

FORM 10-KSB

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2000
Commission File Number 0-14908

TGC INDUSTRIES, INC.
(Name of small business issuer of its charter)

Texas 74-2095844
(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or organization)

1304 Summit, Suite 2, Plano, Texas 75074
(Address of principal executive offices) (Zip Code)

Issuer's telephone number: (972) 881-1099

Securities registered under Section 12(b) of the Exchange Act: NONE

Securities registered under Section 12(g) of the Exchange Act:
Common Stock (\$.30 Par Value)
Series C 8% Convertible Exchangeable Preferred Stock (\$1.00 Par Value)

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 X No ___

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. (X)

State issuer's revenues (from continuing operations) for its most recent fiscal year: \$6,455,915

State the aggregate market value of the registered voting stock (Common Stock, \$.30 par value and Series C 8% Convertible Exchangeable Preferred Stock, \$1.00 par value) held by non-affiliates computed by reference to the price at which the stock was sold on March 23, 2001: \$2,885,375

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

Class	Outstanding as of March 23, 2001
Common Stock (\$.30 Par Value)	2,357,488

Documents Incorporated by Reference

Document	Part of the Form 10-KSB Into Which the Document is Incorporated
Portions of the Proxy Statement for Annual Meeting of shareholders to be held on June 14, 2001	Items 9 through 12 of Part III

Part I

ITEM 1. DESCRIPTION OF BUSINESS.

TGC Industries, Inc. ("TGC" or the "Company") is a Texas corporation engaged in the geophysical service business, primarily conducting Three-D ("3-D") surveys for clients in the oil and gas business. TGC's principal business office is located at 1304 Summit Avenue, Suite 2, Plano, Texas 75074. (Telephone: 972-881-1099).

History

In April 1980, Supreme Industries, Inc., formerly ESI Industries, Inc., ("Supreme") formed a wholly owned subsidiary that acquired certain equipment, instruments, and related supplies of Tidelands Geophysical Co., Inc. ("Tidelands"), a Houston-based corporation that had been organized in 1967 and was engaged in the business of conducting seismic, gravity, and magnetic surveys under contracts to companies in the exploration for oil and gas. In July 1986, Tidelands' name was changed to TGC Industries, Inc. ("TGC"). On June 30, 1986, the Board of Directors of Supreme and TGC approved a spin-off whereby substantially all of the shares of TGC owned by Supreme were distributed as a stock dividend to Supreme security holders.

On July 30, 1993, TGC acquired, through a wholly owned subsidiary, Chase Packaging Corporation ("Chase"), a specialty packaging business, principally supplying products to the agricultural industry, through the purchase of certain assets of the Chase Packaging division of Union Camp Corporation.

In June 1996, the Board of Directors of TGC approved the spin-off of Chase, effective July 31, 1996, whereby all of the shares of Chase owned by TGC were distributed as a stock dividend to the shareholders of TGC under the terms of the spin-off transaction. Pursuant to the terms of the spin-off, and following clearance by the Securities and Exchange Commission on March 7, 1997, the holders of TGC's Common Stock and, on an as-if-converted basis, the holders of TGC's Series C 8% Convertible Exchangeable Preferred Stock received the dividend distribution of Chase Common Stock.

During July 1996, the Company issued 1,150,350 shares of Series C 8% Convertible Exchangeable Preferred Stock ("Series C Preferred Stock") in a private placement offering with gross proceeds of approximately \$5,800,000.

The Series C Preferred Stock sold in the private placement entitles the holder to receive cumulative cash dividends as, when and if declared by the Board of Directors at a rate of 8% per annum prior to any dividend or distribution in cash or other property on any class or series of stock junior

to the Series C Preferred Stock. The dividends on the Series C Preferred Stock are payable as, when and if declared by the Board of Directors on January 1 and July 1 of each year, commencing January 1, 1997. The dividend on the Series C Preferred Stock is cumulative.

From the proceeds of the private placement, TGC made a capital contribution to Chase of \$2,716,403 to facilitate the spin-off; and TGC retained \$2,000,000 for the purchase of state-of-the-art geophysical recording equipment. Under the terms of the spin-off, the effective date of which was July 31, 1996, TGC completed the spin-off of the business and assets relating to the Chase operations, except TGC retained the Portland, Oregon facility and canceled all inter-company debt owed by Chase to TGC. The distribution of Chase Stock was March 7, 1997. On March 18, 1997, TGC sold the Portland, Oregon facility for \$2,430,000 and applied such proceeds in satisfaction of the mortgage indebtedness with respect to such facility and in satisfaction of a debt obligation owing by TGC to Chase to pay to Chase any such proceeds in excess of the amount of the mortgage indebtedness.

As of July 31, 1996, the effective date of the spin-off, TGC Industries, Inc.'s only business has been the geophysical service business, primarily conducting Three-D ("3-D") surveys for clients in the oil and gas business.

On December 13, 1999, WEDGE Energy Services, L.L.C., ("WEDGE Energy") an affiliate of WEDGE Group Incorporated, a diversified Houston, Texas firm with interests in oil and gas services, purchased a \$2,500,000 8.5% Convertible Subordinated Debenture, Series B due December 1, 2009 (the "Debenture"), of the Company. Proceeds of the financing together with other available funds are being utilized for working capital and an expanded capital expenditure program. The Debenture, at WEDGE's option, could be converted into either preferred stock or common at a price of \$1.15 per share.

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 8.5% Senior Convertible Preferred Stock ("Senior Preferred Stock"). The affirmative vote of the holders of two-thirds (2/3) of the 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 plus accrued interest into 2,252,445 shares of Senior Preferred Stock. In addition, 7,445 and 96,045 shares of Senior Preferred Stock were issued to WEDGE Energy as payment of the June 1, 2000, and December 1, 2000, dividends, respectively. Per the Debenture Agreement, dividends on the Senior Preferred Stock were paid by the issuance of additional shares of Senior Preferred Stock through December 1, 2000.

General Description of the Company's Business

Geophysical Business

Since its formation, TGC has engaged in the domestic geophysical services business principally through conducting seismic surveys and to a lesser extent through sales of gravity information from the Company's Data Bank to companies

engaged in the exploration for oil and gas in the United States. Geophysics is the study of the structure and composition of the earth's interior and involves the measuring and interpretation of the earth's properties with appropriate instruments. Such studies are generally conducted by means of surveys performed by field crews employing seismic, gravity, or magnetic instruments to acquire data that is then interpreted by various means to obtain useful information for oil and gas companies. The two survey techniques used by the Company in acquiring geophysical data are seismic and gravity. Land seismic surveys are the Company's principal method of data acquisition and are by far the most widely used geophysical technique. TGC's seismic crews use dynamite as the primary energy source for such surveys.

In July 1996, the Company purchased an Opseis Eagle 24-BIT 1500 channel recording system, cables and geophones for approximately \$2,900,000, using \$2,000,000 from proceeds from the Company's preferred stock private placement, a \$750,000 equipment loan, and funds from internal cash flow. In late November 1996, the Company purchased a second 1000 channel Eagle system using the proceeds and trade-in from TGC's two older systems along with equipment financing of \$855,000 and internal cash flow. In 1997, TGC purchased an

additional 1500 channels utilizing equipment financing of \$2,242,685. The greater precision and improved subsurface resolution obtainable from 3-D seismic data have enabled energy companies in the U.S. to better evaluate important subsurface features. The processing and interpretation of seismic data acquired by TGC are transmitted by the Company to data processing centers (not owned or operated by the Company) designated by the clients for processing.

The Company's Data Bank contains gravity data, and to a lesser extent magnetic data, from many of the major oil and gas producing areas located within the United States. TGC does not have a seismic data bank. Data Bank information has been amassed through participatory surveys as well as speculative surveys funded by TGC alone. All data and interpretations may be licensed to customers at a fraction of the cost of newly acquired data.

As a service business, the Company's domestic geophysical services business is not dependent upon the supply of raw materials or any other products and, therefore, the Company does not have arrangements with any raw material suppliers.

The Company has the capability of utilizing two seismic crews to perform its geophysical services and, in any given period, these crews may generate a significant portion of their respective revenues from one or more clients. For the year ended December 31, 2000, four customers accounted for twenty-three percent (23%), nineteen percent (19%), eighteen percent (18%) and fifteen percent (15%) of the Company's revenue, respectively. The Company enters into a general or master agreement with each of its clients for the provision of geophysical services and a supplementary agreement (which becomes a part of the general agreement) with respect to each particular job that the Company performs for a client. Under the terms of such agreements, the Company generally contracts to supply all personnel, transportation and equipment to perform seismic surveys for a given prospect for a fixed price plus reimbursement for certain third party charges. The Company generally bills its clients on a progressive basis over the term of the contract. The

Company is generally obligated to maintain insurance against injury or damage to persons or equipment arising from the performance of its services and to indemnify its customers against all claims and liability arising therefrom. Management believes this insurance coverage is sufficient.

Prior to the second half of 1998, activity in the U.S. Geophysical Industry had increased with the success and acceptance of 3-D surveys. The improved cost effectiveness gained from the data acquisition and processing of 3-D surveys had resulted in increased profits for the U.S. operations of the major and independent oil companies. With these cost advantages and the uncertainty of foreign operations, many of the major U.S. oil companies increased participation in the domestic oil industry. However, beginning approximately in mid 1998, activity declined significantly due to a decline in the price of oil.

Due to a significant decline in spending for seismic services by a number of oil and gas clients as a result of significantly lower oil prices, TGC has reduced its operations to one seismic acquisition crew. This decrease in spending was primarily a result of the significant decline in oil and natural gas prices (principally oil prices) during 1998. An increase in oil prices began in December 1999. However, the increase in natural gas prices did not begin until May 2000. Due to the significant lag time in the geophysical services industry between increases in oil and natural gas prices and an increase in demand for services, the geophysical services industry has yet to experience a significant increase in demand for its services. Company management continues to monitor expenses and, where possible, implement cost containment programs to remain highly competitive through this continued period of reduced industry activity. However, there has been a recent increase in seismic bidding activity and management is aggressively pursuing contract opportunities. Management believes that the outlook for the geophysical services industry is promising. Though there can be no assurance, geophysical services should be in greater demand due to the recent increase in levels of seismic bidding activity and the prospect of oil and natural gas prices remaining at or near their current levels.

As of December 31, 2000, TGC employed 45 employees, supporting one seismic crew with a total of 39 crew members and direct support members. The Company believes its relationship with its employees to be satisfactory.

ITEM 2. DESCRIPTION OF PROPERTY.

The Company's headquarters are in leased facilities located in Plano, Texas from which it conducts all its current operations. These facilities include 8,000 square feet of office and warehouse space and an outdoor storage area of approximately 10,000 square feet. The monthly rent is \$5,098. This facility is used to house corporate offices and serves as the headquarters for the geophysical business. The Company is not responsible for insuring the facilities. The condition of the Company's facilities is good and TGC management believes that these properties are suitable and adequate for the Company's foreseeable needs.

ITEM 3. LEGAL PROCEEDINGS.

The Company is a defendant in various legal actions that arose out of the normal course of business. In the opinion of Management, none of the actions will result in any significant loss to the Company.

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

No matters were submitted by the Company, during the fourth quarter of the fiscal year ended December 31, 2000, to a vote of the Company's security holders, through the solicitation of proxies or otherwise.

Part II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Company's Common Stock has traded on the NASDAQ SmallCap Market under the symbol "TGCI" since September 25, 1994.

The number of shareholders of record of TGCI's Common Stock as of March 23, 2001, was 314. Due to the number of shares held in nominee or street name, the Company believes that there are a significantly greater number of beneficial owners of its Common Stock. As of such date, CEDE & CO. held 1,274,848 shares in street name. On March 23, 2001, TGC's Common Stock was quoted at a closing sales price of \$1.00. High and low sales prices (adjusted for the Reverse Split effective November 6, 1998) of TGC's Common Stock for the period of January 1, 1999, to December 31, 2000, were as follows:

Sales Price of TGC Common Stock

Date	High	Low
October 1 -- December 31, 2000	1 1/4	1/2
July 1 -- September 30, 2000	1 1/4	5/8
April 1 -- June 30, 2000	1 7/8	5/8
January 1 -- March 31, 2000	1 7/8	11/16
October 1 -- December 31, 1999	1	7/16
July 1 -- September 30, 1999	1 15/16	1/4
April 1 -- June 30, 1999	3	7/8
January 1 -- March 31, 1999	1 1/2	7/8

The above sale quotations were furnished to TGC by the NASD.

On November 6, 1998, the Company effected a one-for-three reverse stock split of its Common Stock, whereby each three shares of issued and outstanding Common Stock was converted and combined into one share of Common Stock (the "Reverse Split"). The Common Stock commenced trading on a post-Reverse Split basis on November 9, 1998.

As a consequence of the Reverse Split: (1) pursuant to the provisions for adjustment of the conversion ratio of the Company's Series C Preferred Stock, the conversion price per share of Common Stock on a post-Reverse Split basis increased from \$0.75 to \$2.25 per share; and (2) pursuant to the terms for adjustment to the exercise price of the Company's Common Share Purchase Warrants, each Warrant purchased on a post-Reverse Split basis, 1/3 of a share of Common Stock at a price of \$1.125 per share of Common Stock. The Company's Common Share Purchase Warrants expired under the terms of the Warrant Agreement dated July 28, 1995 (and all amendments thereto) on December 31, 2000. As provided in the Warrant Agreement, any unexercised Warrant Certificates outstanding on December 31, 2000, were automatically deemed exercised on behalf of each record holder of Warrant Certificates into shares of the Company's Common Stock at the rate of one-tenth (1/10th) of a share of Common Stock for each three Warrants. There was no exercise price payable to the Company in connection with this deemed exercise.

On June 3, 1999, the TGC Board of Directors voted that in lieu of declaring the July 1999 semi-annual dividend on the Series C Preferred Stock to reduce, on a post-Reverse Split basis, the initial conversion price of the Series C Preferred Stock from \$2.25 per share of Common Stock to \$2.00 per share of Common Stock and delay the increase in the conversion price of the Series C Preferred Stock until the close of business on December 31, 2001. The increase in the conversion price of the Series C Preferred Stock from \$2.00 per share of Common Stock to \$3.75 per share of Common Stock, following the reduction described above, was otherwise scheduled to increase at the close of business on December 31, 2000. As a result of the adjustments described above, the conversion price of the Series C Preferred Stock is \$2.00 per share of Common Stock if exercised prior to the close of business on December 31, 2001. After December 31, 2001 and prior to the close of business on December 31, 2002, the conversion price per share of Common Stock shall be \$3.75. Thereafter, the conversion price will be \$6.00 per share of Common Stock.

Dividends are payable on the Company's Common Stock at the discretion of the Board of Directors. In light of the working capital needs of the Company, it is unlikely that cash dividends will be declared and paid on the Company's Common Stock in the foreseeable future.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITIONS AND RESULTS OF OPERATIONS.

Results of operations

Geophysical Operation (Continuing Operations)

Revenues for the year ended December 31, 2000 were \$6,455,915 compared with revenues of \$4,600,708 for the year ended December 31, 1999. The Company

incurred a net loss, before dividend requirements on preferred stock, of \$(1,912,064) for the year ended December 31, 2000 compared with a net loss before dividend requirements on preferred stock of \$(2,073,071) for the year ended December 31, 1999. The net loss of \$(1,912,064), before dividend requirements on preferred stock, for the year ended December 31, 2000 included a charge of \$202,000 for deferred income tax expense.

The Company's shareholders, at a special meeting of shareholders on November 5, 1998, approved an Amendment to the Company's Articles of Incorporation to effect a one-for-three reverse stock split of its Common Stock (the "Reverse Split"). The Reverse Split was effected on November 6, 1998, and the Common Stock commenced trading on a post-Reverse Split basis on November 9, 1998. All references to number of shares, except shares authorized, and to per share information have been adjusted to reflect the reverse stock split.

TGC's cost of services, as a percentage of revenue, decreased to 109.3% in 2000 from 113.1% in 1999. This percentage decrease was principally a result of the increased revenue level in 2000. Selling, general and administrative expense increased to \$969,875 in 2000 from \$878,940 in 1999. This increase was primarily the result of additional expenditures in selling expense as marketing efforts were expanded in 2000. Interest expense decreased by \$60,172 in 2000 when compared to 1999 primarily as a result of certain debt issues that matured during 2000. Non-cash charges for depreciation and amortization were \$1,644,331 in 2000 compared with \$1,885,313 in 1999.

Due to a significant decline in spending for seismic services by a number of oil and gas clients as a result of significantly lower oil prices, TGC reduced its operations to one seismic acquisition crew in 1999. TGC continued to operate at this one crew level during 2000. This decrease in spending was primarily a result of the significant decline in oil and gas prices (principally oil prices) during 1998 and early 1999. For over thirty years, TGC has successfully served the geophysical industry. However, the Company was unable to obtain a sufficient number of contracts during 2000 to operate at a profitable level. An increase in oil prices began in December 1999. However, the increase in natural gas prices just began in May 2000. Due to the significant lag time in the geophysical services industry between increases in oil and natural gas prices and an increase in demand for services, the geophysical services industry has yet to experience a significant increase in demand for its services. However, there has been a recent increase in seismic bidding activity and management is aggressively pursuing contract opportunities.

Management believes that the geophysical services industry is promising. Geophysical services should be in greater demand due to the recent increase in levels of seismic bidding activity and the prospect of oil and natural gas prices remaining at or near their current levels. Though there can be no assurance, such conditions should enable the Company to secure contracts and improve its performance.

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.

At December 31, 2000, the Company had net operating loss carry forwards of approximately \$7,800,000 available to offset future taxable income, which expires at various dates through 2020.

Discontinued Operations

During June 1996, the Board of Directors approved the spin-off of Chase Packaging Corporation ("Chase"), whereby all of the shares of Chase would be distributed as a stock dividend to the shareholders of TGC common stock and,

on an as if converted basis, TGC preferred stock, effective July 31, 1996. The date of the distribution of Chase's stock was March 7, 1997. The spin-off distribution of Chase to TGC stockholders reduced stockholders' equity by \$103,976, which represents the book value of the net assets of Chase as of March 7, 1997. In addition, on March 18, 1997, TGC sold the Portland, Oregon manufacturing facility of Chase for approximately \$2,400,000, and applied such proceeds in satisfaction of the mortgage indebtedness with respect to such facility and in satisfaction of a debt obligation owing by TGC to Chase to pay to Chase any such proceeds in excess of the amount of the mortgage indebtedness.

Financial Condition

Cash of \$383,582 was used in operations for the twelve months ended December 31, 2000, compared with cash provided by operations of \$404,418 for the same period of the prior year. The primary reason for the decrease in cash from operations was an increase in accounts receivable of \$894,764 in 2000 compared with a decrease in 1999 of \$1,113,185. Net cash used in investing activities was \$520,803 during 2000. This was principally the result of capital expenditures in the amount of \$543,311. Principal payments of debt obligations in the amount of \$814,462 resulted in net cash of \$735,158 being used in financing activities during 2000.

Working capital decreased \$762,857 to \$329,534 from the December 31, 1999, working capital of \$1,092,391. The Company's current ratio decreased to 1.4 to 1.0 at December 31, 2000 from 2.3 to 1.0 at December 31, 1999. Stockholders' equity increased to \$4,171,860 at December 31, 2000, from the December 31, 1999, balance of \$3,493,612 due primarily to the conversion in May 2000 by WEDGE Energy Services, LLC ("WEDGE Energy") of its 8.5% Convertible Subordinated Debenture, Series B due December 1, 2009, in the principal amount of \$2,500,000 (the "Debenture") plus accrued interest of \$90,312 into 2,252,445 shares of 8.5% Senior Convertible Preferred Stock (Senior Preferred Stock"), as further described below.

The holders of the Company's outstanding Series C 8% Convertible Exchangeable Preferred Stock ("Series C Preferred Stock"), voted at the Annual Meeting held May 11, 2000, to consent to a new series of Senior Preferred Stock. The affirmative vote of the holders of two-thirds (2/3) of the 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 plus accrued interest into 2,252,445 shares of Senior Preferred Stock. In addition, 7,445 and 96,045 shares of Senior Preferred Stock were issued to WEDGE Energy as payment of the June 1 and December 1, 2000 dividends, respectively. Per the Debenture Agreement all dividends on the Senior Preferred Stock were to be paid by the issuance of additional shares of Senior Preferred Stock through December 1, 2000.

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 2001, so long as one of the Company's two crews is employed, of which there is no assurance.

ITEM 7. FINANCIAL STATEMENTS.

Financial Statements December 31, 2000 and 1999

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Report of Independent Certified Public Accountants

Board of Directors and Stockholders
TGC Industries, Inc.

We have audited the accompanying balance sheets of TGC Industries, Inc. as of December 31, 2000 and 1999, and the related statements of operations, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TGC Industries, Inc. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Grant Thornton LLP
GRANT THORNTON LLP

Dallas, Texas
February 9, 2001

TGC Industries, Inc.

BALANCE SHEETS

December 31,

ASSETS	2000	1999
CURRENT ASSETS		
Cash and cash equivalents	\$ 259,131	\$ 1,898,674
Trade accounts receivable	894,764	-
Costs and estimated earnings in excess of billings on uncompleted contracts	8,550	-
Prepaid expenses and other	72,085	44,479
Total current assets	1,234,530	1,943,153
PROPERTY AND EQUIPMENT - at cost		
Machinery and equipment	11,187,043	10,839,242
Automobiles and trucks	757,111	600,703
Furniture and fixtures	323,323	317,167
Other	4,536	18,144
Less accumulated depreciation and amortization	12,272,013 (8,309,781)	11,775,256 (6,712,004)
	3,962,232	5,063,252
DEFERRED INCOME TAXES	-	202,000
OTHER ASSETS	395	495
	\$ 5,197,157 =====	\$ 7,208,900 =====

TGC Industries, Inc.

BALANCE SHEETS - CONTINUED

December 31,

LIABILITIES AND STOCKHOLDERS' EQUITY	2000	1999
CURRENT LIABILITIES	_____	_____

Trade accounts payable	\$ 336,876	\$ 50,932
Accrued liabilities	140,535	60,362
Billings in excess of costs and estimated earnings on uncompleted contracts	179,050	-
Current maturities of long-term obligations	248,535	739,468
	<hr/>	<hr/>
Total current liabilities	904,996	850,762
LONG-TERM OBLIGATIONS, less current maturities	120,301	2,864,526
Commitments and contingencies	-	-
STOCKHOLDERS' EQUITY		
Preferred stock, \$1.00 par value; 4,000,000 shares authorized; 8.5% senior convertible preferred stock; 2,355,935 and 0 shares issued and outstanding in 2000 and 1999, respectively	2,355,935	-
8% Series C convertible exchangeable preferred stock; 1,150,350 shares issued, 1,085,550 and 1,115,750 shares outstanding at 2000 and 1999, respectively	1,085,550	1,115,750
Common stock, \$.30 par value; 25,000,000 shares authorized; 2,360,818 and 2,285,318 shares issued in 2000 and 1999, respectively	708,245	685,595
Additional paid-in capital	5,609,285	5,367,358
Accumulated deficit	(5,371,841)	(3,459,777)
Treasury stock, at cost (31,944 shares in 2000 and 1999)	(215,314)	(215,314)
	<hr/>	<hr/>
	4,171,860	3,493,612
	<hr/>	<hr/>
	\$ 5,197,157	\$ 7,208,900
	=====	=====

The accompanying notes are an integral part of these statements.

TGC Industries, Inc.

STATEMENTS OF OPERATIONS

Years ended December 31,

	2000	1999
	<hr/>	<hr/>
Revenue	\$ 6,455,915	\$ 4,600,708
Cost and expenses		
Cost of services	7,053,779	5,201,342
Selling, general and administrative	969,875	878,940
Interest expense	142,325	202,497
Debt financing costs	-	391,000
	<hr/>	<hr/>
	8,165,979	6,673,779
	<hr/>	<hr/>
Loss from operations before income taxes	(1,710,064)	(2,073,071)
Income tax expense		
Deferred	202,000	-
	<hr/>	<hr/>
Net loss	(1,912,064)	(2,073,071)
Less dividend requirements on preferred stock	(572,426)	(446,300)
	<hr/>	<hr/>
Loss allocable to common stockholders	\$(2,484,490)	\$(2,519,371)
	=====	=====
Loss per common share - basic and diluted	\$(1.08)	\$(1.13)
Weighted average number of common shares - basic and diluted	2,296,210	2,228,989

The accompanying notes are an integral part of these statements.

TGC Industries, Inc.
STATEMENT OF STOCKHOLDERS' EQUITY

	Preferred Shares	stock Amount	Common Shares	stock Amount	Additional paid-in capital	Accumulated deficit	Treasury stock	Total
Balances at January 1, 1999	1,129,350	\$1,129,350	2,204,130	\$661,239	\$4,939,287	\$(1,386,706)	\$(215,314)	\$ 5,127,856
Issuance of common stock	-	-	47,827	14,348	33,479	-	-	47,827
Conversion of preferred stock	(13,600)	(13,600)	33,361	10,008	3,592	-	-	-
Stock warrants issued with debt	-	-	-	-	391,000	-	-	391,000
Net loss	-	-	-	-	-	(2,073,071)	-	(2,073,071)
Balances at December 31, 1999	1,115,750	1,115,750	2,285,318	685,595	5,367,358	(3,459,777)	(215,314)	3,493,612
Conversion of note into preferred stock	2,252,445	2,252,445	-	-	337,867	-	-	2,590,312
Conversion of preferred stock	(30,200)	(30,200)	75,500	22,650	7,550	-	-	-
Dividend on 8-1/2% senior convertible preferred stock	103,490	103,490	-	-	(103,490)	-	-	-
Net loss	-	-	-	-	-	(1,912,064)	-	(1,912,064)
Balances at December 31, 2000	3,441,485	\$3,441,485	2,360,818	\$708,245	\$5,609,285	\$(5,371,841)	\$(215,314)	\$ 4,171,860

The accompanying notes are an integral part of these statements.

TGC Industries, Inc.

STATEMENTS OF CASH FLOWS

Years ended December 31,

	2000	1999
Cash flows from operating activities		
Net loss	\$(1,912,064)	\$(2,073,071)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Depreciation and amortization	1,644,331	1,885,313
Gain on disposal of property and equipment	(22,508)	(9,894)
Deferred income taxes	202,000	-
Debt financing costs	-	391,000
Changes in operating assets and liabilities		
Trade accounts receivable	(894,764)	1,113,185
Billings in excess of costs and estimated earnings on uncompleted contracts	(8,550)	(387,474)
Prepaid expenses	(27,606)	81,940
Other assets	100	468
Accounts payable	285,944	(525,373)
Accrued liabilities	170,485	(46,485)
Costs and estimated earnings in excess of billings on uncompleted contracts	179,050	-
Federal income taxes payable	-	(25,191)
Net cash provided by (used in) operating activities	(383,582)	404,418
Cash flows from investing activities		
Capital expenditures	(543,311)	(9,223)
Proceeds from sale of property and equipment	22,508	46,300
Net cash provided by (used in) investing activities	(520,803)	37,077
Cash flows from financing activities		
Dividends paid	-	(178,043)
Net borrowings under line of credit	-	(290,000)
Proceeds from issuance of debt	79,304	3,112,500
Principal payments of debt obligations	(814,462)	(1,890,277)
Net cash provided by (used in) financing activities	(735,158)	754,180

Net increase (decrease) in cash and cash equivalents (1,639,543)	1,195,675
Cash and cash equivalents at beginning of year	1,898,674
Cash and cash equivalents at end of year	\$ 259,131
	\$ 1,898,674

TGC Industries, Inc.

STATEMENTS OF CASH FLOWS - CONTINUED

Years ended December 31,

	2000	1999
Supplemental cash flow information		
Interest paid	\$ 153,360	\$ 192,462
Income taxes paid	\$ -	\$ 22,000

Noncash investing and financing activities

During 2000, the holder of the Company's \$2,500,000 debenture payable converted the debenture and accrued interest of \$90,312 into 2,252,445 shares of 8.5% Senior Preferred Stock. In addition, the Company issued an additional 103,490 shares of 8.5% Senior Preferred Stock as a dividend payment to the holder of the 8.5% Senior Preferred Stock. In accordance with the terms of the Debenture Agreement, dividends payable through December 1, 2000 were to be paid by the issuance of additional shares of 8.5% Senior Preferred Stock.

During 1999, the Company issued 47,827 shares of common stock to holders of the Series C 8% Convertible Exchangeable Preferred Stock electing to receive common stock in lieu of cash dividends.

The accompanying notes are an integral part of these statements.

TGC INDUSTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2000 and 1999

NOTE A - NATURE OF OPERATIONS

TGC Industries, Inc. (TGC or the Company) is engaged in the domestic geophysical services business and primarily conducts seismic surveys and sells gravity data to companies engaged in exploration in the oil and gas industry.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash Equivalents

The Company considers all highly liquid investments with original maturity dates of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the individual assets ranging from 1 to 7 years.

Long-Lived Assets

Long-lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For the purposes of evaluating the recoverability of long-lived assets, the recoverability test is performed using undiscounted cash flows estimated to be generated by those assets.

Income Taxes

Deferred income taxes reflect the impact of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes.

Stock-Based Compensation

The Company accounts for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25 (APB 25), "Accounting for Stock Issued to Employees" and provides the required pro forma disclosures prescribed by Statement of Financial Accounting Standards No. 123.

TGC Industries, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2000 and 1999

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Financial Instruments

The Company's financial instruments recorded on the balance sheet include cash and cash equivalents, accounts receivable, accounts payable and debt. The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate fair value because of the short-term nature of these items. Fair value of long-term debt is based on rates available to the Company for debt with similar terms and maturities.

Revenue Recognition

Revenues from conducting seismic surveys are recognized over the term of the contract using the percentage-of-completion method. Under this method, revenues are recognized on the units-of-production method. Revenues for the sale of gravity data are recognized when services are rendered.

Earnings (Loss) Per Share

Basic earnings (loss) per common share is based upon the weighted average number of shares of common stock outstanding. Diluted earnings (loss) per share is based upon the weighted average number of common shares outstanding and, when dilutive, common shares issuable for stock options, warrants and convertible securities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TGC Industries, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2000 and 1999

NOTE C - COSTS AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS

The components of uncompleted contracts are as follows:

	December 31,	
	2000	1999
Costs incurred on uncompleted contracts and estimated earnings	\$ 127,680	\$ -
Less billings to date	(298,180)	-

\$(170,500) \$ -
 ===== =====

NOTE D - ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	December 31,	
	2000	1999
Compensation and payroll taxes	\$ 25,994	\$13,387
Insurance	48,000	-
Other	66,541	46,975
	\$140,535	\$60,362
	=====	=====

TGC Industries, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2000 and 1999

NOTE E - DEBT

Long-term Obligations

Long-term obligations consist of the following:

	December 31,	
	2000	1999
Debenture payable to a corporation, maturing in December 2009, interest at 8.5%, payable semi-annually	\$ -	\$2,500,000
Note payable, interest at 4%, due in monthly installments of \$552 including interest; collateralized by equipment and accounts receivable	106,142	108,342
Note payable, interest at 4%, due in monthly installments of \$1,130 including interest; collateralized by equipment and accounts receivable	28,962	40,923
Notes payable to a finance company, interest at 11%, due in monthly installments of \$50,267 including interest; collateralized by equipment	-	432,458
Note payable to a finance company, interest at 9.5%, due in monthly installments of \$5,143 including interest; collateralized by equipment	34,928	90,666
Note payable to a finance company, interest at 8.7%, due in monthly installments of \$5,038 including interest; collateralized by equipment	43,796	98,079
Note payable to a finance company, interest at 8.8%, due in monthly installments of \$4,974 including interest; collateralized by equipment	57,061	109,539
Note payable to a finance company, interest at 9.4%, due in monthly installments of \$12,104 including interest, collateralized by equipment	93,637	223,987
Other	4,310	-
	\$368,836	\$3,603,994
	=====	=====

TGC Industries, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2000 and 1999

Aggregate maturities of long-term obligations at December 31, 2000 are as follows:

Year ending December 31,	
2001	\$248,535
2002	15,475
2003	5,854
2004	2,594
2005	2,702
Thereafter	93,676
	<u>368,836</u>
Less current maturities	248,535
	<u>\$120,301</u>
	=====

Subordinated Debt

During 1999, the Company issued subordinated notes payable of \$312,500 to officers and directors. The notes payable bore interest at 8% and were paid in full during December 1999.

On December 14, 1999, the Company issued a \$2,500,000 convertible subordinated debenture to a corporation. The debenture bears interest at 8.5%, payable semi-annually, and matures in December 2009. The debenture was converted into 8.5% Senior Preferred Stock at a conversion price of \$1.15 per share on May 17, 2000.

Fair Value of Debt Obligations

The fair value of debt obligations is estimated using discounted cash flows based on the Company's incremental borrowing rate for similar types of borrowings. A comparison of the carrying value and fair value of these instruments is as follows:

	December 31,	
	<u>2000</u>	<u>1999</u>
Carrying value	\$368,836	\$3,603,994
Fair value	\$315,343	\$3,264,899

TGC Industries, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2000 and 1999

NOTE F - STOCKHOLDERS' EQUITY

Earnings Per Share

The effect of preferred stock dividends on the amount of loss available to common stockholders was \$.25 and \$.20 for the years ended December 31, 2000 and 1999, respectively.

Outstanding warrants that were not included in the diluted calculation because their effect would be anti-dilutive total 1,136,575 for each of the years ended December 31, 2000 and 1999. Outstanding options that were not included in the diluted calculation because their effect would be anti-dilutive total 345,497 and 176,497 for the years ended December 31, 2000 and 1999, respectively.

Stock-Based Compensation Plans

The Company's 1986 Incentive Stock Option Plan (the "1986 Plan") expired during July 1997. At December 31, 2000, options covering 6,335 shares of the Company's common stock were outstanding under the 1986 Plan. Options granted under the 1986 Plan must be exercised within five years from the date of grant. All options were exercisable at December 31, 2000, and will remain outstanding until they are exercised or canceled.

The Company currently has in effect a 1993 Stock Option Plan (the "1993 Plan") covering a total of 283,334 shares of the Company's common stock. Options under the 1993 Plan must be granted at prices not less than the market price at the date of grant and must be exercised within five years from the date of grant. Options covering 45,004 shares are exercisable as follows: (i) one-third of the shares after the first 12 month period following the date of grant, (ii) up to two-thirds of the shares after the first 24 month period following the date of grant, and (iii) all of the

shares of stock subject to the option at any time after the first 36 month period following the date of grant. Options covering 35,000 shares are exercisable as follows: (i) one-third of the shares on January 1, 2000, and (ii) all of the shares after January 1, 2001. Options covering 37,100 shares are exercisable as follows: (i) one-third on October 21, 2000, and (ii) all of the shares after October 21, 2001. At December 31, 2000, outstanding options for 92,369 shares were exercisable.

In conjunction with the spin-off of the Company's wholly-owned subsidiary, Chase Packaging Corporation (Chase), in 1996, options held by employees of Chase under the 1993 Plan were converted into a nonqualified plan. Options covering 53,058 shares were outstanding and exercisable at December 31, 2000.

TGC Industries, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2000 and 1999

NOTE F - STOCKHOLDERS' EQUITY - Continued

The Company currently has in effect a 1999 stock option plan (the "1999 Plan") covering up to 300,000 shares of the Company's common stock. Options under the 1999 Plan must be granted at prices not less than the lesser of the par value per share of the stock or the fair market value per share of the Company's stock on the date of the grant, and their term cannot exceed ten years from the date of the grant. Options outstanding at December 31, 2000, covering 169,000 shares, expire five years from the date of the grant and are exercisable as follows: (i) one-third of the shares after the 12 month period following the date of the grant, (ii) two-thirds of the shares after the 24 month period following the date of the grant, and (iii) all of the shares of stock after the 36 month period following the date of the grant. At December 31, 2000, no outstanding options are exercisable.

The Company has adopted only the disclosure provisions of SFAS 123. The Company will continue to apply APB 25 and related interpretations in accounting for its stock-based compensation plans. Had compensation cost for the Company's stock grants been determined consistent with SFAS 123, the Company's net loss and net loss per common share for 2000 and 1999 would approximate the pro forma amounts indicated below:

	2000		1999	
	As reported	Pro forma	As reported	Pro forma
Net loss	\$(1,912,064)	\$(1,926,337)	\$(2,073,071)	\$(2,093,544)
Net loss allocable to common stockholders	\$(2,484,490)	\$(2,498,763)	\$(2,519,371)	\$(2,539,844)
Loss per common share basic and diluted	\$(1.08)	\$(1.09)	\$(1.13)	\$(1.14)

TGC Industries, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2000 and 1999

NOTE F - STOCKHOLDERS' EQUITY - Continued

The effects of applying SFAS 123 in this pro forma disclosure are not indicative of future disclosures because they do not take into effect pro forma compensation expense related to grants made before December 31, 1994. The fair value of these options was estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants: expected volatility of 192% and 143% in 2000 and 1999, respectively; risk-free interest rate of 5.5% and 6.4% in 2000 and 1999, respectively; and expected life of 5 years for 2000 and 1999. The weighted average fair value of options granted during 2000 and 1999 was \$.97 and \$.68, respectively.

The following table summarizes activity under the Plans:

	Shares under option	Weighted average exercise price
Balance at January 1, 1999	154,398	2.39
Granted	37,100	.75
Canceled	(15,001)	3.87
	<hr/>	<hr/>
Balance at December 31, 1999	176,497	\$1.92
Granted	169,000	1.00
	<hr/>	<hr/>
Balance at December 31, 2000	345,497	\$1.47
	=====	=====
Exercisable at December 31:		
1999	127,730	\$2.34
2000	151,762	\$2.11

TGC Industries, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2000 and 1999

NOTE F - STOCKHOLDERS' EQUITY - Continued

The following information applies to options outstanding at December 31, 2000:

Range of exercise prices	Number outstanding	Weighted average remaining contractual life (in years)	Weighted average exercise price
\$.75 - \$1.13	247,435	7.76	\$.95
\$ 2.40 - \$3.00	98,062	.89	2.84
	<hr/>		
	345,497		\$1.47
	=====		=====

The following information applies to options exercisable at December 31, 2000:

Range of exercise prices	Number exercisable	Weighted average exercise price
\$.75 - \$1.13	53,700	\$.96
\$ 2.40 - \$3.00	98,062	2.74
	<hr/>	
	151,762	\$2.11
	=====	

TGC Industries, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2000 and 1999

NOTE F - STOCKHOLDERS' EQUITY - Continued

Stock Warrants

At December 31, 2000, warrants covering 1,136,574 shares were outstanding. In connection with the issuance of subordinated notes payable during 1999, certain officers and directors received warrants covering 850,000 shares with a value of \$391,000. These warrants have a strike price of \$.30 and expire on July 31, 2009. Warrants covering 233,240 shares have a strike price of \$1.13 per share and expire on December 31, 2000. Warrants covering 50,000 shares have a strike price of \$2.40 and expire on December 27, 2000. Warrants to purchase 3,334 common shares have a strike price of

\$3.19 and expire on January 25, 2001.

Preferred Stock

During 1996, the Company issued 1,150,350 shares of Series C 8% convertible exchangeable preferred stock ("Series C Preferred Stock") at \$5.00 per share in a private placement offering with gross proceeds of approximately \$5,800,000. The Series C Preferred Stock is, at the option of the Company, exchangeable into 8% subordinated convertible debentures. The preferred stock and debentures are convertible into shares of the Company's common stock at the conversion price of (i) \$2.00 per share if exercised by December 31, 2001, (ii) \$3.75 per share if exercised from January 1, 2002 through December 31, 2002, and (iii) \$6.00 per share thereafter.

During 2000, the holders of the Series C 8% convertible exchangeable preferred stock voted to consent to a new series of 8.5% Senior Convertible Preferred Stock ("Senior Preferred Stock"). As a result, in accordance with the terms of a debenture agreement, the \$2,500,000 debenture on the books of the Company plus accrued interest, were converted into 2,252,445 shares of the Senior Preferred Stock. In addition, in accordance with the terms of the agreement, the Company issued 7,445 and 96,045 additional shares of Senior Preferred Stock to the Senior Preferred shareholders as payment for the June 1, 2000 and December 1, 2000 dividends, respectively, resulting in 2,355,935 shares outstanding at December 31, 2000.

Dividends

Holders of the Company's Series C 8% 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 December 31, 2000, cumulative dividends of approximately \$651,000 were in arrears.

TGC Industries, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2000 and 1999

NOTE F - STOCKHOLDERS' EQUITY - Continued

Holders of the Company's Senior Preferred Stock will receive, when, as and if declared by the Board of Directors of the Company, dividends at a rate of 8.5% per annum. The dividends are payable semi-annually during June and December of each year. Dividends payable in 2000 were paid in additional shares of Senior Preferred Stock, in accordance with the terms of the agreement.

NOTE G - INCOME TAXES

The income tax provision (benefit) reconciled to the tax computed at the statutory Federal rate is as follows:

	Years ended December 31,	
	2000	1999
Federal tax expense (benefit) at statutory rate	\$(581,422)	\$(704,844)
Meals and entertainment	22,269	5,512
Other	647	(41,298)
Change in prior year estimates	(212,210)	-
Change in valuation allowance	972,716	740,630
	<u>\$ 202,000</u>	<u>\$ -</u>
	=====	=====

Deferred tax assets and liability consist of the following:

	December 31,	
	2000	1999
Deferred tax assets		
Net operating loss carryforwards	\$ 2,636,873	\$1,904,159
Other	20,661	33,046
Deferred tax liability		
Property and equipment	(679,594)	(729,981)
	<u>1,977,940</u>	<u>1,207,224</u>
Less valuation allowance	(1,977,940)	(1,005,224)

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information provided by Item 12 of Form 10-KSB is hereby incorporated by reference from the Company's definitive proxy statement, which will be filed pursuant to Regulation 14A within 120 days after the Company's year end for the year covered by this report, under the caption "Transactions with Management" in the proxy statement.

ITEM 13. EXHIBITS.

Item 13 (a). The following is a list of exhibits to this Form 10-KSB:

- 3.1 Restated Articles of Incorporation as of July 31, 1986, filed as Exhibit 3(a) to the Company's Registration Statement on Form 10 (Registration No. 0-14908), filed with the Commission and incorporated herein by reference.
- 3.2 Certificate of Amendment to the Company's Restated Articles of Incorporation, as of July 5, 1988, filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1988, and incorporated herein by reference.
- 3.3 Restated Articles of Incorporation (with amendment) as of November 6, 1998, filed as Exhibit 3.3 to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1998, and incorporated herein by reference.
- 3.4 First Amended Bylaws of the Company 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.
- 3.5 Amendment to the Company's 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 with the Secretary of State of Texas on July 16, 1993, filed as Exhibit 2 to the Company's Current Report on Form 8-K dated 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. as filed with the Secretary of State of Texas on July 9, 1996, filed as Exhibit B to the Company's current report on Form 8-K dated July 11, 1996, filed with the Commission and incorporated herein by reference.
- 4.3 Statement of Resolution Regarding Series C 8% Convertible Exchangeable Preferred Stock of TGC Industries, Inc. as filed with the Secretary of State of Texas on December 30, 1998, filed as Exhibit 4.3 to the Company's Annual Report on Form 10-KSB 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. as filed with the Secretary of State of Texas on July 9, 1999.
- 4.5 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 Commission and incorporated herein by reference.
- 4.6 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 Commission and incorporated herein by reference.
- 4.7 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.
- 4.8 Statement of Resolution Establishing 8-1/2% Senior Convertible Preferred Stock of TGC Industries, Inc. as

filed with the Secretary of State of Texas on May 17, 2000.

- 10.1 Service Mark License Agreement dated as of July 31, 1986, between the Company and Supreme Industries, Inc. (formerly ESI Industries, Inc.), relating to the use of the Company's logo, filed as Exhibit 10(b) to the Company's Registration Statement on Form 10 (Registration No. 0-14908), filed with the Commission and incorporated herein by reference.
- 10.2 The Company's 1986 Incentive and Nonqualified Stock Option Plan, filed as Exhibit 10(c) to the Company's Registration Statement on Form 10 (Registration No. 0-14908), filed with the Commission and incorporated herein by reference.
- 10.3 Amendment Number One to the Company's 1986 Incentive and Nonqualified Stock Option Plan as adopted by the Board of Directors on May 1, 1987, filed as Exhibit 10.4 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 1987, and incorporated herein by reference.
- 10.4 The Company's 1993 Stock Option Plan as adopted by the Board of Directors on June 3, 1993, filed as Exhibit 10.4 to the Company's Registration Statement on Form S-2 (Registration No. 33-73216), filed with the Commission and incorporated by reference.
- 10.5 Master Contract for Geophysical Services-Onshore dated April 18, 1990 between Marathon Oil Co. and the Company together with a form of Supplementary Agreement thereto, filed as Exhibit 10.8 to the Company's Registration Statement on Form S-2 (Registration No. 33-73216), filed with the Commission and incorporated herein by reference.
- 10.6 Agreement for Spin-off of Subsidiary Stock filed as Exhibit 1 to the Company's Form 8-K filed with the Commission on August 9, 1996 and incorporated herein by reference.
- 10.7 Bill of Sale dated July 31, 1996 between TGC Industries, Inc. and Chase Packaging Corporation, filed as Exhibit 10.8 to the Company's annual report on Form 10-KSB for the fiscal year ended December 31, 1996, and incorporated herein by reference.
- 10.8 Amendment No. 1 to the 1993 Stock Option Plan as adopted by the Board of Directors on July 24, 1996, filed as Exhibit 10.9 to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1998, and incorporated herein by reference.
- 10.9 Amendment No. 2 to the 1993 Stock Option Plan as adopted by the Board of Directors and approved by Company's Shareholders on June 4, 1998, filed as Exhibit 10.10 to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1998, and incorporated herein by reference.
- 10.10 Warrant Agreements and Warrant Certificates dated July 30, 1999 issued by the Company to JMS Inc. Cust FBO William J. Barrett Keogh, JMS Inc. Cust FBO Herbert M. Gardner Keogh, Edward L. Flynn, Allen T. McInnes, and Wayne A. Whitener in connection with the issuance by the Company of notes payable to such persons, filed as Exhibit 10.10 to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1999, and incorporated herein by reference.
- 10.11 Debenture Purchase Agreement dated December 10, 1999, between WEDGE Energy Services, L.L.C. and the Company with respect to the purchase by WEDGE of the Company's 8 1/2% Convertible Subordinated Debenture, Series B, for the cash consideration of \$2,500,000 paid by WEDGE to the Company, filed as Exhibit 10.11 to the Company's Annual Report filed on Form 10-KSB for the fiscal year ended December 31, 1999, and incorporated herein by reference.
- 10.12 Voting Agreement dated December 10, 1999, between the Company, WEDGE Energy Services, L.L.C., and the following shareholders of the Company: Allen McInnes, Wayne Whitener, Herbert Gardner, William J. Barrett and Edward L. Flynn, filed as Exhibit 10.12 to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1999, and incorporated herein by reference.

10.13 The Company's 1999 Stock Option Plan as adopted by the Board of Directors on December 14, 1999, filed as Exhibit 10.13 to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1999, and incorporated herein by reference.

SIGNATURES

In accordance with Section 13 or 15(d) 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: March 26, 2001 By: /s/ Wayne A. Whitener
Wayne A. Whitener
President (Principal Executive Officer)

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: March 26, 2001 By: /s/ Allen T. McInnes
Allen T. McInnes
Chairman of the Board
and Secretary

Date: March 26, 2001 By: /s/ Edward L. Flynn
Edward L. Flynn
Director

Date: March 26, 2001 By: /s/ Wayne A. Whitener
Wayne A. Whitener
President, Chief Executive
Officer and Director

Date: March 26, 2001 By: /s/ Kenneth Uselton
Kenneth Uselton, Treasurer
(Principal Financial and
Accounting Officer)

Date: March 26, 2001 By: /s/ William J. Barrett
William J. Barrett
Director

Date: March 26, 2001 By: /s/ Herbert M. Gardner
Herbert M. Gardner
Director

Date: March 26, 2001 By: /s/ William H. White
William H. White
Director

Date: March 26, 2001 By: /s/ Pasquale V. Scaturro
Pasquale V. Scaturro
Director

EXHIBIT 4.4

Statement of Resolution Regarding Series of Preferred Stock of TGC Industries, Inc.

Pursuant to the provisions of Article 2.13 of the Texas Business Corporation Act, and the Articles of Incorporation, as amended, of the undersigned Corporation, the Corporation submits the following with respect to its Statement of Resolution Establishing its Series C 8% Convertible Exchangeable Preferred Stock for the purpose of modifying certain terms of the Series C Preferred Stock, which Statement of Resolution was originally filed with the Secretary of State of Texas on July 9, 1996, and was modified by Statements of Resolution filed with the Secretary of State of Texas on July 22, 1998, December 9, 1998, and December 30, 1998.

1. The name of the Corporation is TGC Industries, Inc.; and

2. A resolution adopting the Statement of Resolution Regarding Series C 8% Convertible Exchangeable Preferred Stock is attached as Exhibit "A" hereto and incorporated herein by reference. Such resolution was duly adopted by all necessary action on the part of the Corporation at a regular meeting of the Board of Directors of the Corporation held on June 3, 1999.

TGC INDUSTRIES, INC.

By: /S/ Rice M. Tilley, Jr.
Rice M. Tilley, Jr., Assistant Secretary

EXHIBIT "A"

STATEMENT OF RESOLUTION REGARDING
SERIES C 8% CONVERTIBLE EXCHANGEABLE PREFERRED STOCK OF

TGC INDUSTRIES, INC.

Pursuant to the provisions of Article 2.13 of the Texas Business Corporation Act and the Articles of Incorporation, as amended, of TGC Industries, Inc., a Texas corporation (the "Corporation" or the "Company"), the Corporation has adopted the following resolution by all necessary action on the part of the Corporation, at a regular meeting of the Board of Directors on June 3, 1999, for the purpose of modifying certain terms of its Series C 8% Convertible Exchangeable Preferred Stock as provided therein:

RESOLVED, that pursuant to the authority vested in the Board of Directors of the Corporation by Article 4.b of the Corporation's Articles of Incorporation, as amended, the Corporation hereby approves a modification with respect to its Statement of Resolution Establishing Series C 8% Convertible Exchangeable Preferred Stock (the "Preferred Stock"), which Statement of Resolution was originally filed with the Secretary of State of Texas on July 9, 1996, and was modified by Statements of Resolution filed with the Secretary of State of Texas on July 22, 1998, December 9, 1998, and December 30, 1998, by adopting the following modification to subparagraph 3(d) thereof to (i) reduce the conversion price per share of Common Stock and (ii) delay the date of the increase of the conversion price of the Preferred Stock from December 31, 2000 until December 31, 2001 and the subsequent date of the increase of the conversion price of the Preferred Stock from December 31, 2001 to December 31, 2002, so that subparagraph 3(d) of such Statement of Resolution shall read in its entirety as set forth below. Except as modified as set forth below, the Statement of Resolution Establishing Series C 8% Convertible Exchangeable Preferred Stock as filed with the Secretary of State on July 9, 1996, shall remain in full force and effect.

"(d) Conversion Ratio. Each share of Preferred Stock may, at the discretion of the holder thereof, be converted into shares of Common Stock of the Corporation at the conversion price per share of (i) prior to the close of business on December 31, 2001, the conversion price per share of Common Stock of Two Dollars and 00/100 (\$2.00), (ii) after December 31, 2001 and prior to the close of business on December 31, 2002, the conversion price per share of Common Stock of Three Dollars and Seventy-Five Cents (\$3.75), and (iii) thereafter, the conversion price per share of Common Stock of Six Dollars (\$6.00), as such conversion price may be adjusted and readjusted from time to time in accordance with subparagraph 3(g) hereof (such conversion price, as adjusted and readjusted and in effect at any time, being herein called the "Conversion Price" or the "Conversion Ratio"), into the number of fully paid and non-assessable shares of Common Stock determined by dividing (x) the \$5.00 per share price of the

Preferred Stock to be so converted by (y) the Conversion Price in effect at the time of such conversion. The Conversion Ratios referred to above will be subject to adjustment as set forth in subparagraph 3(g)."

[END]

EXHIBIT 4.8

Statement of Resolution Establishing
Series of Preferred Stock
of
TGC Industries, Inc.

Pursuant to the provisions of Article 2.13 of the Texas Business Corporation Act, and the Articles of Incorporation, as amended, of the undersigned Corporation, the Corporation submits the following with respect to establishing and designating its 8-1/2% Senior Convertible Preferred Stock:

1. The name of the Corporation is TGC Industries, Inc.; and

2. A resolution adopting the Statement of Resolution Establishing the 8-1/2% Senior Convertible Preferred Stock is attached as Exhibit "A" hereto and incorporated herein by reference. Such resolution was duly adopted by all

necessary action on the part of the Corporation at a Special Meeting of the Board of Directors of the Corporation held on November 30, 1999, and consented to by the holders of over two-thirds (2/3) of the issued and outstanding shares of Series C 8% Convertible Exchangeable Preferred Stock entitled to vote thereon at the Annual Meeting of Shareholders held on May 11, 2000.

Dated May 11, 2000.

TGC INDUSTRIES, INC.

By: /s/ Rice M. Tilley, Jr.
Rice M. Tilley, Jr., Assistant Secretary

EXHIBIT "A"

8-1/2% SENIOR CONVERTIBLE PREFERRED STOCK

OF

TGC INDUSTRIES, INC.

RESOLVED, that pursuant to the authority vested in the Board of Directors of the Corporation by Article 4.b of the Corporation's Certificate of Restated Articles of Incorporation, as amended, a series of preferred stock of the Corporation be, and it is hereby, created out of the authorized but unissued shares of the capital stock of the Corporation, such series to be designated 8-1/2% Senior Convertible Preferred Stock (the "Preferred Stock"), to consist of 2,750,000 shares, of which the preferences and relative and other rights, and the qualifications, limitations or restrictions thereof, shall be (in addition to those set forth in the Corporation's Certificate of Incorporation, as amended) as follows:

1. Certain Definitions. Unless the context otherwise requires, the terms defined in this paragraph 1 shall have, for all purposes of this resolution, the meanings herein specified.

Common Stock. The term "Common Stock" shall mean all shares now or hereafter authorized of any class of Common Stock of the Corporation and any other stock of the Corporation, howsoever designated, authorized after the Issue Date, which has the right (subject always to prior rights of any class or series of preferred stock) to participate in the distribution of the assets and earnings of the Corporation without limit as to per share amount.

Conversion Date. The term "Conversion Date" shall have the meaning set forth in subparagraph 3(e) below.

Conversion Ratio. The term "Conversion Ratio" shall mean the ratio used to determine the number of shares of Common Stock deliverable upon conversion of the Preferred Stock, subject to adjustment in accordance with the provisions of paragraph 3 below.

Issue Date. The term "Issue Date" shall mean the date that shares of Preferred Stock are first issued by the Corporation.

Series C Preferred Stock. The term "Series C Preferred Stock" shall mean the Corporation's Series C 8% Convertible Exchangeable Preferred Stock.

Subsidiary. The term "Subsidiary" shall mean any corporation of which shares of stock possessing at least a majority of the general voting power in electing the board of directors are, at the times as of which any determination is being made, owned by the Corporation, whether directly or indirectly through one or more Subsidiaries.

2. Dividends. The Preferred Stock shall be senior in rights to dividends to all classes and series of stock of the Corporation, including without limitation the Corporation's Series C Preferred Stock. In addition, the Preferred Stock shall have the following dividend rights:

(a) Declaration of Dividends. The holders of shares of Preferred Stock shall be entitled to receive cumulative cash dividends, when and as declared by the Board of Directors out of funds legally available therefor, at a rate of eight and one-half percent (8-1/2%) per annum and no more (\$0.09775 per share per annum based on the per share liquidation value of \$1.15), before any dividend or distribution in cash or other property (other than dividends payable in stock ranking junior to the Preferred Stock as to dividends and upon liquidation, dissolution or winding-up) on any class or series of stock of the Corporation ranking junior to the Preferred Stock as to dividends or on liquidation, dissolution or winding-up shall be declared or paid or set apart for payment.

(b) Payment of Dividends. Dividends on the Preferred Stock shall be payable, when and as declared by the Board of Directors on December 1 and June 1 of each year, commencing June 1, 2000 (each such date being

hereinafter individually a "Dividend Payment Date" and collectively the "Dividend Payment Dates"), except that if such date is a Saturday, Sunday or legal holiday then such dividend shall be payable on the first immediately preceding calendar day which is not a Saturday, Sunday or legal holiday, to holders of record as they appear on the books of the Corporation on such respective dates, not exceeding sixty days preceding such Dividend Payment Date, as may be determined by the Board of Directors in advance of the payment of each particular dividend. Dividends in arrears may be declared and paid at any time, without reference to any regular Dividend Payment Date, to holders of record on such date as may be fixed by the Board of Directors of the Corporation. Dividends declared and paid in arrears shall be applied first to the earliest dividend period or periods for which any dividends remain outstanding. The amount of dividends payable per share of this Series for each dividend period shall be computed by dividing the annual rate of eight and one-half percent (8-1/2%) by two (2). Dividends payable on this Series for the initial period and for any period less than a full semi-annual period shall be computed on the basis of a 360-day year of twelve 30-day months. Dividends shall be payable in cash, provided that for each dividend declared and payable through December 1, 2000, the dividend payment shall be by payment in kind securities by issuance of additional shares of Preferred Stock with a liquidation value equal to the amount of the cash dividend payment which would have been paid ("PIK Dividend"). For each dividend payment due and payable after December 1, 2000, payment shall be by cash or by PIK Dividend at the election of the holders by written notice to the Corporation, provided that the Corporation shall only pay a PIK Dividend and not a cash dividend in the event the Corporation's earnings before deduction of interest, taxes, depreciation and amortization (EBITDA) for the six (6) months ended with the previous quarter (for the December 1 payment: the six (6) months ended September 30; and for the June 1 payment: the six (6) months ended March 31) are less than one hundred twenty-five percent (125%) of the Corporation's obligation for such dividend payment and for all other dividends and interest due and payable on all other outstanding securities of the Corporation as of such time.

(c) Dividends Cumulative. Preferred Stock shall be cumulative and accrue from and after the date of original issuance thereof, whether or not declared by the Board of Directors. Accrued dividends shall not bear interest.

(d) Dividend Restriction. No cash dividend may be declared on any other class or series of stock ranking on a parity with the Preferred Stock as to dividends in respect of any dividend period unless there shall also be or have been declared on the Preferred Stock like dividends for all periods coinciding with or ending before such semi-annual period, ratably in proportion to the respective annual dividend rates fixed therefor and the total dividend obligation with respect thereto.

3. Conversion Rights. The Preferred Stock shall be convertible into Shares of Common Stock as follows:

(a) Conversion Right. The holder of any shares of Preferred Stock shall have the right, at such holder's option, at any time to convert any of such shares of Preferred Stock into fully paid and nonassessable shares of Common Stock at the Conversion Ratio provided for in subparagraph 3(d) below by surrendering shares of Preferred Stock for conversion in accordance with subparagraph 3(e) below.

(b) Continuation of Conversion Right. The Conversion Right set forth above will continue so long as such Preferred Stock is outstanding with respect to any stock not redeemed in accordance with the terms of paragraph 7.

(c) Surrender of Shares on Exercise of Conversion Right. In the event that any holder of shares of Preferred Stock surrenders such shares for conversion, such holder will be issued the number of shares of Common Stock to which such holder is entitled pursuant to the provisions of subparagraph 3(d) in the manner provided for in subparagraph 3(e). The shares of Preferred Stock deemed to have been surrendered will have the status described in paragraph 11 below.

(d) Conversion Ratio. Each share of Preferred Stock may, at the discretion of the holder thereof, be converted into shares of Common Stock of the Corporation at the conversion ratio of one (1) share of Common Stock for each share of Preferred Stock, as such conversion ratio may be adjusted and readjusted from time to time in accordance with subparagraph 3(g) hereof (such conversion ratio, as adjusted and readjusted and in effect at any time, being herein called the "Conversion Ratio"). The Conversion Ratio referred to above will be subject to adjustment as set forth in subparagraph 3(g).

(e) Mechanics of Conversion. The holder of any shares of Preferred Stock may exercise the conversion right specified in subparagraph 3(a) by surrendering to the Corporation or any transfer agent of the Corporation the certificate or certificates for the shares to be converted, accompanied by written notice specifying the number of shares to be converted. Conversion shall be deemed to have been effected upon receipt of the certificate or certificates for the shares to be converted accompanied by written notice of election to convert specifying the number of shares to be converted. The date of such receipt is referred to herein as the "Conversion

Date." As promptly as practicable thereafter (and after surrender of the

certificate or certificates representing shares of Preferred Stock to the Corporation or any transfer agent of the Corporation) the Corporation shall issue and deliver to or upon the written order of such holder a certificate or certificates for the number of full shares of Common Stock to which such holder is entitled and a check or cash with respect to any fractional interest in a share of Common Stock as provided in subparagraph 3(f). The person in whose name the certificate or certificates for Common Stock are to be issued shall be deemed to have become a holder of record of such Common Stock on the applicable Conversion Date. Upon conversion of only a portion of the number of shares covered by a certificate representing shares of Preferred Stock surrendered for conversion, the Corporation shall issue and deliver to or upon the written order of the holder of the certificate so surrendered for conversion, at the expense of the Corporation, a new certificate covering the number of shares of Preferred Stock representing the unconverted portion of the certificate so surrendered.

(f) Fractional Shares. No fractional Shares or scrip shall be issued upon conversion of shares of Preferred Stock. If more than one share of Preferred Stock shall be surrendered for conversion at any one time by the same holder, the number of shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of Preferred Stock so surrendered. Instead of any fractional shares which would otherwise be issuable upon conversion of any shares of Preferred Stock, the Corporation shall pay a cash adjustment in respect of such fractional interest in an amount equal to that fractional interest of the then current market price.

(g) Conversion Ratio Adjustments. The Conversion Ratio shall be subject to adjustment from time to time as follows:

(i) Stock Dividends, Subdivisions, Reclassifications or Combinations. If the Corporation shall (x) declare a dividend or make a distribution on its Common Stock in shares of its Common Stock, (y) subdivide or reclassify the outstanding shares of Common Stock into a greater number of shares, or (z) combine or reclassify the outstanding Common Stock into a smaller number of shares, the Conversion Ratio in effect at the time of the record date for such dividend or distribution or the effective date of such subdivision, combination or reclassification shall be proportionately adjusted so that the holder of any shares of Preferred Stock surrendered for conversion after such date shall be entitled to receive the number of shares of Common Stock which he would have owned or been entitled to receive had such Preferred Stock been converted immediately prior to such date. Successive adjustments in the Conversion Ratio shall be made whenever any event specified above shall occur.

(ii) Other Distributions. In case the Corporation shall fix a record date for the making of a distribution to all holders of shares of its Common Stock (w) of shares of any class other than its Common Stock or (x) of evidence of indebtedness of the Corporation or any Subsidiary or (y) of assets (excluding cash dividends or distributions, and dividends or distributions referred to in subparagraph 3(g)(i) above), or (z) of rights or warrants, in each such case the Conversion Ratio in effect immediately prior

thereto shall be immediately thereafter proportionately adjusted for such distribution so that the holder of Preferred Stock would be entitled to receive the fair market value (as determined by the Board of Directors, whose determination in good faith shall be conclusive) of what he would have been entitled to receive had such Preferred Stock been converted prior to such distribution. Such adjustment shall be made successively whenever such a record date is fixed. In the event that such distribution is not so made, the Conversion Ratio then in effect shall be readjusted, effective as of the date when the Board of Directors determines not to distribute such shares, evidences of indebtedness, assets, rights or warrants, as the case may be, to the Conversion Ratio which would then be in effect if such record date had not been fixed.

(iii) Consolidation, Merger, Sale, Lease or Conveyance. In case of any consolidation with or merger of the Corporation with or into another corporation or entity, or in case of any sale, lease or conveyance to another corporation or entity of the assets of the Corporation as an entirety or substantially as an entirety, each share of Preferred Stock shall after the date of such consolidation, merger, sale, lease or conveyance be convertible into the number of shares of stock or other securities or property (including cash) to which the shares of Common Stock issuable (at the time of such consolidation, merger, sale, lease or conveyance) upon conversion of such share of Preferred Stock would have been entitled upon such consolidation, merger, sale, lease or conveyance; and in any such case, if necessary, the provisions set forth herein with respect to the rights and interests thereafter of the holders of the shares of Preferred Stock shall be appropriately adjusted so as to be applicable, as nearly as may reasonably be, to any shares of stock or other securities or property thereafter deliverable on the conversion of the shares of Preferred Stock.

(h) Statement Regarding Adjustments. Whenever the Conversion Ratio shall be adjusted as provided in subparagraph 3(g), the Corporation shall forthwith file, at the office of any transfer agent for the Preferred Stock and at the principal office of the Corporation, a statement showing in detail the facts requiring such adjustment and the Conversion Ratio that shall be in effect after such adjustment, and the Corporation shall also cause a copy of such statement to be sent by mail, first class postage prepaid, to each holder of shares of Preferred Stock at its address appearing on the Corporation's records. Where appropriate, such copy may be given in advance

and may be included as part of a notice required to be mailed under the provisions of subparagraph 3(i).

(i) Notice to Holders. In the event the Corporation shall propose to take any action of the type described in clause (i), (ii) or (iii) of subparagraph 3(g), the Corporation shall give notice to each holder of shares of Preferred Stock, in the manner set forth in subparagraph 3(h), which notice shall specify the record date, if any, with respect to any such action and the approximate date on which such action is to take place. Such notice shall also set forth such facts with respect thereto as shall be reasonably necessary to indicate the effect of such action (to the extent such effect may be known at the date of such notice) on the Conversion Ratio and the number, kind or class of shares which shall be deliverable upon conversion of shares of Preferred Stock. In the case of any action which would require the fixing

of a record date, such notice shall be given at least 10 days prior to the date so fixed, and in case of all other action, such notice shall be given at least 15 days prior to the taking of such proposed action. Failure to give such notice, or any defect therein, shall not affect the legality or validity of any such action.

(j) Treasury Stock. For the purposes of this paragraph 3, the sale or other disposition of any Common Stock theretofore held in the Corporation's treasury shall be deemed to be an issuance thereof.

(k) Costs. The Corporation shall pay all documentary, stamp, transfer or other transactional taxes attributable to the issuance or delivery of shares of Common Stock upon conversion of any shares of Preferred Stock; provided that the Corporation shall not be required to pay any taxes which may be payable in respect of any transfer involved in the issuance or delivery of any certificate for such shares in a name other than that of the holder of the shares of Preferred Stock in respect of which such shares are being issued.

(l) Reservation of Shares. The Corporation shall reserve at all times so long as any shares of Preferred Stock remain outstanding, free from preemptive rights, out of its treasury stock (if applicable) or its authorized but unissued shares of Common Stock, or both, solely for the purpose of effecting the conversion of the shares of Preferred Stock, sufficient shares of Common Stock to provide for the conversion of all outstanding shares of Preferred Stock.

(m) Approvals. If any shares of Common Stock to be reserved for the purpose of conversion of shares of Preferred Stock require registration with or approval of any governmental authority under any Federal or state law before such shares may be validly issued or delivered, then the Corporation will in good faith and as expeditiously as possible endeavor to secure such registration or approval, as the case may be. If, and so long as, any shares of Common Stock into which the shares of Preferred Stock are then convertible are listed on any national securities exchange, the Corporation will, if permitted by the rules of such exchange, list and keep listed on such exchange, upon official notice of issuance, all such shares issuable upon conversion.

(n) Valid Issuance. All shares of Common Stock which may be issued upon conversion of the shares of Preferred Stock will upon issuance by the Corporation be duly and validly issued, fully paid and nonassessable and free from all taxes, liens and charges with respect to the issuance thereof, and the Corporation shall take no action which will cause a contrary result.

4. Voting Rights. The holders of the shares of the Preferred Stock will be entitled to one vote per share of Preferred Stock held by them to vote upon all matters which the holders of shares of the Company's Common Stock shall have the right to vote. In all cases, as a matter of law, where the holders of shares of Preferred Stock shall have the right to vote separately as a class, such holders will also be entitled to one vote per share of Preferred Stock held by them.

The affirmative vote or consent of the holders of at least two-thirds of the outstanding shares of the Preferred Stock, voting as a class, will be required to (i) authorize, create or issue, or increase the authorized or issued amount of, shares of any class or series of stock ranking senior to the Preferred Stock, either as to dividends or upon liquidation, or (ii) amend, alter or repeal (whether by merger, consolidation or otherwise) any provisions of the Company's Articles of Incorporation or of the Statement of Resolution establishing this series of Preferred Stock so as to materially and adversely affect the preferences, special rights or powers of the Preferred Stock; provided, however, that any increase in the authorized preferred stock or the creation and issuance of any other series of preferred stock ranking on a parity with or junior to the Preferred Stock shall not be deemed to materially and adversely affect such preferences, special rights or powers.

5. Liquidation Rights. Upon the dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, the holders of the shares of this series of Preferred Stock shall be entitled to receive, before any payment or distribution of the assets of the Corporation or proceeds thereof (whether capital or surplus) shall be made to or set apart for the holders of the Common Stock or any other class or series of stock ranking junior to the shares of this series of Preferred Stock upon liquidation, including without limitation the Series C Preferred Stock, the amount of One Dollar and Fifteen Cents (\$1.15) per share, plus a sum equal to all dividends

on such shares (whether or not earned or declared) accrued and unpaid thereon to the date of final distribution, but such holders shall not be entitled to any further payment. If, upon any liquidation, dissolution or winding-up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of shares of the Preferred Stock and any other class or series of preferred stock ranking on a parity with the Preferred Stock as to payments upon liquidation, dissolution or winding-up shall be insufficient to pay in full the preferential amount foresaid, then such assets or the proceeds thereof shall be distributed among such holders ratably in accordance with the respective amounts which would be payable on such shares if all amounts payable thereon were paid in full. For the purposes of this paragraph 5, the voluntary sale, conveyance, lease, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all the property or assets of the Corporation to, or a consolidation or merger of the Corporation with, one or more corporations (whether or not the Corporation is the corporation surviving such consolidation or merger) shall not be deemed to be a liquidation, dissolution or winding-up, voluntary or involuntary.

6. Registration Rights.

(a) Registration on Request. Upon the written request of any holder or holders of at least fifty-one percent (51%) in the aggregate number of shares of the Preferred Stock and/or shares of Common Stock ("Shares") issued upon conversion of such Preferred Stock (provided that in computing such 51% amount the number of shares of Preferred Stock and Common Stock shall be weighted proportionately taking into account the Conversion Ratio with respect to which such shares of Common Stock were issued upon conversion), which request shall state the intended method of disposition by such holder or

holders and shall request that the Company effect the registration of all or part of such Shares, or the Shares issuable upon the conversion of such Preferred Stock, or both, under the Securities Act of 1933, as amended (the "Act"), the Company will promptly give written notice of such requested registration to all holders of outstanding Preferred Stock and Shares, and thereupon will use its best efforts to effect the registration under the Act of:

(i) the Shares which the Company has been so requested to register, for disposition in accordance with the intended method of disposition stated in such request, and

(ii) all other outstanding Shares, or Shares issuable upon the conversion of Preferred Stock, the holders of which shall have made written request (stating the intended method of disposition of such securities by such holders) to the Company for registration thereof within thirty (30) days after the receipt of such written notice from the Company, all to the extent requisite to permit the disposition (in accordance with the intended methods thereof as aforesaid) by the holders of the Shares so registered and to maintain such registration in effect for a period of twenty-four (24) months from the effective date of such registration statement; provided, that the Company shall not be required to register or use its best efforts to effect any registration of Shares under the Act pursuant to this paragraph 6(a) more than once. In the event that, as a result of such registration, another person with incidental registration rights granted by the company requests that the Company include securities of such person in such registration, such request will not result in a reduction in the number of securities of the holder or holders of the Preferred Stock and/or Shares to be included in such registration.

The Company shall have no obligation to register or use its best efforts to effect any registration of Shares under the Act pursuant to this paragraph 6 which would be in conflict with the obligations of any holder or holders of Preferred Stock and/or Shares under any confidentiality agreement between such holder or holders and the Company entered into in connection with the offering of the Preferred Stock to such holder or holders.

(b) Incidental Registration. If the Company at any time proposes to register any of its securities under the Act (otherwise than pursuant to paragraph 6(a) and other than a registration on Form S-8, or the form, if any, which supplants such Form), it will at such time give written notice to all holders of outstanding Preferred Stock and Shares of its intention to do so and, upon the written request of any such holder made within thirty (30) days after the receipt of any such notice (which request shall specify the Shares intended to be disposed of by such holder and state the intended method of disposition thereof), the Company will use its best efforts to cause all such outstanding Shares, or Shares issuable upon the conversion of Preferred Stock, the holders of which shall have so requested the registration thereof, to be registered under the Act to the extent requisite to permit the disposition (in accordance with the intended methods thereof as aforesaid) of the Shares so registered; provided that, if in the good faith judgment of the managing underwriter or underwriters of a then proposed public offering of the Company's securities, such registration of

such Shares would materially and adversely affect such public offering, then in such event the number of Shares and other securities to be registered by the Company shall each be proportionally reduced to such number as shall be acceptable to the managing underwriter, subject to Section 6(a) above.

(c) Registration Procedures. If and whenever the Company is

required to use its best efforts to effect or cause the registration of any Shares under the Act as provided in this paragraph 6, the Company will, as expeditiously as possible:

(i) prepare and file with the Securities and Exchange Commission (the "Commission") a registration statement with respect to such Shares and use its best efforts to cause such registration statement to become effective;

(ii) prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for such period not exceeding twenty-four (24) months from the effective date of such registration statement as may be necessary to comply with the provisions of the Act with respect to the disposition of all Shares covered by such registration statement during such period in accordance with the intended methods of disposition by the seller or sellers thereof set forth in such registration statement;

(iii) furnish to each seller of such Shares such number of copies of such registration statement and of each such amendment and supplement thereto (in each case including all exhibits), such number of copies of the prospectus included in such registration statement (including each preliminary prospectus and, if any seller shall so request, a summary prospectus), in conformity with the requirements of the Act, and such other documents, as such seller may reasonably request in order to facilitate the disposition of the Shares owned by such seller;

(iv) use its best efforts to register or qualify such Shares covered by such registration statement under such other securities or blue sky laws of such jurisdictions as each seller shall reasonably request and as agreed to by the Corporation, and do any and all other acts and things which may be reasonably necessary or advisable to enable such seller to consummate the disposition in such jurisdictions of the Shares owned by such seller; and

(v) notify each seller of any such Shares covered by such registration statement, at any time when a prospectus relating thereto is required to be delivered under the Act within the period mentioned in subdivision (b) of this paragraph 6(c), of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing, and at the request of any such seller prepare and furnish to such seller a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the

purchasers of such Shares, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

(d) Registration Expenses. All expenses incident to the Company's performance of or compliance with this paragraph 6, including, without limitation, all registration and filing fees, fees and expenses of complying with securities or blue sky laws, printing expenses and fees and disbursements of counsel for the Company and of independent public accountants, but excluding underwriting commissions and discounts, the fees of any counsel engaged by the holder or holders, and any filing fees associated with shares of Preferred Stock, but not Common Stock, being listed with a national securities exchange or quoted on the NASDAQ National Market System or Small Cap Market, shall be borne by the Company.

(e) Indemnification.

(i) In the event of any registration of any Shares under the Act pursuant to this paragraph 6, the Company will, to the extent permitted by law, indemnify and hold harmless the seller of such Shares and each underwriter of such securities and each other person, if any, who controls such seller or underwriter within the meaning of the Act, against any losses, claims, damages, or liabilities, joint or several, to which such seller or underwriter or controlling person may become subject, under the Act or otherwise, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon (x) any untrue statement or alleged untrue statement of any material fact contained, on the effective date thereof, in any registration statement under which such securities were registered under the Act, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereto, or (y) any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; and the Company will reimburse such seller and each such underwriter and each such controlling person for any legal or any other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability, or action, provided that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement, any such preliminary prospectus, final prospectus, amendment or supplement in reliance upon and in conformity with written information furnished to the Company through an instrument duly executed by such seller or underwriter specifically for use in the preparation thereof.

(ii) The Company may require, as a condition to including any Shares in any registration statement filed pursuant to paragraph 6(c), that the Company shall have received an undertaking satisfactory to it from the prospective seller of such Shares and from each underwriter of such Shares, to indemnify and hold harmless (in the same manner and to the same extent as set forth in paragraph 6(e)(i)) the Company, each director of the Company, each officer of the Company who shall sign such registration statement and any person who controls the Company within the meaning of the

Act, with respect to any statement or omission from such registration statement, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereto, if such statement or omission was made in reliance upon and in conformity with written information furnished to the Company through an instrument duly executed by such seller or underwriter specifically for use in the preparation of such registration statement, preliminary prospectus, final prospectus, amendment, or supplement.

(iii) Promptly after receipt by an indemnified party of notice of the commencement of any action involving a claim referred to in the preceding subparagraphs of this paragraph 6(e), such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party, give written notice to the latter of the commencement of such action, provided that the failure of any indemnified party to give notice as provided therein shall not relieve the indemnifying party of its obligations under the preceding subdivisions of this paragraph 6(e). In case any such action is brought against an indemnified party, the indemnifying party will be entitled to participate in and to assume the defense thereof, jointly with any other indemnifying party similarly notified to the extent that it may wish, with counsel reasonably satisfactory to such indemnified party, and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof the indemnifying party will not be liable to such indemnified party for any legal or other expenses subsequently incurred by the latter in connection with the defense thereof. No indemnifying party, in the defense of any such claim or litigation, shall, except with the consent of each indemnified party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect to such claim or litigation.

7. Redemption Rights.

(a) Company's Redemption Option. Except for any redemption which the Company would be prohibited from effecting under applicable law, and provided the shares of Preferred Stock of a holder have not earlier been converted in accordance with the provisions hereof, the shares of Preferred Stock may be redeemed by the Company, in whole or in part, at the option of the Company upon written notice by the Company to the holders of Preferred Stock at any time after December 1, 2001, in the event that the Preferred Stock of one or more holders has not been converted pursuant to the terms hereof on or before such date. The Company shall redeem each share of Preferred Stock of such holders within thirty (30) days of the Company's delivery of the above notice to such holders and such holders shall surrender the certificate(s) representing such shares of Preferred Stock. For any partial redemptions the Company shall redeem shares in proportion to the number of shares held by each holder. The redemption amount shall be One Dollar and Seventy-five Cents (\$1.75) per share, plus in each case accrued and unpaid dividends thereon to the date of payment of such amount (the total sum so payable on any such redemption being herein referred to as the "redemption price").

(b) Redemption Notice. Notice of any redemption pursuant to this paragraph 7 shall be mailed to the party or parties required to receive such notice at the principal office or residence address for such party or parties. Each such notice shall state: (1) the election of the redemption option and the facts which give rise to such option; and (2) the number of shares of Preferred Stock which are being elected to be redeemed. From and after the date of the Company's payment of the redemption price to such holder or holders in accordance with such redemption notice (the "redemption date"), notwithstanding that any certificates for such shares shall not have been surrendered for cancellation, the shares represented thereby shall no longer be deemed outstanding, the rights to receive dividends and distributions shall cease to accrue from and after the redemption date, and all rights of such holder or holders of the shares of Preferred Stock as a stockholder of the Corporation with respect to such shares, shall cease and terminate.

8. Special rights. So long as, but only so long as, the shares of Preferred Stock are held by WEDGE Energy Services, L.L.C., a Delaware limited liability company ("WEDGE"), or by an affiliate of WEDGE (collectively "Holder"), the shares of Preferred Stock shall have the following special rights:

(a) Right of Participation.

(i) Grant of Right of Participation. The Company hereby grants the Holder a right of participation to participate in any additional equity offerings which the Company may offer, up to the Holder Percentage (as defined below), on the following terms and conditions. In the event that the Company has received a bona fide offer (which the Company desires to accept) with respect to the issuance of any equity securities (including, without

limitation, any common or preferred stock, any options (excluding the Company's 1993 Stock Option Plan or any future employee stock option plan approved by the Company's shareholders), warrants, rights, unsecured convertible notes, convertible debentures, or other convertible securities), the Company shall immediately give written notice thereof (the "Notice") to the Holder of the Preferred Stock. The Notice shall state the name of the party proposing to provide the offering and all the pertinent terms and conditions of such offering. This right shall expire upon the later to occur of the following: (a) the conversion by the Holder of the Preferred Stock into Common Stock, or (b) the tenth anniversary of the date of the filing of this Statement.

(ii) Procedure. The Holder shall have fourteen (14) days from the date the Notice was given to indicate to the Company, in writing, that the Holder undertakes to participate in the offering under the terms and conditions set forth in the Notice. If the Holder undertakes to participate in such offering, then the Company shall be obligated to accept such participation up to the Holder Percentage upon the terms and conditions set forth in the Notice and the parties shall use their best efforts to enter into a definitive agreement relating to such offering. In the event that the Holder declines to participate in such offering, the Company shall have the right to accept such offering from the third party without participation by the Holder provided that it does so upon the terms and conditions set forth in

the Notice. In the event that such offering is not consummated within sixty (60) days after the date the Notice was given, the Company shall not consummate such offering without again complying with this subparagraph 8(a)(ii).

(iii) Holder Percentage. For purposes hereof, the term "Holder Percentage" shall mean that percentage calculated, on a fully diluted basis, as if the Holder had (a) converted the Preferred Stock into Common Stock, which number shall constitute the numerator, and (b) divided by the denominator, which shall be equal to the total number of shares of Common Stock issued and outstanding as of such date, plus (i) that number of shares of Common Stock issuable upon the conversion of all convertible securities of the Company, including, without limitation, the Preferred Stock, and (ii) that number of shares of Common Stock issuable upon the exercise of all options and warrants utilizing the "treasury method" as of such date. Under the treasury method, only shares issuable upon the exercise of "in the money" options and warrants are considered in the calculation and the net dilution is that number of shares issuable upon such exercise net of that number of shares which could have been purchased with the proceeds from the exercise of the options and warrants at the then market price. For example, assuming 100,000 options are outstanding at a strike price of \$1.00 per share and that the market price of the Common Stock is \$2.50 per share, under the treasury method, the proceeds from the exercise of the options would equal \$100,000 and such proceeds would purchase 40,000 shares of Common Stock at the market price of \$2.50 per share. The net dilution is 60,000 shares, which number of shares is utilized in the calculation of the Holder Percentage under the above formula.

(b) Restriction on Payment of Cash Dividends and Interest. The Company agrees that so long as the Holder owns shares of Preferred Stock representing at least ten percent (10%) of the shares of capital stock of the Company on a fully diluted basis utilizing the "treasury method" as described in subparagraph 8(a)(iii) above, it shall not pay any cash dividends or any interest accruals on any equity security or any debt security (excluding any Superior Indebtedness as defined in that certain Debenture Agreement dated December 10, 1999, between the Company and WEDGE (the "Debenture Agreement") on file at the Company's principal office), in existence as of the date hereof or created hereafter unless and until the Company's earnings before deduction of interest, taxes, depreciation and amortization ("EBITDA") for the six (6) months ended with the quarter for the last quarterly report which the Company is required to furnish to WEDGE under Section 4.01 of the Debenture Agreement are more than 125% of the Company's obligations for all dividends and interest due and payable on all outstanding securities of the Company as of such time.

(c) Prohibition Against Capital Expenditures. The Company agrees that so long as Holder owns shares of Preferred Stock representing at least ten percent (10%) of the shares of capital stock of the Company on a fully diluted basis utilizing the "treasury method" as described in subparagraph 8(a)(iii) above, the Company will not incur, or commit to incur, any capital expenditures of any kind or nature in excess of \$50,000 without the approval by the Board of Directors of the Company, and, in addition, the Company agrees that, until the Company has expended the \$2,500,000 in proceeds from the issuance of the Debenture, from the date hereof there shall be no capital expenditure in excess of \$50,000 without the affirmative written consent of WEDGE or its affiliate.

9. Exclusion of Other Rights. Except as may otherwise be required by law, the shares of Preferred Stock shall not have any preferences or relative, participating, optional or other special rights, other than those specifically set forth in this resolution (as such resolution may be amended from time to time) and in the Corporation's Certificate of Incorporation. The shares of Preferred Stock shall have no preemptive or subscription rights.

10. Severability of Provisions. If any right, preference or limitation of the Preferred Stock set forth in this resolution (as such resolution may be amended from time to time) is invalid, unlawful or incapable of being enforced by reason of any rule or law or public policy, all other

rights, preferences and limitations set forth in this resolution (as so amended) which can be given effect without the invalid, unlawful or unenforceable right, preference or limitation herein set forth shall be deemed enforceable and not dependent upon any other such right, preference or limitation unless so expressed herein.

11. Status of Reacquired Shares. Shares of Preferred Stock which have been issued and reacquired in any manner shall (upon compliance with any applicable provisions of the laws of the State of Texas) have the status of authorized and unissued shares of Preferred Stock issuable in series undesignated as to series and may be redesignated and reissued.

[END]