

U.S. SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDING  
SEPTEMBER 30, 1997.

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

Commission File Number 0-14908

TGC INDUSTRIES, INC.

(Exact name of small business issuer as specified in its charter)

Texas

74-2095844

(State or other jurisdiction of  
incorporation or organization)

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

1304 Summit, Suite 2  
Plano, Texas

75074

(Address of principal executive  
offices)

(Zip Code)

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

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

Yes  No

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

Class	Outstanding at October 31, 1997
Common Stock (\$.10 Par Value)	6,455,485

PART 1 -- FINANCIAL INFORMATION

ITEM 1 -- FINANCIAL STATEMENTS

Incorporated herein is the following unaudited financial information:

Balance Sheet as of September 30, 1997.

Statements of Operations for the three and nine month  
periods ended September 30, 1997 and 1996.

Statements of Cash Flows for the nine month periods  
ended September 30, 1997 and 1996.

Notes to Financial Statements.

TGC INDUSTRIES, INC.  
BALANCE SHEET  
(UNAUDITED)

SEPTEMBER 30,  
1997

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	254,650
Accounts receivable		2,011,173
Costs and estimated earnings in excess of billings on uncompleted contracts		46,161
Prepaid expenses		328,957
		-----
Total current assets		2,640,941

PROPERTY AND EQUIPMENT - at cost

Machinery and equipment		9,516,960
Automobiles and trucks		679,537
Furniture and fixtures		317,167
		-----
		10,513,664
Less accumulated depreciation		(3,077,837)
		-----
		7,435,827

OTHER ASSETS

65,232

Total assets	\$	10,142,000
		=====

See notes to Financial Statements

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

SEPTEMBER 30,  
 1997

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Trade accounts payable	\$ 1,258,036
Accrued liabilities	317,076
Billings in excess of costs and estimated earnings on uncompleted contracts	1,801,941
Current maturities of long-term obligations	1,425,281
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Total current liabilities	4,802,334

LONG-TERM OBLIGATIONS, less current maturities	1,953,601
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STOCKHOLDERS' EQUITY

Preferred stock, \$1.00 par value; 4,000,000 shares authorized; 1,148,850 issued and outstanding	1,148,850
Common stock, \$.10 par value; 25,000,000 shares authorized; 6,400,820 shares issued	640,082
Additional paid-in capital	5,599,428
Accumulated deficit	(3,803,106)
Treasury stock, at cost (85,082 shares)	(199,189)
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	3,386,065
Total liabilities and stockholders' equity	\$ 10,142,000
	=====

See notes to Financial Statements

TGC INDUSTRIES, INC.  
 STATEMENTS OF OPERATIONS

	Three Months Ended September 30, ----- (Unaudited)		Nine Months Ended September 30, ----- (Unaudited)	
	1997	1996	1997	1996
Revenue	\$4,163,699	\$2,640,350	\$11,220,350	\$7,100,277
Other income	2,634	-	427,006	-
	4,166,333	2,640,350	11,647,356	7,100,277

Cost of services	3,598,677	2,205,956	10,125,181	5,980,366
Selling, general, adm.	217,059	204,164	674,741	603,741
	3,815,736	2,410,120	10,799,922	6,584,107
<b>INCOME FROM OPERATIONS</b>	<b>350,597</b>	<b>230,230</b>	<b>847,434</b>	<b>516,170</b>
Interest expense	40,245	2,391	126,192	35,534
<b>INCOME FROM CONTINUING OPERATIONS</b>	<b>310,352</b>	<b>227,839</b>	<b>721,242</b>	<b>480,636</b>
Discontinued operations				
Income (loss) from operations	-	2,409	-	(1,402,706)
<b>NET INCOME (LOSS)</b>	<b>310,352</b>	<b>230,248</b>	<b>721,242</b>	<b>(922,070)</b>
Less dividend requirement on preferred stock	114,885	100,975	344,655	100,975
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<b>INCOME (LOSS) ALLOCABLE TO COMMON STOCKHOLDERS</b>	<b>\$ 195,467</b>	<b>\$ 129,273</b>	<b>\$ 376,587</b>	<b>\$ (1,023,045)</b>
Earnings (loss) per common and common equivalent share:				
Primary earnings (loss) per share:				
Continuing operations	\$.03	\$.02	\$.05	\$ .06
Discontinued operations	-	-	-	(.21)
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	\$.03	\$.02	\$.05	\$(.15)
Fully diluted earnings per share:				
Continuing operations	\$.02	\$.02	\$.05	\$ .06
Weighted average number of common and common equivalent shares:				
Primary	7,037,103	6,870,252	7,016,632	6,859,146
Fully diluted	14,724,062	13,696,505	14,752,054	9,135,919

See notes to Financial Statements

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

	Nine Months Ended September 30,	
	1997	1996
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income (Loss)	\$ 721,242	\$ (922,070)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Loss from discontinued operations	-	1,402,706
Depreciation and amortization	929,798	574,003
Gain on disposal of property and equipment	(208,985)	(11,585)
Changes in operating assets and liabilities		
Accounts receivable	(1,123,767)	242,014
Billings in excess of cost and estimated earnings on uncompleted contracts	1,251,375	846,633
Prepaid expenses	(252,414)	(237,791)
Accounts payable	(225,792)	(117,496)
Accrued liabilities	122,217	(49,493)
	-----	-----
<b>NET CASH PROVIDED BY CONTINUING OPERATIONS</b>	<b>1,213,674</b>	<b>1,726,921</b>
<b>NET CASH USED IN DISCONTINUED OPERATIONS</b>	<b>-</b>	<b>(456,687)</b>
	-----	-----
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,213,674</b>	<b>1,270,234</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(1,087,286)	(2,405,690)
Proceeds from sale of property and equipment	210,332	14,500
Increase in other assets	(33,840)	(31,019)
<b>INVESTING ACTIVITIES OF DISCONTINUED OPERATIONS</b>	<b>-</b>	<b>(92,442)</b>

NET CASH USED IN INVESTING ACTIVITIES	(910,794)	(2,514,651)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(459,840)	-
Proceeds from issuance of debt	337,401	125,813
Proceeds from issuance of stock, net of expenses	-	5,020,705
Other	(18,736)	-
Principal payments of debt obligations	(562,335)	(115,563)
Capital contribution to Chase Packaging Corporation	-	(2,716,403)
FINANCING ACTIVITIES OF DISCONTINUED OPERATIONS	-	(366,348)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(703,510)	1,948,204
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(400,630)	703,787
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	655,280	114,868
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 254,650	\$ 818,655

Supplemental cash flow information

Cash paid during the year		
Interest	\$ 126,192	\$ 27,513
Income taxes	\$ -	\$ -

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

Noncash investing and financing activities

(1) On January 7, 1997, options for 4,668 shares and 47,500 shares of Common Stock at an exercise price of \$1.00 and \$.40 respectively per share were exercised. The Company received 14,025 shares of its Common Stock at a market value of \$1.6875 per share as payment for the exercise of the options.

(2) In March 1997, the Company financed the acquisition of equipment through a capital lease in the amount of \$876,656.

(3) In August 1997, the Company financed the acquisition of equipment through notes in the amounts of \$721,494 and \$644,535, respectively.

See notes to Financial Statements

TGC INDUSTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)  
SEPTEMBER 30, 1997

NOTE A -- BASIS OF PRESENTATION

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

NOTE B -- MANAGEMENT PRESENTATION

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of financial position, results of operations, and changes in financial position have been included. The results of the interim periods are not necessarily indicative of results to be expected for the entire year. For further information, refer to the financial statements and the footnotes thereto included in the Company's Annual Report for the year ended December 31, 1996 filed on Form 10-KSB.

NOTE C -- EARNINGS (LOSS) PER SHARE

Primary earnings (loss) per common and common equivalent share are computed

by dividing net earnings (loss), after deducting preferred stock dividends, by the weighted average number of common shares outstanding during each period plus the incremental shares that would have been outstanding upon the assumed exercise of dilutive stock options and warrants. Fully diluted earnings (loss) per share are computed by dividing net earnings (loss) by the weighted average number of common shares outstanding during each period plus the incremental shares that would have been outstanding upon the assumed exercise of dilutive stock options, warrants and conversion of the preferred shares.

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

### RESULTS OF OPERATIONS

TGC Industries, Inc. ("TGC") reported revenues from continuing operations increased significantly to \$4,163,699 for the three months ended September 30, 1997, advancing 58% from \$2,640,350 for the same period of the prior year. Income from continuing operations, before the dividend requirement on preferred stock, increased to \$310,352, a 36% improvement from \$227,839 for the same quarter of 1996. Income per common share, on a fully diluted basis, from continuing operations was \$.02 for the third quarter of 1997, as compared with income from continuing operations of \$.02 per common share for the same period of 1996.

For the nine month period ended September 30, 1997, revenues from continuing operations increased to \$11,220,350, advancing 58% from \$7,100,277 for the same period in 1996. Income from continuing operations before dividend requirements on preferred stock increased to \$721,242, a 50% improvement from \$480,636 for the same period in 1996. Income per common share, on a fully diluted basis, from continuing operations, was \$.05 for the first nine months of 1997, as compared to income from continuing operations of \$.06 for the same period in 1996.

In August, 1997, the Company took delivery of 500 additional channels of recording equipment for each of its two crews which will improve capabilities and productivity. With this new equipment and significant backlog, management believes that TGC will be reorting record revenues and earnings for 1997.

TGC operates two land seismic crews primarily conducting Three-D ("3-D") data gathering for clients in the oil and gas business. Given the unpredictable nature of forecasting weather, the potential for contract delay or cancellation and the potential for fluctuations in oil and gas prices, no assurance can be given that management's expectations can be achieved.

### FINANCIAL CONDITION

Cash of \$1,213,674 was provided from continuing operations for the first nine months of 1997 compared with cash provided from continuing operations of \$1,726,921 for the first nine months of 1996. The funds generated in the first nine months of 1997 were primarily attributable to net earnings before non-cash depreciation charges. Cash used in investing activities for the first nine months of 1997 was primarily for additions to machinery and equipment for geophysical field operations. Cash used in financing activities for the first nine months of 1997 was primarily for preferred stock dividend payments of \$459,840 and principal payments of debt obligations in the amount of \$562,335.

Working capital decreased \$875,864 to \$(2,161,393) from the December 31, 1996 balance of \$(1,285,529) primarily as a result of an increase in current maturities of long-term obligations and billings in excess of costs and estimated earnings on uncompleted contracts. The Company's current ratio was .5 to 1 at September 30, 1997, compared with .6 to 1 at December 31, 1996. The Company is in the process of securing a working capital revolving credit line in the amount of \$1,000,000 from a major bank. Management anticipates that negotiations should be complete and the revolving credit line will be in place by the end of November 1997. Management believes that this revolving credit line will provide the additional working capital required to support the significant increase that has occurred in the Company's backlog during this year.

In August 1997, the Company purchased an additional 500 channels of recording equipment for each of its two crews utilizing equipment financing of \$1,366,029.

Stockholders' equity increased \$368,759 from the December 31, 1996 balance of \$3,017,306 to \$3,386,065 at September 30, 1997. This increase is primarily attributable to income allocable to common stockholders, for the nine months

ended September 30, 1997, of \$376,587.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- a. Exhibits -- None.
- b. Reports -- No reports on Form 8-K have been filed during the quarter for which this report is filed.

SIGNATURES

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

TGC INDUSTRIES, INC.

Date: November 12, 1997

/s/ Robert J. Campbell  
Robert J. Campbell  
Vice Chairman of the Board  
(Principal Executive Officer)

Date: November 12, 1997

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

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