

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 JUNE 30, 1998.

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 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 July 31, 1998
Common Stock (\$.10 Par Value)	6,512,985

PART I -- FINANCIAL INFORMATION

ITEM 1 -- FINANCIAL STATEMENTS

Incorporated herein is the following unaudited financial
information:

Balance Sheet as of June 30, 1998.

Statements of Income for the three and six-month
periods ended June 30, 1998 and 1997.

Statements of Cash Flows for the six-month periods
ended June 30, 1998 and 1997.

Notes to Financial Statements.

TGC INDUSTRIES, INC.
BALANCE SHEET
(UNAUDITED)

	JUNE 30, 1998
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,094,417
Accounts receivable	1,192,761
Prepaid expenses and other	399,566
Deferred income taxes	170,000

Total current assets	2,856,744
PROPERTY AND EQUIPMENT - at cost	
Machinery and equipment	10,024,511
Automobiles and trucks	706,906
Furniture and fixtures	317,167

	11,048,584
Less accumulated depreciation	(3,990,914)

	7,057,670
OTHER ASSETS	35,057

Total assets	\$ 9,949,471
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See notes to Financial Statements

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

	JUNE 30, 1998
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES	
Trade accounts payable	\$ 1,277,609
Accrued liabilities	576,181
Billings in excess of costs and estimated earnings on uncompleted contracts	1,141,047
Current maturities of long-term obligations	1,281,442 -----
Total current liabilities	4,276,279
LONG-TERM OBLIGATIONS, less current maturities	1,061,635
STOCKHOLDERS' EQUITY	
Preferred stock, \$1.00 par value; 4,000,000 shares authorized; 1,129,350 issued and outstanding	1,129,350
Common stock, \$.10 par value; 25,000,000 shares authorized; 6,608,817 shares issued	660,882
Additional paid-in capital	5,164,388
Accumulated deficit	(2,127,749)
Treasury stock, at cost (95,832 shares)	(215,314) -----
	4,611,557
Total liabilities and stockholders' equity	\$9,949,471 =====

See notes to Financial Statements

TGC INDUSTRIES, INC.
STATEMENTS OF INCOME

	Three Months Ended June 30,		Six Months Ended June 30,	
	(Unaudited) 1998	1997	(Unaudited) 1998	1997
Revenue	\$ 5,520,738	\$ 4,740,670	\$ 9,840,067	\$ 7,481,023
Cost of services	4,292,770	3,998,589	8,068,977	6,526,504
Selling, general, adm.	284,546	248,374	542,838	457,682
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	4,577,316	4,246,963	8,611,815	6,984,186
INCOME FROM OPERATIONS	943,422	493,707	1,228,252	496,837

Interest expense	68,386	42,965	137,693	85,947
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NET INCOME	875,036	450,742	1,090,559	410,890
Less dividend requirement on preferred stock	112,935	114,885	225,870	229,770
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INCOME ALLOCABLE TO COMMON STOCKHOLDERS	\$ 762,101	\$ 335,857	\$ 864,689	\$ 181,120
Earnings per common share				
Basic	\$.12	\$.05	\$.13	\$.03
Diluted	\$.06	\$.03	\$.08	\$.03
Weighted average number of common shares				
Basic	6,504,331	6,315,738	6,483,551	6,312,661
Diluted	14,414,471	14,519,082	14,461,066	14,628,562

See notes to Financial Statements

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

	Six Months Ended June 30,	
	1998	1997
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 1,090,559	\$ 410,890
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	841,636	596,815
Gain on disposal of property and equipment	-	(208,985)
Changes in operating assets and liabilities		
Accounts receivable	1,309,121	(432,505)
Billings in excess of cost and estimated earnings on uncompleted contracts	(1,084,664)	98,793
Prepaid expenses	(210,613)	(414,868)
Accounts payable	(133,058)	455,310
Accrued liabilities	308,188	261,296
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NET CASH PROVIDED BY OPERATING ACTIVITIES	2,121,169	766,746
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(291,711)	(680,320)
Proceeds from sale of property and equipment	-	210,332
(Increase) decrease in other assets	175	(33,840)
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NET CASH USED IN INVESTING ACTIVITIES	(291,536)	(503,828)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(225,870)	(459,840)
Proceeds from issuance of debt	-	142,700
Proceeds from exercise of stock options and warrants	14,062	-
Principal payments of debt obligations	(646,756)	(337,002)
Other	2,813	(13,060)
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NET CASH USED IN FINANCING ACTIVITIES	(855,751)	(667,202)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	973,882	(404,284)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	120,535	655,280
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CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$1,094,417	\$ 250,996
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Supplemental cash flow information

Cash paid during the period		
Cash paid for interest	\$ 137,693	\$ 85,947
Cash paid for income taxes	\$ 15,230	\$ -

See notes to Financial Statements

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, 1997 filed on Form 10-KSB.

NOTE C -- EARNINGS (LOSS) PER SHARE

During December 1997, the Company adopted Statement of Financial Accounting Standards No. 128 (SFAS 128), "Earnings Per Share." Under SFAS 128, 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. Earnings (loss) per share data for 1997 has been restated to conform to the provisions of SFAS 128.

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

RESULTS OF OPERATIONS

TGC Industries, Inc. ("TGC") reported revenues increased to \$5,520,738 for the three months ended June 30, 1998, from \$4,740,670 for the same period of the prior year. Net income, before dividend requirements on preferred stock increased to \$875,036, compared with net income, before dividend requirements on preferred stock, of \$450,742 for the same period of the prior year. Income per common share, on a diluted basis, was \$.06 for the second quarter of 1998, as compared with income of \$.03 per common share for the same period of 1997.

For the six month period ended June 30, 1998, revenues increased to \$9,840,067 from \$7,481,023 for the same period of the prior year. Net income, for the first six months of 1998, before dividend requirements on preferred stock, increased to \$1,090,559, compared with net income, before dividend requirements on preferred stock, of \$410,890 for the same period the prior year. Income per common share, on a diluted basis, was \$.08 for the first six months of 1998, as compared with income of \$.03 per common share for the same period of 1997.

TGC's cost of services, as a percentage of revenue, were 77.8% for the second quarter of 1998, compared to 84.3% for the same period of 1997. Selling, general and administrative expense, as a percentage of revenue, was 5.2% for the second quarter of 1998 and 1997, respectively. Interest expense increased by \$25,421 in the second quarter of 1998 when compared with the same period of 1997. This increase was primarily a result of the financing of additional geophysical equipment in the second half of 1997.

TGC's cost of services, as a percentage of revenue, were 82% for the first six months of 1998, compared to 87.2% for the same period of 1997. Selling, general and

administrative expense, as a percentage of revenue, was 5.5% for the first six months of 1998, compared to 6.1% for the same period of the 1997. Interest expense increased by \$51,746 in the first six months of 1998, when compared with the same period of the prior year. This increase was principally attributable to the financing of additional geophysical equipment in the second half of 1997.

Non-cash charges for depreciation were \$841,636 in the first six months of 1998 compared with \$596,815 for the same period of 1997.

TGC operates two land seismic crews primarily conducting Three-D ("3-D") data gathering for clients in the oil and gas business. If the 1998 exploration budgets of oil and gas companies are reduced significantly due to the reduction in oil prices, TGC's revenues and earnings may be adversely affected.

TGC announced a recent purchase of the latest technologies in central recording units from Sercel Inc. to enhance seismic recording capabilities. This equipment will upgrade one of TGC's existing crews enabling the crew to acquire 3-D surveys more efficiently. In addition, TGC will be entering the shot hole drilling business with the initial purchase of three drilling rigs. With these rigs, TGC will reduce costs and its dependence on third-party drilling contractors. With the addition of this equipment, TGC will be better positioned to service our clients on their future contracts. TGC will finance this purchase using internal cash flow and equipment financing.

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.

FINANCIAL CONDITION

Cash of \$2,121,169 was provided from operations for the first six months of 1998 compared with cash provided from operations of \$766,746 for the same period of 1997. The funds generated in the first six months of 1998 were primarily attributable to net earnings before non-cash depreciation charges. Cash used in investing activities for the first six months of 1998 was primarily for the replacement of equipment in the amount of \$291,711. Cash used in financing activities for the first six months of 1998 was primarily for principal payments of debt obligations in the amount of \$646,756, and dividend payments on preferred stock of \$225,870.

Working capital deficit decreased \$828,352 to \$1,419,535 from the December 31, 1997 balance of \$2,247,887. The Company's current ratio was .67 to 1.0 at June 30, 1998, compared with .57 to 1.0 at December 31, 1997. Stockholders equity increased \$881,564 from the December 31, 1997 balance of \$3,729,993 to \$4,611,557 at June 30, 1998. This increase was primarily attributable to net income for the six months ended June 30, 1998, of \$1,090,559.

During the fourth quarter of 1997, to support future growth of the Company, a \$1,000,000 revolving bank line of credit was secured from a major bank. 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 anticipates that available funds, together with anticipated cash flows generated from future operations and amounts available under its revolving line of credit will be sufficient to meet the Company's cash needs during 1998.

PART II -- OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The annual meeting of shareholders was held on June 4, 1998. The following matters were voted upon and approved by the Company's shareholders:

a. Nominated and elected to the Board of Directors were Messrs. William J. Barrett, Robert J. Campbell, Herbert M. Gardner, Allen T. McInnes and Wayne A. Whitener.

b. Ratification of the selection of the Company's auditors, Grant Thornton LLP was approved by the shareholders by a majority vote.

c. Approval of the amendment to the 1993 Stock Option Plan increasing the number of shares from 750,000 to 850,000 was approved by the shareholders by a majority vote.

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, thereunto duly authorized.

TGC INDUSTRIES, INC.

Date: August 12, 1998

/s/ Robert J. Campbell
ROBERT J. CAMPBELL

Vice Chairman of the Board
(Principal Executive Officer)

Date: August 12, 1998

/s/ Kenneth W. Uselton

KENNETH W. USELTON

Treasurer (Principal Financial
and Accounting Officer)

6-MOS
DEC-31-1998
JAN-01-1998
JUN-30-1998
1,094,417
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1,192,761
0
0
2,856,744
11,048,584
3,990,914
9,949,471
4,276,279
1,061,635
660,882
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1,129,350
2,821,325
9,949,471
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9,840,067
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8,068,977
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137,693
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864,689
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864,689
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0.08