

FORM 10-QSB

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDING JUNE 30, 2000.

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_.

Commission File Number 0-14908

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

75074

(Address of principal executive offices)

(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 July 28, 2000
Common Stock (\$.30 Par Value)	2,322,874

PART I -- FINANCIAL INFORMATION

ITEM 1 -- FINANCIAL STATEMENTS

Incorporated herein is the following unaudited financial information:

Balance Sheet as of June 30, 2000.

Statements of Operations for the three and six month periods  
ended June 30, 2000 and 1999.

Statements of Cash Flows for the six month periods ended June  
30, 2000 and 1999.

Notes to Financial Statements.

TGC INDUSTRIES, INC  
BALANCE SHEET  
(UNAUDITED)

JUNE 30,  
2000

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$1,087,926
Accounts receivable	696,177
Cost and estimated earnings in excess of billings on uncompleted contracts	5,725
Prepaid expenses and other	248,919
Total current assets	<u>2,038,747</u>

PROPERTY AND EQUIPMENT - at cost

Machinery and equipment	11,128,166
Automobiles and trucks	748,249
Furniture and fixtures	320,210
Other	18,144
	<u>12,214,769</u>

Less accumulated depreciation and amortization	(7,511,649)
	<u>4,703,120</u>

DEFERRED INCOME TAXES	202,000
OTHER ASSETS	495

Total assets \$6,944,362

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See notes to Financial Statements

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

JUNE 30,  
2000

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Trade accounts payable	\$ 328,391
Accrued liabilities	263,523
Billings in excess of costs and estimated earnings on uncompleted contracts	818,932
Current maturities of long-term obligations	510,039
Total current liabilities	<u>1,920,885</u>

LONG-TERM OBLIGATIONS, less current maturities

214,312

STOCKHOLDERS' EQUITY

Preferred stock, \$1.00 par value; 4,000,000 shares authorized:	
8-1/2% Senior convertible preferred stock; 2,259,890 shares issued and outstanding	2,259,890
8% Series C convertible exchangeable preferred stock; 1,093,350 shares issued and outstanding	1,093,350
Common stock, \$.30 par value; shares authorized; 2,341,318 shares issued	25,000,000 702,395
Additional paid-in capital	5,703,379
Accumulated deficit	(4,734,535)
Treasury stock, at cost (31,944 shares)	(215,314)
	<u>4,809,165</u>

Total liabilities and stockholders' equity \$6,944,362  
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See notes to Financial Statements

TGC INDUSTRIES, INC.  
STATEMENTS OF OPERATIONS

	Three Months Ended		Six Months Ended	
	June 30, (Unaudited)		June 30, (Unaudited)	
	2000	1999	2000	1999
Revenue	\$1,439,829	\$ 924,212	\$1,798,367	\$3,534,359

Cost of services	1,733,277	1,331,147	2,466,339	3,399,828
Selling, general, adm.	249,409	231,305	484,891	441,716
	<u>1,982,686</u>	<u>1,562,452</u>	<u>2,951,230</u>	<u>3,841,544</u>
INCOME (LOSS) FROM OPERATIONS	(542,857)	(638,240)	(1,152,863)	(307,185)
Interest expense	45,697	47,695	121,896	103,773
NET INCOME (LOSS)	(588,554)	(685,935)	(1,274,759)	(410,958)
Less dividend requirement on preferred stock	116,207	112,705	227,232	225,640
INCOME (LOSS) ALLOCABLE TO COMMON STOCKHOLDERS	<u>\$(704,761)</u>	<u>\$(798,640)</u>	<u>\$(1,501,991)</u>	<u>\$(636,598)</u>
Earnings (loss) per common share				
Basic	\$ (.31)	\$ (.36)	\$ (.66)	\$ (.29)
Diluted	\$ (.31)	\$ (.36)	\$ (.66)	\$ (.29)
Weighted average number of common shares:				
Basic	2,276,146	2,224,035	2,269,362	2,220,620
Diluted	2,276,146	2,224,035	2,269,362	2,220,620

See notes to Financial Statements

TGC INDUSTRIES, INC.  
Statements of Cash Flows (Unaudited)

	Six Months Ended June 30,	
	2000	1999
	<u>          </u>	<u>          </u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (loss)	\$(1,274,759)	\$(410,958)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	816,477	975,739
Loss (gain) on disposal of property and equipment	(3,901)	(1,159)
Changes in operating assets and liabilities		
Trade accounts receivable	(696,177)	1,108,184
Billings in excess of cost and estimated earnings on uncompleted contracts	813,207	(387,474)
Prepaid expenses	(158,822)	(121,871)
Other assets	-	569
Accounts payable	277,458	(520,916)
Accrued liabilities	247,857	156,504
	<u>          </u>	<u>          </u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	21,340	798,618
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(456,346)	(9,221)
Proceeds from sale of property and equipment	3,901	4,500
	<u>          </u>	<u>          </u>
NET CASH USED IN INVESTING ACTIVITIES	(452,445)	(4,721)

CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	-	(178,044)
Proceeds from issuance of debt	77,580	-
Principal payments of debt obligations	(457,223)	(1,016,762)
	<hr/>	<hr/>
NET CASH USED IN FINANCING ACTIVITIES	(379,643)	(1,194,806)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(810,748)	(400,909)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,898,674	702,999
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$1,087,926	\$302,090
	=====	=====
Supplemental cash flow information		
Interest paid	\$ 41,618	\$103,773
Income taxes paid	\$ -	\$ 48,391

See notes to Financial Statements

TGC INDUSTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)  
June 30, 2000

NOTE A -- BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with the instructions to Form 10-QSB and therefore do not include all information and footnotes necessary for a fair presentation of financial position, results of operations and changes in financial position in conformity with generally accepted accounting principles.

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, 1999 filed on Form 10-KSB.

NOTE C -- EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per common share are based upon the weighted average number of shares of common stock outstanding. Diluted earnings (loss) 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.

NOTE D DIVIDENDS

Holders of the Company's Series C 8% Convertible Exchangeable Preferred Stock ("Series C Preferred Stock") will receive, when, as and if declared by the Board of Directors of the Company, dividends at a rate of 8% per annum. The dividends are payable semi-annually during January and July of each year. At June 30, 2000, cumulative dividends of approximately \$656,000 were in arrears on the Company's Series C Preferred Stock.

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. However, dividends declared and payable through December 1, 2000, on the Senior Preferred Stock shall be by issuance of additional shares of Senior Preferred Stock with a liquidation value equal to the amount of the cash dividend payment which would have been paid. For each dividend payment due and payable after December 1, 2000, payment shall, subject to certain conditions, be by cash or by issuance of additional shares of Senior Preferred Stock at the election of the holders by written notice to the Company. At June 30, 2000, there were no dividends in arrears on the Company's Senior Preferred Stock.

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

RESULTS OF OPERATIONS

TGC Industries, Inc. ("TGC") reported revenues of \$1,798,367 and a net loss, before dividend requirements on preferred stock, of \$(1,274,759) for the six months ended June 30, 2000, compared with revenue of \$3,534,359 and a net loss, before dividend requirements on preferred stock, of \$(410,958) for the six months ended June 30, 1999. Loss per common share, on a diluted basis, was \$(.66) for the first six months of 2000, compared with a loss per common share of \$(.29) for 1999.

For the three month period ended June 30, 2000, TGC had revenue of \$1,439,829 and a net loss, before dividend requirements on preferred stock, of \$(588,554). This compares with revenue of \$924,212 and a net loss, before dividend requirements on preferred stock, of \$(685,935) for 1999. Loss per common share, on a diluted basis, was \$(.31) for the three month period ended June 30, 2000, compared with a loss per common share of \$(.36) for 1999.

Although the results for the second quarter of 2000 were disappointing, they showed a slight improvement over the first quarter of 2000. An increase in oil prices began in December 1999. However, the increase in natural gas prices just began in May 2000. Due to these price increases being so recent, the geophysical service industry has yet to experience an increase in demand for its services.

June 2000 data showed that there had been an increase of just over 50% in the number of rotary drilling rigs working in the United States. In addition, of the 600 plus rotary drilling rigs working in the United States, approximately 71% are drilling for natural gas and the balance of 29% are drilling for oil. Though there can be no assurance, management believes TGC should see an improvement in its performance later in the year provided the prices for oil and natural gas remain at or near their current levels.

Non-cash charges for depreciation and amortization were \$816,477 in the first six months of 2000 compared with \$975,739 for the same period of 1999.

At December 31, 1999, TGC had net operating loss carryforwards of approximately \$5,600,000 available to offset future taxable income, which expire at various dates through 2019.

FINANCIAL CONDITION

Cash of \$21,340 was provided from operations for the first six months of 2000 compared with cash provided from operations of \$798,618 for the same period of 1999. Cash used in investing activities for the first six months of 2000 was for the addition of equipment in the amount of \$456,346. Cash used in financing activities for the first six months of 2000 was for principal payments of debt obligations in the amount of \$457,223.

Working capital decreased \$974,529 to \$117,862 from the December 31, 1999 balance of \$1,092,391. The Company's current ratio was 1.1 at June 30, 2000, compared with 2.3 at December 31, 1999. Stockholders' equity increased \$1,315,553 from the December 31, 1999 balance of \$3,493,612 to \$4,809,165 at June 30, 2000. This increase was attributable to the conversion in May 2000 by WEDGE Energy Services, L.L.C. ("WEDGE Energy") of

its 8-1/2% Convertible Subordinated Debenture, Series B due December 1, 2009, in the principal amount of \$2,500,000 (the "Debenture") plus accrued interest into 2,252,445 shares of Senior Preferred Stock.

The holders of the Company's outstanding Series C Preferred Stock, voted at the Annual Meeting held May 11, 2000, to consent to a new series of Senior Convertible Preferred Stock. The affirmative vote of the holders of two-thirds (2/3) of the issued and outstanding shares of Series C Preferred Stock approved the new series of Senior Preferred Stock. As a result of the consent to the new series of Senior Preferred Stock by the Series C Preferred Stock shareholders and in accordance with the terms of the Debenture Agreement, WEDGE Energy, on May 17, 2000, converted its Debenture into Senior Preferred Stock. This conversion increased the equity section of the balance sheet by \$2,590,312 as additional preferred stock and decreased long-term debt by \$2,500,000 and accrued liabilities by approximately \$90,312. In addition, 7,445 shares of Senior Preferred Stock were issued to WEDGE Energy as payment of the June 1, 2000, dividend. As stated, in Note D of the Notes to the Financial Statements, Senior Preferred Stock dividend payments through December 1, 2000 are paid by issuance of additional shares of Senior Preferred Stock.

At August 1, 2000, one of the Company's two crews was employed with sufficient backlog to keep it working the remainder of the year. The Company anticipates that available funds, together with anticipated cash flows generated from future operations will be sufficient to meet the Company's cash needs during 2000.

#### Forward-Looking Statements

This report contains forward-looking statements which reflect the view of Company's management with respect to future events. 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, without limitation, the unpredictable nature of forecasting weather, the potential for contract delay or cancellation, and the potential for fluctuations in oil and gas prices. 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.

PART II - OTHER INFORMATION

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

The annual meeting of shareholders was held on May 11, 2000. The following matters were voted upon and approved by the Company's shareholders:

- a. Election to the Board of Directors of Messrs. William J. Barrett, Edward L. Flynn, Herbert M. Gardner, Allen T. McInnes, Pasquale V. Scaturro, William H. White and Wayne A. Whitener was approved by the shareholders by a majority vote by a vote of 2,665,360 shares voted for and 7,199 shares withholding authority to vote for.
- b. Approval of the Company's 1999 Stock Option Plan was approved by the shareholders by a majority vote by a vote of 1,661,031 shares voted for, 55,416 shares voted against and 13,678 shares abstaining.
- c. Ratification of the selection of the Company's auditors, Grant Thornton LLP, was approved by the shareholders by a majority vote by a vote of 2,662,484 shares voted for, 55 shares voted against and 10,020 shares abstaining.
- d. Consent, by vote of the holders of the Company's outstanding 8% Series C Convertible Exchangeable Preferred stock, voting as a class, to a new series of 8-1/2% Senior Convertible Preferred Stock was approved by such holders by a 66-2/3% vote by a vote of 750,800 shares voted for, 23,000 shares voted against and none abstaining.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- a. Exhibits -- None.
- b. Reports -- None.

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 11, 2000

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



Date: August 11, 2000

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

6-MOS	DEC-31-2000		
	JUN-30-2000		
		1,087,926	
		0	
		696,177	
		0	
		0	
	2,038,747		
		12,214,769	
	7,511,649		
	6,944,362		
1,920,885			
		214,312	
	0		
		3,353,240	
		702,395	
		753,530	
6,944,362			0
	1,798,367		0
		2,466,339	
	484,891		
	0		
	121,896		
	(1,501,991)		
		0	
(1,501,991)			
		0	
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			0
	(1,501,991)		
	(0.66)		
	(0.66)		