

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2008.

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 001-32472

TGC INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Texas

(State or other jurisdiction of incorporation or organization)

74-2095844

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

101 East Park Blvd., Suite 955, Plano, Texas

(Address of principal executive offices)

75074

(Zip Code)

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Act of 1934 during the preceding 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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Title of Each Class	Outstanding at April 23, 2008
Common Stock (\$.01 Par Value)	16,557,244

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

Reference is made to the succeeding pages for the following financial information:

[Balance Sheets as of March 31, 2008 \(unaudited\) and December 31, 2007.](#)

[Statements of Income for the three months ended March 31, 2008 and 2007 \(unaudited\)](#)

[Statements of Cash Flows for the three months ended March 31, 2008 and 2007 \(unaudited\)](#)

[Notes to Financial Statements.](#)

TGC INDUSTRIES, INC.
BALANCE SHEETS

	March 31, 2008 (Unaudited)	December 31, 2007
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 8,318,985	\$ 4,503,826
Trade accounts receivable	8,674,913	12,391,113
Cost and estimated earnings in excess of billings on uncompleted contracts	404,426	297,528
Prepaid expenses and other	405,462	712,614
Prepaid federal income tax	187,214	100,418
Total current assets	17,991,000	18,005,499
PROPERTY AND EQUIPMENT - at cost		
Machinery and equipment	78,200,304	71,441,785
Automobiles and trucks	7,764,353	7,770,646
Furniture and fixtures	348,103	348,103
Leasehold improvements	14,994	14,994
	<u>86,327,754</u>	<u>79,575,528</u>
Less accumulated depreciation and amortization	(39,803,261)	(36,645,143)
	46,524,493	42,930,385
OTHER ASSETS		
Goodwill	201,530	201,530
Other assets	23,562	24,642
	<u>225,092</u>	<u>226,172</u>
Total assets	\$ 64,740,585	\$ 61,162,056

See Notes to Financial Statements

	March 31, 2008 (Unaudited)	December 31, 2007
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Trade accounts payable	\$ 3,250,216	\$ 2,931,264
Accrued liabilities	1,037,829	1,724,078
Billings in excess of costs and estimated earnings on uncompleted contracts	822,242	3,340,220
Federal and state income taxes payable	909,366	—
Current maturities of notes payable	2,723,558	3,301,903
Current portion of capital lease obligations	1,104,646	1,218,737
Total current liabilities	9,847,857	12,516,202
NOTES PAYABLE, less current maturities	7,009,111	3,090,191
CAPITAL LEASE OBLIGATIONS, less current portion	539,616	679,074
LONG-TERM DEFERRED TAX LIABILITY	2,297,876	1,955,047
COMMITMENTS AND CONTINGENCIES	—	—
SHAREHOLDERS' EQUITY		
Preferred stock, \$1.00 par value; 4,000,000 shares authorized; issued - none	—	—
Common stock, \$.01 par value; 25,000,000 shares authorized; 16,595,047 issued in each period	165,950	165,950
Additional paid-in capital	26,545,692	26,503,158
Unearned restricted stock compensation	(501,728)	(601,190)
Retained earnings	19,093,534	17,110,947

Treasury stock, at cost, 37,803 shares	(257,323)	(257,323)
	45,046,125	42,921,542
Total liabilities and shareholders' equity	\$ 64,740,585	\$ 61,162,056

See Notes to Financial Statements

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TGC INDUSTRIES, INC.
Statements of Income (Unaudited)

	Three Months Ended March 31,	
	2008	2007
Revenue	\$ 22,470,690	\$ 18,608,296
Cost and expenses		
Cost of services	14,875,602	10,813,646
Selling, general and administrative	934,270	831,559
Depreciation and amortization expense	3,276,420	3,301,497
	19,086,292	14,946,702
Income from operations	3,384,398	3,661,594
Interest expense	161,382	156,155
Income before income taxes	3,223,016	3,505,439
Income tax expense	1,240,429	1,426,024
NET INCOME	\$ 1,982,587	\$ 2,079,415
Earnings per common share:		
Basic	\$.11	\$.12
Diluted	\$.11	\$.12
Weighted average number of shares outstanding:		
Basic	17,385,106	17,336,177
Diluted	17,433,272	17,438,781

See Notes to Financial Statements

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

	Three Months Ended March 31,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,982,587	\$ 2,079,415
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,276,420	3,301,497
Gain on disposal of property and equipment	(79,056)	(26,621)
Non-cash compensation	141,996	134,851
Deferred income taxes	342,829	270,943
Changes in operating assets and liabilities		
Trade accounts receivable	3,716,200	(3,627,536)
Cost and estimated earnings in excess of billings on uncompleted contracts	(106,898)	633,948
Prepaid expenses and other	307,152	400,385
Other assets	1,080	—
Trade accounts payable	318,952	(1,323,933)
Accrued liabilities	(686,249)	(226,932)
Billings in excess of cost and estimated earnings on uncompleted contracts	(2,517,978)	348,644
Income taxes payable	822,570	1,109,146
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,519,605	3,073,807

CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,342,547)	(4,506,345)
Proceeds from sale of property and equipment	87,406	47,884
NET CASH USED IN INVESTING ACTIVITIES	(1,255,141)	(4,458,461)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(2,098,369)	(1,110,140)
Principal payments on capital lease obligations	(350,936)	(304,822)
Proceeds from exercise of stock options	—	24,799
NET CASH USED IN FINANCING ACTIVITIES	(2,449,305)	(1,390,163)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,815,159	(2,774,817)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	4,503,826	9,388,769
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 8,318,985	\$ 6,613,952

Supplemental cash flow information

Interest paid	\$ 161,382	\$ 156,155
Income taxes paid	\$ 75,030	\$ 45,935

Noncash investing and financing activities

Capital lease obligations incurred	\$ 97,387	\$ 167,088
Financed equipment purchase	\$ 5,438,944	\$ —
Financed insurance premiums	\$ —	\$ 142,416

See Notes to Financial Statements

TGC INDUSTRIES, INC. NOTES TO FINANCIAL STATEMENTS March 31, 2008

NOTE A

BASIS OF PRESENTATION

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America for interim financial information and the instructions to Form 10-Q. Accordingly, they do not include all of the financial information and footnotes required by generally accepted accounting principles for complete financial statements. References to “we,” “us,” “our,” “its,” or the “Company” refer to TGC Industries, Inc. and our subsidiaries.

REVENUE RECOGNITION

Seismic Surveys

The Company provides seismic data acquisition survey services to its customers under general service agreements which define certain obligations for the Company and for its customers. A supplemental agreement setting forth the terms of a specific project, which may be cancelled by either party upon 60 days’ advance written notice, is entered into for every project. These supplemental agreements are either “turnkey” agreements providing for a fixed fee to be paid for each unit of seismic data acquired or “term” agreements providing for a fixed hourly, daily, or monthly fee during the term of the project. The duration of these projects will vary from a few days to several months. The Company recognizes revenue when services are performed under both types of agreements. Services are defined as the commencement of data acquisition. Under turnkey agreements, the total number of units of seismic data to be gathered is set forth in the agreement and revenue is recognized as services are performed on a per unit of seismic data acquired rate. Under term agreements, revenue is recognized as services are performed based on the time worked rate provided in the term agreement. Under both turnkey and term agreements, cost of earned revenue is recognized by multiplying total estimated agreement cost by the percentage-of-completion of the agreement. The excess of that amount over the cost of earned revenue reported in prior periods is recognized as cost of earned revenue for the period. Agreements are not segmented or combined for purposes of calculating percentage of completion. The asset, “Cost and estimated earnings in excess of billings on uncompleted contracts” represents cost incurred on turnkey agreements in excess of billings on those agreements. The liability, “Billings in excess of costs and estimated earnings on uncompleted contracts” represents billings on turnkey agreements in excess of cost on those agreements. Claims have been negligible in the three-month periods ended March 31, 2008 and 2007.

Gravity Data

The Company owns a data bank which contains gravity data, and to a lesser extent magnetic data, from many of the major oil and natural gas producing areas located within the United States. When an order for gravity data is received, the portion of gravity data requested by the customer is prepared in digital format for licensing and shipment to the customer. This process is performed by an employee in the Company’s headquarters office and is normally completed within a few days. In addition, the licensing of gravity data is not a material part of the Company’s revenue. Gravity data revenue during the three-month period ended March 31, 2008, was approximately \$2,200. Gravity revenue for the year ended December 31, 2007, was approximately \$187,300.

CHANGE IN ACCOUNTING ESTIMATE

Management evaluates its estimates on a routine basis. Effective July 1, 2007, the Company revised the estimated useful lives of certain seismic equipment and related components. The Company purchased this new equipment, not previously used, from November 2004 through June 2007. Management employed this equipment in operations for an average holding period of one year as of July 1, 2007. Based on the information gained from operations during this holding period, management believes that this equipment will benefit periods ranging from 5 to 7 years, beginning at the point the assets were originally placed in service. The original estimated useful lives ranged from 3 to 5 years.

The net book value of this equipment at June 30, 2007, was not modified and is amortized over the revised estimated useful lives of the equipment. The Company does not believe that this equipment will become obsolete at the end of the original estimate and has revised the estimated life of these assets. The effect to depreciation expense, net income and earnings per share for the three months ended March 31, 2008, is:

	Three Months Ended March 31, 2008	
	As Reported	Pro Forma
Depreciation Expense	\$ 3,276,420	\$ 4,023,991
Net Income	\$ 1,982,587	\$ 1,522,731
Earnings per common share:		
Basic	\$.11	\$.09
Diluted	\$.11	\$.09

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, 2007, filed on Form 10-K.

NOTE C — EARNINGS PER SHARE

Basic earnings per common share are based upon the weighted average number of shares of common stock ("common shares") outstanding. Diluted earnings 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. All earnings per common share for the three-month periods ended March 31, 2008 and 2007 have been adjusted for the 5% stock dividend paid April 28, 2008, to shareholders of record as of April 14, 2008.

The following is a reconciliation of net income and weighted average common shares outstanding for purposes of calculating basic and diluted net income per share:

	Three Months Ended March 31, (Unaudited)	
	2008	2007
Basic:		
Numerator:		
Net income	\$ 1,982,587	\$ 2,079,415
Denominator:		
Basic - weighted average common shares outstanding	17,385,106	17,336,177
Basic EPS	\$.11	\$.12
Diluted:		
Numerator:		
Net income	\$ 1,982,587	\$ 2,079,415
Denominator:		
Weighted average common shares outstanding	17,385,106	17,336,177
Effect of Dilutive Securities:		
Warrants	—	26,792
Stock options	48,166	75,812
	17,433,272	17,438,781
Diluted EPS	\$.11	\$.12

NOTE D – DIVIDENDS

On March 20, 2008, the Company declared a five percent (5%) stock dividend on its outstanding common stock. The 5% stock dividend was paid on April 28, 2008, to shareholders of record as of April 14, 2008. Cash in lieu of fractional shares in the total amount of \$827 was paid to shareholders based on the last sales price of the Company's common stock on the record date.

NOTE E – INCOME TAXES

Deferred income taxes reflect the impact of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. In addition, the Company paid various state estimated income taxes for tax year 2008, as well as various state income taxes for tax year 2007, during the first three months of 2008.

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NOTE F – STOCK-BASED COMPENSATION

Prior to January 1, 2006, the Company accounted for its stock options under the recognition and measurement principles of APB Opinion No. 25 and related interpretations. Accordingly, no stock-based employee compensation cost was reflected in our financial statements prior to January 1, 2006, since all options to purchase common stock of the Company have an exercise price equal to, or greater than, the market value of the underlying common stock on the date of grant.

Effective January 1, 2006, the Company implemented Statement of Financial Accounting Standards (SFAS) No. 123R, "Share Based Payment (SFAS 123R)" for stock-based compensation awards granted after that date and for unvested awards outstanding at that date using the modified prospective application method. We recognize the fair value of the stock-based compensation awards as wages in the Statements of Income on a straight-line basis over the vesting period. Such implementation is expected to have minimal impact on our results of operations, financial position, and liquidity. The adoption of SFAS 123R resulted in the recognition of compensation expense, relative to stock-based awards, in wages in the Statements of Income of approximately \$104,000 and \$102,000, less than \$0.01 per share, for the three months ended March 31, 2008 and 2007, respectively. In accordance with the modified prospective application method permitted by SFAS 123R, prior period amounts have not been restated to reflect the recognition of stock-based compensation costs.

As of March 31, 2007, there was approximately \$517,000 of unrecognized compensation expense related to our two share-based compensation plans. There were no stock-based awards granted during the three-month period ended March 31, 2008 from either of those two plans.

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

The following discussion and analysis should be read in conjunction with our financial statements and related notes thereto included elsewhere in this Form 10-Q. Portions of this document that are not statements of historical or current fact are forward-looking statements that involve risk and uncertainties, such as statements of our plans, objectives, expectations, and intentions. The cautionary statements made in this Form 10-Q should be read as applying to all related forward-looking statements wherever they appear in this Form 10-Q. Our actual results could differ materially from those anticipated in the forward-looking statements. Factors that could cause our actual results to differ materially from those anticipated include those discussed in Part II, Item 1A. "RISK FACTORS."

Forward Looking Statements

This report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact included in this report regarding the Company's strategies and plans for growth are forward-looking statements. These forward-looking statements are often characterized by the terms "may," "will," "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "target," and other words and terms of similar meanings and do not reflect historical facts. 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

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statements or to update the reasons actual results could differ from those contemplated by such forward-looking statements.

Executive Overview

The Company is a leading provider of seismic data acquisition services throughout the continental United States. We currently operate eight seismic crews. These seismic crews supply seismic data to companies engaged in the domestic exploration and development of oil and natural gas on land and in land-to-water transition areas. Our customers rely on seismic data to identify areas where subsurface conditions are favorable for the accumulation of existing hydrocarbons, to optimize the development and production of hydrocarbon reservoirs, to better delineate existing oil and natural gas fields, and to augment reservoir management techniques.

We acquire geophysical data using the latest in 3-D survey techniques. We introduce acoustic energy into the ground by using vibration equipment or dynamite detonation, depending on the surface terrain and subsurface requirements. The reflected energy, or echoes, is received through geophones, converted into a digital signal at a multi-channel recording unit, and then transmitted to a central recording vehicle. Subsurface requirements dictate the number of channels necessary to perform our services. With our state-of-the-art seismic equipment, including computer technology and multiple channels, we acquire,

on a cost effective basis, immense volumes of seismic data that when processed and interpreted produce more precise images of the earth's subsurface. Our customers then use our seismic data to generate 3-D geologic models that help reduce finding costs and improve recovery rates from existing wells.

Currently, the seismic data acquisition industry is made up of a number of companies divided into two groups. The first group is made up of five publicly-traded companies with long operating histories who field numerous crews and work in a number of different regions and terrain. This group includes us, Dawson Geophysical Company, Geo Kinetics, Inc., CGG-Veritas, and Petroleum Geo Services. These companies field approximately 50% of the estimated 55 seismic crews currently operating in the continental United States. The second group is made up of smaller companies that generally run one or two seismic crews and often specialize in specific regions or type of operation.

We provide our seismic data acquisition services primarily to domestic onshore oil and natural gas exploration and development companies for use in the onshore drilling and production of oil and natural gas in the continental United States. The main factors influencing demand for seismic data acquisition services in our industry are the level of drilling activity by oil and natural gas companies and the sizes of such companies' exploration and development budgets, which, in turn, depend largely on current and anticipated future crude oil and natural gas prices and depletion rates.

Our customers are major and independent oil and natural gas exploration and development companies. The services we provide to our customers vary according to the size and needs of each customer. Our services are marketed by supervisory and executive personnel who contact customers to determine their needs and respond to customer inquiries regarding the availability of crews. Contacts are based principally upon professional relationships developed over a number of years. There are a number of consultants in the oil and natural gas industry who process and interpret seismic data for oil and natural gas companies. These consultants can have an influence in determining which company their customers use to acquire seismic data.

The acquisition of seismic data for the oil and natural gas industry is a highly competitive business. There are approximately 55 seismic crews currently operating in the continental United States. Contracts for such services generally are awarded on the basis of price quotations, crew experience, and the availability of crews to perform in a timely manner, although factors other than price, such as crew safety performance history, and technological and operational expertise, are often determinative. Our competitors include companies with financial resources that are significantly greater than our own as well as companies of comparable and smaller size. Our primary

competitors are Dawson Geophysical Company, Geo Kinetics, Inc., Petroleum Geo Services, and to a lesser extent, CGG-Veritas. In addition to the previously named companies, we also compete for projects from time to time with smaller seismic companies which operate in local markets with only one or two crews. We believe that our long-term industry expertise, the customer relationships developed over our history, and our financial stability give us an advantage over most of our competitors in the industry.

Results of Operations

Three Months Ended March 31, 2008, Compared to Three Months Ended March 31, 2007 (Unaudited)

Revenues. Our revenues were \$22,470,690 for the three months ended March 31, 2008, compared to \$18,608,296 for the same period of 2007, an increase of 20.8%. This increase in revenues was attributable to several factors, including an increase in production, additional shot-hole revenue, and an increase in turnkey projects (which tend to produce higher revenues) over term projects.

Cost of services. Our cost of services was \$14,875,602 for the three months ended March 31, 2008, compared to \$10,813,646 for the same period of 2007, an increase of 37.6%. This increase was primarily attributable to the following factors: (1) the increase in revenues for the three months ended March 31, 2008 compared to the same period of 2007; (2) higher costs associated with the additional shot-hole revenue; and (3) increases in operating expenses, primarily fuel costs. As a percentage of revenues, cost of services was 66.2% for the three months ended March 31, 2008 compared to 58.1% for the same period of 2007.

Selling, general, and administrative expenses. SG&A expenses were \$934,270 for the three months ended March 31, 2008, compared to \$831,559 for the same period of 2007, an increase of 12.4%. This increase was primarily attributable to additional expenses associated with additional selling and administrative personnel in the three months ended March 31, 2008, compared to the same period of 2007. SG&A expense as a percentage of revenues was 4.2% for the three months ended March 31, 2008, compared with 4.5% for the same period of 2007.

Depreciation and amortization expense. Depreciation and amortization expense was \$3,276,420 for the three months ended March 31, 2008, compared to \$3,301,497 for the same period of 2007. This decrease was primarily attributable to an increase in the estimated useful life of certain seismic equipment. See Note A of Notes to Financial Statements in Item 1. Depreciation and amortization expense as a percentage of revenues was 14.6% for the three months ended March 31, 2008 compared to 17.7% for the same period of 2007.

Income from operations. Income from operations was \$3,384,398 for the three months ended March 31, 2008, compared to \$3,661,594 for the same period of 2007, a decrease of 7.6%. This decrease was primarily attributable to an increase in cost of services and SG&A, partially offset by an increase in revenues and a decrease in depreciation and amortization expense. EBITDA decreased \$302,273 to \$6,660,818 for the three months ended March 31, 2008, from \$6,963,091 for the same period of 2007, a decrease of 4.3%. This decrease was a result of factors mentioned above. For a definition of EBITDA, a reconciliation of EBITDA to net income, and discussion of EBITDA, please refer to the section entitled "EBITDA" found below.

Interest expense. Interest expense was \$161,382 for the three months ended March 31, 2008, compared to \$156,155 for the same period of 2007. This increase was primarily attributable to the additional debt incurred for the purchase of 3,000 additional recording channels and eight new vibration vehicles.

Income tax expense. Income tax expense was \$1,240,429 for the three months ended March 31, 2008, compared to \$1,426,024 for the same period of 2007. The effective tax rate for the three months ended March 31, 2008, was 38.5% compared to 40.7% for the same period of 2007. See Note E of Notes to Financial Statements in Item 1.

EBITDA

We define EBITDA as net income plus interest expense, income taxes, and depreciation and amortization expense. We use EBITDA as a supplemental financial measure to assess:

- the financial performance of our assets without regard to financing methods, capital structures, taxes, or historical cost basis;
- our liquidity and operating performance over time and in relation to other companies that own similar assets and that we believe calculate EBITDA in a manner similar to us; and
- the ability of our assets to generate cash sufficient for us to pay potential interest costs.

We also understand that such data is used by investors to assess our performance. However, EBITDA is not a measure of operating income, operating performance, or liquidity presented in accordance with generally accepted accounting principles. When assessing our operating performance or our liquidity, you should not consider this data in isolation or as a substitute for our net income, cash flow from operating activities, or other cash flow data calculated in accordance with generally accepted accounting principles. EBITDA excludes some, but not all, items that affect net income and operating income, and these measures may vary among other companies. Therefore, EBITDA as presented below may not be comparable to similarly titled measures of other companies. Further, the results presented by EBITDA cannot be achieved without incurring the costs that the measure excludes: interest, taxes, depreciation and amortization.

The following table reconciles our EBITDA to our net income:

	Three Months Ended March 31,	
	2008	2007
	(unaudited)	
Net income	\$ 1,982,587	\$ 2,079,415
Depreciation and amortization	3,276,420	3,301,497
Interest expense	161,382	156,155
Income tax expense	1,240,429	1,426,024
EBITDA	\$ 6,660,818	\$ 6,963,091

Liquidity and Capital Resources

Cash Flows

Cash flows from operating activities.

Net cash provided by operating activities was \$7,519,605 for the three months ended March 31, 2008, compared to \$3,073,807 for the same period of 2007. The \$4,445,798 increase in the first three months of 2008 from the same period of 2007 was principally attributable to timing of receipt and payment of invoices, the timing of billings and revenue recognition, and the mix of contracts. Changes in significant components of cash provided by operations were a \$96,828 change in net income, a \$25,077 change in depreciation and amortization expense, a \$7,343,736 change in trade accounts receivable, a \$740,846 change in cost and estimated earnings in excess of billings on uncompleted contracts, a \$1,642,885 change in trade accounts payable, a \$2,866,622 change in billings in excess of cost and estimated earnings on uncompleted contracts, and a \$286,576 change in federal and state income taxes.

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Working capital increased \$2,653,846 to \$8,143,143 as of March 31, 2008, from the December 31, 2007 working capital of \$5,489,297. This increase was primarily due to a \$3,815,159 increase in cash and cash equivalents, a \$2,517,978 decrease in billings in excess of costs and estimated earnings on uncompleted contracts, and a \$692,436 decrease in current portion of debt obligations (partially offset by a decrease in trade accounts receivable of \$3,716,200 and an increase in federal and state income taxes of \$909,366).

Cash flows used in investing activities.

Net cash used in investing activities was \$1,255,141 for the three months ended March 31, 2008, and \$4,458,461 for the three months ended March 31, 2007. This decrease was due primarily to a decrease in capital expenditures of \$3,163,798.

Cash flows used in financing activities.

Net cash used in financing activities was \$2,449,305 for the three months ended March 31, 2008, and \$1,390,163 for the three months ended March 31, 2007. The increase was due primarily to an increase in the amount of principal payments on our outstanding notes payable of \$988,229 and an increase in the amount of principal payments on capital lease obligations of \$46,114.

Capital expenditures.

During the three months ended March 31, 2008, the Company acquired \$6,878,878 of additional seismic equipment and vehicles. Cash of \$1,342,547 and \$5,536,331 of borrowings from a commercial bank and an equipment lender was used to finance these acquisitions. Major capital expenditures included approximately \$2,829,000 for eight new vibration vehicles, and approximately \$2,943,000 for an additional 3,000 channels of ARAM ARIES ("ARAM") seismic recording equipment. Although we do not budget for our capital expenditures, we currently have no plans for significant additional capital expenditures during the remainder of 2008; however, we may purchase additional equipment during 2008 should the demand for our services increase.

Liquidity

Our primary source of liquidity is cash generated from operations and short-term borrowings from commercial banks and equipment lenders. Based on current forecasts, we believe that we have sufficient available cash and borrowing capacity to fund our working capital needs over the next twelve months.

Capital Resources

Since 2005, we have relied on cash generated from operations, short-term borrowings from commercial banks and equipment lenders, and proceeds from a public offering of our common stock to fund our working capital requirements and capital expenditures.

In April of 2005, we entered into a revolving credit agreement with a commercial bank. Effective September 16, 2006, we renewed our revolving credit agreement and increased the borrowing limit from \$3,500,000 to \$5,000,000. That revolving credit agreement expired on September 16, 2007. Effective September 16, 2007, we renewed our revolving credit agreement. The borrowing limit remains at \$5,000,000 and the revolving credit agreement will expire on September 16, 2008. Our obligations under this agreement are secured by a security interest in our accounts receivable. Interest on the outstanding amount under the revolving credit agreement is payable monthly at the prime rate of interest. The credit loan agreement provides for non-financial and financial covenants including a minimum debt service coverage ratio in excess of 2.0 to 1.0 and a

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ratio of debt to worth not in excess of 1.25 to 1.0. As of March 31, 2008, we had no borrowings outstanding under the revolving credit agreement.

In April of 2004, we executed an addendum to our lease of a facility in Plano, Texas, that includes approximately 10,500 square feet of office and warehouse space and an outdoor storage area of approximately 20,000 square feet. This facility is used to repair geophysical equipment and housed our corporate offices until September of 2006. In September of 2005, we leased an additional facility, in Plano, Texas, with approximately 10,000 square feet of office and warehouse space and an additional 10,000 square feet of outdoor storage to accommodate our recent growth. This facility is used primarily to repair geophysical equipment. In January of 2006, we leased a 600 square foot facility in Houston, Texas, to be used as a sales office. In July of 2006, we entered into a lease for 7,269 square feet of office space located in Plano, Texas. In September of 2006, we relocated our corporate offices to this facility. In October of 2006, we leased an 800 square foot facility in Oklahoma City, Oklahoma, to be used as a sales office. In September of 2007, we leased a 1,130 square foot facility in Denver, Colorado, to be used as a sales office.

Contractual Obligations

In January 2008, the Company entered into a loan agreement with a bank to provide financing for the purchase of 8 new vibration vehicles. The loan, for approximately \$2,460,000 matures in February 2013, provides for payments of interest only beginning March 1, 2008 in arrears on the outstanding principal at a fixed interest rate of 6.35%. Beginning June 1, 2008, the loan provides for monthly payments of principal and interest which will be sufficient to amortize the principal balance over the remaining term of the loan at a fixed interest rate of 6.35%. All 8 vibration vehicles were delivered in the first quarter of 2008.

In February 2008, the Company exercised its purchase option for the 3,000 channels of ARAM ARIES seismic recording equipment it had been renting. In March 2008, the Company entered into a loan agreement with a commercial lender to provide \$2,980,000 in financing. The loan is for a period of 48 months at a fixed interest rate of 5.75% and provides for monthly payments of approximately \$62,000 plus interest. Approximately \$1,920,000 of the loan proceeds were used to purchase the rented equipment. The balance, of approximately \$1,060,000, was used to replace an existing loan the Company had with the lender.

We believe that our capital resources, including our short-term investments, funds available under our revolving credit agreement, and cash flow from operations will be adequate to meet our current operational needs. We believe that we will be able to finance our 2008 capital expenditures through cash flow from operations, borrowings from commercial lenders, and the funds available under our line of credit loan agreement. However, our ability to satisfy working capital requirements, meet debt repayment obligations, and fund future capital requirements will depend principally upon our future operating performance, which is subject to the risks inherent in our business.

Off-Balance Sheet Arrangements

As of March 31, 2008, we had no off-balance sheet arrangements.

Critical Accounting Policies

A discussion of our critical accounting policies can be found in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007. There have been no material changes to these policies (including critical accounting estimates and assumptions or judgments affecting the application of those estimates and assumptions) during the first three months of 2008.

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Recently Issued Accounting Pronouncements

A discussion of recently issued accounting pronouncements can be found in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We have not entered into any hedging agreements or swap agreements. Our principal market risks include fluctuations in commodity prices which affect demand for and pricing for our services and the risk related to the concentration of our customers in the oil and natural gas industry. Since all of our customers are involved in the oil and natural gas industry, there may be a positive or negative effect on our exposure to credit risk because our customers may be similarly affected by changes in economic and industry conditions. For the year ended December 31, 2007, our top two customers accounted for approximately 12.1% and 9.9% of our revenues. For the year ended December 31, 2006, no customer accounted for 10% or more of our revenues.

ITEM 4. CONTROLS AND PROCEDURES.

The Company maintains controls and procedures to ensure that it is able to collect the information it is required to disclose in the reports it files with the Securities and Exchange Commission, and to process, summarize, and disclose this information within the time periods specified in the rules of the Securities and Exchange Commission. Based on an evaluation of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report conducted by the Company's management, with the participation of the Chief Executive and Chief Financial Officers, the Chief Executive and Chief Financial Officers believe that these controls and procedures are effective to ensure that the Company is able to record, process, summarize, and report information required to be included in reports filed or submitted under the Exchange Act within the required time period. There were no changes in the Company's internal controls over financial reporting or in other factors during the quarter ended March 31, 2008, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

The Company is a defendant in various legal actions that arose or may arise out of the normal course of business. In our opinion, none of these actions have or will result in any significant loss to us.

ITEM 1A. RISK FACTORS

For a discussion of those "Risk Factors" affecting the Company, you should carefully consider the "Risk Factors" discussed in Part I, under "Item 1A. Risk Factors" contained in our Annual Report on Form 10-K for the year ended December 31, 2007, which is herein incorporated by reference. There have been no material changes from those risk factors previously disclosed in such Annual Report.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS. - None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES. - None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS. - None

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ITEM 5. OTHER INFORMATION. - None.

ITEM 6. EXHIBITS.

The following exhibits are included herein:

EXHIBIT NO.	DESCRIPTION
3.1	Restated Articles of Incorporation (with amendment) as filed with the Secretary of State of Texas on June 20, 2003, filed as Exhibit 3.4 to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2003, and incorporated herein by reference.
3.2	Bylaws, as amended and restated December 1, 2004 filed as Exhibit 3.2 to the Company's Registration Statement on Form SB-2/A on September 20, 2005 (Registration No. 333-128018), and incorporated herein by reference.
4.1	Form of Specimen Stock Certificate filed as Exhibit 4.1 to the Company's Registration Statement on Form SB-2/A on September 20, 2005 (Registration No. 333-128018), and incorporated herein by reference.
4.2	Form of Warrant Agreement and Warrant Certificate dated December 15, 2004, filed as Exhibit 4.16 to the Company's Registration Statement on Form SB-2/A on September 20, 2005 (Registration No. 333-128018), and incorporated herein by reference.
4.3	Form of Warrant Repurchase Agreement dated September 18, 2007.
10.1	Promissory Note by and among TGC Industries, Inc. and Sovereign Bank, dated September 16, 2007, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated September 27, 2007, and incorporated herein by reference.
10.2	Commercial Security Agreement by and among TGC Industries, Inc. and Sovereign Bank, dated September 16, 2007, filed as Exhibit 10.2 to the Company's Current Report on Form 8-K dated September 27, 2007, and incorporated herein by reference.
10.3	Business Loan Agreement by and among TGC Industries, Inc. and Sovereign Bank, dated September 16, 2007, filed as Exhibit 10.3 to the Company's Current Report on Form 8-K dated September 27, 2007, and incorporated herein by reference.
*31.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

*Filed herewith.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TGC INDUSTRIES, INC.

Date: May 9, 2008

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

Date: May 9, 2008

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

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EXHIBITS INDEX

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4.3	Form of Warrant Repurchase Agreement dated September 18, 2007 filed as Exhibit 4.3 to the Company's Form 10-Q for the quarterly period ended September 30, 2007, and incorporated herein by reference.
10.1	Promissory Note by and among TGC Industries, Inc. and Sovereign Bank, dated September 16, 2007, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated September 27, 2007, and incorporated herein by reference.
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*32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*32.2	Certification of Principal Financial and Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Wayne A. Whitener, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TGC Industries, Inc.;
 2. Based on my knowledge, this 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 report;
 3. Based on my knowledge, the financial statements, and other financial information included in this 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 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and 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 report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. 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 (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
 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 the registrant's board of directors (or persons performing the equivalent functions):
 - 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.
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Date: May 9, 2008

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

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Kenneth W. Uselton, certify that:

1. I have reviewed this report on Form 10-Q of TGC Industries, Inc.;
 2. Based on my knowledge, this 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 report;
 3. Based on my knowledge, the financial statements, and other financial information included in this 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 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and 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 report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. 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 (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
 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 the registrant's board of directors (or persons performing the equivalent functions):
 - 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 9, 2008

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

**Certification of
Chief Executive Officer
of TGC Industries, Inc. Pursuant to
18 U.S.C. Section 1350, as adopted 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 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and accompanies the quarterly report on Form 10-Q (the "Form 10-Q") for the quarter ended March 31, 2008 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-Q fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Form 10-Q.

Dated: May 9, 2008

/s/ Wayne A. Whitener

Wayne A. Whitener

Chief Executive Officer

The foregoing certification is being furnished as an exhibit to the Form 10-Q pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and accordingly, is not being filed as part of the Form 10-Q for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

**Certification of
Principal Financial and Accounting Officer
of TGC Industries, Inc. Pursuant to
18 U.S.C. Section 1350, as adopted 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 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and accompanies the quarterly report on Form 10-Q (the "Form 10-Q") for the quarter ended March 31, 2008 of TGC Industries, Inc. (the "Company"). I, Kenneth W. Uselton, Principal Financial and Accounting Officer of the Company, certify that, to the best of my knowledge:

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

Dated: May 9, 2008

/s/ Kenneth W. Uselton

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

The foregoing certification is being furnished as an exhibit to the Form 10-Q pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and accordingly, is not being filed as part of the Form 10-Q for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.
