

U.S. SECURITIES AND EXCHANGE
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 MARCH 31, 1999.

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

Commission File Number 0-14908

TGC INDUSTRIES, INC.

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

Texas

(State or other jurisdiction of
incorporation or organization)

74-2095844

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

1304 Summit, Suite 2
Plano, Texas

75074

(Address of principal executive offices)

(Zip Code)

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

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

Yes

No

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

Class

Outstanding at April 30, 1999

Common Stock (\$.30 Par Value)

2,224,933

PART I--FINANCIAL INFORMATION

ITEM 1--FINANCIAL STATEMENTS

Incorporated herein is the following unaudited financial information:

Balance Sheet as of March 31, 1999.

Statements of Earnings for the three month periods ended March 31,
1999 and 1998.

Statements of Cash Flows for the three month periods ended March 31,
1999 and 1998

Notes to Financial Statements.

TGC INDUSTRIES, INC.
BALANCE SHEET
(UNAUDITED)

MARCH 31,
1999

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	419,168
Accounts receivable		1,009,909
Prepaid expenses and other		87,334
Deferred income taxes		202,000

Total current assets		1,718,411
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PROPERTY AND EQUIPMENT - at cost

Machinery and equipment	10,839,241
Automobiles and trucks	698,646
Furniture and fixtures	317,167
Other	18,144

11,873,198

Less accumulated depreciation and amortization	(5,380,632)
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6,492,566

OTHER ASSETS

963

Total Assets	\$	8,211,940
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See notes to Financial Statements

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

	MARCH 31, 1999
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LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES	
Trade accounts payable	\$ 379,791
Accrued liabilities	215,800
Billings in excess of costs and estimated earnings on uncompleted contracts	192,036
Current maturities of long-term obligations	1,161,133
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Total current liabilities	1,948,760
LONG-TERM OBLIGATIONS, less current maturities	812,521
STOCKHOLDERS' EQUITY	
Preferred stock, \$1.00 par value; 4,000,000 shares authorized; 1,129,350 issued and outstanding	1,129,350
Common stock, \$.30 par value, 25,000,000 shares authorized; 2,251,766 shares issued	675,530
Additional paid-in capital	4,972,821
Accumulated deficit	(1,111,728)
Treasury stock, at cost (31,944 shares)	(215,314)
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	5,450,659
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Total liabilities and stockholders' equity	\$ 8,211,940
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See notes to Financial Statements

TGC INDUSTRIES, INC.
STATEMENTS OF EARNINGS

	Three Months Ended March 31,	
	(Unaudited)	
	1999	1998
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Revenue	\$2,610,147	\$4,319,329
Cost of services	2,068,681	3,776,207
Selling, general, adm.	210,411	258,292
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	2,279,092	4,034,499
INCOME FROM OPERATIONS	331,055	284,830
Interest expense	56,078	69,307
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NET INCOME	274,977	215,523
Less dividend requirement on preferred stock	112,935	112,935
INCOME ALLOCABLE TO COMMON STOCKHOLDERS	\$ 162,042	\$ 102,588
Earnings per common share		
Basic	\$.07	\$.05
Diluted	.06	.04
Weighted average number of common shares		
Basic	2,217,166	2,158,495
Diluted	4,726,833	4,840,082

See notes to Financial Statements

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

	Three Months Ended March 31,	
	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 274,977	\$ 215,523
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	492,404	414,196
Changes in operating assets and liabilities		
Accounts receivable	103,275	1,614,457
Billings in excess of cost and estimated earnings on uncompleted contracts	(195,438)	(1,034,443)
Prepaid expenses	103,338	(33,219)
Accounts payable	(196,515)	(336,807)
Accrued liabilities	19,510	(51,788)
NET CASH PROVIDED BY OPERATING ACTIVITIES	601,551	787,919
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(9,221)	(148,979)
Decrease (increase) in other assets	-	175
NET CASH USED IN INVESTING ACTIVITIES	(9,221)	(148,804)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(178,044)	-
Proceeds from issuance of debt	-	-
Proceeds from exercise of stock options and warrants	-	-
Principal payments of debt obligations	(698,117)	(319,038)
Other	-	2,813
NET CASH USED IN FINANCING ACTIVITIES	(876,161)	(316,225)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(283,831)	322,890
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	702,999	120,535
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 419,168	\$443,425

Supplemental cash flow information

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Interest paid	\$ 56,078	\$ 69,307
Income taxes paid	\$ 41,250	\$ 10,230

See notes to Financial Statements

TGC INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)
March 31, 1999

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, 1998 filed on Form 10-KSB.

NOTE C--EARNINGS PER SHARE

Basic earnings per share is based on the weighted average number of shares of common stock outstanding. Diluted earnings 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. On November 5, 1998, the Board of Directors declared a one-for-three reverse stock split on the Company's common stock. All references to number of shares, except shares authorized, and to per share information in the financial statements have been adjusted to reflect the reverse stock split on a retroactive basis.

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

RESULTS OF OPERATIONS

TGC Industries, Inc. ("TGC") reported revenues of \$2,610,147 for the three months ended March 31, 1999, compared with revenues of \$4,319,329 for the same period of 1998. Net income, before dividend requirements on preferred stock was \$274,977, compared with net income before dividend requirements on preferred stock, of \$215,523 for the same period of 1998. Income per common share, on a diluted basis, was \$.06 for the first quarter of 1999, as compared with income of \$.04 per common share for the same period of 1998.

This improved earnings performance in the first quarter of 1999 compared with the first quarter of 1998 was principally attributable to expense reduction and cost containment programs implemented to remain competitive during this period of reduced industry activity and a contract termination fee received from one of the Company's clients.

TGC's cost of services, as a percentage of revenue, were 79.3% for the first quarter of 1999, compared to 87.4% for the same period of 1998. Selling, general and administrative expense decreased by \$47,881 in the first quarter of 1999 when compared with the same period of 1998. This decrease was attributable to expense reductions implemented to remain competitive during this period of reduced industry activity. Interest expense decreased by \$13,229 in the first quarter of 1999 when compared with the same period of 1998. This decrease was primarily a result of the reducing loan balances for the purchase of geophysical equipment.

Non-cash charges for depreciation and amortization were \$492,404 in the first quarter of 1999 compared with \$414,196 for the same period of 1998.

At December 31, 1998, TGC had net operating loss carryforwards of approximately \$3,600,000 available to offset future taxable income, which expire at various dates through 2013.

The second quarter will be a difficult period for the Company and will compare unfavorably with the second quarter of 1998. Management is aggressively pursuing contract opportunities and believes, but there can be no assurance, that the second half of 1999 should show some improvement. However, it is anticipated that the Company's revenue for 1999 will be significantly less than reported for 1998.

Management believes that the geophysical market conditions should materially improve beginning in calendar year 2000 and seismic services should be in greater demand enhancing the Company's performance.

FINANCIAL CONDITION

Cash of \$601,551 was provided from operations for the first three months of 1999 compared with cash provided from operations of \$787,919 for the same period of 1998. The funds generated in the first three months of 1999 were primarily attributable to net earnings before non-cash depreciation and amortization charges. Cash used in investing activities for the first three months of 1999 was for the replacement of equipment in the amount of \$9,221. Cash used in financing activities for the first three months of 1999 was for principal payments of debt obligations in the amount of \$698,117, and dividend payments on preferred stock of \$178,044.

Working capital deficit decreased \$640,372 to \$230,349 from the December 31, 1998 balance of \$870,721. The Company's current ratio was .88 to 1.0 at March 31, 1999, compared with .72 to 1.0 at December 31 1998. Stockholders' equity increased \$322,803 from the December 31, 1998 balance of \$5,127,856 to \$5,450,659 at March 31, 1999. This increase was primarily attributable to net income for the three months ended March 31, 1999, of \$274,977.

During the fourth quarter of 1998, the Company renewed its revolving bank line of credit with a major bank in an amount of up to \$1,000,000. The line of credit bears interest at prime plus 1.5%, is collateralized by equipment and accounts receivable and requires the maintenance of certain financial ratios.

The Company began preparation for the year 2000 issues during 1996. In late 1996, TGC upgraded and replaced its accounting software. In addition, TGC installed a small personal computer network. The cost of these additions, which are year 2000 compliant, was approximately \$15,000. TGC uses an outside source for its payroll services and has been assured by this vendor that its software is year 2000 compliant. TGC will need to make a few additional hardware upgrades in order for the total system to be year 2000 compliant. These upgrades will be completed by September 30, 1999, at which time the Company will be fully year 2000 compliant. The cost of these upgrades will be approximately \$2,000.

At May 1, 1999, neither of the Company's two crews were employed. However, the Company anticipates that available funds, together with anticipated cash flows generated from future operations (of which there is no assurance) and amounts available under its revolving line of credit will be sufficient to meet the Company's cash needs during 1999.

This report contains forward-looking statements which reflect the view of Company's management with respect to future events. Although management believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from such expectations are disclosed in the Company's Securities and Exchange Commission filings, and include, without limitation, the unpredictable nature of forecasting weather, the potential for contract delay or cancellation, and the potential for fluctuations in oil and gas prices. The forward-looking statements contained herein reflect the current views of the Company's management and the Company assumes no obligation to update the forward-looking statements or to update the reasons actual results could differ from those contemplated by such forward-looking statements.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

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

SIGNATURES

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

TGC INDUSTRIES, INC.

Date: April 30, 1999

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

Date: April 30, 1999

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

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DEC-31-1999
MAR-31-1999
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1,009,909
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1,718,411
11,873,198
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8,211,940
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