

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, 2001.

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 (I.R.S. Employer  
incorporation or organization) 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 X 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 May 10, 2001
Common Stock (\$.30 Par Value)	2,369,225

PART I -- FINANCIAL INFORMATION

ITEM 1 -- FINANCIAL STATEMENTS

Incorporated herein is the following unaudited financial  
information:

Balance Sheet as of March 31, 2001.

Statements of Operations for the three month periods ended  
March 31, 2001 and 2000.

Statements of Cash Flows for the three month periods ended  
March 31, 2001 and 2000.

Notes to Financial Statements.

TGC INDUSTRIES, INC  
BALANCE SHEET  
(UNAUDITED)

MARCH 31,  
2001

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$468,506
Accounts receivable	823,501
Cost and estimated earnings in excess of billings on uncompleted contracts	13,104
Prepaid expenses and other	21,662

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Total current assets 1,326,773

PROPERTY AND EQUIPMENT - at cost

Machinery and equipment	11,218,773
Automobiles and trucks	757,111
Furniture and fixture	323,323
Other	18,144

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12,317,351

Less accumulated depreciation  
and amortization (8,719,970)

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3,597,381

OTHER ASSETS

395

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Total assets \$4,924,549

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See notes to Financial Statements

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

	MARCH 31, 2001
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>	
CURRENT LIABILITIES	
Trade accounts payable	269,752
Accrued liabilities	193,319
Billings in excess of costs and estimated earnings on uncompleted contracts	542,791
Current maturities of long-term obligations	167,769
	<u>1,173,631</u>
LONG-TERM OBLIGATIONS, less current maturities	116,662
STOCKHOLDERS' EQUITY	
Preferred stock, \$1.00 par value; 4,000,000 shares authorized:	
8-1/2% Senior convertible preferred stock; 2,355,935 shares issued and outstanding	2,355,935
8% Series C convertible exchangeable preferred stock; 1,150,350 shares issued, 1,080,050 shares outstanding	1,080,050
Common stock, \$.30 par value; 25,000,000 shares authorized; 2,392,182 shares issued	717,654
Additional paid-in capital	5,609,141
Accumulated deficit	(5,913,210)
Treasury stock, at cost (31,944 shares)	(215,314)
	<u>3,634,256</u>
Total liabilities and stockholders' equity	<u>\$4,924,549</u> =====

See notes to Financial Statements

TGC INDUSTRIES, INC  
STATEMENTS OF OPERATIONS  
(UNAUDITED)

	Three Months Ended March 31	
	2001	2000
Revenue	\$ 882,152	\$ 358,538
Cost of services	1,181,059	733,062

Selling, general, adm.	236,598	235,482
	<u>1,417,657</u>	<u>968,544</u>
LOSS FROM OPERATIONS	(535,505)	(610,006)
Interest expense	5,865	76,199
NET LOSS	<u>(541,370)</u>	<u>(686,205)</u>
Less dividend requirements on preferred stock	<u>165,578</u>	<u>111,025</u>
LOSS ALLOCABLE TO COMMON STOCKHOLDERS	\$ (706,948)	\$ (797,230)
Loss per common share:		
Basic and diluted	\$ (.30)	\$ (.35)
Weighted average number of common shares:		
Basic and diluted	2,340,374	2,262,577

See notes to Financial Statements

TGC INDUSTRIES, INC  
STATEMENTS OF CASH FLOWS (UNAUDITED)

	Three Months Ended March 31,	
	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$(541,370)	\$(686,205)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	396,581	408,272
Gain on disposal of property and equipment	-	(3,901)
Changes in operating assets and liabilities		
Trade accounts receivable	71,263	(1,245,715)
Billings in excess of cost and estimated earnings on uncompleted contracts	359,187	941,443
Prepaid expenses	50,423	22,789
Accounts payable	(67,124)	112,740
Accrued liabilities	52,784	30,481
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>321,744</u>	<u>(420,096)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(31,730)	(48,699)
Proceeds from sale of property and equipment	-	3,901
NET CASH USED IN INVESTING ACTIVITIES	<u>(31,730)</u>	<u>(44,798)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of warrants	3,766	-
Principal payments of debt obligations	(84,405)	(214,550)
NET CASH USED IN FINANCING ACTIVITIES	<u>(80,639)</u>	<u>(214,550)</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	209,375	(679,444)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	259,131	1,898,674
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 468,506	\$1,219,230
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Supplemental cash flow information		
Interest paid	\$ 5,865	\$ 23,075
Income taxes paid	\$ -	\$ -

See notes to Financial Statements

TGC INDUSTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)  
March 31, 2001

NOTE A -- BASIS OF PRESENTATION

The accompanying unaudited financial statements of TGC Industries, Inc. (the "Company") 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 accounting principles generally accepted in the United States of America.

NOTE B -- MANAGEMENT PRESENTATION

In the opinion of management, all adjustments (consisting of normal recurring adjustments) 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, 2000 filed on Form 10-KSB.

NOTE C -- LOSS PER SHARE

Basic loss per common share is based upon the weighted average number of shares of common stock outstanding. Diluted 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. The effect of preferred stock dividends on the amount of loss available to common stockholders was \$.07 and \$.05 for the three months ended March 31, 2001 and 2000, respectively.

Outstanding warrants that were not included in the diluted calculation because their effect would be anti-dilutive totaled 850,000 and 1,136,575 for the three month periods ended March 31, 2001, and 2000, respectively. Outstanding options that were not included in the diluted calculation because their effect would be anti-dilutive totaled 319,940 and 176,497 for the three month periods ended March 31, 2001 and 2000, respectively.

TGC INDUSTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)  
March 31, 2001  
(Continued)

#### NOTE D DIVIDENDS

Holder of the Company's Series C 8% Convertible Exchangeable Preferred Stock ("Series C Preferred Stock") will receive, when, as and if declared by the Board of Directors of the Company, dividends at a rate of 8% per annum. The dividends are payable semi-annually during January and July of each year. At March 31, 2001, cumulative dividends of approximately \$864,000 were in arrears on the Company's Series C Preferred Stock.

Holder of the Company's 8-1/2% Senior Convertible Preferred Stock (the "Senior Preferred Stock") will receive, when, as and if declared by the Board of Directors of the Company, dividends at a rate of 8-1/2% per annum. The dividends are payable semi-annually during June and December of each year. Dividends paid during 2000, on the Senior Preferred Stock, were paid in additional shares of Senior Preferred Stock, in accordance with the terms of the agreement. At March 31, 2001, there were no dividends in arrears on the Company's Senior Preferred Stock.

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

##### RESULTS OF OPERATIONS

TGC Industries, Inc. (the "Company") reported revenue of \$882,152 and a net loss, before dividend requirements on preferred stock, of \$(541,370) for the three month period ended March 31, 2001, compared with revenue of \$358,538 and a net loss, before dividend requirements on preferred stock, of \$(686,205) for 2000. Loss per common share, on a basic and diluted basis, was \$(.30) for the three month period ended March 31, 2001, compared with a loss per common share of \$(.35) for 2000. As a result of the Company reporting a loss for the first quarters of 2001 and 2000, the number of shares used in the loss per share computation does not include any common shares issuable for stock options, warrants or convertible securities because the effect of their inclusion would be anti-dilutive.

Though our seismic crew was not fully employed during the first quarter of 2001, the Company was successful in securing \$7,336,000 of contracts

which will, if not canceled, keep its seismic crew employed throughout the second and third quarters of 2001. To secure these contracts in the competitive environment during the first quarter, the Company priced its services at lower than its traditional profit margins. Despite the recent difficult industry conditions, management believes that the geophysical services industry has favorable long-term prospects. Geophysical services should be in greater demand due to the recent increase in 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 with higher margins for the fourth quarter which should improve the Company's performance in 2001.

Non-cash charges for depreciation and amortization were \$396,581 in the first three months of 2001 compared with \$408,272 for the same period of 2000.

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

#### FINANCIAL CONDITION

Cash of \$321,744 was provided from operations for the first three months of 2001 compared with cash used in operations of \$420,096 for the same period of 2000. Cash used in investing activities for the first three months of 2001 and 2000, was for the addition of equipment in the amounts of \$31,730 and \$48,699, respectively. Cash used in financing activities for the first three months of 2001 and 2000, was for principal payments of debt obligations in the amounts of \$84,405 and \$214,550, respectively.

Working capital decreased \$176,392 to \$153,142 from the December 31, 2000 balance of \$329,534. The Company's current ratio was 1.13 at March 31, 2001, compared with 1.36 at December 31, 2000. Stockholders' equity decreased \$537,604 from the December 31, 2000 balance of \$4,171,860 to \$3,634,256 at March 31, 2001. This decrease was attributable to the net loss, before dividend requirements on preferred stock, of \$541,370.

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.

#### Forward-Looking Statements

This report contains forward-looking statements which reflect the view of Company's management with respect to future events. Although management believes that the expectations reflected in such forward-looking statements are reasonable; it can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to

differ materially from such expectations are disclosed in the Company's Securities and Exchange Commission filings, and include, without limitation, the unpredictable nature of forecasting weather, the potential for contract delay or cancellation, and the potential for fluctuations in oil and gas prices. The forward-looking statements contained herein reflect the current views of the Company's management and the Company assumes no obligation to update the forward-looking statements or to update the reasons actual results could differ from those contemplated by such forward-looking statements.

PART II - OTHER INFORMATION

ITEM 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: May 11, 2001                    /s/ Wayne A. Whitener  
Wayne A. Whitener  
President & Chief  
Executive Officer  
(Principal Executive Officer)

Date: May 11, 2001                    /s/ Kenneth W. Uselton  
Kenneth W. Uselton  
Treasurer (Principal Financial  
and Accounting Officer)