which it is presently engaged or presently proposes to engage. Borrower maintains an office at 1304 Summit Avenue, Ste. 2, Plano, TX 75074. Unless Borrower has designated otherwise in writing, the principal office is the office at which Borrower keeps its books and records including its records concerning the Collateral. Borrower will notify Lender prior to any change in the location of Borrower's state of organization or any change in Borrower's name. Borrower shall do all things necessary to preserve and to keep in full force and effect its existence, rights and privileges, and shall comply with all regulations, rules, ordinances, statutes, orders and decrees of any governmental or quasi-governmental authority or court applicable to Borrower and Borrower's business activities.

**Assumed Business Names.** Borrower has filed or recorded all documents or filings required by law relating to all assumed business names used by Borrower. Excluding the name of Borrower, the following is a complete list of all assumed business names under which Borrower does business: None.

**Authorization.** Borrower's execution, delivery, and performance of this Agreement and all the Related Documents have been duly authorized by all necessary action by Borrower and do not conflict with, result in a violation of, or constitute a default under (1) any provision of (a) Borrower's articles of incorporation or organization, or bylaws, or (b) any agreement or other instrument binding upon Borrower or (2) any law, governmental regulation, court decree, or order applicable to Borrower or to Borrower's properties.

**Financial Information.** Each of Borrower's financial statements supplied to Lender truly and completely disclosed Borrower's financial condition as of the date of the statement, and there has been no material adverse change in Borrower's financial condition subsequent to the date of the most recent financial statement supplied to Lender. Borrower has no material contingent obligations except as disclosed in such financial statements.

**Legal Effect.** This Agreement constitutes, and any instrument or agreement Borrower is required to give under this Agreement when delivered will constitute legal, valid, and binding obligations of Borrower enforceable against Borrower in accordance with their respective terms.

**Properties.** Except as contemplated by this Agreement or as previously disclosed in Borrower's financial statements or in writing to Lender and as accepted by Lender, and except for property tax liens for taxes not presently due and payable, Borrower owns and has good title to all of Borrower's properties free and clear of all Security Interests, and has not executed any security documents or financing statements relating to such properties. All of Borrower's properties are titled in Borrower's legal name, and Borrower has not used or filed a financing statement under any other name for at least the last five (5) years.

**Hazardous Substances.** Except as disclosed to and acknowledged by Lender in writing, Borrower represents and warrants that: (1) During the period of Borrower's ownership of the Collateral, there has been no use, generation, manufacture, storage, treatment, disposal, release or threatened release of any Hazardous Substance by any person on, under, about or from any of the Collateral. (2) Borrower has no knowledge of, or reason to believe that there has been (a) any breach or violation of any Environmental Laws; (b) any use, generation, manufacture, storage, treatment, disposal, release or threatened release of any Hazardous Substance on, under, about or from the Collateral by any prior owners or occupants of any of the Collateral; or (c) any actual or threatened litigation or claims of any kind by any person relating to such matters. (3) Neither Borrower nor any tenant, contractor, agent or other authorized user of any of the Collateral shall use, generate, manufacture, store, treat, dispose of or release any Hazardous Substance on, under, about or from any of the Collateral; and any such activity shall be conducted in compliance with all applicable federal, state, and local laws, regulations, and ordinances, including without limitation all Environmental Laws. Borrower authorizes Lender and its agents to enter upon the Collateral to make such inspections and tests as Lender may deem appropriate to determine compliance of the Collateral with this section of the Agreement. Any inspections or tests made by Lender shall be at Borrower's expense and for Lender's purposes only and shall not be construed to create any responsibility or liability on the part of Lender to Borrower or to any other person. The representations and warranties contained herein are based on Borrower's due diligence in investigating the Collateral for hazardous waste and Hazardous Substances. Borrower hereby (1) releases and waives any future claims against Lender for indemnity or contribution in the event Borrower becomes liable for cleanup or other costs under any such laws, and (2) agrees to indemnify and hold harmless Lender against any and all claims, losses, liabilities, damages, penalties, and expenses which Lender may directly or indirectly sustain or suffer resulting from a breach of this section of the Agreement or as a consequence of any use, generation, manufacture, storage, disposal, release or threatened release of a hazardous waste or substance on the Collateral. The provisions of this section of the Agreement, including the obligation to indemnify, shall survive the payment of the Indebtedness and the termination, expiration or satisfaction of this Agreement and shall not be affected by Lender's acquisition of any interest in any of the Collateral, whether by foreclosure or otherwise.

**Litigation and Claims.** No litigation, claim, investigation, administrative proceeding or similar action (including those for unpaid taxes) against Borrower is pending or threatened, and no other event has occurred which may materially adversely affect Borrower's financial condition or properties, other than litigation, claims, or other events, if any, that have been disclosed to and acknowledged by Lender in writing.

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**Taxes.** To the best of Borrower's knowledge, all of Borrower's tax returns and reports that are or were required to be filed, have been filed, and all taxes, assessments and other governmental charges have been paid in full, except those presently being or to be contested by Borrower in good faith in the ordinary course of business and for which adequate reserves have been provided.

**Lien Priority.** Unless otherwise previously disclosed to Lender in writing, Borrower has not entered into or granted any Security Agreements, or permitted the filing or attachment of any Security Interests on or affecting any of the Collateral directly or indirectly securing repayment of Borrower's Loan and Note, that would be prior or that may in any way be superior to Lender's Security Interests and rights in and to such Collateral.

**Binding Effect.** This Agreement, the Note, all Security Agreements (if any), and all Related Documents are binding upon the signers thereof, as well as upon their successors, representatives and assigns, and are legally enforceable in accordance with their respective terms.

**AFFIRMATIVE COVENANTS.** Borrower covenants and agrees with Lender that, so long as this Agreement remains in effect, Borrower will:

**Notices of Claims and Litigation.** Promptly inform Lender in writing of (1) all material adverse changes in Borrower's financial condition, and (2) all existing and all threatened litigation, claims, investigations, administrative proceedings or similar actions affecting Borrower or any Guarantor which could materially affect the financial condition of Borrower or the financial condition of any Guarantor.

**Financial Records.** Maintain its books and records in accordance with GAAP, applied on a consistent basis, and permit Lender to examine and audit Borrower's books and records at all reasonable times.

**Financial Statements.** Furnish Lender with the following:

**Interim Statements.** As soon as available, but in no event later than 45 days after the end of each fiscal quarter, Borrower's balance sheet and profit and loss statement for the period ended, prepared by Borrower.

**Tax Returns.** As soon as available, but in no event later than ninety (90) days after the applicable filing date for the tax reporting period ended, Federal and other governmental tax returns, prepared by Borrower.

All financial reports required to be provided under this Agreement shall be prepared in accordance with GAAP, applied on a consistent basis, and certified by Borrower as being true and correct.

**Additional Information.** Furnish such additional information and statements, as Lender may request from time to time.

**Financial Covenants and Ratios.** Comply with the following covenants and ratios:

**Other Requirements.** Monthly Accounts Receivables aging due within 10 days of month end.

Monthly borrowing base certificate due within 30 days of month end.

Eligible Accounts Receivable: Accounts less than 90 days past due; entire Accounts Receivables with any portion over 90 days is excluded from eligible Accounts Receivables.

Revolving Line of Credit shall be rested for a minimum of 30 consecutive days every 12 months.

Borrower shall maintain minimum liquidity of \$500,000.00.

Borrower shall have a maximum debt/worth ratio of 1.25X.

Except as provided above, all computations made to determine compliance with the requirements contained in this paragraph shall be made in accordance with generally accepted accounting principles, applied on a consistent basis, and certified by Borrower as being true and correct.

**Insurance.** Maintain fire and other risk insurance, public liability insurance, and such other insurance as Lender may require with respect to Borrower's properties and operations, in form, amounts, and coverages reasonably acceptable to Lender and by insurance companies authorized to transact business in Texas. BORROWER MAY FURNISH THE INSURANCE REQUIRED BY THIS AGREEMENT WHETHER THROUGH EXISTING POLICIES OWNED OR CONTROLLED BY BORROWER OR THROUGH EQUIVALENT COVERAGE FROM ANY INSURANCE COMPANY AUTHORIZED TO TRANSACT BUSINESS IN TEXAS. Borrower, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least thirty (30) days prior written notice to Lender. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Borrower or any other person. In connection with all policies covering assets in which Lender holds or is offered a security interest for the Loans, Borrower will provide Lender with such lender's loss payable or other endorsements as Lender may require.

**Insurance Reports.** Furnish to Lender, upon request of Lender, reports on each existing insurance policy showing such information as Lender may reasonably request, including without limitation the following: (1) the name of the insurer; (2) the risks insured; (3) the amount of the policy; (4) the properties insured; (5) the then current property values on the basis of which insurance has been obtained, and the manner of determining those values; and (6) the expiration date of the policy. In addition, upon request of Lender (however not more often than annually), Borrower will have an independent appraiser satisfactory to Lender determine, as applicable, the actual cash value or replacement cost of any Collateral. The cost of such appraisal shall be paid by Borrower.

**Other Agreements.** Comply with all terms and conditions of all other agreements, whether now or hereafter existing, between Borrower and any other party and notify Lender immediately in writing of any default in connection with any other such agreements.

**Loan Proceeds.** Use all Loan proceeds solely for Borrower's business operations, unless specifically consented to the contrary by Lender in writing.

**Taxes, Charges and Liens.** Pay and discharge when due all of its indebtedness and obligations, including without limitation all assessments, taxes, governmental charges, levies and liens, of every kind and nature, imposed upon Borrower or its properties, income, or profits, prior to the date on which penalties would attach, and all lawful claims that, if unpaid, might become a lien or charge upon any of Borrower's properties, income, or profits.

**Performance.** Perform and comply, in a timely manner, with all terms, conditions, and provisions set forth in this Agreement, in the Related Documents, and in all other instruments and agreements between Borrower and Lender. Borrower shall notify Lender immediately in writing of any default in connection with any agreement.

**Operations.** Maintain executive and management personnel with substantially the same qualifications and experience as the present executive and management personnel; provide written notice to Lender of any change in executive and management personnel; conduct its business affairs in a reasonable and prudent manner.

**Environmental Studies.** Promptly conduct and complete, at Borrower's expense, all such investigations, studies, samplings and testings as may be requested by Lender of any governmental authority relative to any substance, or any waste or by-product of any substance defined as toxic or a hazardous substance under applicable federal, state, or local law, rule, regulation, order or directive, at or affecting any property or any facility owned, leased or used by Borrower.

**Compliance with Governmental Requirements.** Comply with all laws, ordinances, and regulations, now or hereafter in effect, of all governmental authorities applicable to the conduct of Borrower's properties, businesses and operations, and to the use or occupancy of the Collateral, including without limitation, the Americans With Disabilities Act. Borrower may contest in good faith any such law, ordinance, or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Borrower has notified Lender in writing prior to doing so and so long as, in Lender's sole opinion, Lender's interests in the Collateral are not jeopardized. Lender may require Borrower to post adequate security or a surety bond, reasonably satisfactory to Lender, to protect Lender's interest.

**Inspection.** Permit employees or agents of Lender at any reasonable time to inspect any and all Collateral for the Loan or Loans and Borrower's other properties and to examine or audit Borrower's books, accounts, and records and to make copies and memoranda of Borrower's books, accounts, and records. If Borrower now or at any time hereafter maintains any records (including without limitation computer generated records and computer software programs for the generation of such records) in the possession of a third party, Borrower, upon request of Lender, shall notify such party to permit Lender free access to such records at all reasonable times and to provide Lender with copies of any records it may request, all at Borrower's expense.

**Environmental Compliance and Reports.** Borrower shall comply in all respects with any and all Environmental Laws; not cause or permit to exist, as a result of an intentional or unintentional action or omission on Borrower's part or on the part of any third party, on property owned and/or occupied by Borrower, any environmental activity where damage may result to the environment, unless such environmental activity is pursuant to and in compliance with the conditions of a permit issued by the appropriate federal, state or local governmental authorities; shall furnish to Lender promptly and in any event within thirty (30) days after receipt thereof a copy of any notice, summons, lien, citation, directive, letter or other communication from any governmental agency or instrumentality concerning any intentional or unintentional action or omission on Borrower's part in connection with any environmental activity whether or not there is damage to the

environment and/or other natural resources.

**Additional Assurances.** Make, execute and deliver to Lender such promissory notes, mortgages, deeds of trust, security agreements, assignments, financing statements, instruments, documents and other agreements as Lender or its attorneys may reasonably request to evidence and secure the Loans and to perfect all Security interests.

**LENDER'S EXPENDITURES.** If any action or proceeding is commenced that would materially affect Lender's Interest in the Collateral or if Borrower fails to comply with any provision of this Agreement or any Related Documents, including but not limited to Borrower's failure to discharge of pay when due any amounts Borrower is required to discharge or pay under this Agreement or any Related Documents, Lender on Borrower's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on any Collateral and paying all costs for insuring, maintaining and preserving any Collateral. All such expenditures paid by Lender for such purposes will then bear interest at the Note rate from the date paid by Lender to the date of repayment by Borrower. To the extent permitted by applicable law, all such expenses will become a part of the Indebtedness and, at Lender's option, will (A) be payable on demand; (B) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (1) the term of any applicable insurance policy; or (2) the remaining term of the Note; or (C) be treated as a balloon payment which will be due and payable at the Note's maturity.

**NEGATIVE COVENANTS.** Borrower covenants and agrees with Lender that while this Agreement is in effect. Borrower shall not, without the prior written consent of Lender:

**Indebtedness and Liens.** (1) Except for trade debt incurred in the normal course of business and indebtedness to Lender contemplated by this Agreement, create, incur or assume indebtedness for borrowed money, including capital leases, (2) sell, transfer, mortgage, assign, pledge, lease, grant a security interest in, or encumber any of Borrower's assets (except as allowed as Permitted Liens), or (3) sell with recourse any of Borrower's accounts, except to Lender.

**Continuity of Operations.** (1) Engage in any business activities substantially different than those in which Borrower is presently engaged, (2) cease operations, liquidate, merge, transfer, acquire or consolidate with any other entity, change its name, dissolve or transfer or sell Collateral out of the ordinary course of business, or (3) pay any dividends on Borrower's stock (other than dividends payable in its stock), provided, however that notwithstanding the foregoing, but only so long as no Event of Default has occurred and is continuing or would result from the payment of dividends, if Borrower is a "Subchapter S Corporation" (as defined in the Internal Revenue Code of 1986, as amended). Borrower may pay cash dividends on its stock to its shareholders from time to time in amounts necessary to enable the shareholders to pay income taxes and make estimated income tax payments to satisfy their liabilities under federal and state law which arise solely from their status as Shareholders of a Subchapter S Corporation because of their ownership of shares of Borrower's stock, or purchase or retire any of Borrower's outstanding shares or alter or amend Borrower's capital structure.

**Loans, Acquisitions and Guaranties.** (1) Loan, invest in or advance money or assets to any other person, enterprise or entity, (2) purchase, create or acquire any interest in any other enterprise or entity, or (3) incur any obligation as surety or guarantor other than in the ordinary course of business.

**Agreements.** Borrower will not enter into any agreement containing any provisions which would be violated or breached by the performance of Borrower's obligations under this Agreement or in connection herewith.

**CESSATION OF ADVANCES.** If Lender has made any commitment to make any Loan to Borrower, whether under this Agreement or under any other agreement, Lender shall have no obligation to make Loan Advances or to disburse Loan proceeds if; (A) Borrower or any Guarantor is in default under the terms of this Agreement or any of the Related Documents or any other agreement that Borrower or any Guarantor has with Lender; (B) Borrower or any Guarantor dies, becomes incompetent or becomes insolvent, files a petition in bankruptcy or similar proceedings, or is adjudged a bankrupt; (C) there occurs a material adverse change in Borrower's financial condition, in the financial condition of any Guarantor, or in the value of any Collateral securing any Loan; or (D) any Guarantor seeks, claims or otherwise attempts to limit, modify or revoke such Guarantor's guaranty of the Loan or any other loan with Lender; or (E) Lender in good faith deems itself insecure, even though no Event of Default shall have occurred.

**RIGHT OF SETOFF.** To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the Indebtedness against any and all such accounts.

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

**Payment Default.** Borrower fails to make any payment when due under the Loan.

**Other Defaults.** Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Agreement or in any of the Related Documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

**Default in Favor of Third Parties.** Borrower or any Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's or any Grantor's property or Borrower's or any Grantor's ability to repay the Loans or perform their respective obligations under this Agreement or any of the Related Documents.

**False Statements.** Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Agreement or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

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

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

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

**Events Affecting Guarantor.** Any of the preceding events occurs with respect to any Guarantor of any of the Indebtedness or any Guarantor dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any Guaranty of the Indebtedness.

**Change in Ownership.** Any change in ownership of twenty-five percent (25%) or more of the common stock of Borrower.

**Adverse Change.** A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of the Loan is impaired.

**Insecurity.** Lender in good faith believes itself insecure.

**EFFECT OF AN EVENT OF DEFAULT.** If any Event of Default shall occur, except where otherwise provided in this Agreement or the Related Documents, all commitments and obligations of Lender under this Agreement or the Related Documents or any other agreement immediately will terminate (including any obligation to make further Loan Advances or disbursements), and, at Lender's option, all Indebtedness immediately will become due and payable, all without notice of any kind to Borrower, except that in the case of an Event of Default of the type described in the "Insolvency" subsection above, such acceleration shall be automatic and not optional. In addition, Lender shall have all the rights and remedies provided in the Related Documents or available at law, in equity, or otherwise. Except as may be prohibited by applicable law, all of Lender's rights and remedies shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Borrower or of any Grantor shall not affect Lender's right to declare a default and to exercise its rights and remedies.

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

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

**Attorneys' Fees; Expenses.** Borrower agrees to pay upon demand all of Lender's costs and expenses, including Lender's reasonable attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Agreement. Lender may hire or pay someone else to help enforce this Agreement, and Borrower shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's reasonable attorneys' fees and legal expenses whether or not there is a lawsuit, including Lender's, reasonable attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Borrower also shall pay all court costs and such additional fees as may be directed by the court.

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

**Consent to Loan Participation.** Borrower agrees and consents to Lender's sale or transfer, whether now or later, of one or more participation interests in the loan to one or more purchasers, whether related or unrelated to Lender. Lender may provide, without any limitation whatsoever, to any one or more purchasers, or potential purchasers, any information or knowledge Lender may have about Borrower or about any other matter relating to the Loan, and Borrower hereby waives any rights to privacy Borrower may have with respect to such matters. Borrower additionally waives any and all notices of sale of participation interests, as well as all notices of any repurchase of such participation interests. Borrower also agrees that the purchasers of any such participation interests will be considered as the absolute owners of such interests in the Loan and will have all the rights granted under the participation agreement or agreements governing the sale of such participation interests. Borrower further waives all rights of offset or counterclaim that it may have now or later against Lender or against any purchaser of such a participation interest and unconditionally agrees that either Lender or such purchaser may enforce Borrower's obligation under the Loan irrespective of the failure or insolvency of any holder of any interest in the Loan. Borrower further agrees that the purchaser of any such participation interests may enforce its interests irrespective of any personal claims or defenses that Borrower may have against Lender.

**Governing Law.** This Agreement will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Texas without regard to its conflicts of law provisions. This Agreement has been accepted by Lender in the State of Texas.

**Choice of Venue.** If there is a lawsuit, and if the transaction evidenced by this Agreement occurred in Dallas County, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of Dallas County, State of Texas.

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

**Notices.** Any notice required to be given under this Agreement shall be given in writing, and shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when

deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Agreement. Any party may change its address for notices under this Agreement by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Borrower agrees to keep Lender informed at all times of Borrower's current address. Unless otherwise provided or required by law, if there is more than one Borrower, any notice given by Lender to any Borrower is deemed to be notice given to all Borrowers.

**Payment of Interest and Fees.** Notwithstanding any other provision of this Agreement or any provision of any Related Document. Borrower does not agree or intend to pay, and Lender does not agree or intend to charge, collect, take, reserve or receive (collectively referred to herein as "charge or collect"), any amount in the nature of interest or in the nature of a fee for the Loan which would in any way or event (including demand, prepayment, or acceleration) cause Lender to contract for, charge or collect more for the Loan than the maximum Lender would be permitted to charge or collect by any applicable federal or Texas state law. Any such excess interest or unauthorised fee will, instead of anything stated to the contrary, be applied first to reduce the unpaid principal balance of the Loan, and when the principal has been paid in full, be refunded to Borrower.

**Severability.** If a court of competent jurisdiction finds any provision of this Agreement to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified. It shall be considered deleted from this Agreement. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Agreement shall not affect the legality, validity or enforceability of any other provision of this Agreement.

**Subsidiaries and Affiliates of Borrower.** To the extent the context of any provisions of this Agreement makes it appropriate, including without limitation any representation, warranty or covenant, the word "Borrower" as used in this Agreement shall include all of Borrower's subsidiaries and affiliates. Notwithstanding the foregoing however, under no circumstances shall this Agreement be construed to require Lender to make any Loan or other financial accommodation to any of Borrower's subsidiaries or affiliates.

**Successors and Assigns.** All covenants and agreements by or on behalf of Borrower contained in this Agreement or any Related Documents shall bind Borrower's successors and assigns and shall inure to the benefit of Lender and its successors and assigns. Borrower shall not, however, have the right to assign Borrower's rights under this Agreement or any interest therein, without the prior written consent of Lender.

**Survival of Representations and Warranties.** Borrower understands and agrees that in extending Loan Advances, Lender is relying on all representations, warranties, and covenants made by Borrower in this Agreement or in any certificate or other instrument delivered by Borrower to Lender under this Agreement or the Related Documents. Borrower further agrees that regardless of any investigation made by Lender, all such representations, warranties and covenants will survive the extension of Loan Advances and delivery to Lender of the Related Documents, shall be continuing in nature, shall be deemed made and redated by Borrower at the time each Loan Advance is made, and shall remain in full force and effect until such time as Borrower's Indebtedness shall be paid in full, or until this Agreement shall be terminated in the manner provided above, whichever is the last to occur.

**Time is of the Essence.** Time is of the essence in the performance of this Agreement.

**DEFINITIONS.** The following capitalized words and terms shall have the following meanings when used in this Agreement. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Agreement shall have the meanings attributed to such terms in the Uniform Commercial Code. Accounting words and terms not otherwise defined in this Agreement shall have the meanings assigned to them in accordance with generally accepted accounting principles as in effect on the date of this Agreement:

**Advance.** The word "Advance" means a disbursement of Loan funds made, or to be made, to Borrower or on Borrower's behalf on a line of credit or multiple advance basis under the terms and conditions of this Agreement.

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

**Borrower.** The word "Borrower" means TGC Industries, Inc. and includes all co-signers and co-makers signing the Note.

**Collateral.** The word "Collateral" means all property and assets granted as collateral security for a Loan, whether real or personal property, whether granted directly or indirectly, whether granted now or in the future, and whether granted in the form of a security interest, mortgage, collateral mortgage, deed of trust, assignment, pledge, crop pledge, chattel mortgage, collateral chattel mortgage, chattel trust, factor's lien, equipment trust, conditional sale, trust receipt, lien, charge, lien or title retention contract, lease or consignment intended as a security device, or any other security or lien interest whatsoever, whether created by law, contract, or otherwise.

**Environmental Laws.** The words "Environmental Laws" mean any and all state, federal and local statutes, regulations and ordinances relating to the protection of human health or the environment, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA") the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., or other applicable state or federal laws, rules, or regulations adopted pursuant thereto.

**Event of Default.** The words "Event of Default" mean any of the events of default set forth in this Agreement in the default section of this Agreement.

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**GAAP.** The word "GAAP" means generally accepted accounting principles.

**Grantor.** The word "Grantor" means each and all of the persons or entities granting a Security Interest in any Collateral for the Loan, including without limitation all Borrowers granting such a Security Interest.

**Guarantor.** The word "Guarantor" means any guarantor, surety, or accommodation party of any or all of the Loan.

**Guaranty.** The word "Guaranty" means the guaranty from Guarantor to Lender, including without limitation a guaranty of all or part of the Note.

**Hazardous Substances.** The words "Hazardous Substances" mean materials that, because of their quantity, concentration or physical, chemical or infectious characteristics, may cause or pose a present or potential hazard to human health or the environment when improperly used, treated, stored, disposed of, generated, manufactured, transported or otherwise handled. The words "Hazardous Substances" are used in their very broadest sense and include without limitation any and all hazardous or toxic substances, materials or waste as defined by or listed under the Environmental Laws. The term "Hazardous Substances" also includes, without limitation, petroleum and petroleum by-products or any fraction thereof and asbestos.

**Indebtedness.** The word "Indebtedness" means the indebtedness evidenced by the Note or Related Documents, including all principal and interest together with all other indebtedness and costs and expenses for which Borrower is responsible under this Agreement or under any of the Related Documents.

**Lender.** The word "Lender" means Sovereign Bank, N.A., its successors and assigns.

**Loan.** The word "Loan" means any and all loans and financial accommodations from Lender to Borrower whether now or hereafter existing, and however evidenced, including without limitation those loans and financial accommodations described herein or described on any exhibit or schedule attached to this Agreement from time to time.

**Note.** The word "Note" means the Note executed by TGC Industries, Inc. in the principal amount of \$500,000.00 dated April 26, 2005, together with all renewals of, extensions of, modifications of, refinancing of, consolidations of, and substitutions for the note or credit agreement.

**Permitted Liens.** The words "Permitted Liens" mean (1) liens and security interests securing Indebtedness owed by Borrower to Lender; (2) liens for taxes, assessments, or similar charges either not yet due or being contested in good faith; (3) liens of materialmen, mechanics, warehousemen, or carriers, or other like liens arising in the ordinary course of business and securing obligations which are not yet delinquent; (4) purchase money liens or purchase money security interests upon or in any property acquired or held by Borrower in the ordinary course of business to secure indebtedness outstanding on the date of this Agreement or permitted to be incurred under the paragraph of this Agreement titled "Indebtedness and Liens"; (5) liens and security interests which, as of the date of this Agreement, have been disclosed to and approved by the Lender in writing; and (6) those liens and security interests which in the aggregate constitute an immaterial and insignificant monetary amount with respect to the net value of Borrower's assets.

**Related Documents.** The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Loan.

**Security Agreement.** The words "Security Agreement" mean and include without limitation any agreements, promises, covenants, arrangements, understandings or other agreements, whether created by law, contract, or otherwise, evidencing, governing, representing, or creating a Security Interest.

**Security Interest.** The words "Security Interest" mean, without limitation, any and all types of collateral security, present and future, whether in the form of a lien, charge, encumbrance, mortgage, deed of trust, security deed, assignment, pledge, crop pledge, chattel mortgage, collateral chattel mortgage, chattel trust factor's lien, equipment trust, conditional sale, trust receipt, lien or title retention contract, lease or consignment intended as a security device, or any other security or lien interest whatsoever whether created by law, contract, or otherwise.

BORROWER ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS BUSINESS LOAN AGREEMENT AND BORROWER AGREES TO ITS TERMS. THIS BUSINESS LOAN AGREEMENT IS DATED APRIL 26, 2005.

BORROWER:

By: COPY  
Wayne Whitener, President & CEO of TGC Industries, Inc.

LENDER:

SOVEREIGN BANK, N.A.

By: COPY  
Stephanie Baird Velasquez, Senior Vice President

### COMMERCIAL SECURITY AGREEMENT

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$ 500,000.00	04-26-2005	04-26-2006	17003864	4A / 466		SBV	

References in the shaded area are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "\*\*\*" has been omitted due to text length limitations.

**Grantor:** TGC Industries, Inc.  
1304 Summit Avenue, Ste. 2  
Plano, TX 75074

**Lender:** Sovereign Bank, N.A.  
Preston Center  
6060 Sherry Lane  
Dallas, TX 75225

THIS COMMERCIAL SECURITY AGREEMENT dated April 26, 2005, is made and executed between TGC industries, Inc. ("Grantor") and Sovereign Bank, N.A. ("Lender").

**GRANT OF SECURITY INTEREST.** For valuable consideration, Grantor grants to Lender a security interest in the Collateral to secure the Indebtedness and agrees that Lender shall have the rights stated in this Agreement with respect to the Collateral, in addition to all other rights which Lender may have by law.

**COLLATERAL DESCRIPTION.** The word "Collateral" as used in this Agreement means the following described property, whether now owned or hereafter acquired, whether now existing or hereafter arising, and wherever located, in which Grantor is giving to Lender a security interest for the payment of the Indebtedness and performance of all other obligations under the Note and this Agreement:

All Accounts and General Intangibles

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

(A) All accessions, attachments, accessories, replacements of and additions to any of the collateral described herein, whether added now or later

(B) All products and produce of any of the property described in this Collateral section.

(C) All accounts, general intangibles, instruments, rents, monies, payments, and all other rights, arising out of a sale, lease, consignment or other disposition of any of the property described in this Collateral section.

(D) All proceeds (including insurance proceeds) from the sale, destruction, loss, or other disposition of any of the property described in this Collateral section, and sums due from a third party who has damaged or destroyed the Collateral or from that party's insurer, whether due to judgment, settlement or other process.

(E) All records and data relating to any of the property described in this Collateral section, whether in the form of a writing, photograph, microfilm, microfiche, or electronic media, together with all of Grantor's right, title, and interest in and to all computer software required to utilize, create, maintain, and process any such records or data on electronic media.

**RIGHT OF SETOFF.** To the extent permitted by applicable law, Lender reserves a right of setoff in all Grantor's accounts with tender (whether checking, savings, or some other account). This includes all accounts Grantor holds jointly with someone else and all accounts Grantor may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Grantor authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the Indebtedness against any and all such accounts.

**GRANTOR'S REPRESENTATIONS AND WARRANTIES WITH RESPECT TO THE COLLATERAL.** With respect to the Collateral, Grantor represents and promises to Lender that:

**Perfection of Security Interest.** Grantor agrees to take whatever actions are requested by Lender to perfect and continue Lender's security interest in the Collateral. Upon request of Lender, Grantor will deliver to Lender any and all of the documents evidencing or constituting the Collateral, and Grantor will note Lender's interest upon any and all chattel paper and instruments if not delivered to Lender for possession by Lender. This is a continuing Security Agreement and will continue in effect even though all or any part of the Indebtedness is paid in full and even though for a period of time Grantor may not be indebted to Lender.

**Notices to Lender.** Grantor will promptly notify tender in writing at Lender's address shown above (or such other addresses as Lender may designate from time to time) prior so any (1) change in Grantor's name; (2) change in Grantor's assumed business name(s); (3) change in the management of the Corporation Grantor; (4) change in the authorized signer(s); (5) change in Grantor's principal office address; (6) change in Grantor's state of organization; (7) conversion of Grantor to a new or different type of business entity; or (8) change in any other aspect of Grantor that directly or indirectly relates to any agreements between Grantor and Lender. No change in Grantor's name or state of organization will take effect until after Lender has received notice.

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

**Enforceability of Collateral.** To the extent the Collateral consists of accounts, chattel paper, or general intangibles, as defined by the Uniform Commercial Code, the Collateral is enforceable in accordance with its terms, is genuine, and fully complies with all applicable laws and regulations concerning form, content and manner of preparation and execution, and all persons appearing to be obligated on the Collateral have authority and capacity to contract and are in fact obligated as they appear to be on the Collateral. At the time any account becomes subject to a security interest in favor of Lender, the account shall be a good and valid account representing an undisputed, bona fide indebtedness incurred by the account debtor, for merchandise held subject to delivery instructions or previously shipped or delivered pursuant to a contract of sale, or for services previously performed by Grantor with or for the account debtor. So long as this Agreement remains in effect, Grantor shall not, without Lender's prior written consent, compromise, settle, adjust, or extend payment under or with regard to any such Accounts. There shall be no setoffs or counterclaims against any of the Collateral and no agreement shall have been made under which any deductions or discounts may be claimed concerning the Collateral except those disclosed to Lender in writing.

**Location of the Collateral.** Except in the ordinary course of Grantor's business, Grantor agrees to keep the Collateral (or to the extent the Collateral consists of intangible property such as accounts or general intangibles, the records concerning the Collateral) as Grantor's address shown above or at such other locations as are acceptable to Lender. Upon Lender's request, Grantor will deliver to Lender in form satisfactory to Lender a schedule of real properties and Collateral locations relating to Grantor's operations, including without limitation the following: (1) all real property Grantor owns or is purchasing; (2) all real property Grantor is renting or leasing; (3) all storage facilities Grantor owns, rents, leases, or uses; and (4) all other properties where Collateral is or may be located.

**Removal of the Collateral.** Except in the ordinary course of Grantor's business, Grantor shall not remove the Collateral from its existing location without Lender's prior written consent. Grantor shall, whenever requested, advise Lender of the exact location of the Collateral.



**Transactions Involving Collateral.** Except for inventory sold or accounts collected in the ordinary course of Grantor's business, or as otherwise provided for in this Agreement, Grantor shall not sell, offer to sell, or otherwise transfer or dispose of the Collateral, Grantor shall not pledge, mortgage, encumber or otherwise permit the Collateral to be subject to any lien, security interest, encumbrance, or charge, other than the security interest provided for in this Agreement, without the prior written consent of Lender. This includes security interests even if junior in right to the security interests granted under this Agreement. Unless waived by Lender, all proceeds from any disposition of the Collateral (for whatever reason) shall be held in trust for Lender and shall not be commingled with any other funds; provided however, this requirement shall not constitute consent by Lender to any sale or other disposition. Upon receipt, Grantor shall immediately deliver any such proceeds to Lender.

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

**Repairs and Maintenance.** Grantor agrees to keep and maintain, and to cause others to keep and maintain, the Collateral in good order, repair and condition at all times while this Agreement remains in effect. Grantor further agrees to pay when due all claims for work done on, or services rendered or material furnished in connection with the Collateral so that no lien or encumbrance may ever attach to or be filed against the Collateral.

**Inspection of Collateral.** Lender and Lender's designated representatives and agents shall have the right at all reasonable times to examine and inspect the Collateral wherever located.

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**Taxes, Assessments and Liens.** Grantor will pay when due all taxes, assessments and liens upon the Collateral, its use or operation, upon this Agreement, upon any promissory note or notes evidencing the Indebtedness, or upon any of the other Related Documents. Grantor may withhold any such payment or may elect to contest any lien if Grantor is in good faith conducting an appropriate proceeding to contest the obligation to pay and so long as Lender's interest in the Collateral is not jeopardized in Lender's sole opinion. In any contest Grantor shall defend itself and Lender and shall satisfy any final adverse judgment before enforcement against the Collateral. Grantor shall name Lender as an additional obligee under any surety bond furnished in the contest proceedings. Grantor further agrees to furnish Lender with evidence that such taxes, assessments, and governmental and other charges have been paid in full and in a timely manner. Grantor may withhold any such payment or may elect to contest any lien if Grantor is in good faith conducting an appropriate proceeding to contest the obligation to pay and so long as Lender's interest in the Collateral is not jeopardized.

**Compliance with Governmental Requirements.** Grantor shall comply promptly with all laws, ordinances, rules and regulations of all governmental authorities, now or hereafter in effect, applicable to the ownership, production, disposition, or use of the Collateral, including all laws or regulations relating to the undue erosion of highly-erodible land or relating to the conversion of wetlands for the production of an agricultural product or commodity. Grantor may contest in good faith any such law, ordinance or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Lender's interest in the Collateral, in Lender's opinion, is not jeopardized.

**Hazardous Substances.** Grantor represents and warrants that the Collateral never has been, and never will be so long as this Agreement remains a lien on the Collateral, used in violation of any Environmental Laws or for the generation, manufacture, storage, transportation, treatment, disposal, release or threatened release of any Hazardous Substance. The representations and warranties contained herein are based on Grantor's due diligence in investigating the Collateral for Hazardous Substances. Grantor hereby (1) releases and waives any future claims against Lender for indemnity or contribution in the event Grantor becomes liable for cleanup or other costs under any Environmental Laws, and (2) agrees to indemnify and hold harmless Lender against any and all claims and losses resulting from a breach of this provision of this Agreement. This obligation to indemnify shall survive the payment of the Indebtedness and the satisfaction of this Agreement.

**Maintenance of Casualty Insurance.** Grantor shall procure and maintain all risks insurance, including without limitation fire, theft and liability coverage together with such other insurance as Lender may require with respect to the Collateral, in form, amounts, coverages and basis reasonably acceptable to Lender. Grantor, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least thirty (30) days' prior written notice to Lender and not including any disclaimer of the insurer's liability for failure to give such a notice. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Grantor or any other person. In connection with all policies covering assets in which Lender holds or is offered a security interest, Grantor will provide Lender with such loss payable or other endorsements as Lender may require. If Grantor at any time fails to obtain or maintain any insurance as required under this Agreement, Lender may (but shall not be obligated to) obtain such insurance as Lender deems appropriate, including if Lender so chooses "single interest insurance," which will cover only Lender's interest in the Collateral.

**Application of Insurance Proceeds.** Grantor shall promptly notify Lender of any loss or damage to the Collateral if the estimated cost of repair or replacement exceeds 5,000.00, whether or not such casualty or loss is covered by insurance. Lender may make proof of loss if Grantor fails to do so within fifteen (15) days of the casualty. All proceeds of any insurance on the Collateral, including accrued proceeds thereon, shall be held by Lender as part of the Collateral. If Lender consents to repair or replacement of the damaged or destroyed Collateral, Lender shall, upon satisfactory proof of expenditure, pay or reimburse Grantor from the proceeds for the reasonable cost of repair or restoration. If Lender does not consent to repair or replacement of the Collateral, Lender shall retain a sufficient amount of the proceeds to pay all of the Indebtedness, and shall pay the balance to Grantor. Any proceeds which have not been disbursed within six (6) months after their receipt and which Grantor has not committed to the repair or restoration of the Collateral shall be used to prepay the Indebtedness.

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

**Insurance Reports.** Grantor, upon request of Lender, shall furnish to Lender reports on each existing policy of insurance showing such information as Lender may reasonably request including the following: (1) the name of the insurer; (2) the risks insured; (3) the amount of the policy; (4) the property insured; (5) the then current value on the basis of which insurance has been obtained and the manner of determining that value; and (6) the expiration date of the policy. In addition, Grantor shall upon request by Lender (however not more often than annually) have an independent appraiser satisfactory to Lender determine, as applicable, the cash value or replacement cost of the Collateral.

**Financing Statements.** Grantor authorizes Lender to file a UCC financing statement, or alternatively, a copy of this Agreement to perfect Lender's security interest. At Lender's request, Grantor additionally agrees to sign all other documents that are necessary to perfect, protect, and continue Lender's security interest in the Property. Grantor will pay all filing fees, title transfer fees, and other fees and costs involved unless prohibited by law or unless Lender is required by law to pay such fees and costs. Grantor irrevocably appoints Lender to execute documents necessary to transfer title if there is a default. Lender may file a copy of this Agreement as a financing statement. If Grantor changes Grantor's name or address, or the name or address of any person granting a security interest under this Agreement changes, Grantor will promptly notify the Lender of such change.

**GRANTOR'S RIGHT TO POSSESSION AND TO COLLECT ACCOUNTS.** Until default and except as otherwise provided below with respect to accounts, Grantor may have possession of the tangible personal property and beneficial use of all the Collateral and may use it in any lawful manner not inconsistent with this Agreement or the Related Documents, provided that Grantor's right to possession and beneficial use shall not apply to any Collateral where possession of the Collateral by Lender is required by law to perfect Lender's security interest in such Collateral. Until otherwise notified by Lender, Grantor may collect any of the Collateral consisting of accounts. At any time and even though no Event of Default exists, Lender may exercise its rights to collect the accounts and to notify account debtors to make payments directly to Lender for application to the Indebtedness. If Lender at any time has possession of any Collateral, whether before or after an Event of Default, Lender shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral if Lender takes such action for that purpose as Grantor shall request or as Lender, in Lender's sole discretion, shall deem appropriate under the circumstances, but failure to honor any request by Grantor shall not of itself be deemed to be a failure to exercise reasonable care. Lender shall not be required to take any steps necessary to preserve any rights in the Collateral against prior parties, nor to protect, preserve or maintain any security interest given to secure the Indebtedness.

**LENDER'S EXPENDITURES.** If any action or proceeding is commenced that would materially affect Lender's interest in the Collateral or if Grantor fails to comply with any provision of this Agreement or any Related Documents, including but not limited to Grantor's failure to discharge or pay when due any amounts Grantor is required to discharge or pay under this Agreement or any Related Documents, Lender on Grantor's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on the Collateral and paying all costs for insuring, maintaining and preserving the Collateral. All such expenditures paid by Lender for such purposes will then bear interest at the Note rate from the date paid by Lender to the date of repayment by Grantor. To the extent permitted by applicable law, all such expenses will become a part of the Indebtedness end, at Lender's option, will (A) be payable on demand; (B) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (1) the term of any applicable insurance policy; or (2) the remaining term of the Note; or (C) be treated as a balloon payment which will be due and payable at the Note's maturity. The Agreement also will secure payment of these amounts. Such right shall be in addition to all other rights and remedies to which Lender may be entitled upon Default.

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

**Payment Default.** Grantor fails to make any payment when due under the Indebtedness.

**Other Defaults.** Grantor fails to comply with or to perform any other term, obligation, covenant or condition contained in this Agreement or in any of the Related Documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Grantor.

**Default in Favor of Third Parties.** Should Borrower or any Grantor default under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Grantor's property or Grantor's of any Grantor's ability to repay the Indebtedness or perform their respective obligations under this Agreement or any of the Related Documents.

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**False Statements.** Any warranty, representation or statement made or furnished to Lender by Grantor or on Grantor's behalf under this Agreement or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

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

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

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

**Events Affecting Guarantor.** Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the Indebtedness or guarantor, endorser, surety, or accommodation party dies or becomes incompetent or revokes or disputes the validity of, or liability under, any Guaranty of the Indebtedness.

**Adverse Change.** A material adverse change occurs in Grantor's financial condition, or Lender believes the prospect of payment or performance of the indebtedness is impaired.

**Insecurity.** Lender in good faith believes itself insecure.

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

**Accelerate Indebtedness.** Lender may declare the entire indebtedness immediately due and payable, without notice of any kind to Grantor.

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

**Sell the Collateral.** Lender shall have full power to sell, lease, transfer, or otherwise deal with the Collateral or proceeds thereof in Lender's own name or that of Grantor. Lender may sell the Collateral at public auction or private sale. Unless the Collateral threatens to decline speedily in value or is of a type customarily sold on a recognized market, Lender will give Grantor, and other persons as required by law, reasonable notice of the time and place of any public sale, or the time after which any private sale or any other disposition of the Collateral is to be made. However, no notice need be provided to any person who, after Event of Default occurs, enters into and authenticates an agreement waiving that person's right to notification of sale. The requirements of reasonable notice shall be met if such notice is given at least ten (10) days before the time of the sale or disposition. All expenses relating to the disposition of the Collateral, including without limitation the expenses of retaking, holding, insuring, preparing for sale and selling the Collateral, shall become a part of the Indebtedness secured by this Agreement and shall be payable on demand, with interest at the Note rate from date of expenditure until repaid.

**Appoint Receiver.** Lender shall have the right to have a receiver appointed to take possession of all or any part of the Collateral, with the power to protect and preserve the Collateral, to operate the Collateral preceding foreclosure or sale, and to collect the Rents from the Collateral and apply the proceeds, over and above the cost of the receivership, against the Indebtedness. The receiver may serve without bond if permitted by law. Lender's right to the appointment of a receiver shall exist whether or not the apparent value of the Collateral exceeds the Indebtedness by a substantial amount. Employment by Lender shall not disqualify a person from serving as a receiver.

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

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

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

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

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

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

**Attorneys' Fees; Expenses.** Grantor agrees to pay upon demand all of Lender's costs and expenses, including Lender's reasonable attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Agreement. Lender may hire or pay someone else to help enforce this Agreement, and Grantor shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's reasonable attorneys' fees and legal expenses whether or not there is a lawsuit, including Lender's reasonable attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Grantor also shall pay all court costs and such additional fees as may be directed by the court.

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

**Governing Law.** This Agreement will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Texas without regard to its conflicts of law provisions. This Agreement has been accepted by Lender in the State of Texas.

**Choice of Venue.** If there is a lawsuit, and if the transaction evidenced by this Agreement occurred in Dallas County, Grantor agrees upon Lender's request to submit to the jurisdiction of the courts of Dallas County, State of Texas.

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

shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

**Notices.** Any notice required to be given under this Agreement shall be given in writing, and shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Agreement. Any party may change its address for notices under this Agreement by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Grantor agrees to keep Lender informed at all times of Grantor's current address. Unless otherwise provided or required by law, if there is more than one Grantor, any notice given by Lender to any Grantor is deemed to be notice given to all Grantors.

**Power of Attorney.** Grantor hereby appoints Lender as Grantor's irrevocable attorney-in-fact for the purpose of executing any documents necessary to perfect, amend, or to continue the security interest granted in this Agreement or to demand termination of filings of other secured parties. Lender may at any time, and without further authorization from Grantor, file a carbon, photographic or other reproduction of any financing statement or of this Agreement for use as a financing statement. Grantor will reimburse Lender for all expenses for the perfection and the continuation of the perfection of Lender's security interest in the Collateral.

**Severability.** If a court of competent jurisdiction finds any provision of this Agreement to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Agreement. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Agreement shall not affect the legality, validity or enforceability of any other provision of this Agreement.

**Successors and Assigns.** Subject to any limitations stated in this Agreement on transfer of Grantor's interest, this Agreement shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Collateral becomes vested in a person other than Grantor, Lender, without notice to Grantor, may deal with Grantor's successors with reference to this Agreement and the Indebtedness by way of forbearance or extension without releasing Grantor from the obligations of this Agreement or liability under the Indebtedness.

**Survival of Representations and Warranties.** All representations, warranties, and agreements made by Grantor in this Agreement shall survive the execution and delivery of this Agreement, shall be continuing in nature, and shall remain in full force and effect until such time as Grantor's Indebtedness shall be paid in full.

**Time is of the Essence.** Time is of the essence in the performance of this Agreement.

**DEFINITIONS.** The following capitalized words and terms shall have the following meanings when used in this Agreement. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Agreement shall have the meanings attributed to such terms in the Uniform Commercial Code:

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

**Borrower.** The word "Borrower" means TGC Industries, Inc. and includes all co-signers and co-makers signing the Note.

**Collateral.** The word "Collateral" means all of Grantor's right, title and interest in and to all the Collateral as described in the Collateral Description section of this Agreement.

**Default.** The word "Default" means the Default set forth in this Agreement in the section titled "Default".

**Environmental Laws.** The words "Environmental Laws" mean any and all state, federal and local statutes, regulations and ordinances relating to the protection of human health or the environment, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 89-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 5901, et seq., or other applicable state or federal laws, rules, or regulations adopted pursuant thereto.

**Event of Default.** The words "Event of Default" mean any of the events of default set forth in this Agreement in the default section of this Agreement.

**Grantor.** The word "Grantor" means TGC Industries, Inc..

**Guaranty.** The word "Guaranty" means the guaranty from guarantor, endorser, surety, or accommodation party to Lender, including without limitation a guaranty of all or part of the Note.

**Hazardous Substances.** The words "Hazardous Substances" mean materials that, because of their quantity, concentration or physical, chemical or infectious characteristics, may cause or pose a present or potential hazard to human health or the environment when improperly used, treated, stored, disposed of, generated, manufactured, transported or otherwise handled. The words "Hazardous Substances" are used in their very broadest sense and include without limitation any and all hazardous or toxic substances, materials or waste as defined by or listed under the Environmental Laws. The term "Hazardous Substances" also includes, without limitation, petroleum and petroleum by-products or any fraction thereof and asbestos.

**Indebtedness.** The word "Indebtedness" means the indebtedness evidenced by the Note or Related Documents, including all principal and interest together with all other indebtedness and costs and expenses for which Grantor is responsible under this Agreement or under any of the Related Documents.

**Lender.** The word "Lender" means Sovereign Bank, N.A., its successors and assigns.

**Note.** The word "Note" means the Note executed by TGC Industries, Inc. in the principal amount of \$500,000.00 dated April 26, 2005, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the note or credit agreement.

**Property.** The word "Property" means all of Grantor's right, title and interest in and to all the Property as described in the "Collateral Description" section of this Agreement.

**Related Documents.** The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Indebtedness.

GRANTOR HAS READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS COMMERCIAL SECURITY AGREEMENT AND AGREES TO ITS TERMS. THIS AGREEMENT IS DATED APRIL 26, 2005.

GRANTOR:

TGC INDUSTRIES, INC.

By: COPY  
Wayne Whitener, President & CEO of TGC  
Industries, Inc.

#### DISBURSEMENT REQUEST AND AUTHORIZATION

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$ 500,000.00	04-26-2005	04-26-2006	17003864	4A / 466		SBV	

References in the shaded area are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "\*\*\*\*" has been omitted due to text length limitations.

**Borrower:** TGC Industries, Inc.  
1304 Summit Avenue, Ste. 2  
Plano, TX 75074

**Lender:** Sovereign Bank, N.A.  
Preston Center  
6060 Sherry Lane  
Dallas, TX 75225

**LOAN TYPE.** This is a non-precomputed Variable Rate Nondisclosable Revolving Line of Credit Loan to a Corporation for \$500,000.00 due on April 26, 2006. The reference rate (Sovereign Bank, N.A. Prime Rate as determined, currently equal to Wall Street Journal Prime Rate as quoted in the Southwestern Addition of the Wall Street Journal, currently 5.750%) is added to the margin of 1.000%, resulting in an initial rate of 6.750.

**PRIMARY PURPOSE OF LOAN.** The primary purpose of this loan is for (please initial):

- Personal, Family or Household Purposes.
- Personal Investment.
- Business, Agricultural and All Other.

**SPECIFIC PURPOSE.** The specific purpose of this loan is: To Provide a Revolving Line of Credit for working capital for the collection of accounts receivable.

**DISBURSEMENT INSTRUCTIONS.** Borrower understands that no loan proceeds will be disbursed until all of Lender's conditions for making the loan have been satisfied. Please disburse the loan proceeds of \$500,000.00 as follows:

Undisbursed Funds: \$ 500,000.00

Note Principal: \$ 500,000.00

**CHARGES PAID IN CASH.** Borrower has paid or will pay in cash as agreed the following charges:

Prepaid Finance Charges Paid in Cash: \$ 0.00

Other Charges Paid in Cash:	\$	242.00
\$15.00 UCC Filing Fee		
\$77.00 UCC Search Fee		
\$150.00 Underwriting Fee		
Total Charges Paid in Cash:	\$	242.00

**FINANCIAL CONDITION. BY SIGNING THIS AUTHORIZATION, BORROWER REPRESENTS AND WARRANTS TO LENDER THAT THE INFORMATION PROVIDED ABOVE IS TRUE AND CORRECT AND THAT THERE HAS BEEN NO MATERIAL ADVERSE CHANGE IN BORROWER'S FINANCIAL CONDITION AS DISCLOSED IN BORROWER'S MOST RECENT FINANCIAL STATEMENT TO LENDER. THIS AUTHORIZATION IS DATED APRIL 26, 2005.**

BORROWER:

TGC INDUSTRIES, INC.

By:     COPY      
Wayne Whitener, President & CEO of TGC  
Industries, Inc.

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**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

I, Wayne A. Whitener, Chief Executive Officer of TGC Industries, Inc. certify that:

1. I have reviewed this quarterly report on Form 10-QSB of TGC Industries, Inc.;
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 quarterly 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 quarterly 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 we 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 quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this quarterly 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
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 registrant's board of directors (or persons performing the equivalent function):
  - 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

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- 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: August 15, 2005

/s/ Wayne A. Whitener  
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 Wayne A. Whitener  
 President & Chief  
 Executive Officer  
 (Principal Executive Officer)

2

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**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**

I, Kenneth W. Uselton, Principal Financial Officer of TGC Industries, Inc. certify that:

1. I have reviewed this quarterly report on Form 10-QSB of TGC Industries, Inc.;
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 quarterly 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 quarterly 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 we 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 quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this quarterly 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
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 registrant's board of directors (or persons performing the equivalent function):
  - 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

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- 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: August 15, 2005

/s/ Kenneth W. Uselton  
 Kenneth W. Uselton  
 Treasurer (Principal Financial  
 and Accounting Officer)

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**Certification of  
Chief Executive Officer  
of TGC Industries, Inc. 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 (18 U.S.C. 1350) and accompanies the quarterly report on Form 10-QSB(the "Form 10-QSB") for the quarter ended June 30, 2005 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-QSB fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Form 10-QSB 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-QSB.

Dated: August 15, 2005

/s/ Wayne A. Whitener

\_\_\_\_\_  
Wayne A. Whitener  
Chief Executive Officer

The foregoing certification is being furnished as an exhibit to the Form 10-QSB pursuant to Item 601(b)(32) of Regulation S-B 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-QSB 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  
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 (18 U.S.C. 1350) and accompanies the quarterly report on Form 10-QSB (the "Form 10-QSB") for the quarter ended June 30, 2005 of TGC Industries, Inc. (the "Company"). I, Kenneth W. Uselton, Principal Financial and Accounting Officer of the Company, certify that, to the best of my knowledge:

- (1) The Form 10-QSB fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Form 10-QSB 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-QSB.

Dated: August 15, 2005

/s/ Kenneth W. Uselton  
\_\_\_\_\_  
Kenneth W. Uselton  
Treasurer (Principal Financial  
and Accounting Officer)

The foregoing certification is being furnished as an exhibit to the Form 10-QSB pursuant to Item 601(b)(32) of Regulation S-B 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-QSB 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.