

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, 2000.

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

Commission File Number 0-14908

TGC INDUSTRIES, INC.

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

Texas

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 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 April 28, 2000
Common Stock (\$.30 Par Value)	2,267,124

PART I -- FINANCIAL INFORMATION

ITEM 1 -- FINANCIAL STATEMENTS

Incorporated herein is the following unaudited financial information:

Balance Sheet as of March 31, 2000.

Statements of Operations for the three month  
periods ended March 31, 2000 and 1999.

Statements of Cash Flows for the three month  
periods ended March 31, 2000 and 1999.

Notes to Financial Statements.

MARCH 31, 2000

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	1,219,230
Accounts receivable		1,245,715
Prepaid expenses and other		67,308

Total current assets		<u>2,532,253</u>
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PROPERTY AND EQUIPMENT - at cost

Machinery and equipment	10,839,241
Automobiles and trucks	632,570
Furniture and fixtures	317,167
Other	18,144

	<u>11,807,122</u>
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Less accumulated depreciation and amortization	(7,103,444)
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	<u>4,703,678</u>
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DEFERRED INCOME TAXES	202,000
OTHER ASSETS	495

Total assets	\$	<u>7,438,426</u>
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See notes to Financial Statements

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

MARCH 31, 2000

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Trade accounts payable	\$	163,673
Accrued liabilities		136,460
Billings in excess of costs and estimated earnings on uncompleted contracts		941,443
Current maturities of long-term obligations		599,220

Total current liabilities		<u>1,840,796</u>
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LONG-TERM OBLIGATIONS, less current maturities		2,790,224
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STOCKHOLDERS' EQUITY

Preferred stock, \$1.00 par value; 4,000,000 shares authorized; 1,110,250 issued and outstanding		1,110,250
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Common stock, \$.30 par value; 25,000,000 shares authorized; 2,299,068 shares issued		689,720
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Additional paid-in capital		5,368,731
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Accumulated deficit		(4,145,981)
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Treasury stock, at cost (31,944 shares)		(215,314)
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	<u>2,807,406</u>
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Total liabilities and stockholders' equity	\$	<u>7,438,426</u>
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See notes to Financial Statements

TGC INDUSTRIES, INC  
STATEMENTS OF OPERATIONS

	Three Months Ended March 31, (Unaudited)	
	2000	1999
Revenue	\$ 358,538	\$2,610,147
Cost of services	733,062	2,068,681
Selling, general, adm.	235,482	210,411
	<u>968,544</u>	<u>2,279,092</u>
INCOME (LOSS) FROM OPERATIONS	(610,006)	331,055
Interest expense	76,199	56,078
NET INCOME (LOSS)	<u>(686,205)</u>	<u>274,977</u>
Less dividend requirement on preferred stock	111,025	112,935
INCOME (LOSS) ALLOCABLE TO COMMON STOCKHOLDERS	<u>\$(797,230)</u>	<u>\$ 162,042</u>
Earnings (loss) per common share		
Basic	\$ (.35)	\$ .07
Diluted	\$ (.35)	\$ .06
Weighted average number of common shares:		
Basic	2,262,577	2,217,166
Diluted	2,262,577	4,726,833

See notes to Financial Statements

TGC INDUSTRIES, INC  
Statements of Cash Flows (Unaudited)

	Three Months Ended March 31,	
	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (loss)	\$ (686,205)	\$274,977
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	408,272	492,404
Loss (gain) on disposal of property and equipment	(3,901)	-
Changes in operating assets and liabilities		
Trade accounts receivable	(1,245,715)	103,275
Billings in excess of cost and estimated earnings on uncompleted contracts	941,443	(195,438)
Prepaid expenses	22,789	103,338
Accounts payable	112,740	(196,515)
Accrued liabilities	30,481	19,510
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(420,096)</u>	<u>601,551</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(48,699)	(9,221)
Proceeds from sale of property and equipment	3,901	-

NET CASH (USED IN) INVESTING ACTIVITIES	(44,798)	(9,221)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	-	(178,044)
Principal payments of debt obligations	(214,550)	(698,117)
NET CASH USED IN FINANCING ACTIVITIES	(214,550)	(876,161)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(679,444)	(283,831)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,898,674	702,999
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 1,219,230	\$ 419,168
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Supplemental cash flow information		
Interest paid	\$ 23,075	\$ 56,078
Income taxes paid	\$ -	\$ 41,250

See notes to Financial Statements

TGC INDUSTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)  
March 31, 2000

#### NOTE A -- BASIS OF PRESENTATION

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

#### NOTE B -- MANAGEMENT PRESENTATION

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of financial position, results of operations, and changes in financial position have been included. The results of the interim periods are not necessarily indicative of results to be expected for the entire year. For further information, refer to the financial statements and the footnotes thereto included in the Company's Annual Report for the year ended December 31, 1999 filed on Form 10-KSB.

#### NOTE C -- EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per common share 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.

#### NOTE D DIVIDENDS

Holders of the Company's Series C 8% Convertible Exchangeable 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, 2000, cumulative dividends of approximately \$444,000 were in arrears.

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

##### RESULTS OF OPERATIONS

TGC Industries, Inc. ("TGC") reported revenues of \$358,538 and a net loss, before dividend requirements on preferred stock, of \$(686,205) for the three months ended March 31, 2000, compared with revenue of \$2,610,147 and income, before dividend requirements on preferred stock, of \$274,977 for 1999. Loss per common share, on a diluted basis, was \$(.35) for the first quarter of 2000, compared with income of \$.06 per common share for 1999. TGC was awarded approximately \$3.5 million in new contracts during the first quarter of 2000. However, the majority of these contracts were awarded to TGC late in the first quarter. As a result, TGC was unable to generate sufficient revenues to be profitable during the first quarter of 2000.

The Company has substantially reduced its break-even levels to increase its competitiveness. In addition, there has been a recent increase in seismic bidding activity and management is aggressively pursuing contract opportunities. As of April 28, 2000, TGC has been successful in adding an additional \$3.8 million in new business for a total backlog of \$7.3 million and the outlook seems to be progressively improving as our customers regain their confidence in the oil and gas marketplace.

Management believes that the geophysical services market conditions should improve in 2000 and seismic services should be in greater demand due to the recent increase in levels of seismic bidding activity and the prospect of oil and 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

Non-cash charges for depreciation and amortization were \$408,272 in the first quarter of 2000 compared with \$492,404 for the same period of 1999.

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

#### FINANCIAL CONDITION

Cash of \$(420,096) was (used in) operations for the first three months of 2000 compared with cash provided from operations of \$601,551 for the same period of 1999. The funds used in operations during the first three months of 2000 were primarily attributable to the net loss before non-cash depreciation and amortization charges and an increase in accounts receivable of \$1,245,715. Cash used in investing activities for the first three months of 2000 was for the replacement of equipment in the amount of \$48,699. Cash used in financing activities for the first three months of 2000 was for principal payments of debt obligations in the amount of \$214,550.

Working capital decreased \$400,934 to \$691,457 from the December 31, 1999 balance of \$1,092,391. The Company's current ratio was 1.4 to 1.0 at March 31, 2000, compared with 2.3 to 1.0 at December 31, 1999. Stockholders equity decreased \$686,206 from the December 31, 1999 balance of \$3,493,612 to \$2,807,406 at March 31, 2000. This decrease was attributable to the net loss for the three months ended March 31, 2000, of \$(686,205).

The holders of the Company's outstanding Series C 8% Convertible Exchangeable Preferred Stock ("Preferred Stock"), voted at the Annual Meeting held May 11, 2000, to consent to a new series of Senior Convertible Preferred Stock ("Senior Preferred Stock") by the affirmative vote of the holders of over two-thirds (2/3) of the issued and outstanding shares of Preferred Stock entitled to vote thereon, voting as a class. As a result of this action, WEDGE Energy Services, L.L.C., ("WEDGE"), will then convert its 8.5% Convertible Debenture into Senior Preferred Stock. This conversion will increase the equity section of the balance sheet by approximately \$2,580,869 as additional preferred stock and decrease long-term debt by \$2,500,000 and accrued liabilities by approximately \$80,869.

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

#### Forward-Looking Statements

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

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibits -- None.

b. Reports -- A report under Item 5 of Form 8-K was filed on March 2, 2000, to announce the date of the Company's annual meeting of shareholders and also to announce that the Company had received a favorable ruling from Nasdaq that the Company's securities evidenced compliance with all continued listing criteria and that the Company's securities will continue to be listed on the Nasdaq SmallCap Market.

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, 2000

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

Date: May 11, 2000

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

	3-MOS	
	DEC-31-2000	
	MAR-31-2000	
		1,219,230
		0
		1,245,715
		0
		0
	2,532,253	
		11,807,122
		7,103,444
		7,438,426
1,840,796		
		2,790,224
		0
		1,110,250
		689,720
		1,007,436
7,438,426		
		0
	358,538	
		0
		733,062
		235,482
		0
		76,199
		(797,230)
		0
(797,230)		
		0
		0
		0
		(797,230)
		(0.35)
		(0.35)