

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, 2004.

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, 2004
Common Stock (\$.01 Par Value)	5,729,948

PART I -- FINANCIAL INFORMATION

ITEM 1 -- FINANCIAL STATEMENTS

Incorporated herein is the following unaudited financial information:

Balance Sheet as of March 31, 2004.

Statements of Operations for the three-month periods ended  
March 31, 2004 and 2003.

Statements of Cash Flows for the three-month periods ended  
March 31, 2004 and 2003.

Notes to Financial Statements.

TGC INDUSTRIES, INC.  
BALANCE SHEET  
(UNAUDITED)

	MARCH 31, 2004
<u>ASSETS</u>	
CURRENT ASSETS	
Cash and cash equivalents	\$ 2,081,885
Trade accounts receivable	3,440,822
Cost and estimated earnings in excess of billings on uncompleted contracts	2,814
Prepaid expenses and other	83,224
Total current assets	<u>5,608,745</u>
PROPERTY AND EQUIPMENT - at cost	
Machinery and equipment	12,494,751
Automobiles and trucks	982,066
Furniture and fixtures	326,108
	<u>13,802,925</u>
Less accumulated depreciation and amortization	(12,507,540)
	<u>1,295,385</u>
OTHER ASSETS	3,395
Total assets	<u>\$ 6,907,525</u> =====

See notes to Financial Statements

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

	MARCH 31, 2004
<hr/>	
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES	
Trade accounts payable	\$ 966,269
Accrued liabilities	81,191
Billings in excess of costs and estimated earnings on uncompleted contracts	2,736,750
Current maturities of notes payable	63,688
Current portion of capital lease obligations	91,357
	<hr/>
Total current liabilities	3,939,255
NOTES PAYABLE, less current maturities	95,740
CAPITAL LEASE OBLIGATIONS, less current portion	125,124
COMMITMENTS AND CONTINGENCIES	-
STOCKHOLDERS' EQUITY	
Preferred stock, \$1.00 par value; 4,000,000 shares authorized:	
8-1/2% Senior convertible preferred stock; 3,024,264 shares issued and outstanding	3,024,264
8% Series C convertible exchangeable preferred stock; 1,150,350 shares issued, 58,100 shares outstanding	58,100
Common stock, \$.01 par value; 25,000,000 shares authorized; 5,727,008 shares issued	57,270
Additional paid-in capital	6,710,599
Accumulated deficit	(6,887,513)
Treasury stock, at cost (31,944 shares)	(215,314)
	<hr/>
	2,747,406
	<hr/>
Total liabilities and stockholders' equity	\$ 6,907,525
	<hr/> <hr/>

See notes to Financial Statements

TGC INDUSTRIES, INC.  
STATEMENTS OF OPERATIONS

	Three Months Ended March 31,	
	(Unaudited)	
	2004	2003
Revenue	<hr/> \$2,970,872	<hr/> \$1,601,805
Cost of services	1,877,894	1,437,431
Selling, general, administrative	300,395	205,749
	<hr/>	<hr/>
	2,178,289	1,643,180

INCOME (LOSS) FROM OPERATIONS	792,583	(41,375)
Interest expense	3,068	2,104
NET INCOME (LOSS)	<u>789,515</u>	<u>(43,479)</u>
Less dividend requirements on preferred stock	79,715	73,812
INCOME (LOSS) ALLOCABLE TO COMMON STOCKHOLDERS	<u>\$ 709,800</u>	<u>\$ (117,291)</u>
Earnings (loss) per common share:		
Basic	\$ .13	\$ (.02)
Diluted	\$ .07	\$ (.02)
Weighted average number of shares outstanding:		
Basic	5,695,064	5,515,064
Diluted	11,435,921	5,515,064

See notes to Financial Statements

5

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

	Three Months Ended March 31,	
	(Unaudited)	
	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 789,515	\$ (43,479)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	194,360	373,546
Directors fees	11,512	-
Warrants issued for services	3,039	-
Changes in operating assets and liabilities		
Trade accounts receivable	(2,643,368)	162,326
Cost and estimated earnings in excess of billings on uncompleted contracts	27,680	29,449
Prepaid expenses	23,098	99,241
Other assets	1,429	-
Trade accounts payable	846,120	227,405
Accrued liabilities	(24,116)	(73,622)
Billings in excess of cost and estimated earnings on uncompleted contracts	2,440,771	(170,677)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,670,040</u>	<u>604,189</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(581,809)	(40,136)
NET CASH USED IN INVESTING ACTIVITIES	<u>(581,809)</u>	<u>(40,136)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(638)	(131,583)
Principal payments on capital lease obligations	(30,929)	(65,321)

NET CASH USED IN FINANCING ACTIVITIES	(31,567)	(196,904)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,056,664	367,149
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,025,221	523,120
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 2,081,885</u>	<u>\$ 890,269</u>
	=====	=====
Supplemental cash flow information		
Interest paid	\$ 3,068	\$ 2,104
Income taxes paid	\$ -	\$ -
Noncash investing and financing activities		
Capital lease obligations incurred	\$ 52,207	\$ -
Financed equipment purchase	\$ 61,094	\$ -

At the election of the Senior Preferred Stockholder, 118,265 and 123,291 shares of 8.5% Senior Preferred Stock were issued to the Senior Preferred Stockholder as payment for the June 1, 2003 and December 1, 2003 dividends, respectively.

See notes to Financial Statements

6

TGC INDUSTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)  
March 31, 2004

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 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 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, 2003 filed on Form 10-KSB.

NOTE C -- EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per common share are based upon the weighted average number of shares of common stock outstanding. Diluted earnings (loss) per share are 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 income (loss) available to common stockholders was \$.01 and \$(.01) for the three months ended March 31, 2004 and 2003, respectively.

Outstanding warrants that were not included in the diluted calculation because their effect would be anti-dilutive totaled 8,000 and 2,350,000 for the three-month period ended March 31, 2004 and 2003, respectively. Outstanding options that were not included in the diluted calculation because their effect would be anti-dilutive totaled 143,000 and 222,100 for the three months ended March 31, 2004 and 2003, respectively.

NOTE D DIVIDENDS

Holders 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, 2004, cumulative dividends of \$116,200 were in arrears on the Company's Series C Preferred Stock.

TGC INDUSTRIES, INC.  
 NOTES TO FINANCIAL STATEMENTS (UNAUDITED)  
 March 31, 2004

NOTE D DIVIDENDS - (Continued)

Holders 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 Statement of Resolution Establishing the Senior Preferred Stock. In addition, the holders elected to receive payment of the 2001, 2002 and 2003 dividends in additional shares of Senior Preferred Stock. At March 31, 2004, there were no dividends in arrears on the Company's Senior Preferred Stock.

NOTE E INCOME TAXES

At December 31, 2003, the Company had net operating loss carryforwards of approximately \$7,900,000 available to offset future taxable income, which expire at various dates through 2023. Current year federal taxable income is being offset with net operating loss carryforwards, therefore, no federal tax expense is reflected on the statements of operations. Presently deferred tax assets are fully reserved.

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

RESULTS OF OPERATIONS

The Company experienced an increase in demand for its services in late 2003 and secured a sufficient number of contracts to keep both of its crews employed during the first quarter of 2004. As a result, TGC reported net income, before dividend requirements on preferred stock, of \$789,515 on revenue of \$2,970,872, for the three month period ended March 31, 2004 compared with a net loss, before dividend requirements on preferred stock, of \$43,479 on revenue of \$1,601,805 for the same period of 2003. Income per common share, on a basic and diluted basis, was \$.13 and \$.07, respectively, for the three month period ended March 31, 2004, compared with a loss per common share, on a basic and diluted basis, of \$.02 for the same period of 2003. At December 31, 2003, TGC had net operating loss carryforwards of approximately \$7,900,000 available to offset future taxable income, which expire at various dates through 2023. As a result, the basic and diluted earnings per common share for the three months ended March 31, 2004, was based on net income before any provision for income taxes. See Note E.

The number of common shares used in the (loss) per share computation for the three month period ended March 31, 2003 do not include any common shares issuable for stock options, warrants or convertible securities because the effect of their inclusion would be anti-dilutive.

Oil and gas exploration companies have recently increased the level of activity in their domestic oil and gas exploration programs. Though there can be no assurance, should this increased level of activity in the industry continue, management believes TGC may secure enough contracts to enable the Company to improve its performance during 2004 compared with 2003.

Non-cash charges for depreciation and amortization were \$194,360 in the first three months of 2004 compared with \$373,546 for the same period of 2003.

FINANCIAL CONDITION

Cash of \$1,670,040 was provided by operations during the first three months of 2004 compared with cash provided by operations of \$604,189 for the same

period of 2003. This increase was primarily the result of an increasing level of activity in the first three months of 2004 compared with the same period of 2003. During the first three months of 2004, \$581,809 was used in investing activities for capital expenditures for additional vehicles and seismic equipment. Principal payments of notes payable of \$638 along with principal payments of capital lease obligations of \$30,929 resulted in net cash of \$31,567 being used in financing activities during the first three months of 2004. TGC anticipates that available funds, together with anticipated cash flows generated from future operations, will be sufficient to meet TGC's minimum lease and note payment obligations.

In September 2002, TGC issued 1,500,000 stock warrants to certain directors in exchange for a line of credit, that expired December 31, 2002, in an amount up to \$300,000. The warrants cover 1,500,000 shares of Common Stock, expire on September 10, 2012, and are exercisable at \$.20 per whole share. During September 2002, TGC borrowed \$150,000 of the available funds. The promissory notes, which bore interest at 6.75% per annum, were paid in full during December 2002 and January 2003.

In March 2003, the same group of directors committed to provide a line of credit up to \$300,000 through December 31, 2003. Warrants covering 750,000 shares of Common Stock were issued in consideration for the commitment to provide the line of credit. The warrants expire on June 12, 2013, and are exercisable at \$.20 per whole share. The Company had no borrowings against the line of credit in 2003.

Working capital increased \$342,896 to \$1,669,490 at March 31, 2004 from the December 31, 2003, working capital of \$1,326,594. The Company's current ratio was 1.4 at March 31, 2004, compared with 3.1 at December 31, 2003. Stockholders' equity increased \$804,067 to \$2,747,406 at March 31, 2004 from the December 31, 2003 balance of \$1,943,339. This increase was primarily attributable to the net income, before dividend requirements on preferred stock, of \$789,515.

Management believes, although there can be no assurance, that available funds together with anticipated cash flows generated from future operations will be sufficient to meet the Company's cash needs during 2004.

#### 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, but are not limited to the dependence upon energy industry spending for seismic services, the unpredictable nature of forecasting weather, the potential for contract delay or cancellation, the potential for fluctuations in oil and gas prices, and the availability of capital resources. 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 3. CONTROLS AND PROCEDURES

Within the 90 days prior to the date of this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Principal Financial and Accounting Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Securities Exchange Act Rule 13a-14. Based upon that evaluation, the Chief Executive Officer and Principal Financial and Accounting Officer concluded that the Company's disclosure controls and procedures are effective. There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

#### PART II - OTHER INFORMATION

##### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- a. The following is a list of exhibits to this Form 10-QSB:

- 31.1 Certification of Chief Executive Officer of TGC Industries, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of

2002.

- 31.2 Certification of Treasurer (Principal Financial and Accounting Officer) of TGC Industries, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer of TGC Industries, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Treasurer (Principal Financial and Accounting Officer) of TGC Industries, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

10

b. Reports on Form 8-K:

Three reports under Item 5 of Form 8-K were filed during the reporting period, as follows:

Form 8-K was filed on January 16, 2004, to report an increase in demand for the Company's services, securing a sufficient number of contracts to deploy a second crew.

Form 8-K was filed on February 27, 2004, to report WEDGE Energy Services, L.L.C. ("WEDGE Energy") had completed a transaction, selling all 3,024,264 outstanding shares of the Company's 8.5% Senior Convertible Preferred Stock to a group of purchasers in private transactions. The group of purchasers includes several members of the Company's Board of Directors who purchased 1,772,200 of such shares. In addition, WEDGE Energy's two designated Board members have resigned.

Form 8-K was filed on March 2, 2004, to report the Company issued a press release reporting its results for the fiscal year ended December 31, 2003.

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 12, 2004            /s/ Wayne A. Whitener  
Wayne A. Whitener  
President & Chief  
Executive Officer  
(Principal Executive Officer)

Date: May 12, 2004            /s/ Kenneth W. Uselton  
Kenneth W. Uselton  
Treasurer (Principal Financial  
and Accounting Officer)

11

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Wayne A. Whitener, Chief Executive Officer of TGC Industries, Inc.



certify that:

1. I have reviewed this quarterly report on Form 10-QSB of TGC Industries, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this quarterly report based on such evaluation; and
  - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

12

- a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2004

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

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Kenneth W. Uselton, Principal Financial Officer of TGC Industries, Inc. certify that:

1. I have reviewed this quarterly report on Form 10-QSB of TGC Industries, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this quarterly report based on such evaluation; and
  - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

- a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2004

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

15

EXHIBIT 32.1

Certification of  
Chief Executive Officer  
of TGC Industries, Inc. Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002

This certification is furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) and accompanies the quarterly report on Form 10-QSB(the "Form 10-QSB") for the quarter ended March 31, 2004 of TGC Industries, Inc. (the "Company"). I, Wayne A. Whitener, the Chief Executive Officer of the Company, certify that, to the best of my knowledge:

- (1) The Form 10-QSB fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Form 10-QSB fairly presents, in all

material respects, the financial condition and results of operations of the Company.

Dated: May 12, 2004

/s/ Wayne A. Whitener  
Wayne A. Whitener  
Chief Executive Officer

16

EXHIBIT 32.2

Certification of  
Treasurer (Principal Financial and Accounting Officer)  
of TGC Industries, Inc. Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002

This certification is furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) and accompanies the quarterly report on Form 10-QSB (the "Form 10-QSB") for the quarter ended March 31, 2004 of TGC Industries, Inc. (the "Company"). I, Kenneth W. Uselton, Secretary/Treasurer (Principal Financial and Accounting Officer) of the Company, certify that, to the best of my knowledge:

- (1) The Form 10-QSB fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Form 10-QSB fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 12, 2004

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

414308.1

