

SEITEL INC
Form S-1
March 10, 2004
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As filed with the Securities and Exchange Commission on March 10, 2004

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

SEITEL, INC.

(Exact name of Registrant as Specified in Its charter)

Delaware	1382	76-0025431
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

Seitel, Inc.

10811 South Westview Circle Drive

Suite 100, Building C

Houston, Texas 77043

(713) 881-8900

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Randall D. Stillely

President and Chief Executive Officer

Seitel, Inc.

10811 South Westview Circle Drive

Suite 100, Building C

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Houston, Texas 77043

(713) 881-8900

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

Copy to:

Clifford E. Neimeth, Esq.

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Greenberg Traurig, LLP

The MetLife Building

200 Park Avenue

New York, New York 10166

(212) 801-9200

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. _____

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. _____

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. _____

If delivery of this prospectus is expected to be made pursuant to Rule 434, please check the following box. _____

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, \$0.01 par value per share	125,000,000(1)	\$ 0.60(2)	\$ 75,000,000.00(2)	\$ 9,502.50
Common Stock Purchase Warrants	2,356,132(3)			(4)
Common Stock, \$0.01 par value per share	11,606,306(5)	\$ 0.60(2)	\$ 6,963,783.60(2)	\$ 882.31
Total				\$ 10,384.81

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- (1) Represents shares of common stock, \$0.01 par value (Reorganized Common Stock), of Seitel, Inc., a Delaware corporation (the Registrant), that are issuable upon exercise of warrants (the Stockholder Warrants) to be issued to the Registrant 's stockholders on the effective date of the Registrant 's Third Amended Joint Plan of Reorganization (as modified, supplemented or amended, the Plan of Reorganization) under chapter 11 of the United States Bankruptcy Code.
 - (2) Pursuant to Rule 457(g) under the Securities Act of 1933, as amended (the Securities Act), the maximum offering price per share and the maximum aggregate offering price are based on the exercise price of the Stockholder Warrants (\$0.60 per share).
 - (3) Represents Stockholder Warrants to be issued to the selling stockholders named herein on the effective date of the Plan of Reorganization, which Stockholder Warrants may be resold by the selling stockholders.
 - (4) Pursuant to Rule 457(g) under the Securities Act, no separate registration fee is required with respect to the Stockholder Warrants, as they are being registered on the same registration statement as the shares of Reorganized Common Stock issuable upon exercise thereof.
 - (5) Represents shares of Reorganized Common Stock underlying the Stockholder Warrants to be issued to the selling stockholders named herein on the effective date of the Plan of Reorganization, which shares may be resold by the selling stockholders.
-

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act, or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MARCH 10, 2004

PROSPECTUS

125,000,000 Shares

Common Stock

This prospectus relates to the offer and sale by reorganized Seitel, Inc. of an aggregate of 125,000,000 shares of our reorganized common stock, \$0.01 par value, issuable by us upon the exercise of Stockholder Warrants to be issued to our stockholders of record on April [], 2004, on or about the effective date of our plan of reorganization under chapter 11 of the United States Bankruptcy Code. Each Stockholder Warrant represents the right to purchase 4.926 shares of our reorganized common stock, at an exercise price of 60 cents per share. The Stockholder Warrants are exercisable until 5:00 p.m., New York City time, on May [], 2004. If the Stockholder Warrants are exercised in full, we will receive \$75 million in cash, before deducting the expenses of this offering payable by us, which are estimated to be approximately \$2.2 million.

On the effective date of our chapter 11 plan of reorganization, we will enter into a Standby Purchase Agreement with Mellon HBV Alternative Strategies LLC, which beneficially owns 9.28% of our common stock. Under the Standby Purchase Agreement, Mellon HBV, for itself and on behalf of certain affiliated funds and managed accounts, will purchase from us on or prior to May [], 2004, at 60 cents per share, up to 125,000,000 shares of reorganized common stock (representing the maximum number of shares subject to the Stockholder Warrants) not purchased upon exercise of the Stockholder Warrants, at a maximum aggregate purchase price of \$75 million. Accordingly, even if the Stockholder Warrants are not exercised in full before they expire on May [], 2004, we are guaranteed to receive a total of \$75 million in cash, before deducting the expenses of this offering. As described in this prospectus in the Use of Proceeds section, we will use the entire net proceeds of this offering to partially fund payments to creditors under our chapter 11 plan of reorganization.

This prospectus also relates to the offer and resale by the selling stockholders named in this prospectus of up to 2,356,132 Stockholder Warrants to be issued on the effective date of our chapter 11 plan of reorganization to such holders in their capacity as stockholders of our company on April [], 2004, and up to 11,606,306 shares of reorganized common stock issuable upon exercise of their Stockholder Warrants. The selling stockholders may offer some or all of their shares of reorganized common stock and Stockholder Warrants for sale from time to time through public or private transactions, at market prices prevailing at the time of sale, at prices related to such prevailing market prices, at negotiated prices, or at fixed prices, which may be changed. We will not receive any proceeds from the sale of reorganized common stock or Stockholder Warrants by the selling stockholders. We will pay all expenses relating to this offering, excluding any underwriting discounts and fees and brokerage sales and commissions, which will be paid by the selling stockholders.

We do not intend at this time to apply to list either our reorganized common stock or the Stockholder Warrants on any national securities exchange or U.S. inter-dealer quotation system. The Stockholder Warrants will be transferable until they expire on May [], 2004. We will cooperate with any registered broker-dealer who may seek to initiate price quotations for our reorganized common stock and Stockholder Warrants on the OTC Bulletin Board. Our common stock currently is quoted on the OTC Bulletin Board under the symbol SEIEQ , and on the Toronto Stock Exchange under the symbol OSL. On March 8, 2004, the average of the last reported bid and ask price of our common stock on the OTC Bulletin Board was \$4.525 per share.

Investing in our reorganized common stock involves considerable risks. See Risk Factors, beginning on page 11, to read about the factors you should consider carefully prior to making any decision to invest in our reorganized common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense. The information in this prospectus is not complete and may be changed.

The date of this prospectus is April , 2004.

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If it is against the law in any state or other jurisdiction to make an offer to sell the securities, or to solicit an offer from someone to buy the securities, then this prospectus does not apply to any person in that state or other jurisdiction, and no offer or solicitation is made by this prospectus to any such person.

You should rely only on the information contained in this prospectus or any supplement. We have not authorized anyone to provide you with different information. You should not assume that the information in this prospectus or any supplement is accurate as of any date other than the date on the front of such documents.

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QUESTIONS AND ANSWERS ABOUT THIS OFFERING

We urge you to read this prospectus very carefully and in its entirety. The following is intended to address certain questions you may have, all of which are discussed more fully in this prospectus.

1. Q. Have we completed our reorganization under chapter 11 of the Bankruptcy Code?

A. No. On March 18, 2004, our Third Amended Joint Plan of Reorganization, as hereafter modified, supplemented or amended (the Plan), will be confirmed by the bankruptcy court, and on April [], 2004 it will become effective. The Plan provides for a sequence of corporate and securities transactions, including this offering, which will continue through May [], 2004, the 30th day after the effective date of the Plan. See The Plan of Reorganization at page 29.

2. Q. Why has this prospectus been sent to me?

A. We have sent this prospectus to you because you were a holder of our common stock on April [], 2004. On the effective date of our Plan, we will distribute to each holder of common stock on such date, in exchange for each share of common stock then held, one share of our reorganized common stock and one Stockholder Warrant to purchase 4.926 shares of reorganized common stock, at an exercise price of 60 cents per share. This prospectus provides you with important information you should consider prior to exercising your Stockholder Warrants.

3. Q. What else does this prospectus relate to?

A. This prospectus also relates to the offer and sale by certain selling stockholders named in this prospectus of Stockholder Warrants issued to them under the Plan, and the shares of reorganized common stock issuable to them upon exercise of their Stockholder Warrants. These selling stockholders may offer for sale and sell some or all of their Stockholder Warrants or shares of reorganized common stock issuable to them upon exercise of their Stockholder Warrants through May [], 2004, the expiration date of the Stockholder Warrants. See Selling Stockholders and Plan of Distribution.

4. Q. How many Stockholder Warrants will I receive?

A. You will receive one Stockholder Warrant for each share of our common stock that you owned on April [], 2004. By exercising all your Stockholder Warrants, you will retain the same percentage equity ownership you had in our company immediately prior to the effective date of our Plan. Each Stockholder Warrant will entitle you to purchase 4.926 shares of reorganized common stock at 60 cents per share. Please see Summary at page 1, Description of Stockholder Warrants at page 21, The Plan of Reorganization at page 29 and Dilution at page 45.

5. Q. What is the exercise price of the Stockholder Warrants?

A. 60 cents per share.

6. Q. When will my Stockholder Warrants expire?

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- A. The Stockholder Warrants may be exercised in whole or in part until 5:00 p.m., New York City time, on May [], 2004. All unexercised Stockholder Warrants will expire at that time.

7. Q. What happens if I do not exercise my Stockholder Warrants?

- A. If you do not exercise your Stockholder Warrants, you will own the same number of shares that you owned immediately prior to the effective date of the Plan, but your percentage equity ownership in our company will be reduced by up to 83.13%. This is because 125,000,000 additional shares of reorganized common stock will be issued either upon exercise of the Stockholder Warrants which are the subject of this offering, or under the standby purchase agreements (see Question 8 below), or any combination thereof. If you exercise some, but not all, of your Stockholder Warrants, your percentage ownership of our reorganized common stock will be reduced directly in proportion to the extent you do not exercise your Stockholder Warrants in full. Accordingly, for you to retain the equity percentage you owned in our company immediately prior to the effective date of our Plan, you must exercise all of your Stockholder Warrants.

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8. Q. What are the standby purchase agreements?

A. On the effective date of the Plan, we will enter into a Standby Purchase Agreement with Mellon HBV Alternative Strategies LLC (Mellon HBV), which beneficially owns approximately 9.28% of the outstanding shares of our common stock. Under the Standby Purchase Agreement, Mellon HBV, for itself and on behalf of certain affiliated funds and managed accounts, will purchase from us no later than May [], 2004 (the 10th day after the Stockholder Warrant expiration date), at 60 cents per share, all of the shares of our reorganized common stock not purchased upon exercise of Stockholder Warrants. Mellon HBV has the right to designate a limited number of other qualified institutional buyers and institutional accredited investors who are not affiliates of Mellon HBV who may purchase directly from us in a private placement under separate subscription agreements substantially similar to the Standby Purchase Agreement with Mellon HBV, shares of reorganized common stock otherwise issuable to Mellon HBV under the Standby Purchase Agreement. Because of these agreements, even if the Stockholder Warrants are not exercised in full before they expire on May [], 2004, we are guaranteed to receive gross proceeds of \$75 million, before deducting the expenses of this offering payable by us.

9. Q. Will your percentage ownership of reorganized common stock be reduced by any other known issuance of reorganized common stock?

A. Your percentage ownership of reorganized common stock will be even further reduced if the standby purchasers elect to exercise certain warrants to purchase up to 15,037,568 shares of reorganized common stock which will be issued to them by us as compensation for their standby purchase agreements. We are required to issue these warrants to the standby purchasers on May [], 2004. We have also been authorized to issue up to [] shares of reorganized common stock, representing 5% of the reorganized common stock on a fully diluted basis, to our management, employees, non-employee directors and consultants in accordance with our 2004 omnibus stock option plan.

10. Q. Will the reorganized common stock or the Stockholder Warrants be listed for trading on any national securities exchange or U.S. inter-dealer quotation system?

A. No. We do not intend at this time to apply to list our reorganized common stock or the Stockholder Warrants for trading on any national securities exchange or U.S. inter-dealer quotation system. We will cooperate with any registered broker-dealer who may seek to initiate price quotations for our reorganized common stock and the Stockholder Warrants on the OTC Bulletin Board. Trading of our reorganized common stock or the Stockholder Warrants on the OTC Bulletin Board will depend upon whether registered broker-dealers initiate trading in those securities.

11. Q. Who do I contact if I have a question about my Stockholder Warrants?

A. We have hired American Stock Transfer and Trust Company as our Warrant Agent. All questions concerning the transfer or exercise of your Stockholder Warrants should be directed as follows:

American Stock Transfer and Trust Company

59 Maiden Lane

New York, New York 10038

Telephone: (718)-921-8200

Attention: Shareholders Services Department

12. Q. Are there any conditions to exercising my Stockholder Warrants?

A. No. The exercise of your Stockholder Warrants is not subject to any conditions.

13. Q. Will I be charged a commission or fee if I exercise my Stockholder Warrants?

A. No. You will not be charged any fee or commission by Reorganized Seitel for exercising your Stockholder Warrants. However, if you exercise your Stockholder Warrants through a broker or custodian, you will be responsible for any fee which they may charge you.

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14. Q. What must I do if I want to transfer my Stockholder Warrants?

- A. If your Stockholder Warrants are registered in your name, you can transfer them by presenting or surrendering your Stockholder Warrants for transfer to our Warrant Agent, duly endorsed with signature guaranteed, together with a written instruction for transfer.

If your Stockholder Warrants are not registered in your name, but instead are held in the name of your broker or other custodian, a transfer can be made upon receipt by the Warrant Agent of written instructions or other form of instructions from your broker or other custodian who is the registered holder of such Stockholder Warrants.

15. Q. What do I have to do to exercise my Stockholder Warrants?

- A. Stockholder Warrants can be exercised by surrendering to the Warrant Agent:

your Stockholder Warrant certificate,

a properly completed and signed form of Election to Purchase, with any required signature guaranty, and

payment by cash, certified check, official bank check or wire transfer of the aggregate exercise price for the number of shares of reorganized common stock for which your warrants are exercised.

16. Q. Will I receive a fractional share or a cash settlement in lieu of a fractional share?

- A. No. We will not issue any fractional shares of reorganized common stock upon the exercise of Stockholder Warrants. If any fraction of a share of reorganized common stock would otherwise be issuable upon exercise of any Stockholder Warrants, we will round down to the nearest whole number the number of shares of reorganized common stock to be issued, and all fractional shares will be cancelled without any payment thereof.

17. Q. What should I do if I want to exercise my Stockholder Warrants, but my shares are held in the name of my broker or a custodian bank?

- A. If you hold shares of our common stock through a broker, dealer or other nominee and you wish to exercise your Stockholder Warrants, you will need to have your broker, dealer or nominee act for you. To indicate your decision to exercise your Stockholder Warrants, you should complete and return to your broker, dealer or nominee the form entitled "Beneficial Owner Election Form", together with your check for the exercise price of the Stockholder Warrants you wish to exercise. You should receive this form from your broker, dealer or nominee with the other offering materials.

18. Q. If I exercise Stockholder Warrants in this offering, may I cancel or change my decision?

- A. No, your decision to exercise is irrevocable. After you exercise your Stockholder Warrants, you will not be able to cancel or revoke your decision.

19. Q. Is participation in this offering recommended?

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- A. We and the Warrant Agent are not making any recommendations as to whether you should exercise your Stockholder Warrants. You should decide whether to exercise your Stockholder Warrants based on your own assessment of your best interests in consultation with your financial, tax and legal advisors.

20. Q. How much will we receive as a result of this offering and how do we intend to use such proceeds?

- A. Because this offering is fully guaranteed, we will receive gross proceeds of \$75 million before the deduction of certain expenses of this offering payable by us. We will use all of the net proceeds of this offering to partially fund payments required to be made by us to creditors under the Plan.

21. Q. Are there any risks I should consider before I decide whether to exercise my Stockholder Warrants?

- A. Yes. Please see Risk Factors, beginning on page 11, to read about the important factors you should consider carefully prior to making any decision to invest in our reorganized common stock.

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SUMMARY

This summary highlights important information contained in this prospectus. This summary does not contain all of the important information that you should consider before deciding whether to invest in our reorganized common stock. You should read this entire prospectus carefully, including the section titled "Risk Factors" and the financial data and related notes, before making an investment decision. Industry information used in this prospectus was obtained from industry sources that we believe to be reliable, but such information has not been independently verified and we assume no responsibility for the accuracy thereof and undertake no obligation to update such information.

Unless otherwise expressly set forth herein and as the context otherwise requires:

The phrase "Reorganized Seitel" as used in this prospectus refers to Seitel, Inc. and its consolidated subsidiaries, on and after the effective date of its Third Amended Joint Plan of Reorganization filed with the bankruptcy court on January 17, 2004 (as modified, supplemented or amended, the "Plan"), and "Seitel" refers to Seitel, Inc. and its consolidated subsidiaries prior to the effective date of the Plan. One of the conditions precedent to the effectiveness of the Plan is that the registration statement of which this prospectus is a part is declared effective by the SEC.

The unaudited pro forma consolidated financial data contained in this prospectus have been prepared to give effect to the Plan and related financings, and the application of the proceeds thereof as if they had occurred on September 30, 2003 in the case of the unaudited pro forma consolidated balance sheet and January 1, 2002 in the case of the unaudited pro forma consolidated income statements.

The historical financial information and accompanying financial statements and corresponding notes thereto, and "Management's Discussion and Analysis of Financial Condition and Results of Operations", as contained herein, reflect the actual historical results of operations and financial condition of Seitel and therefore do not give effect to the Plan or any of the transactions contemplated by the Plan.

Our Company

We are a leading provider of seismic data and related geophysical services to the oil and gas industry. Our products and services are used by oil and gas companies to assist in the exploration, development and management of oil and gas reserves. We have ownership in an extensive library of proprietary onshore and offshore seismic data that we have accumulated since 1982 and which we offer for license to a wide range of oil and gas companies. Our customers utilize this data, in part, to assist their identification of new geographical areas where subsurface conditions are favorable for oil and gas exploration, to determine the size, depth and geophysical structure of previously identified oil and gas fields and to optimize the development and production of oil and gas reserves.

We believe that our library of onshore seismic data is one of the largest available for licensing in the U.S. and Canada. We also have ownership in a library of offshore data covering extensive parts of the U.S. Gulf of Mexico shelf and certain deep water areas in the western and central U.S. Gulf of Mexico. We regularly add to the size of our seismic data library by conducting new programs funded (or underwritten) substantially by our customers in exchange for a license granting exclusive access to newly acquired data for a limited period of time. We also acquire entire seismic libraries from oil and gas companies which strategically have discontinued their exploration and production focus in a particular geographical region or local area and no longer require use of the library or which have determined to sell their library strictly for financial purposes. These acquisitions typically are structured as non-monetary exchanges of seismic data, whereby we acquire ownership of existing data from customers in exchange for an assignment of a non-exclusive license to use data from our library, and less frequently as cash purchase

transactions. We also create new value-added products by applying advanced seismic data processing or other quantitative analytical techniques to selected portions of our library.

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Our seismic data library includes both onshore and offshore three-dimensional (3D) and two-dimensional (2D) data and offshore multi-component data. We have ownership in approximately 31,800 square miles of 3D and approximately 1.1 million linear miles of 2D seismic data concentrated primarily in the major North American oil and gas producing regions. The main geographic regions of our focus include the onshore, offshore and transition zone of the U.S. Gulf Coast extending from Texas to Florida, northern Louisiana, Mississippi, eastern Texas, the Rocky Mountain region and western Canada. The majority of our seismic data library covers onshore regions within North America with the remainder covering offshore United States. We conduct our seismic data creation and licensing business through two wholly owned subsidiaries, Seitel Data, Ltd. in the United States and Olympic Seismic Ltd. in Canada.

To support our seismic data licensing business, we maintain warehouse and storage facilities at our Houston, Texas headquarters and our Calgary, Alberta location. Through our wholly owned subsidiaries, Seitel Solutions Ltd. and Seitel Solutions Canada Ltd., we offer the ability to access and interact with the seismic data we own and market via a standard web browser and the Internet.

Prior to August 2002, we engaged in the exploration for and development, production and sale of natural gas and oil through our wholly owned subsidiaries DDD Energy, Inc. and Endeavor Exploration, Inc. However, our historical success was built around our seismic expertise and the quality of our library. Accordingly, we made a strategic decision to refocus our operations on our core competency of seismic data licensing. As a result, we have sold substantially all of the assets of DDD Energy, Inc. and Endeavor Exploration, Inc. Our remaining oil and gas assets are not material, and we do not intend to operate in that business segment of the oil and gas industry in the future.

Our Plan of Reorganization

On January 17, 2004, we filed the Plan with the bankruptcy court with the support of the Official Committee of Equity Holders of Seitel, Inc. (the Official Equity Committee), Berkshire Hathaway Inc. and Ranch Capital L.L.C, the holders of approximately \$255 million aggregate principal amount of our senior unsecured notes (Seitel's largest creditors). The Plan provides, among other things, that:

all of our outstanding allowed pre-petition claims will be fully paid, in cash, together with post-petition (non-default rate) interest, except with respect to any disputed claims and any secured claims that are reinstated under the Plan, and

all 25,375,683 outstanding shares of our common stock will be cancelled and, without any action on the part of the holders of such shares, such shares will be converted into the right to receive and be exchanged for:

an aggregate of 25,375,683 shares of our reorganized common stock, representing all of the issued and outstanding shares of reorganized common stock on the effective date of the Plan, without giving effect to (1) the exercise of the Stockholder Warrants or the purchase of reorganized common stock by the Standby Purchasers under the standby purchase agreements, or any combination thereof, (2) the exercise of warrants to purchase up to 15,037,568 shares of reorganized common stock to be issued to the Standby Purchasers as compensation for their standby purchase agreements and (3) the issuance of up to 5% of our reorganized common stock, on a fully diluted basis, reserved for issuance under our 2004 omnibus stock option plan, and

Stockholder Warrants to purchase an aggregate of 125,000,000 shares of reorganized common stock, representing approximately 83.13% of the outstanding shares of reorganized common stock on a fully diluted basis, without giving effect to (1) the exercise of warrants to be issued to the Standby Purchasers as compensation for their standby purchase agreements and (2) the issuance of shares of reorganized common stock reserved for issuance under our 2004 omnibus stock option plan.

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On the effective date of the Plan, each holder of our common stock will receive, in exchange for each share it owned on April [], 2004, one share of our reorganized common stock and one Stockholder Warrant to purchase 4.926 shares of reorganized common stock, at an exercise price of 60 cents per share. The number of Stockholder Warrants which each individual stockholder will receive will enable such stockholder to retain the same percentage equity ownership in our company it had immediately prior to the effective date of the Plan, subject to reduction as described above. The Stockholder Warrants are exercisable until 5:00 p.m., New York City time, on May [], 2004. If the Stockholder Warrants are exercised in full, we will receive \$75 million in cash, before deducting the expenses of this offering, the entire net proceeds of which will be used to partially fund payments to creditors under the Plan.

On the effective date of the Plan, we will enter into a Standby Purchase Agreement with Mellon HBV, which beneficially owns approximately 9.28% of the outstanding shares of our common stock. Under this agreement, Mellon HBV, for itself and on behalf of certain affiliated funds and managed accounts, will purchase from us on or prior to May [], 2004 (the Guaranty Performance Date), at 60 cents per share, up to 125,000,000 shares of reorganized common stock (representing the maximum number of shares subject to the Stockholder Warrants) not purchased upon the exercise of the Stockholder Warrants, at a maximum aggregate purchase price of \$75 million. Mellon HBV has the right to designate a limited number of qualified institutional buyers and institutional accredited investors who are not affiliates of Mellon HBV, not less than three nor more than seven days prior to the Guaranty Performance Date, who may purchase directly from us, in a private placement pursuant to separate subscription agreements substantially similar to the Standby Purchase Agreement with Mellon HBV, shares of reorganized common stock otherwise issuable to Mellon HBV under the Standby Purchase Agreement (collectively with Mellon HBV and its affiliated funds and managed accounts, the Standby Purchasers). Mellon HBV has agreed to purchase all shares of reorganized common stock required to be purchased under the standby purchase agreements to the extent any other Standby Purchasers breach their purchase obligations thereunder. As consideration for their standby purchase agreements, Reorganized Seitel will issue to the Standby Purchasers warrants to purchase at 72 cents per share up to 15,037,568 shares of reorganized common stock, representing 9.10% of our reorganized common stock on a fully diluted basis, without giving effect to the future issuance of reorganized common stock under our 2004 omnibus stock option plan. Accordingly, even if the Stockholder Warrants are not exercised in full before they expire on May [], 2004, we are guaranteed to receive proceeds of \$75 million, before deducting the expenses of this offering payable by us, which are estimated to be approximately \$2.2 million. See Use of Proceeds .

We have retained Jefferies & Company, Inc. as our financial advisor in connection with the transactions contemplated by the Plan under the terms of an engagement letter dated February 3, 2004, which is subject to approval of the bankruptcy court. Jefferies has agreed to act as dealer-manager in connection with this offering. We have agreed to pay Jefferies a fee of approximately \$1.0 million for its services as financial advisor and dealer-manager in connection with this offering.

Other Information

We were incorporated in the State of Delaware in 1982. Our principal executive offices are located at 10811 South Westview Circle Drive, Suite 100, Building C, Houston, Texas 77043, and our telephone number at that address is (713) 881-8900. Our website is located at www.seitel.com. Information contained on our website is not a part of this prospectus.

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Offering By Seitel, Inc.

Issuer	Seitel, Inc.
Shares of common stock outstanding prior to this offering and to be cancelled on the effective date of the Plan	25,375,683 shares
Shares of reorganized common stock to be issued on the effective date of the Plan	25,375,683 shares
Shares of reorganized common stock offered through this prospectus underlying Stockholder Warrants and subject to the standby purchase commitment	125,000,000 shares
Shares of reorganized common stock to be outstanding upon completion of this offering	150,375,683 shares(1)
Use of proceeds	We will receive for disbursement to Seitel's creditors under the Plan \$75 million, before deducting our expenses of this offering, which are estimated to be approximately \$2.2 million. As described in "Use of Proceeds", we will use the entire net proceeds of this offering to partially fund payments to creditors under the Plan.
Transfer Agent and Warrant Agent	American Stock Transfer & Trust Company

Offering By Selling Stockholders

This prospectus also relates to the offer and resale by the selling stockholders named in this prospectus of up to 2,356,132 Stockholder Warrants to be issued under the Plan to the selling stockholders in their capacity as stockholders of our company on April [], 2004, and up to 11,606,306 shares of reorganized common stock issuable upon exercise of their Stockholder Warrants. Such offers and sales may occur from time to time during the 30-day period following the date of this prospectus. The selling stockholders will act independently of Reorganized Seitel in making decisions with respect to the timing, manner and size of each sale. We will not receive any proceeds from the sale of any shares of reorganized common stock or Stockholder Warrants sold by the selling stockholders. For information about the selling stockholders and how they plan to offer their shares of reorganized common stock and Stockholder Warrants for resale, see "Selling Stockholders" and "Plan of Distribution."

(1) Does not include: (i) up to 15,037,568 shares of reorganized common stock underlying the warrants to be issued to the Standby Purchasers as compensation for their standby purchase agreements, and (ii) up to 5% of our reorganized common stock, on a fully diluted basis, reserved for issuance under our new 2004 omnibus stock option plan.

Prior to making a decision about investing in our reorganized common stock, you should carefully consider the specific risks contained in the "Risk Factors" section, beginning on page 11 of this prospectus, together with all of the other information contained in this prospectus or appearing in the registration statement of which this prospectus is a part.

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Summary Historical and Pro Forma Consolidated Financial Data

The following is a summary of our historical consolidated financial data as of and for the years ended December 31, 2000, 2001 and 2002, for the nine months ended September 30, 2002 and 2003 and as of September 30, 2002 and 2003. The following also sets forth unaudited summary pro forma consolidated financial data illustrating the estimated effects of the Plan and related financings and the application of the proceeds thereof as if they had occurred on September 30, 2003 in the case of the unaudited pro forma consolidated balance sheet and January 1, 2002 in the case of the unaudited pro forma consolidated income statements.

Our consolidated balance sheets after December 31, 2003 and our consolidated statements of operations for the periods after December 31, 2003 will not be comparable to our historical consolidated financial statements published before the effective date of the Plan and included elsewhere in this prospectus. Among other things, our consolidated statement of operations for future periods will include numerous adjustments required by the Plan, including reductions in interest expense and substantially less professional expenses related to our reorganization proceedings.

The consolidated balance sheet data and the consolidated statement of operations data presented below as of December 31, 2000, 2001 and 2002, and for each of the years in the three-year period ended December 31, 2002, have been derived from our consolidated financial statements which have been audited by Ernst & Young LLP, independent auditors. The auditors' report issued by Ernst & Young LLP with respect to their audit of our financial statements for the years ended December 31, 2002 and 2001 included an explanatory paragraph relating to our ability to continue as a going concern. The consolidated balance sheet data and the consolidated statement of operations data presented below as of September 30, 2002 and 2003, and for the nine-month periods ended September 30, 2002 and 2003 are unaudited. However, we believe that this information contains all adjustments, consisting only of normal recurring adjustments, which are necessary to present fairly our consolidated financial position and results of operations for those periods. The consolidated balance sheet data as of September 30, 2003, and the consolidated statement of operations data presented for the nine-month period ended September 30, 2003, is not necessarily indicative of the results that may be expected for the fiscal year. Certain reclassifications have been made to the amounts in the prior years' financial statements to conform to the current year's presentation.

The unaudited pro forma consolidated financial data do not purport to be indicative of the financial position that would actually have been reported had such transactions in fact been consummated on such dates or of the financial position that may be reported by us in the future. The unaudited pro forma adjustments are based upon available information and certain assumptions that we believe are reasonable. The unaudited pro forma consolidated financial data do not include the effects of the fresh start accounting provisions of AICPA Statement of Position 90-7, Financial Reporting by Entities in Reorganization under the Bankruptcy Code, because the criteria for fresh start reporting are not expected to be met. Until the transaction is completed, we cannot determine whether a more than 50% change in ownership will occur, and we believe the reorganization value of our assets immediately prior to the confirmation date will be more than the total of all post-petition liabilities and allowed claims. All of the information presented below should be read in conjunction with the information in the sections in this prospectus titled Selected Historical Consolidated Financial Data, Unaudited Pro Forma Consolidated Financial Data and Management's Discussion and Analysis of Financial Condition and Results of Operations, as well as our audited and unaudited consolidated financial statements and their accompanying notes, all of which are included elsewhere in this prospectus.

Table of Contents**Summary Historical Consolidated Financial Data**

	Year Ended December 31,			Nine Months Ended September 30,	
	2000	2001	2002	2002	2003
	(restated)			(unaudited)	(unaudited)
Statement of Operations Data:					
(In thousands)					
Revenue	\$ 113,887	\$ 115,238	\$ 149,795	\$ 120,219	\$ 101,296
Expenses and Costs:					
Depreciation and amortization	51,927	49,448	129,856	61,208	61,507
Cost of sales	738	1,196	928	674	510
Selling, general and administrative	35,086	34,805	71,732	49,526	21,213
Impairment of seismic data library			82,964	25,696	13,354
	87,751	85,449	285,480	137,104	96,584
Income (loss) from operations	26,136	29,789	(135,685)	(16,885)	4,712
Interest expense, net	(12,389)	(13,461)	(20,856)	(15,455)	(15,071)
Loss on sale of marketable securities			(332)	(332)	
Gain on extinguishment of liabilities					681
Reorganization items					(1,675)
Income (loss) from continuing operations before income taxes and cumulative effect of changes in accounting principles	13,747	16,328	(156,873)	(32,672)	(11,353)
Provision (benefit) for income taxes	5,639	6,748	(18,304)	(10,025)	621
Income (loss) from continuing operations before cumulative effect on changes in accounting principles	8,108	9,580	(138,569)	(22,647)	(11,974)
Income (loss) from discontinued operations, net of tax	3,602	(24,573)	(62,709)	(60,201)	(179)
Cumulative effect on changes in accounting principles, net of tax	(14,219)		(11,162)	(11,162)	
Net loss (1)	\$ (2,509)	\$ (14,993)	\$ (212,440)	\$ (94,010)	\$ (12,153)

	Year Ended December 31,			Nine Months Ended September 30,	
	2000	2001	2002	2002	2003
	(restated)			(unaudited)	(unaudited)
Earnings (loss) per share:					
Basic:					
Income (loss) from continuing operations	\$.34	\$.38	\$ (5.48)	\$ (.90)	\$ (.47)
Income (loss) from discontinued operations	.15	(.98)	(2.48)	(2.38)	(.01)
Cumulative effect of accounting changes	(.59)		(.44)	(.44)	
Net loss	\$ (.10)	\$ (.60)	\$ (8.40)	\$ (3.72)	\$ (.48)

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Diluted:					
Income (loss) from continuing operations	\$.34	\$.37	\$ (5.48)	\$ (.90)	\$ (.47)
Income (loss) from discontinued operations	.15	(.95)	(2.48)	(2.38)	(.01)
Cumulative effect of accounting changes	(.59)		(.44)	(.44)	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net loss	\$ (.10)	\$ (.58)	\$ (8.40)	\$ (3.72)	\$ (.48)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Weighted average shares (in thousands):					
Basic	23,909	24,986	25,300	25,275	25,376
Diluted	24,090	25,692	25,300	25,275	25,376

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	Year Ended December 31,			Nine Months Ended September 30,	
	2000	2001	2002	2002	2003
	(restated)			(unaudited)	(unaudited)
Other Financial Data (in thousands):					
EBITDA(2)	\$ 78,063	\$ 79,237	\$ 76,803	\$ 69,687	\$ 78,579
Cash operating income(3)	86,808	63,842	19,968	16,682	63,607
Capital expenditures(4)	72,258	150,559	66,968	62,588	52,987
Cash flows provided by operating activities of continuing operations	69,534	30,767	21,716	24,716	61,798
Cash flows used in investing activities of continuing operations(5)	(57,553)	(79,565)	(49,358)	(49,544)	(29,884)
Cash flows provided by (used in) financing activities of continuing operations	(12,207)	61,255	(2,630)	(1,926)	(4,786)
Financial ratios:					
EBITDA(2)/Interest Expense, net	6.3	5.9	3.7	4.5	5.2
Cash Operating Income(3)/Interest Expense, net	7.0	4.7	1.0	1.1	4.2
Net Debt (6)/EBITDA(2)	2.5	3.1	3.3	na	na
Net Debt (6)/Cash Operating Income(3)	2.3	3.8	12.5	na	na
Net Debt (6)/Total Net Book Capitalization	43.6%	50.0%	87.1%	61.6%	88.7%

In the second quarter of 2002, we changed our accounting policy for amortizing our created seismic data library from using the income forecast method to the greater of the income forecast method or the straight-line method over the data's useful life and reported the adoption of the new method as a cumulative effect of a change in accounting principle retroactive to January 1, 2002. Pro forma net loss for the years ended December 31, 2000 and 2001, assuming the new seismic data amortization policy had been applied retroactively in each period, was as follows (in thousands, except per share amounts):

Income from continuing operations before cumulative effect of changes in accounting principles		\$ 3,765	\$ 5,178		
Income from continuing operations before cumulative effect of changes in accounting principles per share:					
Basic		\$.16	\$.21		
Diluted		.16	.20		
Net loss		\$ (6,852)	\$ (19,395)		
Net loss per share:					
Basic		\$ (.29)	\$ (.78)		
Diluted		(.28)	(.75)		

	As of December 31,			As of September 30,	
	2000	2001	2002	2002	2003
	(restated)			(unaudited)	(unaudited)
Balance Sheet Data:					
(in thousands, except per share amounts)					
Cash and cash equivalents	\$ 10,216	\$ 25,223	\$ 21,517	\$ 24,981	\$ 45,739
Seismic data library, net	362,603	455,845	284,396	404,495	259,461
Total assets	599,131	661,469	398,136	516,468	371,345
Total debt(7)	206,598	268,350	272,061	272,680	268,210

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Stockholders' equity	253,590	243,587	37,036	154,325	28,334
Book value per common share outstanding	\$ 10.28	\$ 9.71	\$ 1.46	\$ 6.08	\$ 1.12
Common shares outstanding	24,671	25,075	25,376	25,376	25,376

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- (1) In the fourth quarter of 2002, we reevaluated our estimate of the useful life of our seismic data library and reduced the estimated useful life of offshore data from ten to five years and onshore data from ten to seven years. The effect from this change on reported results was a reduction in net income of \$58.8 million or \$2.32 per share for the year ended December 31, 2002 and was \$8.3 million or \$.33 per share for the nine months ended September 30, 2003.

- (2) EBITDA is defined as earnings from continuing operations before income taxes (benefit), interest expense, net, impairment of seismic data, and depreciation and amortization. Included in earnings and EBITDA are a number of special items that are not necessarily indicative of our core operations or our future prospects, and impact comparability between years. EBITDA for the year ended December 31, 2000 included a restructuring charge of \$4.4 million related to a reduction in management incentive bonus compensation. EBITDA for the year ended December 31, 2001 included \$1.3 million for charges related to former executives. EBITDA for the year ended December 31, 2002 included \$28.5 million of costs and expenses related to our restructuring efforts, various litigation, severance costs, the acceleration of certain lease obligations, allowances for doubtful accounts and certain other accruals. EBITDA for the nine months ended September 30, 2002 included \$15.7 million of costs and expenses related to our restructuring efforts, various litigation, compensation costs and allowances for collection of certain receivables from former officers. EBITDA for the nine months ended September 30, 2003 included \$5.1 million of costs and expenses related to our restructuring efforts, bankruptcy proceedings and various litigation, net of reduction in litigation accruals. We believe that, in addition to cash flow from operating activities and net earnings (loss), EBITDA is a useful financial performance measurement for assessing operating performance since it provides an additional basis to evaluate our ability to incur and service debt and to fund capital expenditures. To evaluate EBITDA, the components of EBITDA such as revenue and SG&A and the variability of such components over time, also should be considered. EBITDA should not be construed, however, as an alternative to operating income (loss) (as determined in accordance with generally accepted accounting principles (GAAP)) as an indicator of our operating performance, or to cash flows from operating activities (as determined in accordance with GAAP) as a measure of liquidity. Our method of calculating EBITDA may differ from methods used by other companies and, as a result, EBITDA measures disclosed herein might not be comparable to other similarly titled measures used by other companies.

- (3) Cash operating income is defined as cash revenue (derived primarily from seismic data acquisition revenue, cash library licensing revenue, and Solutions revenue) less cost of sales and SG&A. Included in cash operating income are a number of special items that are not necessarily indicative of our core operations or our future prospects, and impact comparability between years. Cash operating income for the year ended December 31, 2000 included a restructuring charge of \$4.4 million related to the reduction in management incentive bonus compensation. Cash operating income for the year ended December 31, 2001 included \$1.3 million for charges related to former executives. Cash operating income for the year ended December 31, 2002 included \$28.5 million of costs and expenses related to our restructuring efforts, various litigation, severance costs, the acceleration of certain lease obligations, allowances for doubtful accounts and certain other accruals. Cash operating income for the nine months ended September 30, 2002 included \$15.7 million of costs and expenses related to our restructuring efforts, various litigation, compensation costs and allowances for collection of certain receivables from former officers. Cash operating income for the nine months ended September 30, 2003 included \$3.4 million of costs and expenses related to our restructuring efforts, bankruptcy proceedings and various litigation, net of reduction in litigation accruals. We believe that cash operating income is a useful measure in evaluating our performance because of our revenue recognition policies. We believe that, in addition to operating income, cash flows from operating activities and EBITDA, cash operating income is a useful financial performance measurement reflecting our ability to incur and service debt and to fund capital expenditures. Cash operating income should not be construed, however, as an alternative to operating income (loss) (as determined in accordance with GAAP) as an indication of our operating performance, or to cash flows from operating activities (as determined in accordance with GAAP) as a measure of liquidity.

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The following table reconciles our cash operating income to EBITDA and EBITDA to income (loss) from continuing operations determined in accordance with GAAP (in thousands):

	Year ended December 31,			Nine Months Ended	Nine Months Ended
	2000	2001	2002	9/30/02	9/30/03
Cash operating income	\$ 86,808	\$ 63,642	\$ 19,968	\$ 16,682	\$ 63,607
Add (subtract) other revenue components not included in cash operating income:					
Non-monetary exchanges	12,435	57,045	13,551	13,399	9,218
Deferral of revenue	(44,324)	(89,764)	(38,366)	(26,389)	(35,685)
Selections of data	23,144	48,114	81,982	66,327	42,433
Less:					
Loss on sale of marketable securities			(332)	(332)	
Gain on extinguishment of liabilities					681
Reorganization items					(1,675)
EBITDA	78,063	79,237	76,803	69,687	78,579
Less:					
Interest expense, net	(12,389)	(13,461)	(20,856)	(15,455)	(15,071)
Taxes	(5,639)	(6,748)	18,304	10,025	(621)
Impairment of seismic data library			(82,964)	(25,696)	(13,354)
Depreciation and amortization	(51,927)	(49,448)	(129,856)	(61,208)	(61,507)
Income (loss) from continuing operations before cumulative effect of changes in accounting principles	\$ 8,108	\$ 9,580	\$ (138,569)	\$ (22,647)	\$ (11,974)

(4) Capital expenditures include non-cash additions to our seismic data library, primarily from non-monetary exchanges, totaling \$15.7 million for the year ended December 31, 2000, \$60.4 million for the year ended December 31, 2001, \$21.1 million for the year ended December 31, 2002, and \$14.3 million and \$10.3 million for the nine months ended September 30, 2002 and 2003, respectively.

(5) Cash flows used in investing activities for the year ended December 31, 2001 included \$18.5 million related to the purchase of seismic data libraries located in the Gulf Coast Texas and Canada areas.

(6) Net debt reflects total debt less cash and cash equivalents.

(7) Total debt includes capital lease obligations.

Pro Forma
For the
Nine Months
Ended
September 30, 2003

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(unaudited)

Other Financial Data:

EBITDA	\$	78,579
Cash operating income		63,607

Financial ratios:

EBITDA/Interest Expense, net	5.8
Cash Operating Income/Interest Expense, net	4.7
Net Debt/EBITDA	na
Net Debt/Cash Operating Income	na
Net Debt/Total Net Book Capitalization	64.6%

Table of Contents**Summary Unaudited Pro Forma Consolidated Financial Data****(in thousands, except per share amounts)**

	Pro Forma As of September 30, 2003
	(unaudited)
Balance Sheet Data:	
Cash and cash equivalents	\$ 22,879
Seismic data library, net	259,461
Total assets	355,791
Total debt	197,793
Stockholders' equity	95,824
Book Value per common share outstanding	\$.64
Common shares outstanding	150,376
	Pro Forma
	For the
	Nine Months
	Ended
	September 30, 2003
	(unaudited)
Statement of Operations Data:	
Revenue	\$ 101,296
Income from operations	4,712
Loss from continuing operations	(10,915)
Basic and diluted loss from continuing operations per share	(0.07)
Weighted average number of common and common equivalent shares - basic and diluted	150,376

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RISK FACTORS

You should carefully consider the following risk factors and other information included in this prospectus prior to making a decision about investing in our reorganized common stock. Certain of these risks could materially and adversely affect our business, financial condition, results of operations and prospects, which could in turn materially and adversely affect the market price of our reorganized common stock.

Risks Relating to this Offering

Sales of substantial amounts of our reorganized common stock and Stockholder Warrants by selling stockholders could have a depressive effect on the price of our reorganized common stock.

At the effective date of the Plan, the selling stockholders named in this prospectus collectively will beneficially own approximately 2,356,132 shares of reorganized common stock and 2,356,132 Stockholder Warrants, which will be issued under the Plan to the selling stockholders in their capacity as stockholders of our company on April [], 2004, and 11,606,306 shares of reorganized common stock issuable upon exercise of their Stockholder Warrants. All of the Stockholder Warrants beneficially owned by the selling stockholders and the underlying shares of reorganized common stock may be resold by the selling stockholders into the public market through this prospectus from time to time during the 30-day period ending on May [], 2004. We also will enter into a registration rights agreement with Mellon HBV on the effective date of the Plan granting to Mellon HBV and any other Standby Purchasers demand and incidental (or piggyback) registration rights enabling them to resell (1) all shares of reorganized common stock issued to them upon exercise of their Stockholder Warrants, to the extent not resold by them as selling stockholders hereunder, and all shares of reorganized common stock issued to them under the Plan in their capacity as stockholders of our company as of April [], 2004, and (2) all shares of reorganized common stock issued to them in their standby purchase capacity and all of the warrants (and the underlying shares of reorganized common stock) to be issued to them as compensation for their standby purchase agreements. The sale of a substantial amount of reorganized common stock and Stockholder Warrants in the public market by the selling stockholders could adversely affect the price of our reorganized common stock.

Stockholders who do not exercise their Stockholder Warrants in full will experience substantial reduction in their percentage ownership of Reorganized Seitel.

On the effective date of and in accordance with the Plan, each share of common stock then outstanding will be cancelled and converted into the right to receive and be exchanged for one share of reorganized common stock (or approximately 25,375,683 shares in the aggregate). These 25,375,683 shares will, therefore, constitute on the effective date of the Plan all such outstanding shares and our only outstanding class of common equity securities. As described elsewhere in this prospectus, the Plan also provides for the issuance on the effective date of Stockholder Warrants which will be exercisable until May [], 2004 by all holders of reorganized common stock for 125,000,000 additional shares of such stock, at an exercise price of 60 cents per share. The Standby Purchasers, in accordance with the Standby Purchase Agreement in the case of Mellon HBV, and in accordance with separate but substantially identical subscription agreements in the case of the other Standby Purchasers, if any, will be required to purchase any (and up to all) of such 125,000,000 additional shares of reorganized common stock. The Standby Purchasers also will receive on May [], 2004, as compensation for their standby purchase agreements, additional warrants entitling them to purchase over a seven-year period up to 15,037,568 additional shares at an exercise price of 72 cents per share. The Plan also provides for the reservation for future issuance by Reorganized Seitel of up to an additional 5% of our fully diluted reorganized common stock under our 2004 omnibus stock option plan.

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Accordingly, for a holder of our reorganized common stock to retain the same percentage equity ownership in our company it had immediately prior to the effective date of the Plan, it must exercise all of its Stockholder Warrants in full. If not exercised in full, such holder's relative percentage ownership in Reorganized Seitel will be reduced by up to 83.13% as a result of the issuance by Reorganized Seitel of an additional 125,000,000 shares of reorganized common stock as described above. Moreover, such holder's relative percentage equity ownership will be even further reduced upon the exercise of warrants to be issued to the Standby Purchasers as compensation for their standby purchase agreements and the issuance of up to an additional 5% of our fully diluted shares of reorganized common stock under our 2004 omnibus stock option plan. See [Dilution](#) for a further discussion of the potential dilution to your percentage ownership of Reorganized Seitel.

The exercise price of the Stockholder Warrants is not an indication of the value of Reorganized Seitel or our reorganized common stock.

The exercise price of the Stockholder Warrants, like all other aspects of the Plan, was determined through arm's-length negotiations with the Official Equity Committee and Mellon HBV, and does not bear any relationship to the current or historical market price of our common stock, or our anticipated future operations, cash flows, financial condition, or any other established criteria for valuation. As a result, you should not consider the Stockholder Warrant exercise price as an indication of our anticipated or prospective value or the value or future trading price of or trading market for reorganized common stock.

We do not intend at this time to apply to list our reorganized common stock or the Stockholder Warrants on any national securities exchange or U.S. inter-dealer quotation system. Our reorganized common stock and the Stockholder Warrants may trade infrequently and at unpredictable levels in the over-the-counter market resulting in a potential lack of liquidity of your stock.

We do not intend at this time to apply to list our reorganized common stock or the Stockholder Warrants on any national securities exchange or to include our reorganized common stock in any U.S. inter-dealer quotation system of a registered national securities association (e.g. NASDAQ). Our common stock presently is traded in the over-the-counter market on the OTC Bulletin Board (our principal securities market) and on the Toronto Stock Exchange and, prior to its delisting on March 17, 2003, our common stock traded on the New York Stock Exchange, Inc. Although our common stock presently trades on the OTC Bulletin Board, the ability to publicly trade our reorganized common stock or the Stockholder Warrants on the OTC Bulletin Board is entirely dependent upon registered broker-dealers reapplying to the OTC Bulletin Board to initiate quotation of such securities. We intend to promptly notify our current market makers to request them to reapply to OTC Bulletin Board to initiate quotations in our reorganized common stock as of the effective date of the Plan. If the reapplication is not approved for any reason, our reorganized common stock will trade in the over-the-counter market unless and until OTC Bulletin Board trading is initiated, which could further adversely affect the liquidity and availability of price quotations for our reorganized common stock. Other than furnishing to registered broker-dealers copies of this prospectus and documents filed as exhibits to the registration statement of which this prospectus is a part, we have no control over the process of quotation initiation on the OTC Bulletin Board.

We, therefore, cannot provide any assurance that holders of Stockholder Warrants will be able to publicly trade their Stockholder Warrants during the 30-day period between the date of this prospectus and May [], 2004, or that holders of reorganized common stock will be able to publicly trade reorganized common stock at any time after the date of this prospectus. If no public market for our reorganized common stock or the Stockholder Warrants develops, you may have difficulty selling or obtaining timely and accurate quotations with respect to such securities. Moreover, for such time as our reorganized common stock is not listed on a national securities exchange, included for quotation in a U.S. inter-dealer quotation system (e.g., NASDAQ), or listed on the OTC Bulletin Board, various institutional investors may be precluded, by reason of their internal investment policies, from purchasing our reorganized common stock for their portfolios. This, in turn, could adversely affect or preclude entirely any buy side or sell side analysts' coverage of our reorganized common stock.

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If you purchase Stockholder Warrants on or after the 28th day next following the date of this prospectus, you may actually receive such warrants after they have already expired.

The Stockholder Warrants are exercisable until 5:00 p.m., New York City time, on May [], 2004, 30 days after the date of this prospectus. As with all securities, generally, trades effected in Stockholder Warrants are required to be settled within three trading days after the trade date. A purchase and sale of Stockholder Warrants that is effected on May [], 2004, the 28th day after the date of this prospectus, would be required to be settled not later than May [], 2004, at which time the Stockholder Warrants will have expired. Accordingly, if you purchase Stockholder Warrants on or after the 28th day next following the date of this prospectus, you may actually receive such warrants after they have already expired and they will be of no value to you.

Mellon HBV, one of the Standby Purchasers who is also a selling stockholder, owns approximately 9.28% of our common stock and has agreed, under the Standby Purchase Agreement, to acquire a substantial number of additional shares of reorganized common stock, which would give it the ability to materially influence both the election of directors and major corporate decisions.

Mellon HBV and its affiliates have represented to us that they beneficially own 2,356,132 shares of our common stock, representing approximately 9.28% of such shares. Under the standby purchase agreements, the Standby Purchasers will purchase from us on or prior to May [], 2004, up to 125,000,000 shares of reorganized common stock (representing the maximum number of shares subject to the Stockholder Warrants) not purchased upon the exercise of the Stockholder Warrants, at a maximum aggregate purchase price of \$75 million. Mellon HBV has agreed to purchase all shares of our reorganized common stock required to be purchased under the standby purchase agreements to the extent any other Standby Purchasers breach their purchase obligations thereunder. Accordingly, under the Standby Purchase Agreement, Mellon HBV may acquire a substantial number of shares of reorganized common stock in addition to the shares it would acquire and have the right to acquire in its capacity as a stockholder of our company, which would give it the ability to influence both the election of directors and other major corporate decisions and transactions on which all stockholders are entitled to vote.

On the effective date of the Plan, Mellon HBV and its affiliates, as stockholders of Seitel, would receive 9.28% of the outstanding shares of reorganized common stock and Stockholder Warrants that would enable them to retain such percentage ownership, subject to reduction from any exercise of warrants to be issued to the Standby Purchasers as compensation for their standby purchase agreements and the issuance of up to an additional 5% of our fully diluted shares of reorganized common stock reserved for issuance under our 2004 omnibus stock option plan. In addition, under the Standby Purchase Agreement, if none of the Stockholder Warrants held by stockholders other than Mellon HBV are exercised before they expire and the other Standby Purchasers breach their obligations under their respective subscription agreements, Mellon HBV would be required to purchase an additional 75.4% of the outstanding shares of reorganized common stock, without giving effect to the exercise of the Standby Purchaser warrants or the issuance of shares of recognized common stock reserved for issuance under our 2004 omnibus stock option plan. Also, if the other Standby Purchasers breached their obligations under their respective subscription agreements, Mellon HBV, as the only Standby Purchaser, would receive warrants to purchase up to an additional 9.10% of the outstanding shares of reorganized common stock on a fully diluted basis, without giving effect to the issuance of shares of reorganized common stock reserved for issuance under our 2004 omnibus stock option plan, as consideration for the Standby Purchase Agreement. Accordingly, on the Guaranty Performance Date, Mellon HBV may beneficially own or have the right to acquire up to approximately 86.1% of the outstanding shares of reorganized common stock, assuming that no shares are purchased through the exercise of Shareholder Warrants, and that Mellon HBV is the sole obligor under the Standby Purchase Agreement.

In addition, under the terms of the Standby Purchase Agreement and the Plan, Mellon HBV will designate two of seven members of Reorganized Seitel's initial staggered board of directors, one of whom will have an initial term of three years and the other of whom will have an initial term of two years. A third director, who will

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have an initial term of one year, will be selected by mutual agreement of Mellon HBV, the Official Equity Committee and Seitel's chairman of the board. Accordingly, irrespective of the number of shares that Mellon HBV or the other Standby Purchasers may actually own, Mellon HBV's two initial board designees will be entitled to serve their full terms. Also, based upon its share ownership upon the completion of this offering, and assuming no change in its ownership, Mellon HBV or the other Standby Purchasers may have the effective ability to elect nominees to the board of directors of any class because Delaware law provides that directors are elected by a plurality of the votes cast, and our amended and restated certificate of incorporation permits cumulative voting in the election of directors.

Future sales of reorganized common stock in the over-the-counter market could have a depressive effect on the price of reorganized common stock and could impair our ability to raise new funds in new securities offerings.

Future sales of a substantial number of shares of reorganized common stock in the over-the-counter market, or the perception that such sales could occur, could not only adversely affect the prevailing market price of reorganized common stock, but could also make it more difficult for us to raise funds through the public or private sale of our equity securities or debt securities convertible into equity securities. Upon completion of this offering, and assuming quotation of our reorganized common stock on the OTC Bulletin Board, all of the shares of reorganized common stock issued upon exercise of Stockholder Warrants, a maximum of 125,000,000 shares, will be eligible for resale in the over-the-counter market, except to the extent the holder of such shares is deemed to be an underwriter with respect to such securities or an affiliate of Reorganized Seitel. Persons deemed to be underwriters or affiliates may be able to sell their shares of reorganized common stock without registration subject to the provisions of Rule 144 under the Securities Act, which permits the public sale of securities received pursuant to a plan of reorganization by persons who would be deemed to be underwriters or affiliates, subject to the availability to the public of current information regarding Reorganized Seitel and to volume limitation and certain other conditions, but without a one year holding period condition.

We also will enter into with Mellon HBV on the effective date of the Plan a registration rights agreement granting to Mellon HBV and any other Standby Purchasers demand and piggyback registration rights to enable them to resell (1) all of the shares of reorganized common stock issued to them upon exercise of their Stockholder Warrants, to the extent not resold by them as selling stockholders hereunder, and all shares of reorganized common stock issued to them under the Plan in their capacity as stockholders of our company as of April [], 2004, and (2) all shares of reorganized common stock issued to them in their standby purchase capacity and all warrants (and underlying shares of reorganized common stock) to be issued to them as compensation for their standby purchase agreements. As a result, a substantial number of shares of reorganized common stock may be eligible for sale in the public market following the completion of this offering. Even if few or none of the Stockholder Warrants are exercised before they expire, a substantial number of shares of reorganized common stock that would be purchased by the Standby Purchasers under the standby purchase agreements and upon exercise of the Standby Purchaser warrants would be eligible for sale in the public market by the Standby Purchasers to the extent they exercise their demand or piggyback registration rights.

Certain features of Reorganized Seitel's governing documents may have anti-takeover effects that could discourage or prevent a change in control of Reorganized Seitel, which could cause the market price of our reorganized common stock to decline and remain at lower price levels than might otherwise prevail.

Some of the provisions of Reorganized Seitel's amended and restated certificate of incorporation and amended and restated bylaws may have the effect of maintaining in office the current board of directors and management and may make it more difficult and time consuming for stockholders or third parties to influence the management, policies or affairs of Reorganized Seitel, and may discourage, delay or prevent a transaction involving a change-in-control of Reorganized Seitel offering a premium over the current market price of our

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reorganized common stock. These provisions could also discourage proxy contests and make it more difficult for Reorganized Seitel's stockholders to elect new or replacement directors and to cause Reorganized Seitel to take extraordinary corporate actions.

Our amended and restated certificate of incorporation will contain provisions establishing a classified board of directors with staggered three-year terms and authorizing the board of directors to issue one or more series of preferred stock without stockholder approval, which preferred stock could have voting and conversion rights that adversely affect the voting power of the holders of reorganized common stock and dividend or liquidation rights superior to those of reorganized common stock. In addition, Section 203 of the Delaware General Corporation Law prohibits a corporation from engaging in mergers or certain other business combinations with an interested stockholder for a period of three years following the time that such interested stockholder becomes an interested stockholder, unless certain conditions are satisfied. Under Section 203, a person who acquires 15% or more of the outstanding voting stock of a Delaware corporation is an interested stockholder. Although we have opted out of the anti-takeover protection of Section 203 of the Delaware General Corporation Law in our amended and restated certificate of incorporation, we will continue to be subject to Section 203 for a period of 12 months after the effective date of the Plan.

In addition, our amended and restated bylaws will contain provisions establishing advance notice and disclosure procedures that stockholders must follow to bring matters before a meeting of Reorganized Seitel's stockholders or to nominate directors for election to Reorganized Seitel's board of directors. They will also provide that the written request of stockholders holding not less than 10% of all votes entitled to be cast on an issue is required for stockholders to call special meetings of Reorganized Seitel's stockholders.

The existence of these provisions in our amended and restated certificate of incorporation and amended and restated bylaws might hinder or delay an attempted takeover other than through negotiations with Reorganized Seitel's board. As a result, Reorganized Seitel may be less likely to receive unsolicited acquisition and other proposals that some of Reorganized Seitel's stockholders might consider beneficial. These anti-takeover effects may have a depressive effect on the market price of our reorganized common stock or cause it to decline.

Risks Relating to Us and Our Business

Failure to comply with the SEC's final judgment of permanent injunction entered on consent against us could adversely affect our business, and could subject us to further SEC investigations, enforcement action, criminal prosecution and significant penalties.

Seitel was the subject of a formal investigation by the SEC's Office of Enforcement. Seitel cooperated fully with the SEC during the course of its investigation, and reached a consensual resolution of the SEC's civil complaint resulting in its consent to a final judgment of permanent injunction (the SEC Injunction) being entered on June 16, 2003 in the United States District Court for the Southern District of Texas, Houston Division. The agreement for the entry of the SEC injunction was without admitting or denying the allegations in the SEC's complaint, which had alleged violations of the reporting, books and records, internal controls and proxy statement provisions of the Securities and Exchange Act of 1934, as amended (the Exchange Act), and rules and regulations adopted under the Exchange Act. Seitel's chief executive officer and chief financial officer at the time of the events giving rise to the SEC's complaint have been replaced.

The SEC Injunction, by its terms, permanently restrains and enjoins us from, among other things: (1) filing with the SEC any annual report under the Exchange Act that contains any untrue statement of a material fact, which omits to state any material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, or that omits to disclose any information required to be disclosed, (2) failing to make and keep accurate books, records and accounts, (3) failing to devise and maintain an adequate system of internal accounting controls and procedures, or (4) soliciting any proxy or

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consent or authorization in respect of any security registered under Section 12 of the Exchange Act in contravention of the SEC's proxy rules, or making any solicitation by means of any proxy statement, form of proxy, notice of meeting or other communication subject to the SEC's proxy rules which, at the time and in the light of the circumstances under which it is made, is false or misleading with respect to any material fact, or which omits to state any material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

If we fail to comply with any of the provisions of the SEC Injunction, such failure could adversely affect Reorganized Seitel, and the market price of reorganized common stock could significantly decline.

Limitations on our ability to utilize net operating losses and other tax benefits may result in future net operating income being taxable income.

Depending on the number of shares of reorganized common stock owned by the Standby Purchasers following the Guaranty by Performance Date, there may be an ownership change of Reorganized Seitel for federal income tax purposes. Following the implementation of the Plan, any of our remaining net operating loss and tax credit carry forwards and certain other tax attributes applicable to periods prior to the effective date of the Plan (collectively, "pre-change losses") may be subject to limitation under Section 382 of the Internal Revenue Code of 1986, as amended, as a result of a change in ownership of Reorganized Seitel. We do not anticipate that we will have any net operating loss carry forwards. Under Section 382, if a corporation undergoes an ownership change and the corporation does not qualify for or elects out under Section 382(l)(5)(H), the amount of its pre-change losses that may be utilized to offset future taxable income is subject to an annual limitation. Such limitation also may apply to certain losses or deductions that are "built-in" (i.e., economically accrued but not recognized) as of the date of the ownership change and that are subsequently recognized.

Our Chapter 11 reorganization proceedings may have created a negative image of us and may negatively impact our future business.

The effect, if any, that consummation of the Plan may have on our operations cannot be accurately predicted or quantified. A significant loss of customers or agreements with contractors would have a material adverse effect on our financial condition, results of operations, cash flows or prospects.

We will have to generate substantial operating cash flow to meet our obligations under our new revolving credit facility and new senior notes.

We will have a significant amount of indebtedness as a result of new debt incurred in connection with the Plan, existing debt of our Canadian subsidiaries and certain capital leases. On the effective date of the Plan, we will have completed the private placement of new senior unsecured notes to certain institutional investors resulting in net proceeds to us of not less than \$180 million, which we intend to use to partially fund payments to creditors under the Plan. In addition, on the effective date of the Plan, we will have obtained a new revolving credit facility providing a revolving loan commitment, subject to borrowing base, of not less than \$25 million. Borrowings under this new revolving credit facility not used to fund payments to creditors under the Plan will be used from time to time to fund our working capital needs. Accordingly, our annual debt service requirements will be material, and the payments required to meet our debt service requirements will not be available for working capital or to make investments in the future growth of our business.

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Our ability to make required payments under our new revolving credit facility and our new senior notes, incur additional indebtedness and continue to comply with our loan covenants will depend primarily on our success in generating substantial operating cash flow. Our ability to generate substantial operating cash flow sufficient to meet our obligations under this indebtedness will be dependent upon the future performance of Reorganized Seitel, which, in turn, will be subject to general economic conditions and to financial, competitive, business and other factors, including factors beyond our control. Unexpected declines in our future business,

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increases in interest rates or an inability to borrow additional funds for our operations, if and when required, could impair our ability to meet our debt service obligations and, therefore, have a material adverse effect on our business and future prospects. Our failure to comply with our loan covenants might cause our lenders to accelerate our repayment obligations under the new revolving credit facility and under the new senior notes, which could have a material adverse effect on our liquidity and our ability to conduct our business.

Covenants to be contained in our new revolving credit facility and our new senior notes may significantly impact our future operations.

Our high level of indebtedness will have several important effects on our future operations, including: (1) requiring us to devote a substantial portion of our cash flow from operations to pay interest on our indebtedness and not for other uses, such as funding working capital or capital expenditures, (2) limiting our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate or other purposes, (3) causing us to be more vulnerable in the event of a downturn in our business and (4) limiting our flexibility to plan for, or react to, changes in our business and the industry in which we operate.

Our new revolving credit facility may contain covenants requiring us to maintain certain amounts of unrestricted cash, achieve specified operating results, and restrict, among other things, the amount of our capital expenditures, our ability to borrow money, grant additional liens on our assets, make particular types of investments or other restricted payments, sell assets, merge or consolidate. Additionally, our new senior notes may contain covenants that among other things, limit our ability to incur additional indebtedness, merge, consolidate or sell all or substantially all of our assets, and grant security interests or liens on our assets. Borrowings under the new revolving credit facility will be secured by granting a lien on substantially all of our U.S. tangible and intangible assets and in the issued and outstanding capital stock of certain of our material U.S. subsidiaries. A default under the new revolving credit facility could adversely affect our ability to enter into other business transactions and our rights under our other commercial agreements.

Please refer to the section of this prospectus titled "Description of Indebtedness of Reorganized Seitel" for a description of our indebtedness after the effective date of the Plan.

Our business could be adversely affected by low exploration and development spending by oil and gas companies and by low oil and gas prices.

Our seismic business depends upon exploration and development spending by oil and gas companies. Capital expenditures by oil and gas companies depend upon several factors, including actual and forecasted petroleum commodity prices and the companies' own short term and strategic plans. These capital expenditures may also be affected by worldwide economic conditions. Low oil and gas prices could result in decreased exploration and development spending by oil and gas companies, which could affect our seismic data business. Any future decline in oil and gas prices or sustained periods of reduced capital expenditures by oil and gas companies could result in an adverse effect on our results of operations and cash flow.

A downturn in the availability of private equity could have a negative impact on the ability of our customers to raise capital necessary to purchase our seismic data which, in turn, could have a material adverse effect on our business.

Many of our customers consist of independent oil and gas companies and private prospect-generating companies that rely primarily on private equity capital to fund their exploration, production, development and field management activities. A significant downturn in the availability of

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private equity capital could have a material adverse impact on the ability of such companies to obtain funding necessary to purchase our seismic data which, in turn, could have a material adverse effect on our business.

We invest significant amounts of money in acquiring and processing seismic data for our data library with only partial underwriting of the costs by customers.

We invest significant amounts of money in acquiring and processing new seismic data to add to our data library. A portion of these investments are funded by customer underwriters or sponsors, while the remainder is sought to be recovered through future data licensing fees. The amounts of underwriting and sponsorship and of these future data licensing fees are uncertain and depend on a variety of factors, including the market prices of oil

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and gas, customer demand for seismic data in our library, availability of similar data from competitors and governmental regulations affecting oil and gas exploration. We cannot assure you that we will recover all of the costs of or earn any return on such investments. In periods where sales do not meet original expectations, we may be required to record required amortization and/or impairment charges to reduce the carrying value of our data library, which charges may be material to operating results in any period. In addition, timing of the receipt of license fees can vary greatly from period to period. Technological or regulatory changes or other developments could also adversely affect the value of the data.

Because our business is concentrated in the U.S. Gulf Coast and Canada, it could be adversely affected by developments in the oil and gas business that affect these areas.

While we have seismic surveys in other areas, most of the seismic data in our library covers areas along the U.S. Gulf Coast, offshore in the U.S. Gulf of Mexico and in Canada. Because of this geographic concentration, our results of operations could be adversely affected by events relating primarily to one of these regions even if conditions in the oil and gas industry worldwide were favorable.

The amounts we amortize from our data library each period have fluctuated in the past, and these fluctuations may result in future impairment charges which under U.S. generally accepted accounting principles may be material to our results of operations.

We amortize the cost of our seismic data library based, in part, on our estimates of future cash sales of data, excluding non-monetary exchanges and deferred revenue. Changes in estimates of future sales could result in impairment charges. Substantial changes in amortization rates can have a significant effect on our reported results of operations. Additionally, our accounting policy requires that we record amortization of the data library based on the greater of the income forecast method or the straight-line method over the data's useful life. In the fourth quarter of 2002, we revised the estimated useful life of the seismic data library from ten years to five years for offshore data and from ten years to seven years for onshore data, resulting in additional amortization charges of \$45.7 million in the fourth quarter of 2002. We amortize our seismic data over a seven year period for onshore seismic data and five years for offshore seismic data, however, we believe that the seismic data will continue to generate licensing revenue after such time.

During 2002, Seitel recorded impairment charges of \$83.0 million related to several different components of its data library. An additional impairment charge of \$13.4 million was recorded in the third quarter of 2003. Moreover, we presently are conducting a preliminary unaudited assessment of the nature and extent of certain potential impairment charges to our seismic data library for the fourth quarter of 2003 which we may be required to record in accordance with Statement of Financial Accounting Standard, or SFAS, No. 144, *Accounting for the Impairment and Disposal of Long-Lived Assets*. Because of the preliminary nature of our review at this time, we cannot precisely quantify the amount of this potential impairment charge, although it is not presently expected to exceed approximately \$17 million to \$21 million. It is possible that after we complete our assessment, the final amount, if any, of the impairment charge may be materially different from our preliminary assessment. Additional impairment charges may also be required in the future based on industry conditions and our results of operations.

Extensive governmental regulation of our business affects our daily operations.

Our operations are subject to a variety of federal, provincial, state, foreign and local laws and regulations, including environmental laws. We invest financial and managerial resources to comply with these laws and related permit requirements. Failure to timely obtain required permits may result in delays in acquiring new data for the data library or cause operating losses. Because these laws and our business may change from time to time, we cannot predict the future cost of complying with these laws, and expenditures to ensure our compliance could

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be material in the future. Modification of existing laws or regulations or adoption of new laws or regulations limiting exploration or production activities by oil and gas companies could adversely affect us by reducing the demand for our seismic data.

Our competitors may have certain advantages that could adversely affect our operating results.

Competition among geophysical service providers historically has been, and will continue to be, intense. Certain competitors have significantly greater financial and other resources than we do. These larger and better-financed operators could enjoy an advantage over us in a competitive environment for contract awards and data sales and in the development of new technologies.

Our operating results may vary due to circumstances beyond our control.

Our operating results may, in the future, vary in material respects from quarter to quarter. Factors that could cause variations include (1) timing of the receipt and commencement of contracts for data acquisition, (2) our customers' budgetary cycles and their effect on the demand for geophysical activities, (3) seasonal factors and (4) the timing of sales and selections of significant geophysical data from our data library, which are not typically made in a linear or consistent pattern. Reduced actual or estimated future sales may result in a requirement to record impairment charges to reduce the carrying value of our data library. Such charges, if required, can be material to operating results in the periods in which they are recorded. For purposes of evaluating potential impairment losses, we estimate the future cash flows attributable to a library component by evaluating historical revenue trends, oil and gas prospectivity in particular regions, general economic conditions affecting our customer base, expected changes in technology and other factors that we deem relevant. The estimation of future cash flows is highly subjective, inherently imprecise and can change materially from period to period based on the factors described in the immediately preceding sentence, among others. Accordingly, if conditions change in the future, we may record further impairment losses relative to our seismic data library, which could be material to any particular reporting period.

Our 2002 independent auditor's report indicates and our 2003 independent auditor's report will indicate that we may not be able to continue as a going concern and there can be no assurance that our future independent auditor's report will not include a going concern qualification.

The report of our independent auditors with respect to their audit of our financial statements for the years ended December 31, 2002 and 2001 contains an explanatory paragraph relating to the preparation of our financial statements on a going concern basis and states that our non-compliance with certain of our debt covenants raises substantial doubt about our ability to continue as a going concern. Our independent auditors have also advised us that their 2003 report will include a going concern explanatory paragraph. While we have addressed the conditions giving rise to the going concern uncertainty, we cannot assure you that we will be successful in implementing any of our plans and continuing as a going concern. Our independent auditor is required to annually make an assessment regarding our ability to continue as a going concern. As a result of that assessment, we cannot assure you that our 2004 independent auditor's report will not include such a going concern qualification. Our inability to continue as a going concern would have a material adverse effect on the value of your investment in our reorganized common stock. See Management's Discussion and Analysis of Financial Condition and Results of Operations and Note A to our consolidated financial statements included in this prospectus for more information regarding our ability to continue as a going concern.

We may face risks associated with our foreign revenue generating activities.

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Portions of our revenues are derived from our Canadian activities and operations and, as a result, are denominated in Canadian dollars. We therefore will be subject to foreign currency exchange rate risk on cash flows related to sales, expenses, financing and investing transactions in currencies other than the U.S. dollar. Adverse effects from foreign currency fluctuations could negatively affect Reorganized Seitel's results of operations.

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We may be unable to attract and retain key employees, which could adversely affect our business.

Our success depends upon attracting and retaining highly skilled professionals and other technical personnel. A failure to continue to attract and retain such individuals could adversely affect our ability to compete in the geophysical services industry. We may confront significant and potentially adverse competition for key personnel, particularly during periods of increased demand for geophysical services. Our success will also depend to a significant extent upon the abilities and efforts of members of our senior management, the loss of whom could adversely affect our business.

Beginning in the second quarter of 2002, we replaced our chief executive officer, chief financial officer and general counsel with new senior executive officers who have since been employed by us for a relatively short period of time. Accordingly, such officers have not worked with one another for long periods of time and may not be able to develop an effective working relationship. Recently, in February 2004, Larry E. Lenig, Jr., Seitel's president and chief executive officer, left the employ of the company, as anticipated, upon completion of the structuring and negotiation of the Plan, and Randall D. Stilley, our current president and chief executive officer, was appointed. The failure of our officers to develop an effective working relationship could require us to incur additional expenses and devote substantial time in finding replacement personnel.

On the effective date of the Plan, none of our executive officers will have an employment or other retention agreement with us, with the exception of our president and chief executive officer. We cannot assure you that our senior executives will continue to be employed by us after consummation of the Plan and, if they do, how long they will remain so employed. Our failure to attract and retain key personnel could have a material adverse effect on our ability to manage our business properly.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION

This prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Exchange Act. Statements contained in this prospectus about Reorganized Seitel's future outlook, prospects and plans, including those that express belief, expectation, estimates or intentions, as well as those that are not statements of historical fact, are forward looking. The words proposed, anticipates, anticipated, will, would, should, estimates and similar expressions are intended to identify forward-looking statements. Forward-looking statements represent our reasonable belief and are based on our current expectations and assumptions with respect to future events. While we believe our expectations and assumptions are reasonable, they involve risks and uncertainties beyond our control that could cause the actual results or outcome to differ materially from the expected results or outcome. Such factors include:

our ability to abide by the terms of the SEC Injunction,

the impact on our results of operations of the significant amount of debt we will have after consummation of the Plan,

the significant amount of debt service we will have going forward after the consummation of the Plan,

our ability to continue as a going concern,

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the impact of litigation on Reorganized Seitel and any distribution to our creditors or equity holders under the Plan,

any delay or inability to complete the transactions contemplated by the Plan,

our ability to obtain and maintain normal terms with our vendors and service providers,

our ability to maintain contracts that are critical to our operations,

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any significant change in the oil and gas industry or the economy generally,

changes in the exploration budgets of our seismic data and related services customers,

actual customer demand for our seismic data and related services,

the timing and extent of changes in commodity prices for natural gas, crude oil and condensate and natural gas liquids and conditions in the capital markets and equity markets during the periods covered by the forward looking statements,

the effect of our restatement of our consolidated financial statements on our reported operating results and stock price,

our ability to obtain alternate debt or equity financing on satisfactory terms if internally generated funds are insufficient to fund our capital needs, and

all of the factors in this prospectus appearing under the caption "Risk Factors - Risks Relating to Us and Our Businesses."

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or any other reason. Also note that we provide a cautionary discussion of risks and uncertainties under "Risk Factors," beginning on page 11 of this prospectus. All subsequent forward-looking statements attributable to Reorganized Seitel or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this prospectus and in our future periodic reports filed with the SEC. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus may not occur.

DESCRIPTION OF STOCKHOLDER WARRANTS

Under the Plan, in addition to our issuance of shares of reorganized common stock, we will issue to stockholders of record on April [], 2004, Stockholder Warrants exercisable for an aggregate of 125,000,000 shares of reorganized common stock. We will issue the Stockholder Warrants under a warrant agent agreement dated as of the effective date of the Plan with American Stock Transfer & Trust Company, as Warrant Agent.

General. Each holder of our common stock on April [], 2004 will receive such number of Stockholder Warrants as will enable such holder to retain the same percentage equity ownership it had in our company immediately prior to the effective date of the Plan, subject to reduction from the exercise of warrants to purchase up to 15,037,568 shares of reorganized common stock to be issued to the Standby Purchasers as compensation for their standby purchase agreements, and the issuance of up to an additional 5% of our fully diluted shares of reorganized common stock reserved for issuance under our 2004 omnibus stock option plan. Each Stockholder Warrant will represent the right to purchase 4.926 shares of reorganized common stock, at an exercise price of 60 cents per share. Each Stockholder Warrant is exercisable at any time during the period commencing on the date of this prospectus and ending at 5:00 p.m., New York City time, on May [], 2004. Each Stockholder Warrant that is not exercised before such time will become void and all rights of the holder in respect of such Stockholder Warrant will cease as of such date.

The Stockholder Warrants will be issued in either global form or in definitive form representing individual warrant certificates. The global warrant will represent such number of the outstanding Stockholder Warrants as specified in the global warrant and will provide that it will represent the aggregate amount of outstanding Stockholder Warrants from time to time endorsed on the global warrant and that the aggregate

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amount of outstanding Stockholder Warrants may from time to time be reduced or increased, as appropriate. Any such endorsement will be made by the Warrant Agent and the Depository Trust Company who will be acting as the depository. Upon request, a holder of Stockholder Warrants may receive from the depository and the Warrant Agent separate definitive warrants.

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Delivery. On the effective date of the Plan, we will deliver, by first class mail, to the holders of the Stockholder Warrants either a certificate representing the Stockholder Warrants, or notice of such holder's position in a global warrant representing the Stockholder Warrants in the case where such position is held by a broker, bank, depository or other nominee, which notice will include the material terms and conditions and exercise instructions of the Stockholder Warrant and a form of election to purchase.

Undeliverable Stockholder Warrants. If any distribution of a certificate representing the Stockholder Warrants or notice of Stockholder Warrants is returned to us as undeliverable, no further distributions will be made to the holder unless and until we are notified in writing of such holder's then-current address. Generally, such undeliverable distributions will remain in our possession until they become deliverable. The right to exercise any Stockholder Warrant will terminate at 5:00 p.m., New York City time, on May [], 2004, regardless of whether the certificate representing, or notice of, the Stockholder Warrant has been delivered.

Exercise. The Stockholder Warrants may be exercised by surrendering the following to the warrant agent: (1) the warrant certificate, if any; (2) the form of election to purchase, properly completed and signed, which signature must be guaranteed by an eligible guarantor institution pursuant to SEC rule 17Ad-15, and (3) payment to the warrant agent, by cash, certified check, official bank check or wire transfer, for our account of the aggregate warrant exercise price for the number of shares of reorganized common stock in respect of which such Stockholder Warrants are then exercised.

Upon the exercise of any Stockholder Warrants in accordance with the warrant agreement, the warrant agent will deliver or cause to be delivered, in such name as the holder of such Stockholder Warrants may designate in writing, a certificate or certificates for the number of whole shares of reorganized common stock issuable upon exercise of the Stockholder Warrants delivered by such holder for exercise.

If a holder has a warrant certificate and it exercises fewer than all of its Stockholder Warrants evidenced by such warrant certificate, a new warrant certificate will be issued for the remaining number of Stockholder Warrants.

Fractional Shares. We will not issue any fractional shares of reorganized common stock upon the exercise of Stockholder Warrants. If more than one Stockholder Warrant is presented for exercise at the same time by the same holder, the number of full shares of reorganized common stock issuable upon the exercise of such Stockholder Warrants will be computed on the basis of the aggregate number of shares purchasable upon exercise of such Stockholder Warrants. If any fraction of a share of reorganized common stock would otherwise be issuable upon the exercise of any Stockholder Warrants, we will round down to the nearest whole number of shares of reorganized common stock to be issued, and all fractional shares will be cancelled without any payment or other consideration therefor.

Taxes. The holders of Stockholder Warrants will not pay service charges for any exercise, exchange or registration of a transfer of a warrant certificate, and we will pay all documentary stamp taxes attributable to the initial issuance of reorganized common stock upon the exercise of the Stockholder Warrants. However, we are not required to pay any taxes which may be payable upon the issuance of new certificates evidencing the Stockholder Warrants or shares of our reorganized common stock in a name other than that of the registered holder. We will not issue or deliver such new certificates evidencing the Stockholder Warrants or shares of our reorganized common stock unless and until the person requesting the issuance shall have paid us such tax or established that such tax has been paid.

HOW YOU MAY TRANSFER OR EXCHANGE YOUR STOCKHOLDER WARRANTS

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When definitive Stockholder Warrants are presented to the Warrant Agent with a request to register the transfer of the definitive Stockholder Warrant or to exchange the definitive Stockholder Warrant for an equal number of definitive Stockholder Warrants of other denominations, the Warrant Agent will register the transfer

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or make the changes requested, provided that the definitive Stockholder Warrants presented or surrendered for registration or transfer or exchange are duly endorsed or accompanied by a written instruction of transfer form satisfactory to the Warrant Agent, duly executed by the holder.

The transfer and exchange of global Stockholder Warrants or beneficial interests in them shall be effected through the depository as follows:

Any person having a beneficial interest in a global Stockholder Warrant may, upon written request to the Warrant Agent, exchange such beneficial interest for a definitive Stockholder Warrant. Upon receipt by the Warrant Agent of a written instruction or such other form of instructions from the depository or its nominee on behalf of any person having a beneficial interest in a global Stockholder Warrant, the Warrant Agent will cause the number of Stockholder Warrants represented by the global Stockholder Warrant to be reduced and, following such reduction, we will execute a definitive Stockholder Warrant.

Definitive Stockholder Warrants issued in exchange for a beneficial interest in a global warrant will be registered in such names as the depository shall instruct the Warrant Agent.

Upon receipt by the Warrant Agent of a definitive Stockholder Warrant that is not a restricted warrant duly endorsed or accompanied by appropriate instruments of transfer, in form satisfactory to the Warrant Agent, together with, written instructions directing the Warrant Agent to make, or to direct the depository to make, an endorsement on the global Stockholder Warrant to reflect an increase in the number of Stockholder Warrants and shares of reorganized common stock represented by the global Stockholder Warrant, then the Warrant Agent will cancel such definitive Stockholder Warrant and cause, or direct the depository to cause, in accordance with the standing instructions and procedures existing between the depository and the Warrant Agent, the number of Stockholder Warrants and shares of reorganized common stock represented by the global Stockholder Warrant to be increased accordingly. If no global Stockholder Warrants are then outstanding, Reorganized Seitel will issue and the Warrant Agent will countersign a new global Stockholder Warrant representing the appropriate number of Stockholder Warrants and shares of reorganized common stock represented by the global Stockholder Warrant.

All requests for transfer and exchange of definitive or global Stockholder Warrants or the surrender and payment upon exercise of definitive warrants or global warrants, as the case may be, may be made as follows:

If to the Warrant Agent:
American Stock Transfer & Trust Company

59 Maiden Lane

New York, New York 10038

Telephone: (718) 921-8200

Attention: Exchange Department

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U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a summary of the material U.S. federal income tax considerations that relate to the acquisition, ownership and disposition of Stockholder Warrants. It is intended to address only those U.S. federal income tax considerations that are generally relevant to all warrant holders, is not exhaustive of all possible tax considerations and is not tax advice. For example, it does not give a detailed description of any state, local or foreign tax considerations. In addition, the discussion does not purport to deal with all aspects of taxation that may be relevant to a warrant holder subject to special treatment under the federal income tax laws, including, without limitation, insurance companies, pension or other employee benefit plans, financial institutions or broker-dealers, persons holding common stock, preferred stock or warrants as part of a hedging or conversion transaction or straddle, tax-exempt organizations, or foreign corporations and persons who are not citizens or residents of the United States.

The information in this section is based on the Internal Revenue Code of 1986, as amended (the Internal Revenue Code), regulations of the Treasury Department in effect on the date hereof, current administrative interpretations and positions of the Internal Revenue Service and existing court decisions. We cannot assure you that future legislation, regulations, administrative interpretations and court decisions will not significantly change, perhaps retroactively, the law on which the following discussion is based. Even if there is no change in applicable law, we cannot assure you that the statements set forth in this discussion will not be challenged by the Internal Revenue Service or will be sustained by a court if so challenged.

You should consult your own tax advisors as to any federal, state, local, foreign or other tax consequences associated with the purchase, ownership and disposition of stockholder warrants, in light of your personal investment circumstances.

Tax Considerations for Holders of Stockholder Warrants

Basis Allocation and Holding Period. If the Stockholder Warrants are received as part of a nontaxable distribution, you will allocate your basis in our common stock between our reorganized common stock and the Stockholder Warrants in proportion to their fair market values on the date of the distribution. Your holding period for the Stockholder Warrants will include the holding period of the shares of common stock exchanged. If the Stockholder Warrants are received as part of a taxable distribution, your tax basis will be the fair market value of such Stockholder Warrants on the date of distribution, and your holding period for the Stockholder Warrants will begin on the date of the distribution.

Sale or Other Taxable Disposition. Upon the sale or other taxable disposition of a Stockholder Warrant, you generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of property received for the Stockholder Warrant and your tax basis in the Stockholder Warrant.

Exercise. The exercise of a Stockholder Warrant for cash will not be a taxable event to you. Upon such exercise, your tax basis in the shares of reorganized common stock obtained will be equal to the sum of your tax basis in the Stockholder Warrant and the exercise price of the Stockholder Warrant. Your holding period with respect to reorganized common stock will commence on the day the Stockholder Warrant is exercised.

Expiration/Lapse. In the case of a Stockholder Warrant received in a nontaxable recapitalization, if such Stockholder Warrant expires without being exercised, you would recognize a loss equal to your tax basis in the Stockholder Warrant. In the case of a Stockholder Warrant received in

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a nontaxable distribution under Section 305 of the Internal Revenue Code, if such Stockholder Warrant expires without being exercised, you would not recognize a loss. Furthermore, the basis that had been allocated to the Stockholder Warrant should revert to the shares of reorganized common stock in respect of which the Stockholder Warrant was issued. In the case of a Stockholder Warrant received in a taxable distribution under Section 305 of the Internal Revenue Code, if such

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Stockholder Warrant expires without being exercised, you would recognize a loss equal to your tax basis in the Stockholder Warrant.

Information Reporting and Backup Withholding

Information reporting and backup withholding may apply with respect to payments of dividends on Stockholder Warrants and to certain payments of proceeds on the sale, redemption or other taxable disposition of Stockholder Warrants. Such payments will be subject to backup withholding at a rate of 28% until December 31, 2010 unless the beneficial owner of such Stockholder Warrant furnishes the payor or its agent with a taxpayer identification number, certified under penalties of perjury, and certain other information, or otherwise establishes, in the manner prescribed by law, an exemption from backup withholding. In addition, if the Stockholder Warrants are sold to or through a broker, the broker may be required to withhold such percentage of the entire sales price, unless either the broker determines that the seller is a corporation or other exempt recipient or the seller provides, in the required manner, certain identifying information. Such a sale must also be reported by the broker to the Internal Revenue Service, unless the broker determines that the seller is an exempt recipient. The term broker as defined by Treasury Department regulations includes all persons who, in the ordinary course of their business, stand ready to effect sales made by others.

Backup withholding is not an additional tax. Any amount withheld under the backup withholding rules from a payment to you is allowable as a credit against your U.S. federal income tax, which may entitle you to a refund, provided that you furnish the required information to the Internal Revenue Service. In addition, certain penalties may be imposed by the Internal Revenue Service on a holder who is required to supply information but does not do so in the proper manner.

OUR FINANCIAL ADVISOR

We have engaged Jefferies & Company, Inc. (Jefferies) to act as our financial advisor in connection with the transactions contemplated by the Plan, pursuant to an order of the bankruptcy court dated August 18, 2003 and pursuant to an engagement letter dated February 3, 2004. The engagement letter is subject to approval by the bankruptcy court. In connection with its role as financial advisor, Jefferies has agreed to perform the following financial advisory services, among others, for us: (1) assist and advise us in implementing the Plan, (2) assist and advise us in evaluating and analyzing the value of our securities that may be issued under the Plan and (3) render such other financial advisory services as may from time to time be agreed upon by us including acting as dealer-manager in connection with this offering. As compensation for financial advisory services rendered by Jefferies, we have agreed to pay Jefferies: (1) \$100,000 upon execution of the engagement letter for a fairness opinion previously delivered by Jefferies to us, (2) a monthly retainer commencing in November 2003 equal to \$125,000 per month through the term of the engagement (which will be credited against the fees in the following clause (3)), (3) \$2,500,000 upon entry of a final order of confirmation of the Plan and the occurrence of the Guaranty Performance Date, (4) not less than 30% of the aggregate fees paid in connection with new senior notes, (5) in exchange for acting as dealer-manager in connection with this offering, a fee equal to 1.375% of the gross proceeds of this offering (or \$1,031,250), and (6) all fees, disbursements and reasonable out-of-pocket expenditures incurred by Jefferies in connection with its financial advisory services. We have agreed to indemnify Jefferies and its affiliates for certain losses, claims, damages and penalties incurred by Jefferies in connection with its financial advisory services, except for losses based solely upon the bad faith or gross negligence of Jefferies. See Description of Indebtedness of Reorganized Seitel New Senior Notes.

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THE STANDBY PURCHASE AGREEMENT

On the effective date of the Plan, we will enter into a Standby Purchase Agreement with Mellon HBV, which beneficially owns approximately 9.28% of the outstanding shares of our common stock. Under this agreement, Mellon HBV, for itself and on behalf of certain affiliated funds and managed accounts, will purchase from us on or prior to May [], 2004, the Guaranty Performance Date, at 60 cents per share, up to 125,000,000 shares of our reorganized common stock (representing the maximum number of shares subject to the Stockholder Warrants) not purchased upon the exercise of the Stockholder Warrants, at a maximum aggregate purchase price of \$75 million.

Mellon HBV has the right to designate a limited number of qualified institutional buyers as defined in Rule 144A under the Securities Act and institutional accredited investors as defined in Rule 501(a)(1), (2), (3) and (7) under the Securities Act, in each case who are not affiliates of Mellon HBV, not less than three nor more than seven days prior to the Guaranty Performance Date, who may purchase directly from us, in a private placement pursuant to separate subscription agreements substantially similar to the Standby Purchase Agreement to be entered into with Mellon HBV, shares of reorganized common stock otherwise issuable to Mellon HBV under the Standby Purchase Agreement. Any such entity designated by Mellon HBV to so participate will, in its separate subscription agreement with us, expressly disavow any of the rights afforded to Mellon HBV to designate members of Reorganized Seitel's initial staggered board of directors. As of March 9, 2004, Mellon HBV, on its behalf and on behalf of certain affiliated funds and managed accounts, has informed us that it is the sole Standby Purchaser, but has reserved the right to designate entities who may participate as set forth above.

Mellon HBV has agreed to purchase any and all shares of reorganized common stock required to be purchased under the standby purchase agreements to the extent any of the other Standby Purchasers for any reason breach their obligations to purchase shares of reorganized common stock thereunder. Accordingly, even if the Stockholder Warrants are not exercised in full before they expire on May [], 2004, we are guaranteed to receive proceeds of \$75 million, before deducting the expenses of this offering payable by us and currently estimated to be approximately \$2.2 million. From and after the effective date of the Plan, the obligations of the Standby Purchasers under the standby purchase agreements will not be subject to any conditions, other than our obligation to pay certain expenses of the Standby Purchasers and the absence of any claim, action, suit, investigation, litigation or proceeding pending or threatened that would restrict the performance by the Standby Purchasers of their obligations thereunder.

As consideration for the Standby Purchase Agreement, we have agreed to permit Mellon HBV to designate two members of Reorganized Seitel's initial seven-person staggered board of directors. A third director will be selected by mutual agreement of Mellon HBV, the Official Equity Committee and our chairman of the board of directors. In addition, whether or not the Standby Purchasers are required to purchase any shares of reorganized common stock under the standby purchase agreements, we will issue to the Standby Purchasers on the Guaranty Performance Date warrants to purchase up to 15,037,568 shares of reorganized common stock, representing 9.10% of the issued and outstanding shares of reorganized common stock on a fully-diluted basis, without giving effect to the issuance of up to 5% of our fully diluted shares of reorganized common stock reserved for issuance under our 2004 omnibus stock option plan. Such warrants will be issued to each Standby Purchaser on a pro rata basis according to each Standby Purchaser's respective investment obligation. Such warrants will (1) become exercisable on the Guaranty Performance Date, (2) expire on the seventh anniversary of the Guaranty Performance Date, (3) be transferable, and (4) have an exercise price of 72 cents per share.

If and to the extent the managing underwriter for our private placement of new senior notes recommends by written notice to us not later than the effective date of the Plan that we escrow the net proceeds of that offering, then Mellon HBV, upon the written request of the holders of our senior unsecured notes delivered not later than the third day after the effective date of the Plan, will obtain at our expense an irrevocable standby letter of credit to secure all performance obligations, if any, of the Standby Purchasers under the standby purchase commitment.

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The following table sets forth the names of each Standby Purchaser that has been identified to us as of the date of this prospectus, its percentage of the total standby purchase obligation, the maximum dollar amount of its individual obligation, the maximum number of shares of reorganized common stock it would be required to purchase thereunder, assuming none of the Stockholder Warrants are exercised and Mellon HBV does not exercise its right to designate additional qualified institutional buyers to participate in the standby purchase agreement as set forth above, and the number of Standby Purchaser warrants it will receive.

<u>Standby Purchaser(1)</u>	<u>Percentage of Total Standby Purchase Obligation</u>	<u>Maximum Dollar Amount of Standby Purchase Obligation</u>	<u>Maximum Shares to be Purchased under Standby Purchase Agreement</u>	<u>Number of Standby Purchaser Warrants to be Received</u>
Mellon HBV Master Multi-Strategy Fund L.P.	74.9590%	\$ 56,219,219	93,698,698	11,272,004
Mellon HBV Master Rediscovered Opportunities Fund L.P.	7.8269%	5,870,172	9,783,620	1,176,975
Distressed Recovery Master Fund Ltd.	6.7059%	5,029,430	8,382,383	1,008,405
Mellon HBV Special Situations Fund L.P.	5.3053%	3,978,979	6,631,632	797,789
Mellon HBV Capital Partners L.P.	3.6076%	2,705,706	4,509,510	542,496
HFR DS Performance Master Trust	0.8929%	669,646	1,116,077	134,265
Axis-RDO Limited	0.7025%	526,849	878,081	105,634
Mellon HBV Alternative Strategies LLC	100.0000%	\$ 75,000,000	125,000,000	15,037,568

(1) Please see Security Ownership of Certain Beneficial Owners and Management for a description of the relationship among Mellon HBV and the other Standby Purchasers set forth in this table.

To the extent Mellon HBV designates to us a limited number of qualified institutional buyers and institutional accredited investors to participate in the standby purchase agreement as set forth above, the maximum dollar amount, maximum shares to be purchased and number of Standby Purchaser warrants to be received by each Standby Purchaser set forth above will be reduced accordingly, and such securities will be allocated to such additional investors.

Registration Rights

We will enter into a registration rights agreement with Mellon HBV on the effective date of the Plan, which will provide the Standby Purchasers with an aggregate of two demand registration rights and unlimited piggy-back registration rights covering (1) in the case of Mellon HBV, all of the shares of reorganized common stock issued to them upon exercise of their Stockholder Warrants, to the extent not resold by them as selling stockholders hereunder, and all shares of reorganized common stock issued to them under the Plan in their capacity as stockholders of our company as of April [], 2004, and (2) in the case of Mellon HBV and any other Standby Purchasers, all shares of reorganized common stock issued to them in their standby purchase capacity and all warrants (and underlying shares of reorganized common stock) to be issued to them as compensation for their standby purchase agreements, provided that no demand will qualify as such unless made by the holders of at least 10% of the common stock registrable securities and unless at least 10% of the registrable securities are included to be sold in each registration statement. Such registrations are subject to various conditions as well as customary and reasonable black-out periods, holdback, and cut-back provisions. We will pay all fees and expenses for any demand registration, including the cost of one special counsel to the selling stockholders. The selling stockholders will pay for their respective costs and expenses related to any piggyback registration in which they participate.

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Reimbursement of Expenses and Indemnification

We have agreed to reimburse the Standby Purchasers for all actual and reasonable fees and expenses incurred by or on behalf of the Standby Purchasers in connection with the negotiation, preparation, execution and delivery of their commitment letter, the Standby Purchase Agreement and any and all other definitive documentation or other acts relating thereto. As of the date of this prospectus, we have advanced \$300,000 to Mellon HBV to be used to pay such fees and expenses. We have been authorized to advance an additional \$200,000 to Mellon HBV to pay fees and expenses prior to the Guaranty Performance Date and to pay any fees and expenses outstanding on the Guaranty Performance Date.

We have also agreed to indemnify the Standby Purchasers, and their respective affiliates, directors, officers, partners, members, employees, agents and assignees (including affiliates thereof) from and against any and all losses, claims, damages, liabilities or other expenses to which such person may become subject arising out of or in any way relating to or resulting from the standby purchase agreements, excluding any claim arising solely from a breach by any such person of the standby purchase agreements and other agreements between such person and us.

The foregoing does not purport to be a complete description of all of the terms, provisions and conditions of the Standby Purchase Agreement. Reference is made to the complete Standby Purchase Agreement and form of Standby Purchaser warrant agent agreement, copies of which are filed as exhibits to the registration statement of which this prospectus is a part, for their respective full terms, provisions and conditions.

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THE PLAN OF REORGANIZATION

Events Precipitating Our Chapter 11 Filing

In February 2002, we re-evaluated the application of the SEC's Staff Accounting Bulletin No. 101, to our core business of seismic data licensing and our revenue recognition policies under certain types of contracts for the creation of new seismic surveys. This process resulted in our determination that it was appropriate to change our revenue recognition policies for transactions for seismic data licensing and for certain data creation. As a result of this decision, in our audited financial statements and public filings, we restated our results of operations for the nine months ended September 30, 2001 and for the year ended December 31, 2000. The restatement reduced our previously reported revenue by \$42.7 million and our net income by \$14.4 million for the nine months ended September 30, 2001, and reduced our previously reported revenue by \$25.5 million and our net income by \$22.9 million for the year ended December 31, 2000. See "Management Discussion and Analysis of Financial Condition and Results of Operations" and the notes to our consolidated financial statements included elsewhere in this prospectus.

The restatement had no effect on the amount or timing of cash received by us and our subsidiaries during those periods. The effect of the restatement was to defer revenue previously recognized under certain seismic data licensing agreements until selection of specific data was made by the customer. The restatement also resulted in adjustments to the amount and timing of revenue previously recognized under certain data acquisition contracts. It was determined that revenue previously recognized for amounts funded by customers under these contracts should be used to reduce the recorded cost of creating the seismic data. The restatement was a catalyst for many direct and indirect negative events impacting us, including the commencement of securities class actions and derivative actions. The restatement also resulted in the default under our \$255 million in principal amount of senior unsecured notes for breach of covenants. A total of 99 of these senior unsecured notes were issued by us between 1995 to 2001 to various institutions (principally national insurance companies) and were guaranteed by 16 of our direct and indirect subsidiaries.

After we defaulted for breach of covenants under the senior unsecured notes, we and substantially all of our U.S. subsidiaries (collectively, the debtors), negotiated a series of standstill agreements with the initial holders of the senior unsecured notes while the parties negotiated a restructuring. The standstill agreements provided for an increase of 25 basis points on the interest due under the senior unsecured notes from June 21, 2002 through and including June 2, 2003. Additionally, we paid all outstanding interest accrued as of August 2, 2002 under the senior unsecured notes totaling \$7.1 million. Through and including April 2003, the debtors made monthly interest payments to the initial holders of the senior unsecured notes totaling approximately \$1.6 million per month.

While negotiating a restructuring of our debt with the initial noteholders, we implemented enhanced internal controls, procedures and processes. Our then chief executive officer and chief financial officer were terminated, and new senior executive management was appointed. Our board of directors thereafter named a new, independent director in the second quarter of 2002. As part of this process, we retained financial advisors to assist in evaluating employee compensation, accounting and auditing practices, budgeting and fiduciary reporting and performing forensic accounting, restructuring and litigation support.

In December 2002, after allegations arose regarding the actions of certain of our former officers, we became the subject of a formal investigation by the SEC's Division of Enforcement (the "Enforcement Division"). We were also notified by the Enforcement Division that it intended to recommend that the SEC initiate enforcement proceedings against Seitel for alleged books and records and internal control violations. We cooperated fully with the SEC during the course of its investigation, and on May 16, 2003, Seitel reached a consensual resolution of the SEC's civil complaint resulting in its consent to a final judgment of permanent injunction being entered against Seitel on June 16, 2003 in the United States District Court for the Southern District of Texas, Houston Division. The agreement for the entry of the SEC Injunction was without admission or denial of the allegations in the SEC

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complaint which had alleged violations of the reporting, books and records, internal controls and proxy statement sections and regulations of the Exchange Act. In determining to enter into the agreement, the SEC took into consideration the fact that Seitel had promptly undertaken remedial action and fully cooperated with the SEC staff.

We and the initial holders of the senior unsecured notes, through their steering committee, engaged in months of negotiations over the terms of the financial restructuring of the senior unsecured notes. In late May 2003, various issues became the subject of disagreement and several of the initial holders of senior unsecured notes sold their senior unsecured notes at a substantial discount to Ranch Capital L.L.C. With the transfer of a significant number and amount of senior unsecured notes, the negotiations with the initial holders of the senior unsecured notes deteriorated and we determined not to seek a further extension of the standstill agreement previously entered into with such holders as of May 30, 2003.

On June 6, 2003, certain of the remaining initial holders of senior unsecured notes filed involuntary chapter 11 petitions against Seitel and 16 of its direct and indirect subsidiaries that guaranteed the senior unsecured notes. After the involuntary cases were commenced, each of the petitioning creditors sold its senior unsecured notes to Ranch. As a result of the sales of the senior unsecured notes by the initial holders in May and June of 2003, Ranch owned all \$255 million principal amount of senior unsecured notes, plus accrued interest, representing more than 99% in principal amount, as well as most of the unsecured claims in the involuntary cases. Ranch subsequently transferred these senior unsecured notes to Berkshire Hathaway Inc. On July 21, 2003, Seitel filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code. On July 25, 2003, the involuntary cases were dismissed.

Commencement of the Chapter 11 Cases

On July 21, 2003 (the petition date), in furtherance of their restructuring efforts, the debtors filed voluntary petitions for relief under chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (Chapter 11 Case No. 03-12227 (PJW) (Jointly Administered)), and on July 22, 2003 filed their joint plan of reorganization. Since the petition date, the debtors have continued to operate their businesses and manage their properties as debtors-in-possession under Sections 1107(a) and 1108 of the Bankruptcy Code, and we have continued to timely file all periodic reports and other information prescribed by the Exchange Act. No trustee was appointed in the chapter 11 cases.

As successor to the petitioning creditors, Berkshire and the debtors agreed that pursuit of a reorganization through the chapter 11 cases was preferable to continuing the involuntary cases which involved only certain debtors, and which was filed by the petitioning creditors who no longer have an interest in the debtors or their reorganization. In furtherance of the chapter 11 cases, the debtors and Berkshire filed a joint motion to dismiss the involuntary cases, which motion was granted by the bankruptcy court on July 25, 2003. On August 11, 2003, the United States Trustee appointed the Official Equity Committee.

On the petition date, the debtors sought, and thereafter obtained, authority to take a broad range of actions, including to honor and perform under their pre-petition customer data agreements and to promote a business as usual atmosphere with customers and employees. This relief was essential to minimize disruptions to the debtors' businesses as a result of the commencement of the chapter 11 cases and to assure their customers that the data license agreements for selection of seismic data would be honored pending confirmation of a plan. Additionally, other first day orders were obtained, including authority to pay certain, limited pre-petition employee wages and benefits, providing adequate assurance of future payments to utility companies, continued use of cash management systems, payment of pre-petition sales and use taxes and appointment of a claims and balloting agent.

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By order dated September 22, 2003, the bankruptcy court approved a \$20 million debtor-in-possession loan facility from Wells Fargo Foothill, Inc., subject to certain conditions.

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On October 6, 2003, the debtors filed their first amended joint plan of reorganization, which superseded the joint plan of reorganization. The disclosure statement relating to the first amended joint plan of reorganization was approved upon notice, and a hearing to consider confirmation of the first amended joint plan of reorganization was scheduled in the bankruptcy court for November 4, 2003. The first amended joint plan of reorganization provided, among other things, for the payment of \$10.15 million in the aggregate (or 40 cents per share) to holders of our common stock in exchange for the cancellation of their interests in our common stock, and the issuance of 100% of our reorganized common stock in exchange for approximately \$195 million in cash. Such cash was intended to pay all allowed claims (including claims evidenced by our senior unsecured notes) under the first amended joint plan of reorganization at the rate provided in the plan and to fund the \$10.15 million payment to holders of our common stock in exchange for the cancellation of their stock. In October 2003, our stockholders voted to reject the first amended joint plan of reorganization.

On October 27, 2003, the Official Equity Committee moved to adjourn the bankruptcy court hearing to consider confirmation of the first amended joint plan of reorganization and to terminate the debtors' statutory exclusivity period. Following a hearing, the bankruptcy court ordered the termination of the debtors' exclusivity period, and on November 6, 2003 the Official Equity Committee filed with the bankruptcy court its own proposed, initial plan of reorganization (the Committee Plan) which, among other things, provided for (1) the issuance of 100% of reorganized common stock to the holders of our common stock, subject to dilution pursuant to a warrant subscription offering to be made to such holders, (2) an equity contribution of \$40 million pursuant to a warrant offering, and (3) the reinstatement, in full, of all indebtedness evidenced by our senior unsecured notes, in each case on the effective date of the Committee Plan. The payment of all outstanding principal of and interest on the reinstated senior unsecured notes was to be funded from Reorganized Seitel's future operating cash flows and the equity contribution resulting from the exercise of warrants in the warrant offering. The debtors and the holders of senior unsecured notes objected to the Committee Plan on the basis, among others, that the Committee Plan was not feasible within the meaning of Section 1129 of the Bankruptcy Code.

The Plan

The debtors continued to pursue confirmation of their first amended joint plan of reorganization and filed a motion in the bankruptcy court on December 4, 2003 to implement auction procedures in support of such confirmation. At or about that time, the debtors, the holders of senior unsecured notes and the Official Equity Committee commenced discussions with respect to the formulation and implementation of an alternative, consensual chapter 11 plan of reorganization intended to result in a transaction that would satisfy and address the claims and equity interests of all the debtors' creditors and stockholders.

On January 17, 2004, following months of negotiations among all relevant parties-in-interest and plan financing sources, the debtors filed with the bankruptcy court the Plan, which subsequently was amended on February 5, 2004. The Plan has been agreed to by the Official Equity Committee, which has furnished in writing to all holders of our common stock its recommendation to vote to accept the Plan. Similarly, Berkshire Hathaway Inc. and Ranch Capital LLC, the holders of \$255 million aggregate principal amount of our senior unsecured notes (and Seitel's largest creditors), have agreed to vote for, support, and not take any action inconsistent with, the Plan.

The Plan provides for a sequence of corporate and securities transactions including this offering, which will continue through May [], 2004 the 30th day after the effective date of the Plan. Under the Plan:

All of our outstanding allowed pre-petition claims will be fully paid, in cash, together with post-petition (non-default rate) interest, except with respect to any disputed claims and any secured claims that are reinstated under the Plan.

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All 25,375,683 outstanding shares of our common stock will be cancelled and, without any action on the part of the holders of such shares, such shares will be converted into the right to receive and be exchanged for:

an aggregate of 25,375,683 shares of our reorganized common stock, representing all of the issued and outstanding shares of reorganized common stock on the effective date of the Plan, without giving effect to (1) the exercise of the Stockholder Warrants or the purchase of reorganized common stock by the Standby Purchasers under the standby purchase agreements, or any combination thereof, (2) the exercise of warrants to purchase up to 15,037,568 shares of reorganized common stock to be issued to the Standby Purchasers as compensation for their standby purchase agreements and (3) the issuance of up to 5% of our reorganized common stock, on a fully diluted basis, reserved for issuance under our 2004 omnibus stock option plan, and

Stockholder Warrants to purchase an aggregate of 125,000,000 shares of reorganized common stock, representing approximately 83.13% of the outstanding shares of reorganized common stock on a fully diluted basis, without giving effect to (1) the exercise of warrants to be issued to the Standby Purchasers as compensation for their standby purchase agreements and (2) the issuance of shares of reorganized common stock reserved for issuance under our 2004 omnibus stock option plan.

The Standby Purchasers will purchase from us on the Guaranty Performance Date, at 60 cents per share, up to 125,000,000 shares of reorganized common stock (representing the maximum number of shares subject to the Stockholder Warrants) not purchased upon the exercise of the Stockholder Warrants, at a maximum aggregate purchase price of \$75 million. Accordingly, even if the Stockholder Warrants are not exercised in full before they expire on May [], 2004, we are guaranteed to receive proceeds of \$75 million, before deducting the expenses of this offering payable by us and currently estimated to be approximately \$2.2 million.

We will issue to the Standby Purchasers, on the Guaranty Performance Date, warrants to purchase up to 15,037,568 shares of reorganized common stock, representing 9.10% of the issued and outstanding shares of reorganized common stock on a fully diluted basis, without giving effect to the issuance of shares of reorganized common stock under our 2004 omnibus stock option plan. Such warrants will become exercisable on the Guaranty Performance Date, expire on the seventh anniversary of the Guaranty Performance Date, be transferable and have an exercise price of 72 cents per share.

We will consummate an institutional private placement of new senior notes resulting in net proceeds to us of not less than \$180 million.

We will consummate a new revolving credit facility providing a revolving loan commitment, subject to borrowing base, of not less than \$25 million.

Treatment of Pre-Petition Claims

All outstanding principal amount of our allowed pre-petition claims will be fully paid, in cash, together with all post-petition (non-default rate) interest on the Guaranty Performance Date, which claims represent approximately \$283.7 million in the aggregate and approximately \$273.5 million of which represents indebtedness on Seitel's senior unsecured notes.

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The Plan provides that claims against Seitel will be treated as follows:

Class of Claim	Treatment
Administrative Claims (Unclassified)	Paid in full in cash on the effective date of the Plan.
Priority Tax Claims (Unclassified)	Paid in full in cash on the effective date of the Plan.
Debtor-in-Possession Financing Claims (Unclassified)	Paid in full in cash including unpaid principal, accrued but unpaid interest and attorneys fees and costs, on the effective date of the Plan.
Class 1: Other Priority Claims (Other Priority Claims are priority claims other than priority tax or administrative expense claims.)	Paid in full in cash on the effective date of the Plan, together with interest at the contract rate and fees and costs as may be required by contract.
Class 2: Harney Secured Claim (Harney Secured Claim is defined to be the claim held by Harney Investment Trust, an affiliate of Berkshire, in the original principal amount of \$10 million, and in the estimated allowed amount of \$5.6 million.)	Paid in full in cash on the effective date of the Plan, together with interest at the contract rate and fees and costs as may be required by contract. (See Business Legal Proceedings)
Class 2A: Other Secured Claims (Other Secured Claims are all secured claims other than the Harney Secured Claim; none are known.)	Reinstated (if any)
Class 3: Unsecured Claims	Paid in full in cash with interest at the (non-default) contract rate (or the federal judgment rate, if no contract exists) together with fees and expenses as may be required by contract, not later than the Guaranty Performance Date.
Class 4: Pearlman Claims (Pearlman Claims are those claims of Herbert Pearlman, former chairman of the board of Seitel.)	Paid pursuant to prior agreement set forth in the Plan.(1)
Class 5: Securities Claims (Securities Claims are those claims arising in connection with the issuance, purchase, or sale of securities of Seitel.)	Treated pursuant to a previous court-approved settlement. (see Business Legal Proceedings)
Class 6: Seitel s common stock	Holders of Seitel s common stock as of April [], 2004 will retain 100% equity interest in Reorganized Seitel, subject to dilution as a result of the exercise of Stockholder Warrants and/or the issuance of shares under the standby purchase agreements, the exercise of warrants issued to the Standby Purchasers as compensation for their standby purchase agreements and the issuance of shares reserved for issuance under our 2004 omnibus stock option plan.

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Class of Claim	Treatment
Class 7: Subsidiary Equity Interests (Subsidiary Equity Interests are those interests in the debtors (other than those of Seitel) issued or outstanding immediately before the effective date of the Plan.)	Cancelled
Class 8: Pre-Petition Warrants (Pre-Petition Warrants are all authorized, unissued shares of Seitel s common stock, including all warrants, options, and contract rights to purchase or acquire Seitel s common stock at any time.)	Cancelled
Class 9: Inter-Company Claims (Inter-Company Claims are claims between the debtors and/or between any debtor and a non-debtor affiliate.)	Reinstated

(1) We instituted an action against Mr. Pearlman seeking a declaratory judgment with respect to his employment agreement. Mr. Pearlman asserted various counterclaims. On May 9, 2003, this litigation was settled. The settlement agreement provided for payment to Mr. Pearlman of \$485,000 for certain out-of-pocket costs and expenses and an initial payment of \$1 million, both of which have been paid, and a note issued to Mr. Pearlman in the amount of \$735,000 payable in equal installments over a period of 10 years. Under the Plan, the note will be assumed or re-issued by Reorganized Seitel.

The Plan by its terms provides that the treatment afforded to creditors and stockholders is in full satisfaction, settlement, release and discharge for and in exchange for such creditors claims and stockholders equity interests.

Payments to creditors under the Plan will be funded utilizing:

the net proceeds to us from the exercise of the Stockholder Warrants, the sale of shares of reorganized common stock under the standby purchase agreements, or any combination thereof,

net proceeds to us of not less than \$180 million from our anticipated institutional private placement of new senior notes,

available cash and cash equivalents of not less than \$35 million, and

if necessary, available borrowings under our new revolving credit facility providing a revolving loan commitment, subject to borrowing base, of not less than \$25 million.

On the effective date of the Plan, we will deposit all net proceeds from our private placement of new senior notes into an interest bearing escrow account maintained by a U.S. money center banking institution, and the conditions to the release from escrow of such proceeds will be the occurrence of the Guaranty Performance Date, our receipt of the proceeds from the exercise of the Stockholder Warrants and/or performance by the Standby Purchasers of their obligations under the standby purchase agreements and, after giving effect to the release from escrow of such proceeds, the absence of any default under the indenture governing the new senior notes.

Confirmation of the Plan

A confirmation hearing has been scheduled for March 18, 2004. At the confirmation hearing, the bankruptcy court will determine whether the confirmation requirements specified in Section 1129 of the Bankruptcy Code have been satisfied. We believe that, when holders of our unsecured claims and holders of Seitel's common stock

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have voted on the Plan, the Plan will be deemed to satisfy all the statutory requirements of chapter 11 of the Bankruptcy Code, that we will be deemed to have complied or will have complied with all of the requirements of chapter 11, that the Plan was proposed in good faith, and that the bankruptcy court will have confirmed the Plan.

Effectiveness and Consummation of the Plan

The effective date of the Plan is anticipated to occur on or about April 20, 2004. The Plan will not become effective unless and until the following conditions have occurred:

the confirmation order is in form and substance reasonably satisfactory to the Official Equity Committee and the Standby Purchasers, and has become a final order,

our institutional private placement of new senior notes is consummated resulting in net proceeds to us of not less than \$180 million,

our new revolving credit facility is closed and is in full force and effect,

the registration statement of which this prospectus is a part is declared effective by the SEC, and no stop order has been issued in respect thereof,

our initial board of directors is appointed as set forth in the Plan and has agreed to serve as directors of Reorganized Seitel, and

we have cash or cash equivalents in hand as of the effective date of the Plan and available to satisfy claims under the Plan of not less than \$35 million.

Seitel, with the consent of the Official Equity Committee and the Standby Purchasers and in certain cases, Berkshire and Ranch (which consent will not unreasonably be withheld), may waive any of the conditions set forth above, at any time, without notice, without leave or order of the bankruptcy court, and without any formal action other than proceeding to consummate the Plan.

Implementation of the Plan

Continued Corporate Existence and Vesting of Assets in the Reorganized Debtors

Except as provided below with respect to the dissolution of the debtors with no assets, the reorganized debtors will continue their separate corporate existences on and after the effective date of the Plan, with all express, incidental and attendant powers granted to them under their respective organizational instruments and the laws of the respective states of their organization and without prejudice to any right thereafter to alter or terminate such existence (whether by contract, operation of law or otherwise) under such applicable state law. Some or all of the debtors with no assets, as may be designated in the plan supplement, may be dissolved as of the effective date of the Plan without further action and the confirmation order may serve as an order dissolving such debtors.

Revesting of Assets

The property of the estates of the debtors will vest in the reorganized debtors on the effective date of the Plan free and clear of all claims, liens, charges or other encumbrances and equity interests (other than reorganized common stock and New Subsidiary Equity Interests), provided, however, that the liens incurred as a result of debtor-in-possession financing will remain on the debtors' assets until the debtor-in-possession financing claims have been indefeasibly paid in full as provided in the Plan and shall thereupon be released. On and after the effective date of the Plan, the reorganized debtors may operate their businesses and may use, acquire, or dispose of property and compromise or settle any claims or equity interests, without supervision or approval by the bankruptcy court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan and the confirmation order.

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Assumption or Rejection of Executory Contracts and Unexpired Leases

As of the effective date of the Plan, the customer data license agreements, the directors and officers insurance policies, various policies providing for insurance coverage of the debtors and the retention and bonus agreements with our chairman and our chief executive officer will have been deemed assumed by Reorganized Seitel in accordance with the provisions and requirements of Sections 365 and 1123 of the Bankruptcy Code, except any such customer data license agreements, directors and officers insurance policies and policies providing for insurance coverage that (1) have been rejected by order of the bankruptcy court, (2) are the subject of a motion to reject pending on the effective date of the Plan (which will thereafter be rejected, or otherwise treated in accordance with orders disposing of such motions), (3) are identified on a list filed by the reorganized debtors on or before the confirmation date of the Plan as to be rejected or (4) are rejected pursuant to the terms of the Plan. Entry of the confirmation order by the bankruptcy court will constitute approval of such assumptions and rejections pursuant to Sections 365(a) and 1123 of the Bankruptcy Code.

Except for the customer data license agreements, the directors and officers insurance policies, various policies providing for insurance coverage of the debtors, and the retention and bonus agreements with our former chief executive officer and principal financial officer, respectively, of the debtors, as of the effective date of the Plan, all employment agreements, plans and executory contracts and unexpired leases of the debtors will be deemed to have been rejected by the reorganized debtors in accordance with the provisions and requirements of Sections 365 and 1123 of the Bankruptcy Code, except those employment agreements, plans and executory contracts and unexpired leases that (1) have been assumed by order of the bankruptcy court, (2) are the subject of a motion to assume pending on the effective date of the Plan (which will thereafter be assumed, or otherwise treated in accordance with orders disposing of such motions), (3) are identified on a list filed by the reorganized debtors on or before the confirmation date of the Plan as to be assumed or (4) are assumed pursuant to the terms of the Plan (including, without limitation, the Standby Purchase Agreement). Entry of the confirmation order by the bankruptcy court will constitute approval of such assumptions and rejections pursuant to Sections 365(a) and 1123 of the Bankruptcy Code. Each executory contract and unexpired lease assumed pursuant to the Plan will revest in and be fully enforceable by the respective reorganized debtor in accordance with its terms, except as modified by the provisions of the Plan, or any order of the bankruptcy court authorizing and providing for its assumption or applicable federal law.

Claims Based on Rejection of Executory Contracts

All proofs of claim with respect to claims arising from the rejection of executory contracts or unexpired leases, if any must be filed within 30 days after the date of entry of an order of the bankruptcy court approving such rejection. Any claims arising from the rejection of an executory contract or unexpired lease not filed within such time will be forever barred from assertion against the debtors.

Limited Indemnification of Directors, Officers and Employees

The obligations of the debtors to indemnify any person serving at any time on or prior to the effective date of the Plan as one of its directors, officers or employees by reason of such person's service in such capacity, or as a director, officer or employee of any other corporation or legal entity, to the extent provided in any debtor's constituent documents or by a written agreement with the debtors or the Delaware General Corporation Law, will be deemed assumed by the reorganized debtors pursuant to the Plan and Section 365 of the Bankruptcy Code as of the effective date of the Plan to the limited extent of the obligation to defend against claims that are not securities claims. The debtors' obligations, if any, to defend securities claims or to satisfy any judgment or liability of any such person on account of any securities claim will be a Class 5 securities claim. The debtors' obligation, if any, to indemnify any such person with respect to any liability with respect to any claim or cause of action that arose prior to July 21, 2003 will not be assumed and will be deemed satisfied by the assumption of the

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obligation to defend, except as set forth in Section 10.4(a) of the Plan. The Debtors' existing directors' and officers' insurance coverage will be assumed and maintained in effect (as set forth in Section 6.1(a) of the Plan). Accordingly, the limited indemnification obligations to defend described above as assumed will survive unimpaired and unaffected by entry of the confirmation order, irrespective of whether such indemnification is owed for an act or event occurring before or after the petition date, but all other indemnification obligations that arose before the petition date will be discharged. All indemnification obligations based on any fact or circumstance first arising after the petition date is part of the directors', officers' and employees' administrative compensation claim and therefore, will be assumed and honored after the effective date of the Plan.

Releases and Exculpation

In consideration of the contributions of certain parties to the chapter 11 cases, including the restructuring of the debtors as provided in the Plan and the waiver by certain parties of rights they might otherwise seek to assert against the debtors, the Plan provides for certain waivers, exculpations, releases and injunctions by the debtors to the Standby Purchasers, the Official Equity Committee and officers, directors and employees, among others.

As of the effective date of the Plan, the debtors and the parties released from liability under the Plan, including their officers, directors and employees, and their respective advisors, attorneys, agents or any professionals retained by them will neither have nor incur any liability to, nor be subject to any right of action by, any person or entity for any action taken or omitted to be taken in conjunction with or related to the formulation, preparation, dissemination, implementation, administration, confirmation or effectiveness of the Plan or the related disclosure statement.

Benefit Program

Except as otherwise expressly provided in the Plan or by separate motion, all programs of the debtors applicable to its current employees with respect to 401(k) plans, health care plans, disability insurance plans, life insurance plans, accidental death and dismemberment insurance plans, vacation allowances and educational reimbursement plans are treated as executory contracts under the Plan and on the effective date of the Plan will be assumed pursuant to the provisions of Sections 365 and 1123 of the Bankruptcy Code, provided, however, that any plan or program that requires the issuance of any equity interests or any reorganized common stock will not be assumed except as specifically may be provided in the Plan.

Issuance of Reorganized Common Stock on Effective Date of the Plan

On the effective date of the Plan, all 25,375,683 outstanding shares of our common stock will be cancelled, and holders of such shares will receive an aggregate of 25,375,683 shares of our reorganized common stock, representing all of the issued and outstanding shares of reorganized common stock on the effective date of the Plan, without giving effect to (1) the exercise of the Stockholder Warrants or the purchase of reorganized common stock by the Standby Purchasers under the standby purchase agreements, or any combination thereof, (2) the exercise of warrants to purchase up to 15,037,568 shares of reorganized common stock to be issued to the Standby Purchasers as compensation for their standby purchase agreements and (3) the issuance of up to 5% of our reorganized common stock, on a fully diluted basis, reserved for issuance under our 2004 omnibus stock option plan. On the effective date of the Plan, each holder of our common stock will receive one share of reorganized common stock for each share of common stock held by such holder on April [], 2004.

Issuance of Stockholder Warrants on Effective Date of the Plan

Under the Plan, in addition to the shares of our reorganized common stock issued to holders of our common stock as of April [], 2004, on or about the effective date of the Plan, such holders will receive Stockholder Warrants to purchase an aggregate of 125,000,000 shares of reorganized common stock, representing

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approximately 83.13% of the outstanding shares of reorganized common stock on a fully diluted basis, without giving effect to (1) the exercise of warrants to purchase up to 15,037,568 shares of reorganized common stock to be issued to the Standby Purchasers as compensation for their standby purchase agreements and (2) the issuance of up to 5% of our reorganized common stock, on a fully diluted basis, reserved for issuance under our 2004 omnibus stock option plan. On the effective date of the Plan, each holder of our common stock will receive such number of Stockholder Warrants that will enable such holder to retain the same percentage equity ownership it had in our company immediately prior to the effective date of the Plan, subject to reduction as set forth above. See [Description of Stockholder Warrants](#) for further information concerning the Stockholder Warrants, their issuance and the procedure for exercise, and [Dilution](#) for a discussion of the potential dilution that you may experience.

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DESCRIPTION OF INDEBTEDNESS OF REORGANIZED SEITEL

The New Revolving Credit Facility

On the effective date of the Plan, we intend to enter into a new revolving credit facility with an institutional lender, providing a syndicated loan commitment not less than \$25 million. We presently are in discussions with several potential lenders and expect that a new revolving credit facility will be successfully negotiated on terms acceptable to us. The loan commitment is expected to be subject to either a borrowing base sublimit determined by reference to the value of certain of our accounts receivable and components of our seismic data library inventory, or a cash flow (or equivalent) maintenance test. Borrowings under the new revolving credit facility will be used to fund our working capital needs.

We anticipate that interest on advances under the new revolving credit facility will be payable on the earlier of the expiration of any interest period under the facility or monthly, beginning with the first month after the effective date of the Plan. Amounts outstanding under the facility are expected to accrue interest at our option at either the Eurodollar rate, which is the annual interest rate equal to the London interbank offered rate for deposits in United States dollars that is determined by reference to the Telerate Service or offered to [], plus an applicable margin, or at the prime rate, which is the floating annual interest rate established by [] from time to time as its prime rate of interest and which may not be the lowest or best interest rate charged by [] on loans similar to the new revolving credit facility, plus an applicable margin. We anticipate that the principal amount of all outstanding borrowings under the new revolving credit facility, together with accrued and unpaid interest will be due and payable in full three years from the effective date of the Plan.

We also anticipate that the new revolving credit facility will be secured by a first priority security interest in substantially all of our U.S. tangible and intangible assets and a pledge of all of the issued and outstanding capital stock of our material U.S. subsidiaries.

The credit facility is expected to contain financial and other covenants including:

 maintenance of minimum ratios of cash flow to interest expense, commencing as of the fiscal quarter next following the effective date of the Plan,

 restrictions on the payment of dividends, and

 limitations on the incurrence of indebtedness, requirements with respect to affiliate (or related party transactions), the creation of liens, the incurrence of capital expenditures, the making of particular types of investments or other restricted payments and requirements with respect to capitalization events, asset sales, mergers and consolidations.

The foregoing does not purport to be a complete description of all of the terms, provisions, covenants and agreements contained in the new revolving credit facility and reference is made in each instance to the new revolving credit facility filed as an exhibit to the registration statement of which this prospectus is a part.

New Senior Notes

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We intend to enter into a purchase agreement with certain financial institutions, under which they will agree to act as initial purchasers in connection with an institutional private placement of new senior unsecured notes pursuant to Section 4(2) of and Rule 144A under the Securities Act, intended to result in net cash proceeds to us of not less than \$180 million. The new senior notes will be issued by Reorganized Seitel to the initial purchasers who, in turn, would resell the new senior notes pursuant to Rule 144A under the Securities Act to qualified institutional buyers (within the meaning of Rule 144A) and a limited number of accredited investors (within the meaning of Rule 501(a)(1), (2), (5) and (7) of Regulation D under the Securities Act) who are institutions.

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The new senior notes are expected to have a term of 10 years from the date of issuance. The new senior notes are expected rank *pari passu* to all our future senior indebtedness and rank senior to all of our subordinated indebtedness.

The new senior notes will be guaranteed by all of our subsidiaries that guarantee the new revolving credit facility. The indenture pursuant to which the notes will be issued will contain covenants that, among other things, limit our ability to incur indebtedness, engage in sale-leaseback transactions, pay dividends or make certain other distributions, sell assets, redeem capital stock, effect a consolidation or merger, enter into transactions with stockholders and affiliates, and create liens on our assets.

We will have the option to redeem up to 35% of the new senior notes with the proceeds of certain active equity offerings, if any, at a premium equal to the stated interest rate of the notes, plus accrued interest, at any time prior to the third anniversary of the date of their issuance, and we will have the option to redeem all or some of the notes after the fifth anniversary of the issue date at redemption prices set forth in the indenture. Upon a change in control (as defined in the indenture) we will be required to offer to purchase the new senior notes at a purchase price equal to 101% of their principal amount, plus accrued interest.

Pearlman Note

In connection with our settlement of litigation involving Seitel's former chairman of the board of directors, Herbert Pearlman, in *Seitel, Inc. v. Pearlman, C.A. No. H-02-1843*, we reimbursed Mr. Pearlman for certain out of pocket costs and expenses totaling \$485,000 and paid Mr. Pearlman \$1 million plus issued a note payable in a series of approximately equal payments totaling an additional \$735,000 without interest over a ten year period in respect of his former employment that was terminated in all respects. Olympic, our non-debtor, Canadian subsidiary, which is paying its debts as they become due and which does not intend to seek bankruptcy relief, is jointly liable for payments due under the Pearlman note. Under the Plan, the Pearlman note will be reaffirmed or reissued, Pearlman will be allowed to file claims, if any, that he seeks to assert and, except as amended by the Plan, with respect to certain indemnity obligations, Reorganized Seitel will perform its obligation under the settlement.

Canadian Line of Credit

On January 12, 2004, our wholly owned, Canadian, non-debtor subsidiary, Olympic Seismic Ltd., entered into a revolving credit facility with Royal Bank of Canada. The facility allows Olympic to borrow in the form of prime-based loans, bankers' acceptances or letters of credit up to \$5 million (Canadian), subject to a borrowing base formula. The facility is secured by the assets of Olympic, SEIC Trust Administration Ltd. (as sole trustee of, and for and on behalf of, SEIC Business Trust) and SEIC Holdings, Ltd., but is not guaranteed by us. All intercompany debt owing by Olympic to us or to any affiliate of ours has been subordinated to the repayment in full of the revolving credit facility. The \$5 million (Canadian) maximum borrowing commitment is subject to a 75% of eligible accounts receivable borrowing base sublimit (as defined in the agreement) further reduced by prior-ranking claims, if any, relating to inventory or accounts. The facility is subject to repayment upon demand. A review of this demand facility is performed annually at the bank's discretion. As of March 1, 2004, no borrowings were outstanding under this revolving line of credit and there was approximately \$5 million (Canadian) of borrowing availability on the line of credit. Olympic is not an obligor in respect of any of the notes, and is not a debtor under the Plan.

Other Significant Debt

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During 2001 and 2002, Seitel, as lessee, entered into a lease with Winthrop Resources Corp., as lessor, for the purchase of computer and data technology center furniture and equipment. The lease had an initial term of approximately two years. On February 18, 2003, in settlement of certain non-bankruptcy litigation, Seitel and Winthrop entered into an amendment of the lease terms effective as of January 1, 2003. Under the amended obligations, on February 18, 2003, we made a one time payment of \$1,580,000, plus applicable taxes, in

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consideration of past due lease payments and agreed to make 33 additional monthly payments of principal and interest of \$165,000, plus applicable taxes. At the expiration of the lease term, there is an option to purchase the leased equipment, in whole but not in part, for \$810,000, less a credit of \$309,910 in respect of a cash deposit held by Winthrop. The outstanding balance on the lease as of March 1, 2004, was approximately \$3.6 million. All payments due under the restructured lease have been timely made to date. We have assumed the Winthrop lease pursuant to an order of the bankruptcy court dated December 29, 2003. The lease has been treated for accounting and financial reporting purposes as a capital lease.

On April 30, 2002, Olympic entered into a sale-leaseback agreement on a building and property situated in Calgary, Alberta, Canada. Proceeds of the sale were \$3.6 million (Canadian dollars). The proceeds were used to repay outstanding borrowings under Olympic's revolving line of credit and for general corporate purposes. This capital lease has a 20-year term, with lease payments of: \$336,000 (Canadian dollars) in years 1-5; \$370,860 (Canadian dollars) in years 6-10; \$409,500 (Canadian dollars) in years 11-15; and \$452,340 (Canadian dollars) in years 16-20. The sale-leaseback arrangement is not affected by the Plan.

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USE OF PROCEEDS

We will receive aggregate gross proceeds of \$75 million, before deducting expenses of this offering payable by us, which are estimated to be approximately \$2.2 million. We will not receive any proceeds from the sale of our reorganized common stock or Stockholder Warrants by the selling stockholders.

We will use the entire net proceeds received by us to partially fund payments to creditors under the Plan and, to the extent not so required, for working capital and general corporate purposes. In addition to such proceeds, we intend to fund payments to creditors under the Plan utilizing the net proceeds from our anticipated private placement of new senior notes resulting in net proceeds to us of not less than \$180 million, available cash and cash equivalents of not less than \$35 million and, if necessary, available borrowings under our anticipated new revolving credit facility providing a revolving loan commitment, subject to borrowing base, of not less than \$25 million.

On the effective date of the Plan, we will deposit all net proceeds from our institutional private placement of new senior notes into an interest bearing escrow account maintained by a U.S. money center banking institution, and the conditions to the release from escrow of such proceeds will be the occurrence of the Guaranty Performance Date, our receipt of the proceeds from the exercise of the Stockholder Warrants and/or performance by the Standby Purchasers of their obligations under the standby purchase agreements and, after giving effect to the release from escrow of such proceeds, the absence of any default under the indenture governing the new senior notes.

We have retained Jefferies as our financial advisor in connection with the transactions contemplated by the Plan under the terms of an engagement letter dated February 3, 2004, which is subject to approval by the bankruptcy court. Jefferies has agreed to act as dealer-manager in connection with this offering. We have agreed to pay Jefferies a fee of approximately \$1.0 million for its services as dealer-manager in connection with this offering.

DIVIDEND POLICY

Although we have declared and paid cash dividends on our common stock in the past, we have not declared or paid any cash dividends on our common stock during our two most recent fiscal years. We do not intend to declare or pay any cash dividends on our reorganized common stock in the foreseeable future. Covenants within our anticipated new revolving credit facility and our new senior notes will restrict our ability to pay cash dividends on our capital stock. Future declaration and payment of cash dividends, if any, on our reorganized common stock will be determined in light of factors deemed relevant by our board of directors, including our earnings, operations, capital requirements and financial condition and restrictions in our financing agreements.

Table of Contents**PRICE AND RELATED INFORMATION CONCERNING REGISTERED SHARES****Seitel Market Information**

Our common stock has traded in the over-the-counter market on the OTC Bulletin Board, its primary trading market, and on the Toronto Stock Exchange. Prior to March 17, 2003, our common stock traded on the New York Stock Exchange under the symbol SEI. Following delisting of our common stock by the NYSE on March 17, 2003 due to our inability to meet the NYSE's continued listing requirements relating to minimum share price and market capitalization, our common stock commenced trading on the OTC Bulletin Board. The following table sets forth the high and low sale prices as reported by the NYSE or the high and low bid prices as reported by the OTC Bulletin Board, as applicable, for the periods indicated. The OTC Bulletin Board quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

	<u>High</u>	<u>Low</u>
2002		
1st Quarter	\$ 14.08	\$ 8.20
2nd Quarter	\$ 11.00	\$ 1.00
3rd Quarter	\$ 1.01	\$ 0.37
4th Quarter	\$ 0.88	\$ 0.49
2003		
1st Quarter	\$ 0.68	\$ 0.20
2nd Quarter	\$ 0.47	\$ 0.16
3rd Quarter	\$ 0.36	\$ 0.22
4th Quarter	\$ 2.08	\$ 0.29
2004		
1st Quarter (through March 8, 2004)	\$ 4.85	\$ 2.21

On March 8, 2004, the closing bid price of our common stock on the OTC Bulletin Board was \$4.50.

As of March 1, 2004, there were 828 stockholders of record and 25,375,683 shares of our common stock outstanding.

Reorganized Seitel Market Information

We do not intend at this time to make any application to list our reorganized common stock or the Stockholder Warrants for trading on any national securities exchange or U.S. inter-dealer quotation system. The Stockholder Warrants will be transferable until they expire on May [___], 2004. Broker-dealers who currently make a market in our common stock will be required to apply to the OTC Bulletin Board to initiate quotations in our reorganized common stock. We are notifying our current market makers to request that the OTC Bulletin Board allow them to initiate quotations in our reorganized common stock as of the effective date of the Plan. We will cooperate with any registered broker-dealer who may seek to initiate price quotations for our reorganized common stock and the Stockholder Warrants on the OTC Bulletin Board. See Risk Factors. We do not intend at this time to apply to list our reorganized common stock or the Stockholder Warrants on any national securities exchange or U.S. inter-dealer quotation system. Our reorganized common stock and the Stockholder Warrants may trade infrequently and at unpredictable levels on the over-the-counter market resulting in a potential lack of liquidity of your stock.

Table of Contents**CAPITALIZATION**

The following table sets forth our historical and pro forma consolidated debt and capitalization at September 30, 2003, as adjusted to give effect to the following:

the consummation of the Plan, providing for, among other things:

the payment in full in cash of approximately \$283.7 (estimated as of April 30, 2004) million of our outstanding allowed pre-petition claims with post-petition (non-default rate),

the cancellation of 25,375,683 outstanding shares of our common stock in exchange for our issuance of 25,375,683 shares of our reorganized common stock and Stockholder Warrants to purchase an aggregate of up to 125,000,000 shares of reorganized common stock,

the issuance of warrants to purchase up to 15,037,568 shares of reorganized common stock to the Standby Purchasers as compensation for their standby purchase agreements,

the consummation of our anticipated sale of \$190 million aggregate principal amount of new senior notes, assuming 10-year notes with a 9% interest rate, and

the consummation of our anticipated new revolving credit facility providing a commitment, subject to borrowing base, of not less than \$25 million, assuming a three-year term.

This information should be read in conjunction with Selected Historical Consolidated Financial Data, Unaudited Pro Forma Consolidated Financial Data and Management's Discussion and Analysis of Financial Conditions and Results of Operations, as well as our audited and unaudited consolidated financial statements and their accompanying notes, all of which are included elsewhere in this prospectus.

	September 30, 2003	
	Historical	Pro Forma
	(in thousands)	
Debt, including lease obligations:		
Debtor-in-possession loan facility	\$	\$
Former term loan	5,417	
Demand reducing credit facility	493	493
Old senior unsecured notes	255,000	
Other long-term debt	454	454
New revolving credit facility		
New senior unsecured notes		190,000
Subtotal	261,364	190,947
Capital lease obligations	6,846	6,846

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Total debt	268,210	197,793
Stockholders' equity	28,334	95,824
Total capitalization	\$ 296,544	\$ 293,617

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DILUTION

On the effective date of the Plan, all 25,375,683 outstanding shares of our common stock will be cancelled and, without any action on the part of the holders of these shares, such shares will be converted into the right to receive and be exchanged for:

an aggregate of 25,375,683 shares of our reorganized common stock, representing all of the issued and outstanding shares of reorganized common stock on the effective date of the Plan, without giving effect to (1) the exercise of the Stockholder Warrants or the purchase of reorganized common stock by the Standby Purchasers under the standby purchase agreements, or any combination thereof, (2) the exercise of warrants to purchase up to 15,037,568 shares of reorganized common stock to be issued to the Standby Purchasers as compensation for their standby purchase agreements and (3) the issuance of up to 5% of our reorganized common stock, on a fully diluted basis, reserved for issuance under our 2004 omnibus stock option plan, and

Stockholder Warrants to purchase an aggregate of 125,000,000 shares of reorganized common stock, representing approximately 83.13% of the outstanding shares of reorganized common stock on a fully diluted basis, without giving effect to (1) the exercise of warrants to be issued to the Standby Purchasers as compensation for their standby purchase agreements and (2) the issuance of shares of reorganized common stock reserved for issuance under our 2004 omnibus stock option plan.

On the effective date of the Plan, each holder of our common stock will receive, in exchange for each share it owned on April [], 2004, one share of our reorganized common stock and one Stockholder Warrant to purchase 4.926 shares of reorganized common stock, at an exercise price of 60 cents per share. The number of Stockholder Warrants which each individual stockholder will receive will enable such stockholder to retain the same percentage equity ownership in our company it had immediately prior to the effective date of the Plan, subject to dilution as described above. Accordingly, for a holder of our reorganized common stock to retain the same percentage equity ownership it had immediately prior to the effective date of the Plan, it will need to exercise all of its Stockholder Warrants in full.

If you do not exercise your Stockholder Warrants in full, your relative percentage equity ownership in Reorganized Seitel will be reduced up to 83.13% as a result of the issuance by Reorganized Seitel of an additional 125,000,000 shares of reorganized common stock upon exercise of Stockholder Warrants, under the standby purchase agreements, or any combination thereof. If you exercise some, but not all of your Stockholder Warrants, your relative percentage ownership of our reorganized common stock will be reduced directly in proportion to the extent you do not exercise your Stockholder Warrants in full. In addition, your percentage equity ownership may be reduced in excess of 84% if you do not exercise any of your Stockholder Warrants and the Standby Purchasers elect to exercise in full their Standby Purchaser warrants, which entitle the Standby Purchasers to purchase over a seven-year period up to 15,037,568 additional shares of reorganized common stock, at an exercise price of 72 cents per share. Finally, your relative percentage equity ownership will be even further reduced upon the issuance of up to an additional 5% of our fully diluted shares of reorganized common stock reserved for issuance under our 2004 omnibus stock option plan.

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following sets forth our selected historical consolidated financial data as of and for the years ended December 31, 1998, 1999, 2000, 2001 and 2002, for the nine months ended September 30, 2002 and 2003 and as of September 30, 2002 and 2003.

Our consolidated balance sheets after December 31, 2003 and our consolidated statements of operations for the periods after December 31, 2003 will not be comparable to our historical consolidated financial statements published before the effective date of the Plan and included elsewhere in this prospectus. Among other things, our consolidated statement of operations for future periods will include numerous adjustments required by our plan of reorganization, including reductions in interest expense and substantially less professional expenses related to our reorganization proceedings.

The consolidated balance sheet data and the consolidated statement of operations data presented below as of December 31, 2000, 2001 and 2002, and for each of the years in the three-year period ended December 31, 2002, have been derived from our consolidated financial statements which have been audited by Ernst & Young LLP, independent auditors. The auditors report issued by Ernst & Young LLP with respect to their audit of our financial statements for the years ended December 31, 2002 and 2001 included an explanatory paragraph relating to our ability to continue as a going concern. The consolidated balance sheet data and the consolidated statement of operations data presented below as of December 31, 1998 and 1999, and for each of the years in the two-year period ended December 31, 1999, have been derived from our consolidated financial statements that were audited by Arthur Andersen LLP, independent public accountants. Those financial statements have since been restated to account for our oil and gas business as discontinued operations. As Arthur Andersen LLP has ceased operations, the adjustments necessary to apply discontinued operations treatment have not been audited. The consolidated balance sheet data and the consolidated statement of operations data presented below as of September 30, 2002 and 2003, and for the nine-month periods ended September 30, 2002 and 2003 are unaudited. However, we believe that this information contains all adjustments, consisting only of normal recurring adjustments, which are necessary to present fairly our consolidated financial position and results of operations for those periods. The consolidated balance sheet data as of September 30, 2003 and the consolidated statement of operations data for the nine-month period ended September 30, 2003 presented below, is not necessarily indicative of the results that may be expected for the fiscal year. Certain reclassifications have been made to the amounts in the prior years' financial statements to conform to the current year's presentation.

All of the information presented below should be read in conjunction with the information in the sections in this prospectus titled "Unaudited Pro Forma Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as our audited and unaudited consolidated financial statements and their accompanying notes, all of which are included elsewhere in this prospectus.

Table of Contents**Selected Historical Consolidated Financial Data**

	Year Ended December 31,					Nine Months Ended September 30,	
	1998	1999	2000	2001	2002	2002	2003
			(restated)			(unaudited)	(unaudited)
Statement of Operations Data:							
(In thousands)							
Revenue	\$ 125,863	\$ 109,671	\$ 113,887	\$ 115,238	\$ 149,795	\$ 120,219	\$ 101,296
Expenses and Costs:							
Depreciation and amortization	57,638	49,929	51,927	49,448	129,856	61,208	61,507
Cost of sales	191	295	738	1,196	928	674	510
Selling, general and administrative	24,362	26,190	35,086	34,805	71,732	49,526	21,213
Impairment of seismic data library					82,964	25,696	13,354
	82,191	76,414	87,751	85,449	285,480	137,104	96,584
Income (loss) from operations	43,672	33,257	26,136	29,789	(135,685)	(16,885)	4,712
Interest expense and other, net	(5,693)	(11,504)	(12,389)	(13,461)	(20,856)	(15,455)	(15,071)
Loss on sale of marketable securities					(332)	(332)	
Gain on extinguishment of liabilities							681
Reorganization items							(1,675)
Equity in earnings (loss) of affiliate	222	(91)					
Impairment due to dividend distribution of affiliate stock		(7,794)					
Decrease in underlying equity of affiliate	(193)						
Income (loss) from continuing operations before income taxes and cumulative effect of changes in accounting principles	38,008	13,868	13,747	16,328	(156,873)	(32,672)	(11,353)
Provision (benefit) for income taxes	13,632	6,211	5,639	6,748	(18,304)	(10,025)	621
Income (loss) from continuing operations before cumulative effect on changes in accounting principles	24,376	7,657	8,108	9,580	(138,569)	(22,647)	(11,974)
Income (loss) from discontinued operations, net of tax	(16)	1,723	3,602	(24,573)	(62,709)	(60,201)	(179)
Cumulative effect on changes in accounting principles, net of tax			(14,219)		(11,162)	(11,162)	
Net income (loss) (1)	\$ 24,360	\$ 9,380	\$ (2,509)	\$ (14,993)	\$ (212,440)	\$ (94,010)	\$ (12,153)
Earnings (loss) per share:							
Basic:							
Income (loss) from continuing operations	\$ 1.07	\$.32	\$.34	\$.38	\$ (5.48)	\$ (.90)	\$ (.47)
Income (loss) from discontinued operations		.07	.15	(.98)	(2.48)	(2.38)	(.01)
Cumulative effect of accounting changes			(.59)		(.44)	(.44)	
Net income (loss)	\$ 1.07	\$.39	\$ (.10)	\$ (.60)	\$ (8.40)	\$ (3.72)	\$ (.48)

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- (1) In the fourth quarter of 2002, we reevaluated our estimate of the useful life of our seismic data library and reduced the estimated useful life of offshore data from ten to five years and onshore data from ten to seven years. The effect from this change on reported results was a reduction in net income of \$58.8 million or \$2.32 per share for the year ended December 31, 2002, and was \$8.3 million or \$.33 per share for the nine months ended September 30, 2003.

Table of Contents**Selected Historical Consolidated Financial Data**

	Year Ended December 31,					Nine Months Ended September 30,	
	1998	1999	2000	2001	2002	2002	2003
	(restated)					(unaudited)	(unaudited)
Diluted:							
Income (loss) from continuing operations	\$ 1.05	\$.32	\$.34	\$.37	\$ (5.48)	\$ (.90)	\$ (.47)
Income (loss) from discontinued operations		.07	.15	(.95)	(2.48)	(2.38)	(.01)
Cumulative effect of accounting changes			(.59)		(.44)	(.44)	
Net income (loss)	\$ 1.05	\$.39	\$ (.10)	\$ (.58)	\$ (8.40)	\$ (3.72)	\$ (.48)
Weighted average shares (in thousands):							
Basic	22,720	23,863	23,909	24,986	25,300	25,275	25,376
Diluted	23,124	24,063	24,090	25,692	25,300	25,275	25,376
Other Financial Data (in thousands):							
EBITDA(2)	\$ 101,339	\$ 75,301	\$ 78,063	\$ 79,237	\$ 76,803	\$ 69,687	\$ 78,579
Cash operating income(3)	100,170	76,664	86,808	63,842	19,968	16,682	63,607
Capital expenditures(4)	139,586	117,228	72,258	150,559	66,968	62,588	52,987
Cash flows provided by operating activities of continuing operations	84,879	60,564	69,534	30,767	21,716	24,716	61,798
Cash flows used in investing activities of continuing operations(5)	(119,575)	(129,466)	(57,553)	(79,565)	(49,358)	(49,544)	(29,884)
Cash flows provided by (used in) financing activities of continuing operations	61,757	76,530	(12,207)	61,255	(2,630)	(1,926)	(4,786)
Financial ratios:							
EBITDA(2)/Interest Expense, net Cash Operating	17.8	6.5	6.3	5.9	3.7	4.5	5.2
Income(3)/Interest Expense, net	17.6	6.7	7.0	4.7	1.0	1.1	4.2
Net Debt(6)/EBITDA(2)	1.5	2.9	2.5	3.1	3.3	na	na
Net Debt(6)/Cash Operating Income (3)	1.5	2.9	2.3	3.8	12.5	na	na
Net Debt(6)/Total Net Book Capitalization	38.3%	47.5%	43.6%	50.0%	87.1%	61.6%	88.7%

- (2) EBITDA is defined as earnings from continuing operations before income taxes (benefit), interest expense, net, impairment of seismic data, and depreciation and amortization. Included in earnings (loss) and EBITDA are a number of special items that are not necessarily indicative of our core operations or our future prospects, and impact comparability between years. EBITDA for the year ended December 31, 1999 included \$7.8 million related to impairment due to dividend distribution of affiliate stock. EBITDA for the year ended December 31, 2000 included a restructuring charge of \$4.4 million related to reduction of management incentive bonus compensation. EBITDA for the year ended December 31, 2001 included \$1.3 million for charges related to former executives. EBITDA for the year

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ended December 31, 2002 included \$28.5 million of costs and expenses related to our restructuring efforts, various litigation, severance costs, the acceleration of certain lease obligations, allowances for doubtful accounts and certain other accruals. EBITDA for the nine months ended September 30, 2002 included \$15.7 million of costs and expenses related to our restructuring efforts, various litigation, compensation costs and allowances for collection of certain receivables from former officers. EBITDA for the nine months ended September 30, 2003 included \$5.1 million of costs and expenses related to our restructuring efforts, bankruptcy proceedings and various litigation, net of reduction in litigation accruals. We believe that, in addition to cash flows from operating activities and net earnings (loss), EBITDA is a useful financial performance measurement for assessing operating performance since it provides an additional basis to evaluate our ability to incur and service debt and to fund capital expenditures. To evaluate EBITDA, the components of EBITDA such as revenue and SG&A and the variability of such components over time, also should be considered. EBITDA should not be construed, however, as an alternative to operating income (loss) (as determined in accordance with generally accepted accounting principles (GAAP)) as an indicator of our operating performance, or to cash flows from operating activities (as determined in accordance with GAAP) as a measure of liquidity. Our method of calculating EBITDA may differ from methods used by other companies and, as a result, EBITDA measures disclosed herein might not be comparable to other similarly titled measures used by other companies.

- (3) Cash operating income is defined as cash revenue (derived primarily from seismic data acquisition revenue, cash library licensing revenue, and Solutions revenue) less cost of sales and SG&A. Included in cash operating income are a number of special items that are not necessarily indicative of our core operations or our future prospects, and impact comparability between years. Cash operating income for the year ended December 31, 2000 included a restructuring charge of \$4.4 million related to reduction of management incentive bonus compensation. Cash operating income for the year ended December 31, 2001 included \$1.3 for charges related to former executives. Cash operating income for the year ended December 31, 2002 included \$28.5 million of costs and expenses related to our restructuring efforts, various litigation, severance costs, the acceleration of certain lease obligations, allowances for doubtful accounts and certain other accruals. Cash operating income for the nine months ended September 30, 2002 included \$15.7 million of costs and expenses related to our restructuring efforts, various litigation, compensation costs and allowances for collection of certain receivables from former officers. Cash operating income for the nine months ended September 30, 2003 included \$3.4 million of costs and expenses related to our restructuring efforts, bankruptcy proceedings and various litigation, net of reduction in litigation accruals. We believe that cash operating income is a useful measure in evaluating our performance because of our revenue recognition policies. We believe that, in addition to operating income (loss), cash flows from operating activities and EBITDA, cash operating income is a useful financial performance measurement reflecting our ability to incur and service debt and to fund capital expenditures. Cash operating income should not be construed, however, as an alternative to operating income (loss) (as determined in accordance with GAAP) as an indication of our operating performance, or to cash flows from operating activities (as determined in accordance with GAAP) as a measure of liquidity. The following table reconciles our cash operating income to EBITDA and EBITDA to income (loss) from continuing operations determined in accordance with GAAP (in thousands).
- (4) Capital expenditures include non-cash additions to our seismic data library, primarily from non-monetary exchanges, totaling \$1.1 million, \$6.5 million, \$15.7 million, \$60.4 million and \$21.1 million for the years ended December 31, 1998, 1999, 2000, 2001 and 2002, respectively, and \$14.3 million and \$10.3 million for the nine months ended September 30, 2002 and 2003, respectively.
- (5) Cash flows used in investing activities for the year ended December 31, 1998 included significant additions to our southern Louisiana/Mississippi seismic data library component which has, on average, a cost per square mile approximately 50% higher than that for the Gulf Coast Texas or western Canada areas. Cash flows used in investing activities for the year ended December 31, 1999, included significant additions to our 3D offshore data library and purchase of a large seismic data library located in Canada. Cash flows used in investing activities for the year ended December 31, 2001, included \$18.5 million related to the purchase of seismic data libraries located in the Gulf Coast Texas and Canada areas.
- (6) Net debt reflects total debt less cash and cash equivalents.

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In the second quarter of 2002, we changed our accounting policy for amortizing our created seismic data library from the income forecast method to the greater of the income forecast method or the straight-line method over the data's useful life and reported the adoption of the new method as a cumulative effect of a change in accounting principle retroactive to January 1, 2002. Pro forma net income (loss) for the years ended December 31, 1998, 1999, 2000 and 2001, assuming the new seismic data amortization policy had been applied retroactively in each period, was as follows (in thousands, except per share amounts):

	As of December 31,			
	1998	1999	2000	2001
Income from continuing operations before cumulative effect of changes in accounting principles	\$ 22,082	\$ 4,119	\$ 3,765	\$ 5,178
Income from continuing operations before cumulative effect of changes in accounting principles per share:				
Basic	\$.97	\$.17	\$.16	\$.21
Diluted	.95	.17	.16	.20
Net income (loss)	\$ 22,066	\$ 5,842	\$ (6,852)	\$ (19,395)
Net income (loss) per share:				
Basic	\$.97	\$.24	\$ (.29)	\$ (.78)
Diluted	.95	.24	(.28)	(.75)

	As of December 31,					As of September 30,	
	1998	1999	2000	2001	2002	2002	2003
			(restated)			(unaudited)	(unaudited)
Balance Sheet Data: (in thousands, except per share amounts)							
Cash and cash equivalents	\$ 3,161	\$ 5,188	\$ 10,216	\$ 25,223	\$ 21,517	\$ 24,981	\$ 45,739
Seismic data library, net	262,950	329,885	362,603	455,845	284,396	404,495	259,461
Total assets	495,767	555,919	599,131	661,469	398,136	516,468	371,345
Total debt(7)	150,690	225,223	206,598	268,350	272,061	272,680	268,210
Stockholders' equity	237,587	243,024	253,590	243,587	37,036	154,325	28,334
Book value per common share outstanding	\$ 10.05	\$ 10.30	\$ 10.28	\$ 9.71	\$ 1.46	\$ 6.08	\$ 1.12
Common shares outstanding	23,629	23,605	24,671	25,075	25,376	25,376	25,376

(7) Total debt includes capital lease obligations.

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	Year Ended December 31,					Nine Months Ended 9/30/02	Nine Months Ended 9/30/03
	1998	1999	2000	2001	2002		
Cash operating income	\$ 100,170	\$ 76,664	\$ 86,808	\$ 63,842	\$ 19,968	\$ 16,682	\$ 63,607
Add (subtract) other revenue components not included in cash operating income:							
Non-monetary exchanges	1,140	6,522	12,435	57,045	13,551	13,399	9,218
Deferral of revenue			(44,324)	(89,764)	(38,366)	(26,389)	(35,685)
Selections of data			23,144	48,114	81,982	66,327	42,433
Less:							
Equity in earnings (loss) of affiliate	222	(91)					
Impairment due to dividend distribution of affiliate stock		(7,794)					
Loss on sale of marketable securities					(332)	(332)	
Gain on extinguishment of liabilities							681
Decrease in underlying equity of affiliate	(193)						
Reorganization items							(1,675)
EBITDA	101,339	76,301	78,063	79,237	76,803	69,687	78,579
Less:							
Interest expense, net	(5,693)	(11,504)	(12,689)	(13,461)	(20,856)	(15,455)	(15,071)
Taxes	(13,632)	(6,211)	(5,639)	(6,748)	18,304	10,025	(621)
Impairment of seismic data library					(82,964)	(25,696)	(13,354)
Depreciation and amortization	(57,638)	(49,929)	(51,927)	(49,448)	(129,856)	(61,208)	(61,507)
Income (loss) from continuing operations before cumulative effect of changes in accounting principles	\$ 24,376	\$ 7,657	\$ 8,108	\$ 9,580	\$ (138,569)	\$ (22,647)	\$ (11,974)

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UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL DATA

The following unaudited pro forma consolidated financial data was prepared to illustrate the estimated effects of the Plan and related financings and the application of the proceeds thereof. The unaudited pro forma consolidated balance sheet assumes the Plan and the related financings and the application of the proceeds thereof took place on September 30, 2003, and the unaudited pro forma consolidated statements of income assume the Plan and related financings and the application of the proceeds thereof took place on January 1, 2002.

The unaudited pro forma consolidated financial data do not purport to be indicative of the financial position that would actually have been reported had such transactions in fact been consummated on such dates or of the financial position that may be reported by Reorganized Seitel in the future. The unaudited pro forma adjustments are based upon available information and certain assumptions that we believe are reasonable. The unaudited pro forma consolidated financial data do not include the effects of the fresh start accounting provisions of AICPA Statement of Position 90-7, Financial Reporting by Entities in Reorganization under the Bankruptcy Code, because the criteria for fresh start reporting are not expected to be met. All of the information presented below should be read in conjunction with the information in the sections in this prospectus entitled Selected Historical Consolidated Financial Data and Management's Discussion and Analysis of Financial Condition and Results of Operations, as well as our audited and unaudited consolidated financial statements and their accompanying notes, all of which are included elsewhere in this prospectus.

Table of Contents**Unaudited Pro Forma Consolidated Balance Sheet**

As of September 30, 2003

(In thousands)

	<u>Historical</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma</u>
ASSETS			
Cash and equivalents	\$ 45,739	\$ 72,824 (A) 181,750 (B) (550)(C) (4,100)(D) (272,784)(E)	\$ 22,879
Restricted cash	350		350
Receivables			
Trade	32,976		32,976
Notes and other	460		460
Net seismic data library	259,461		259,461
Net property and equipment	16,749		16,749
Prepaid expenses, deferred charges and other assets	7,122	8,250 (B) 550 (C) (1,494)(F)	14,428
Deferred taxes	8,123		8,123
Investment in marketable securities	74		74
Oil and gas operations held for sale	291		291
TOTAL ASSETS	\$ 371,345	\$ (15,554)	\$ 355,791
LIABILITIES AND STOCKHOLDERS EQUITY			
Liabilities not subject to compromises:			
Accounts payable and accrued liabilities	\$ 11,666	\$ (729)(E)	\$ 10,937
Income taxes payable	416		416
Oil and gas operations held for sale	35		35
Notes payable	5,910	(5,417)(E)	493
Obligations under capital leases	6,846		6,846
Senior notes		190,000 (B)	190,000
Deferred revenue	50,540		50,540
Liabilities subject to compromise	267,598	(266,898)(E)	700
TOTAL LIABILITIES	343,011	(88,044)	259,967
STOCKHOLDERS EQUITY			
Common stock	258	1,250 (A)	1,508
Additional paid in capital	166,630	71,574 (A)	238,204
Retained earnings	(133,946)	(4,100)(D) 260 (E) (1,494)(F)	(139,280)
Treasury stock	(5,373)		(5,373)
Notes receivable from employees	(169)		(169)

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Accumulated other comprehensive income	934		934
	<u> </u>	<u> </u>	<u> </u>
TOTAL STOCKHOLDERS EQUITY	28,334	67,490	95,824
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 371,345	\$ (15,554)	\$ 355,791
	<u> </u>	<u> </u>	<u> </u>

Table of Contents**Unaudited Pro Forma Consolidated Income Statement****For the Nine Months Ended September 30, 2003****(In thousands, except per share amounts)**

	<u>Historical</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma</u>
Revenue	\$ 101,296	\$	\$ 101,296
Costs and Expenses			
Depreciation and amortization	61,507		61,507
Impairment of seismic data library	13,354		13,354
Cost of sales	510		510
Selling, general and administrative expenses	21,213		21,213
	<u>96,584</u>		<u>96,584</u>
Income from operations	4,712		4,712
Interest expense, net	(15,071)	14,641 (AA) (13,444)(BB) (138)(CC)	(14,012)
Gain on extinguishment of liabilities	681		681
Reorganization items	(1,675)		(1,675)
Loss from continuing operations before income taxes	(11,353)	1,059	(10,294)
Provision for income taxes	621		621
Loss from continuing operations	<u>\$ (11,974)</u>	<u>\$ 1,059 (EE)</u>	<u>\$ (10,915)</u>
Basic and diluted loss from continuing operations per share	<u>\$ (0.47)</u>		<u>\$ (0.07)</u>
Weighted average number of common and common equivalent shares-basic and diluted	<u>25,376</u>	<u>125,000 (DD)</u>	<u>150,376(DD)</u>

Table of Contents**Unaudited Pro Forma Consolidated Income Statement****For the Year Ended December 31, 2002****(In thousands, except per share amounts)**

	<u>Historical</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma</u>
Revenue	\$ 149,795	\$	\$ 149,795
Costs and Expenses			
Depreciation and amortization	129,856		129,856
Impairment of seismic data library	82,964		82,964
Cost of sales	928		928
Selling, general and administrative expenses	71,732		71,732
	<u>285,480</u>		<u>285,480</u>
Loss from operations	(135,685)		(135,685)
Interest expense, net	(20,856)	20,005 (AA) (17,925)(BB) (183)(CC)	(18,959)
Loss on sale of marketable securities	(332)		(332)
Loss from continuing operations before income taxes	(156,873)	1,897	(154,976)
Benefit for income taxes	(18,304)		(18,304)
Loss from continuing operations	<u>\$ (138,569)</u>	<u>\$ 1,897 (EE)</u>	<u>\$ (136,672)</u>
Basic and diluted loss from continuing operations per share	<u>\$ (5.48)</u>		<u>\$ (0.91)</u>
Weighted average number of common and common equivalent shares - basic and diluted	<u>25,300</u>	<u>125,000 (DD)</u>	<u>150,300(DD)</u>

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Notes to Unaudited Pro Forma Consolidated Financial Data

Basis of Presentation

The accompanying unaudited pro forma consolidated financial statements are based on adjustments to our historical consolidated financial statements to give effect to the Plan, the related financings and the application of the proceeds thereof. Our historical financial statements were prepared on a basis that assumes we will continue as a going concern. The independent auditor's report on our 2002 and 2001 financial statements contains a going concern qualification based on our non-compliance with our debt agreements, which indicates the independent auditors' belief that there is substantial doubt about our ability to continue to recover assets and satisfy liabilities in the normal course of business. Our independent auditors have advised us that their report relative to our December 31, 2003 financial statements will also include a going concern qualification. The independent auditor is required to annually make an assessment regarding our ability to continue as a going concern. There can be no assurance that as a result of that assessment, the independent auditor's report with respect to our 2004 financial statements will not include such a going concern qualification.

In our financial statements as of and for the six months ended June 30, 2002, we reported our former oil and gas operations as a discontinued operation under SFAS No. 144. In addition, we adopted a new accounting principle with respect to the amortization of our created seismic database as of January 1, 2002. Pursuant to the SEC's rules and regulations regarding the preparation of pro forma financial statements, the accompanying unaudited pro forma consolidated statements of income do not include (a) the losses from discontinued operations related to our former oil and gas operations, or (b) the cumulative effect of a change in accounting principle relating to the principle by which we amortize our data bank that we reported as of January 1, 2002.

Certain information and notes normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been omitted or condensed pursuant to the rules and regulations of the SEC. All of the information presented below should be read in conjunction with the information in the sections in this prospectus entitled "Selected Historical Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as our audited and unaudited consolidated financial statements and their accompanying notes, all of which are included elsewhere in this prospectus.

Pro Forma Adjustments

The following is a summary of pro forma adjustments:

Unaudited Pro Forma Consolidated Balance Sheet as of September 30, 2003

- (A) Reflects issuance of 125,000,000 shares of our reorganized common stock, \$.01 par value, at an exercise price of \$0.60 per share, from the exercise of the Stockholder Warrants or under the standby purchase agreements or any combination thereof, net of estimated offering costs totaling \$2.2 million.

Under the terms of the Plan, Mellon HBV and any other Standby Purchasers will receive warrants to purchase up to an aggregate of 15,037,568 shares of reorganized common stock as compensation for the standby purchase agreements. The fair value of these warrants would be reflected

as an equal increase and decrease to additional paid-in capital.

- (B) Reflects placement of new senior notes totaling \$190 million net of estimated debt issuance costs of \$8.25 million.
- (C) Reflects the payment of \$550,000 of estimated costs associated with obtaining a new credit facility providing a revolving loan commitment, subject to borrowing base, of not less than \$25 million.
- (D) Reflects payment of financial advisor fees totaling \$4.1 million that are required to be paid upon completion of the Plan.

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- (E) Reflects payment of (a) the outstanding principal of Harney Secured Claim of \$5.4 million, (b) the outstanding principal of the senior unsecured notes of \$255 million, (c) a priority tax claim of \$729,000 and (d) all other allowed unsecured claims in accordance with the Plan. Reflects reduction of non-employee directors deferred compensation plan liability of \$260,000 as it is discharged in the Plan. Amounts remaining in liabilities subject to compromise consist of (a) a note payable to Mr. Pearlman of \$454,000 which is reinstated in accordance with the Plan, and (b) amount due to former executive of \$246,000 that is subject to resolution at a later time.

- (F) Reflects write-off of the remaining deferred issuance costs associated with (a) old senior unsecured notes of \$1.1 million, (b) note payable to Harney Investment Trust of \$8,000 and (c) Wells Fargo DIP Facility of \$347,000.

Unaudited Pro Forma Consolidated Income Statement for the Nine Months Ended September 30, 2003 and for the Year Ended December 31, 2002

- (AA) For the nine months ended September 30, 2003, reflects elimination of interest expense and amortization of deferred issuance costs associated with (a) \$255 million of old senior unsecured notes (\$14.4 million), (b) \$5.4 million note payable to Harney Investment Trust (\$194,000), and (c) Wells Fargo Foothill DIP Facility (\$84,000).

For the year ended December 31, 2002, reflects elimination of interest expense and amortization of deferred issuance costs associated with: (a) \$255 million of senior unsecured notes, (\$19.6 million), and (b) \$5.4 note payable to Harney Investment Trust (\$393,000).

- (BB) Reflects interest expense associated with \$190 million of new senior notes, assuming 10-year notes with a 9% interest rate and estimated deferred issuance costs of \$8.25 million.

- (CC) Reflects amortization of deferred issuance costs of \$550,000 associated with new revolving credit facility, assuming a 3-year term.

- (DD) Reflects issuance of 125,000,000 shares of reorganized common stock upon exercise of the Stockholder Warrants or under the standby purchase agreements, or any combination thereof. The warrants issued to the Standby Purchasers as compensation for their standby purchase agreements are not considered in the diluted share calculation as the effect of the issuance would be antidilutive.

- (EE) Does not include adjustments related to the payment of financial advisor fees totaling \$4.1 million that are required to be paid upon completion of the Plan.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

You should read the following discussion in conjunction with the Selected Historical Consolidated Financial Data and Unaudited Pro Forma Consolidated Financial Data sections of this prospectus, as well as our audited and unaudited consolidated financial statements and their accompanying notes, all of which are included elsewhere in this prospectus.

The following Management's Discussion and Analysis of Financial Condition and Results of Operations has been prepared by our management in accordance with the rules and regulations of the SEC, as well as the SEC's December 2003 interpretive guidance regarding Management's Discussion and Analysis of Financial Condition and Results of Operations in Release Nos. 33-8350, 34-48960 and FR-72.

Overview

We have ownership in an extensive library of onshore and offshore seismic data that we offer for license to oil and gas companies. We believe that our library of onshore seismic data is one of the largest available for licensing in the United States and Canada. We also have ownership in a library of offshore data covering extensive parts of the U.S. Gulf of Mexico shelf and certain deep water areas in the western and central U.S. Gulf of Mexico. We generate revenue primarily by licensing data from our data library and from new data acquisition substantially underwritten or paid for by clients. Our primary areas of focus are onshore U.S. and Canada and, to a lesser extent, offshore U.S. Gulf of Mexico.

Oil and gas companies consider seismic data an essential tool for finding hydrocarbons. Oil and gas companies use seismic data in oil and gas exploration and development efforts to increase the probability of drilling success. By utilizing seismic data, oil and gas companies can significantly increase drilling success rates and reduce the occurrence of dry holes. Further, seismic data analysis can increase recoveries of reserves from existing, mature oil fields by optimizing the drilling location of development wells and by revealing additional, or step-out, locations that would not otherwise be apparent. By participating in pre-funded, nonexclusive surveys or purchasing licenses to existing data, oil and gas companies can obtain access to expensive surveys that they may not otherwise be able to afford.

Principal Factors Affecting Our Business

Our business is dependent upon a variety of factors, many of which are beyond our control. The following are those that we consider to be principal factors affecting our business.

Demand for Seismic Data. Our seismic business depends upon exploration, production, development and field management spending by oil and gas companies. Capital expenditures by oil and gas companies depend upon several factors, including actual and forecasted petroleum commodity prices and the companies' own short term and strategic plans. These capital expenditures may also be affected by worldwide economic conditions. Demand for our seismic data is more likely to be influenced by natural gas prices rather than crude oil prices due to the geographic location of our seismic data.

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Availability of Capital for our Customers. Many of our customers consist of independent oil and gas companies and private prospect-generating companies that rely primarily on private equity capital to fund their exploration, production, development and field management activities. Significant changes in the private equity market and the availability of private equity capital could have a material impact on the ability of such companies to obtain funding necessary to purchase our seismic data.

Merger and Acquisition Activity. In recent years, there has been an increase in the level of merger and acquisition activity within our client base. This activity could have a negative impact on seismic companies that

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operate in markets with a limited number of participating clients. However, we believe that, over time, this activity could have a positive impact on our business, as it could generate a re-licensing fee, result in increased vitality in the trading of mineral interests and result in the creation of new independent customers through the rationalization of staff within those companies affected by this activity.

Natural Gas Reserve Replacement. Oil and gas reserves are currently being depleted at a rate estimated by industry analysts at 5% to 10% per year for the major oil and gas operators. As a result, there is an increasing need in the oil and gas industry to replace such reserves. The need for oil and gas companies to replace depleted reserves is expected to increase the demand for our seismic data.

Government Regulation. Our operations are subject to a variety of federal, provincial, state, foreign and local laws and regulations, including environmental laws. We invest financial and managerial resources to comply with these laws and related permit requirements. Existing laws or regulations and the adoption of new laws or regulations limiting or increasing exploration or production activities by oil and gas companies may have a material effect on our business operations.

Key Performance Measures Considered By Management

Management considers a variety of performance measures in evaluating our financial condition and operating performance at various times and from time to time. Certain of these performance measures are non-GAAP financial measures. Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position, or cash flows that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with United States generally accepted accounting principles, or GAAP. These non-GAAP measures are not in accordance with, nor are they a substitute for, GAAP measures. Management uses the non-GAAP measures presented to evaluate and manage our operations internally. These non-GAAP measures are intended to supplement our presentation of our financial results that are prepared in accordance with GAAP.

The following are the key performance measures considered by management.

Cash Resales. Cash resales result from invoicing customers for purchases of licenses to data from our library. We expect cash resales to generally follow a consistent trend from quarter to quarter while considering our normal seasonality. The volatility in this trend could indicate changing market conditions. Cash resales for the nine months ended September 30, 2003 and 2002 were \$57.6 million and \$46.4 million, respectively, and for the years ended December 31, 2002, 2001 and 2000 were \$66.2 million, \$72.0 million and \$87.3 million, respectively. The following is a quantitative reconciliation of this non-GAAP financial measure to the most directly comparable GAAP financial measure, total revenue (in millions):

	Nine Months Ended		Year Ended December 31,		
	September 30,		2002	2001	2000
	2003	2002			
Cash resales	\$ 57.6	\$ 46.4	\$ 66.2	\$ 72.0	\$ 87.3
Other revenue components:					
Acquisition revenue	24.4	18.9	23.5	25.8	33.5

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Non-monetary exchanges	9.2	13.4	13.6	57.1	12.4
Deferral of revenue	(35.7)	(26.4)	(38.4)	(89.8)	(44.3)
Selections of data	42.4	66.3	82.0	48.1	23.1
Solutions and other	3.4	1.6	2.9	2.0	1.9
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenue, as reported	\$ 101.3	\$ 120.2	\$ 149.8	\$ 115.2	\$ 113.9
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Cash Operating Income. We define cash operating income as cash revenue (derived primarily from seismic data acquisitions, cash licensing resales and Solutions) less cost of sales and SG&A. This measure

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indicates the level of cash flow we have available for debt service, funding of capital expenditures and payment of taxes. Cash operating income for the nine months ended September 30, 2003 and 2002 was \$63.6 million and \$16.7 million, respectively, and for the years ended December 31, 2002, 2001 and 2000 was \$20.0 million, \$63.8 million and \$86.8 million, respectively. The following is a quantitative reconciliation of this non-GAAP financial measure to the most directly comparable GAAP financial measure, operating income (in millions):

	Nine Months Ended		Year Ended December 31,		
	September 30,		2002	2001	2000
	2003	2002			
Cash operating income	\$ 63.6	\$ 16.7	\$ 20.0	\$ 63.8	\$ 86.8
Add (subtract) other revenue components not included in cash operating income:					
Non-monetary exchanges	9.2	13.4	13.6	57.1	12.4
Deferral of revenue	(35.7)	(26.4)	(38.4)	(89.8)	(44.3)
Selections of data	42.4	66.3	82.0	48.1	23.1
Less:					
Depreciation and amortization	(61.5)	(61.2)	(129.9)	(49.4)	(51.9)
Impairment of seismic data library	(13.3)	(25.7)	(83.0)		
Operating income (loss), as reported	\$ 4.7	\$ (16.9)	\$ (135.7)	\$ 29.8	\$ 26.1

Growth of our Seismic Data Library. We regularly add to our seismic data library through four different methods: (1) recording new data; (2) creating new value-added products from existing data within our library; (3) buying ownership of existing data for cash; and (4) obtaining ownership of existing data sets through non-monetary exchanges. For the years ended December 31, 2003, 2002 and 2001, we completed the addition of approximately 1,800 square miles, 3,700 square miles and 6,900 square miles, respectively, of seismic data to our library. The large number of additions to our seismic data library in 2001 resulted from the high level of non-monetary exchanges we completed during that year. As of March 1, 2004, we had approximately 900 square miles of seismic data in progress.

Income (loss) from Continuing Operations before Cumulative Effect of Changes in Accounting Principles. Income (loss) from continuing operations before cumulative effect of changes in accounting principles was \$(12.0) million and \$(22.7) million for the nine months ended September 30, 2003 and 2002, respectively, and \$(138.6) million, \$9.6 million and \$8.1 million for the years ended December 31, 2002, 2001 and 2000, respectively. Our results for each of the periods have been affected by a number of special items that are not necessarily indicative of our core operations or our future prospects, and impact comparability between years. The loss from continuing operations for the first nine months of 2003 includes \$18.5 million in charges composed of (i) a \$13.4 million impairment of our seismic data library and (ii) \$5.1 million of costs and expenses related to our restructuring efforts, bankruptcy proceedings and various litigation, net of reduction in litigation accruals. The loss from continuing operations before cumulative effect of changes in accounting principles for the first nine months of 2002 includes \$41.4 million in charges composed of (i) a \$25.7 million impairment of our seismic data library and (ii) \$15.7 million of costs and expenses related to our restructuring efforts, various litigation, compensation costs and allowances for collection of certain receivables from former officers. The loss from continuing operations before cumulative effect of changes in accounting principles in 2002 includes \$157.2 million in charges composed of (i) \$128.7 million related to impairments of our seismic data library and revisions to the estimated useful life of our seismic data library and (ii) \$28.5 million of costs and expenses related to our restructuring efforts, various litigation, severance costs, the acceleration of certain lease obligations, allowances for doubtful accounts and certain other accruals. The income from continuing operations for 2001 included \$1.3 million for charges related to former executives. The income from continuing operations for 2000 included a pre-tax restructuring charge of \$4.4 million related to reduction of management incentive bonus compensation.

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Except as noted, the following discussion and analysis relates to our historical financial results of operations and financial condition, without giving effect to the Plan and the related financings. As a result, we believe that results of operations in future periods may not be comparable to prior periods. In addition to the audited and unaudited historical consolidated financial data presented in this prospectus, we have also prepared unaudited pro forma consolidated financial data as of September 30, 2003, which gives effect to the Plan and the related high yield offering and consummation of our new revolving credit facility. This data appears elsewhere in this prospectus, and you should consider such data along with this discussion and analysis. See Unaudited Pro Forma Consolidated Financial Data.

Critical Accounting Policies

We operate in one business segment, which is made up of seismic data acquisition, seismic data licensing, seismic data processing and seismic reproduction services.

Revenue Recognition

Revenue from Data Acquisition

Revenue from the creation of new seismic data is recognized using the proportional performance method based upon costs incurred and work performed to date as a percentage of total estimated costs and work required. Management believes that this method is the most reliable and representative measure of progress for its data creation projects. The duration of most data creation projects is generally less than one year. Under these projects, we create new seismic data designed in conjunction with our customers and specifically suited to the geology of the area using the most appropriate technology available. The contracts typically result in one or more customers underwriting a significant portion of the direct creation costs in exchange for a license or licenses to use the resulting data. Customers make periodic payments throughout the creation period, which generally correspond to costs incurred and work performed. These payments are non-refundable. The creation process generally occurs in the following stages: permitting, surveying, drilling, recording and processing. At each stage, the customers receive legally enforceable rights and access to, and the benefits of, the results of all work performed. The customers also receive access to and use of the newly acquired and processed data. The customers may have exclusive access to the work performed and exclusive use of the newly acquired and processed data for a limited term, which is generally nine months or less, after final delivery of the processed data. The customers' access to and use of the results of the work performed and of the newly acquired, processed data is governed by a license agreement which is a separate agreement from the acquisition contract. Our acquisition contracts require the customer either to have a license agreement in place or to execute one at the time the acquisition contract is signed. We maintain sole ownership of the newly acquired data, which is added to its library, and we are free to license the data to other customers when the original customers' exclusivity period ends.

Revenue from Data Licenses

We license data from our seismic data library to customers to review for a limited period of time or to hold long-term.

The usage of all data delivered to the customer, whether for review only or to hold long-term, is governed by a license agreement, which is a separate agreement from the sales contract. Our contracts require the customer either to have a license agreement in place or to execute one at the time the contract is signed. The license agreement governs all data delivered to the customer during the term. Payment terms under the contracts vary from 30 days to 18 months depending on the size of the transaction. All payments due are non-cancelable and all payments made

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are non-refundable. The customer has access to all available data covered by the contracts on the date the contract is executed. If the contract allows licensing of data that is not currently available, revenue is

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deferred until such time that the data is available for licensing. The contracts permit selection of the data in its present form and we are under no obligation to make any enhancements, modifications or additions to the data unless specific terms to the contrary are included, in which case revenue with respect to such data would be deferred until performance is accomplished. Copies of the data are available to the customer immediately upon request.

We recognize revenue from licensing of seismic data when we have contracted with the customer for a fixed sales price; a licensing agreement is in place; the customer has selected specific data under the terms of the contract or the contract has expired without full selection having occurred; and collectibility of the sales price is reasonably assured. We recognize revenue for the particular data selected as each specific selection of data is made by the customer. If selections are not completed by the expiration date of the contract, we then recognize any remaining revenue under that contract. In each case (selection or expiration), the earnings process is complete. We do not recognize revenue for amounts billed in advance of being earned until these conditions are met. For revenue that is deferred, we defer the direct costs (primarily commissions) related to the revenues. Revenue from licensing of seismic data is presented net of revenue shared with other entities.

Our revenue recognition policies provide that certain types of licensing agreements result in the revenue being deferred until such time that our customer selects the specific data for license. As a result, our revenue may fluctuate depending on the size and amount of contracts requiring deferral of revenue, as well as on the timing of the selection of data by our customers.

Revenue from Non-Monetary Data Exchanges

In certain cases, we grant our customer a non-exclusive license to selected data from our library in exchange for ownership of seismic data from the customer. The data that we receive is distinct from the data that we are licensing to the customer. Because we receive ownership of distinct seismic data to be added to our library, and this data may be relicensed by us on a continuing basis, in exchange for a data license, the exchange is not a like-kind exchange, which would be accounted for at historical cost. Once data selection is completed, the exchange represents the culmination of the earnings process with the customer and is not merely an exchange between two seismic companies. These exchanges are referred to as non-monetary data exchanges.

In non-monetary data exchange transactions, we record a data library asset for the seismic data acquired at the time the contract is entered into and recognize revenue on the transaction in accordance with our policy on revenue from data licenses, that is, when the data is selected by the customer. These transactions are valued at the fair value of the data received or delivered, whichever is more readily determinable.

We determine fair value of data exchanged by first determining the value of the license granted to the customer. We do so by evaluating the range of our cash transactions for licenses of similar data during the prior six months for licenses in the United States and for the prior twelve months for licenses in Canada. In evaluating the range of cash transactions, we do not consider transactions that are disproportionately high or low. We then consider the value of the data received from the customer. In determining the value of the data received, we consider the age, quality, current demand and future marketability of the data, as well as the cost that would be required to create the data. In the United States, we apply a limitation on the value we assign per square mile on the data exchanged. In Canada, in the event of a difference greater than 2% between the value of the license granted and the value of the data received, we assign the lower value to the exchange. In significant exchanges (\$500,000 or more), we obtain concurrence from an independent third party in order to support our valuation of the data received. We obtain this concurrence on an annual basis, usually in connection with the preparation of our annual financial statements.

Revenue from our Seitel Solutions, Ltd. and Seitel Canada Ltd. Subsidiaries

Revenue from our Seitel Solutions, Ltd. and Seitel Solutions Canada Ltd. subsidiaries (collectively, Solutions) are recognized as the services for reproduction and delivery of seismic data are provided to customers.

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Seismic Data Library

Costs associated with creating, acquiring or purchasing the seismic data library are capitalized and such costs are amortized principally on the income forecast method subject to a maximum amortization period determined based on the type of data.

Costs of Seismic Data Library

For purchased seismic data, we capitalize the purchase price of the acquired data.

For data acquired through a non-monetary data exchange, we capitalize an amount equal to the fair value of the data we received or the fair value of the license granted to the customer, whichever is more readily determinable. In the case of any single non-monetary exchange where the fair value recorded is in excess of \$500,000, we also obtain concurrence from a third party to support our valuation.

For internally created data, the capitalized costs include costs paid to third parties for the acquisition of data and related permitting, surveying and other activities associated with the data creation activity. In addition, we capitalize certain internal costs related to processing the created data. Such costs include salaries and benefits of our processing personnel and certain other costs incurred for the benefit of the processing activity. We believe that the internal processing costs capitalized are not greater than, and generally are less than, those that would be incurred and capitalized if such activity were performed by a third party.

Data Library Amortization

Effective January 1, 2002, see **Change in Accounting Principle** below, we amortize our seismic data library using the greater of the amortization that would result from the application of the income forecast method or a straight-line basis over the useful life of the data. Due to the subjectivity inherent in the income forecast amortization method, the revised amortization policy ensures a minimum level of amortization will be recorded if sales of the specific data does not occur as expected and ensures that costs are fully amortized at the end of the data's useful life.

The actual rate of amortization depends on the location of specific seismic surveys licensed and selected by our customers during the year. Effective January 1, 2003, we assign a specific amortization rate to each of fifteen separately identified segments of our seismic data library based on our estimate of future sales from each segment. The amortization rates vary by segment and, at September 30, 2003, ranged from a low of 44% to a high of 66% with a weighted average rate of 50% based on the net book value of each segment compared with the net book value of the entire seismic data library as of such date. The actual rate of amortization recorded in any period varies from the weighted average rate due to the application of straight-line amortization on a survey-by-survey basis, as well as the mix of revenue recognized by component.

We apply the income forecast method by forecasting the ultimate revenue expected to be derived from a particular data library segment over the estimated useful life of each survey comprising part of such segment. This forecast is made by us annually and reviewed quarterly. If, during any such review, we determine that the ultimate revenue for a library segment is expected to be significantly different than the original estimate of total revenue for such library segment, we revise the amortization rate attributable to future revenue from each survey in such segment. In

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addition, in connection with such reviews and updates, we evaluate the recoverability of our seismic data library, and if required under Statement of Financial Accounting Standard, or SFAS, No. 144, Accounting for the Impairment and Disposal of Long-Lived Assets, record an impairment charge with respect to such data. See discussion on Seismic Data Library Impairment below.

The greater of the income forecast or straight-line amortization policy is applied quarterly on a cumulative basis at the individual survey level. Under this policy, we first record amortization using the income forecast method. The cumulative amortization recorded for each survey is then compared with the cumulative straight-line amortization. If the cumulative straight-line amortization would be higher for any specific survey, additional

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amortization expense is recorded, resulting in accumulated amortization being equal to the cumulative straight-line amortization for such survey. This requirement is applied regardless of future-year revenue estimates for the library segment of which the survey is a part and does not consider the existence of deferred revenue with respect to the library segment or to any survey. As discussed below in **Revision of Useful Life of Data Library**, we revised our useful life estimate in the fourth quarter of 2002 from ten years to five years with respect to offshore data and from ten years to seven years with respect to onshore data.

Change in Accounting Principle

In the second quarter of 2002, we changed our accounting policy for amortizing our created seismic data library from the income forecast method to the greater of the income forecast method or the straight-line method over the useful life of the data and reported the adoption of the new method as a cumulative effect of a change in accounting principle retroactive to January 1, 2002. Accordingly, we recorded a pre-tax charge of \$17.2 million (after-tax charge of \$11.2 million) as of January 1, 2002.

Revision of Useful Life

In the fourth quarter of 2002, we reevaluated our estimate of the useful life of our seismic data library and revised the estimated useful life of our seismic data library to reduce the useful life of offshore data from ten to five years and onshore data from ten to seven years. In making this decision, we considered a number of factors, including, among others, the impairment charges it reported in 2002, the additional amortization charges we recorded during the first three quarters of 2002 pursuant to its amortization policy and seismic industry conditions. With respect to each survey in the data library, the useful life policy is applied from the time such survey is available for licensing to customers generally, since some data in the library may not be licensed until an exclusivity period (usually nine months or less) has lapsed.

As a result of the adoption of the new accounting principle described above and the revision of the estimates of the useful lives of the seismic data in the fourth quarter of 2002, all of our seismic data library is amortized on the greater of the income forecast method or straight-line amortization over five or seven years, as applicable.

Seismic Data Library Impairment

As events or conditions require, we evaluate the recoverability of our seismic data library in accordance with SFAS No. 144. We evaluate our seismic data library for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Prior to the fourth quarter of 2002, we evaluated our seismic data library in the following components: (a) Gulf of Mexico offshore data, (b) Gulf Coast onshore data, (c) Rocky Mountain region data (including U.S. areas outside the Gulf Coast), (d) Canadian data, and (e) international data outside of North America.

In the fourth quarter of 2002, we reevaluated the level which constitutes the lowest level of independently identifiable cash flows. In our reevaluation, we considered the results of the comprehensive forecasting process that had been undertaken by management in the fourth quarter

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of 2002, recent sales trends and management's expectations relative to its ability to attribute revenues to lower survey aggregation levels. The results of management's analysis indicated that we could reasonably forecast the future sales at levels lower than previously practicable. Accordingly, in the fourth quarter of 2002, we refined our impairment evaluation methodology to evaluate our seismic data library in components based on our operations and geological and geographical trends, and as a result, established the following data library groupings for purposes of evaluating impairments: (1) Gulf of Mexico offshore comprised of the following components: (a) multi-component data, (b) value-added products, (c) ocean bottom cable data, (d) shelf data, and (e) deep water data; (2) North America onshore comprised of the following components: (a) Texas Gulf Coast, (b) northern, eastern and western Texas, (c) southern Louisiana and Mississippi, (d) northern Louisiana, (e) Rocky Mountains, (f) North Dakota, (g) other

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United States, (h) Canada and (i) value-added products; and (3) international data outside North America. We believe that these library components constitute the lowest levels of independently identifiable cash flows.

In accordance with SFAS No. 144, the impairment evaluation is based first on a comparison of the undiscounted future cash flows with the carrying value of each library component. If the undiscounted cash flows are equal to or greater than the carrying value of such component, no impairment is recorded. If undiscounted cash flows are less than the carrying value of any component, the forecast of future cash flows related to such component is discounted to fair value and compared with such component's carrying amount. The difference is recorded as an impairment loss equal to the difference between the library component's carrying amount and the discounted future value of the expected revenue stream.

For purposes of evaluating potential impairment losses, we estimate the future cash flows attributable to a library component by evaluating historical and recent revenue trends, oil and gas prospectivity in particular regions, general economic conditions affecting our customer base and expected changes in technology. The cash flow estimates exclude expected future revenues attributable to non-monetary data exchanges and future data creation projects.

In 2002 and in the first nine months of 2003, we recorded impairment charges totaling \$83.0 million and \$13.4 million, respectively. These charges related to several different components of our seismic data library. The largest impairments were recorded in respect of offshore data, including deep water, ocean bottom cable and multi-component data. Since early 2002, we have eliminated our reinvestment in new offshore data acquisition and focused our efforts exclusively on onshore projects and on value added reprocessing of selected existing onshore and offshore areas.

We presently are conducting a preliminary unaudited assessment of the nature and extent of certain potential impairment charges to our seismic data library for the fourth quarter of 2003 which we may be required to record in accordance with Statement of Financial Accounting Standard, or SFAS, No. 144, Accounting for the Impairment and Disposal of Long-Lived Assets. Because of the preliminary nature of our review at this time, we cannot precisely quantify the amount of this potential impairment charge, although it is not presently expected to exceed approximately \$17 million to \$21 million. It is possible that after we complete our assessment, the final amount, if any, of the impairment charge may be materially different from our preliminary assessment.

The estimation of future cash flows is highly subjective, inherently imprecise and can change materially from period to period based on the factors described in the preceding paragraph, among others. Accordingly, if conditions change in the future, we may record further impairment losses relative to its seismic data library, which could be material to any particular reporting period.

Use of Estimates and Assumptions

In preparing our financial statements, a number of estimates and assumptions are made by management that affect the accounting for and recognition of assets, liabilities, revenues and expenses. These estimates and assumptions must be made because certain of the information that is used in the preparation of our financial statements is dependent on future events, cannot be calculated with a high degree of precision from data available or is simply not capable of being readily calculated based on generally accepted methodologies. In some cases, these estimates are particularly difficult to determine and we must exercise significant judgment.

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The most difficult, subjective and complex estimates and assumptions that deal with the greatest amount of uncertainty are related to our accounting for our seismic data library. In addition, management adopted a new accounting principle and revised several of the key assumptions and estimates in accounting for our seismic data library in 2002.

Our accounting for our seismic data library requires us to make significant estimates and assumptions relative to future sales and cash flows from such library. These cash flows impact future amortization rates, as well as impairment charges, and the cash flows are highly subjective. We estimate future revenue primarily by analyzing the historical revenue trends generated by our existing seismic data library. Any changes in these estimates or underlying assumptions will impact our income from operations prospectively from the date changes are made. To the extent that such estimates, or the assumptions used to make those estimates, prove to be significantly different than actual results, the carrying value of the seismic data library may be subject to higher

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prospective amortization rates, additional straight-line amortization or impairment losses. In addition, based on future events, We may make changes in the estimated useful life of the asset. Changes in the underlying assumptions regarding future sales and cash flows from the library or revisions to estimated useful life may cause our prospective amortization expense to decrease or increase materially and may also result in significant impairment losses being recognized. If such changes or revisions take place in the future, the effect on our reported results could be significant to any particular reporting period.

In a portion of our seismic data library activities, we engage in certain non-monetary exchanges and record a data library asset for the seismic data acquired and recognize revenue on the transaction in accordance with our policy on revenue from data licenses. These transactions are valued at the fair value of the data received by us or licenses granted by us whichever is more readily determinable. In addition, in significant exchanges, we obtain third-party concurrence to support our estimate of the fair value of the transactions. Our estimate of the value of these transactions is highly subjective and based, in large part, on data sales transactions between us and a limited number of customers over a limited time period, and appraisals of the value of such transactions based on a relatively small market of private transactions over a limited period of time.

Actual results could differ materially from the estimates and assumptions that we use in the preparation of our financial statements. To the extent management's estimates and assumptions change in the future, our future profitability may improve or decline significantly based on such changes.

Restatement of Financial Statements

In February 2002, we reevaluated the application of Staff Accounting Bulletin No. 101, or SAB 101, to our core business of seismic data licensing and our revenue recognition policies under certain types of contracts for the creation of new seismic surveys. This process resulted in a determination that it was appropriate to change our revenue recognition policies for transactions for seismic data licensing and for certain data creation activities. As a result of this decision, we restated our results for the nine months ended September 30, 2001, and for the year ended December 31, 2000. The restatement had the impact of reducing previously reported revenue by \$42.7 million and net income by \$14.4 million for the nine months ended September 30, 2001 and by \$25.5 million and \$22.9 million, respectively, for the year ended December 31, 2000. The restatement had no effect on the amount or timing of cash received by us during those periods.

Based upon SAB 101, effective January 1, 2000, we recognize revenue under seismic data licensing contracts when the customer has signed a contract, a licensing agreement is in place, specific data has been selected by and such data is available for delivery to the customer or the contract has expired without full selection having occurred and receipt of the license price is reasonably assured.

With respect to contracts for the creation of new data, in 2000 and 2001, we entered into certain acquisition contracts under which both we and the customer jointly participated in the acquisition process. Consequently, we did not assume the sole risk of service throughout the acquisition process. We recognized revenue under these contracts consistent with our revenue recognition policies for acquisition contracts generally. Following a review, we determined that revenue previously recognized for amounts funded by customers should be used to reduce our recorded cost of creating the seismic data. We continue to have sole ownership of the newly created data. See Note A of our consolidated financial statements and the accompanying notes for a complete description of our revenue recognition accounting policies.

Table of Contents**Results of Operations***Nine months ended September 30, 2003 and 2002*

The following table summarizes the components of our revenue for the nine months ended September 30, 2003 and 2002 (in thousands):

	Nine Months Ended	
	September 30,	
	2003	2002
Acquisition revenue	\$ 24,428	\$ 18,959
Licensing revenue:		
New resales for cash	57,560	46,361
Non-monetary exchanges	9,218	13,399
Deferral of revenue	(35,685)	(26,389)
Selections of data	42,433	66,327
Solutions and other	3,342	1,562
Total revenue	\$ 101,296	\$ 120,219

For the nine month period, revenues decreased by \$18.9 million or about 16% due principally to (1) reduced selections of data from contracts whose revenue was initially deferred, (2) lower revenues from non-monetary exchanges, and (3) higher deferrals relating to current cash sales and non-monetary exchanges. Partially offsetting these decreases were increased revenues from data acquisition due to a more active program to add new onshore data to the library, increased cash resales from our data library and increased Solutions revenue reflecting the capture of tape copy and reproduction activity previously outsourced to third parties. The increase in cash resales is directly attributable to a significant decrease in first quarter 2002 cash licensing sales which were negatively impacted by lower than expected energy commodity prices, which in turn, led to an overall slowdown in spending on certain oil and gas activities, including seismic data.

At September 30, 2003, we had a deferred revenue balance of \$50,540,000, of which \$16,146,000 resulted from non-monetary exchanges. The deferred revenue will be recognized when selection of specific data is made by the customer or upon expiration of the selection period, whichever occurs first.

Depreciation and amortization consists of data bank amortization and depreciation on property and equipment. Data bank amortization was \$56,959,000 in the first nine months of 2003, compared to \$57,049,000 in the first nine months of 2002, respectively. The amount of seismic data amortization fluctuates based on the level and location of specific seismic surveys licensed (including licensing resulting from new data acquisition) and selected by our customers during any period, as well as the amount of straight-line amortization required under our accounting policy. As a percentage of revenue from licensing seismic data, data bank amortization was 58% and 48% for the first nine months of 2003 and 2002. The increase in the amortization rates from 2002 to 2003 is primarily due to a change in the amortization policy in effect for data that we acquired by purchase. In the first nine months of 2002, amortization of purchased data costs was determined on a straight-line basis over 10 years, whereas in 2003 purchased data library costs are amortized on the greater of the income forecast or straight-line method over the data's estimated useful life. Additionally, the rate increase was also due to an increase in straight-line amortization charges resulting from the reduced

estimated useful life of the data library implemented in the fourth quarter of 2002.

Depreciation expense was \$4,548,000 for the first nine months of 2003 compared to \$4,159,000 for the same period in 2002. The increase was primarily due to property and equipment placed in service in connection with the opening of warehouse facilities in Houston and Calgary in March and April 2002, respectively.

During the nine months ended September 30, 2003, we recorded a \$13.4 million non-cash impairment charge with respect to certain of our seismic data library components. Based on industry conditions and the recent level of cash sales for certain of our library components, we revised our estimate of future cash flows for

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such components. As a result, we determined that the revised estimate of future cash flows would not be sufficient to recover the carrying value of such components, and accordingly, recorded an impairment based on the fair value of such library components by discounting their estimated future cash flows. Declining industry conditions or decreases in cash resales could result in additional impairment charges in future periods.

During the nine months ended September 30, 2002, we recorded a non-cash impairment charge on certain components of our seismic data library. This charge totaled \$25,696,000. Based on industry conditions and recent revenue performance, we determined that our estimates of future cash flows on these certain seismic data library components would not be sufficient to recover the carrying value of such data. As a result, we estimated the fair value of such seismic data components by discounting the estimated net cash flows of the data. The resulting difference between the estimated fair value and carrying value was recorded as an impairment loss during the second quarter of 2002.

Our selling, general and administrative, or SG&A, expenses were \$21,213,000 in the first nine months of 2003 compared to \$49,526,000 in the first nine months of 2002. The lower SG&A expenses in the first nine months of 2003 compared with 2002 reflect a decrease in personnel and other costs resulting from cost reduction measures implemented in the last half of 2002, including reductions in work force, relocation of our headquarters, reduction of space in our Calgary operations, overhaul of our compensation structure and the imposition of strict controls on spending of all types.

The first nine months 2002 SG&A included \$9.7 million of charges related to former executives for certain compensation paid pursuant to contracts and allowance for collection of notes receivable plus an additional \$7.8 million of costs associated with restructuring efforts and costs resulting from litigation with several parties, including certain of our former officers and directors. The first nine months 2003 SG&A expenses include \$6.1 million of legal and professional fees related to restructuring efforts incurred prior to the Chapter 11 filing offset partially by \$3.4 million of foreign currency gains related to the strengthening of the Canadian dollar for U.S. denominated transactions of our Canadian subsidiaries. Additionally, in the first nine months of 2003, we recorded a reduction of \$1.9 million in liabilities associated with certain litigation, primarily as a result of certain litigation being settled for amounts less than that previously estimated and recorded.

During the second quarter of 2003, we negotiated the settlement of certain liabilities for less than the amount recorded in the financial statements resulting in a gain of \$681,000 reflected in the nine months of 2003.

During the first nine months of 2002, we sold certain marketable securities that we held. As a result, the unrealized loss that was recorded as a component of equity was recognized in the income statement as a permanent impairment of the marketable security during the first nine months of 2002.

During the third quarter of 2003, we incurred expenses associated with reorganization totaling \$1,675,000. Reorganization items are expense or income items that are incurred or realized by debtors because they are in reorganization. These items include, but are not limited to, professional fees and similar types of expenses incurred directly related to the chapter 11 cases, loss accruals or gains or losses resulting from activities of the reorganization process, and interest earned on cash accumulated by debtors because they are not paying their pre-petition liabilities. For the nine months ended September 30, 2003, reorganization items were as follows (in thousands):

Professional Fees	\$ 1,594
Interest Income	(12)
Other	93
	<hr/>
Total	\$ 1,675



As a result of our recording a loss for the first nine months of 2003, along with the chapter 11 filing and the fact that there existed substantial doubt about our ability to continue to recover assets and satisfy liabilities in the

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normal course of business, the U.S. income tax benefit on this loss was offset by a valuation allowance since such benefit is not assured of realization. Tax expense of \$621,000 was recorded in the first nine months of 2003 related to earnings on certain Canadian subsidiaries.

Years Ended December 31, 2002, 2001 and 2000

The following table summarizes the components of our revenue for the three years ended December 31, 2002 (in thousands):

	<u>2002</u>	<u>2001</u>	<u>2000</u>
			(Restated)
Acquisition revenue	\$ 23,549	\$ 25,778	\$ 33,451
Licensing revenue:			
New resales for cash	66,231	71,989	87,324
Non-monetary exchanges	13,551	57,045	12,435
Deferral of revenue	(38,366)	(89,764)	(44,324)
Selections of data	81,982	48,114	23,144
Solutions and other	2,848	2,076	1,857
	<u> </u>	<u> </u>	<u> </u>
Total revenue	<u>\$ 149,795</u>	<u>\$ 115,238</u>	<u>\$ 113,887</u>

The increase in revenue in 2002 as compared with 2001 is due primarily to (1) increased selections of data related to contracts on which revenue was initially deferred and (2) decreased deferrals in 2002 compared with the prior period. The net increases in reported revenues from year to year as a result of the change in selections and deferrals was \$85.3 million. This was partially offset by a \$43.5 million decrease in the amount of non-monetary exchanges completed in 2002 compared with the prior year.

The increased selections in 2002 reflects the high rate of deferrals in the preceding year and the subsequent selection by clients in 2002 of the specific data to license. Additionally, we believe our clients accelerated selections during 2002 as a result of our financial condition in 2002. The decrease in deferrals corresponds to a reduction in non-monetary exchanges completed during 2002 compared with 2001. The reduction in non-monetary exchanges compared with 2001 is principally related to a reduction in both the number and size of transactions during 2002 compared with the prior year. In 2002, 13 exchanges were completed compared with 38 such transactions in the prior year. In 2002, the three largest exchanges accounted for \$9.1 million of revenue whereas in 2001 the three largest exchanges accounted for \$20.6 million. Cash transactions related to data acquisition and cash licensing sales declined by a total of \$8.0 million in 2002 compared with 2001. This decline was related to the first quarter of 2002 when cash licensing sales were \$4.2 million and were lower than in any quarterly period since 1993. Cash licensing rebounded in the second, third and fourth quarters of 2002 and averaged approximately \$20 million per quarter during that period.

The increase in revenue in 2001 compared with 2000 is due primarily to a significant increase in the amount of non-monetary exchanges completed during 2001. This increase amounted to \$44.6 million and was offset by reduced revenues of \$20.5 million as a result of an increase in deferrals compared with selections during the year and a decrease of \$23.0 million in revenue from cash data licensing and data acquisition activities. The increase in non-monetary exchanges and deferrals is primarily due to a larger number of exchange transactions and the larger average size of such transactions completed in 2001 compared with the prior year. Cash data licensing and data acquisition activities declined in 2001 compared with 2000 because of a decrease in licensing of seismic data in Canada due to reduced market activity. Additionally, there was less revenue from relicensing agreements related to oil and gas company mergers in 2001 as compared to 2000.

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At December 31, 2002, we had a deferred revenue balance of \$56,084,000, of which \$17,190,000 resulted from non-monetary exchanges through which we received ownership of seismic data in lieu of cash. The total

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deferred revenue at December 31, 2002, consists of: \$34,842,000 deferred revenue on contracts entered into prior to 2002 and \$21,242,000 on contracts entered into during 2002. The deferred revenue will be recognized when selection of specific data is made by the customer or upon expiration of the data licensing contracts, whichever occurs first. Deferred revenue will be recognized no later than the following, based on the expiration of the selection period, although some revenue may be recognized earlier if selection occurs earlier (in thousands):

2003	\$ 25,903,000
2004	14,786,000
2005	9,497,000
2006	3,782,000
2007	64,000

The remaining approximately \$2,052,000 does not have contractual expiration dates and is expected to be spread throughout the above periods depending upon the customers' needs.

Data bank amortization amounted to \$123,984,000, \$48,216,000 and \$51,347,000 for 2002, 2001 and 2000, respectively. As a percentage of revenue from licensing seismic data, seismic data library amortization was 84%, 43% and 46% for 2002, 2001 and 2000, respectively. The increase in the percentage amortization rate in 2002 compared with prior periods was primarily due to the adoption of the greater of income forecast or straight-line amortization policy effective January 1, 2002. The amount of straight-line amortization recorded in 2002 totaled \$63.0 million or 43% of licensing revenue, of which \$45.7 million was a result of the revision in the estimated useful life of the data used in the straight-line calculation effective October 1, 2002. The actual rate of amortization, as a percentage of seismic revenue fluctuates and depends on the location of specific seismic surveys licensed and selected by our customers during any period. We assign a specific amortization rate to each separately identified segment of our seismic data library based on our estimate of future sales from such segment. The amortization rates vary by segment and, as of December 31, 2002, ranged from a low of 37% to a high of 86% with a weighted average rate of 50% based on the net book value of each segment compared with the net book value of the entire seismic data library as of such date. The rate of amortization with respect to each segment is decreased or increased if our estimate of future cash sales from such segment is materially increased or decreased.

During 2002, we recorded non-cash impairment charges totaling \$83.0 million. These impairment charges related to certain of our data in the offshore Gulf of Mexico, North America and international areas outside North America. Based on its most recent estimate of future cash flows from such areas, management determined that such future cash flows would not be sufficient to recover the carrying value of such data. As a result, we estimated the fair value of such components by discounting the estimated future net cash flows of the data. The resulting difference between the estimated fair value and the carrying value was recorded as impairment losses during the second and fourth quarters of 2002.

Depreciation expense was \$5,872,000, \$1,232,000 and \$580,000 during 2002, 2001 and 2000, respectively. The increase between 2001 and 2002 was primarily due to the opening of the warehouse facilities in Houston and Calgary in early 2002.

Selling, general and administrative expenses were \$71,732,000 in 2002, \$34,805,000 in 2001 and \$35,086,000 in 2000. The increase of \$36.9 million in 2002 compared with 2001 is composed principally of the following: (1) \$9.9 million of legal and professional fees for ongoing financial restructuring efforts and litigation with various parties, which include former executive officers; (2) \$8.9 million related to allowances for collection of advances and notes receivable from former executive officers; (3) \$5.8 million related to litigation accruals with former executives; (4) \$1.3 million in bonus and severance compensation paid to one of our former executive officers; (5) \$1.5 million related to the acceleration of the lease of a jet aircraft; (6) \$1.4 million in allowances for doubtful accounts, more than half of which is related to notes receivable from former executive officers; (7) \$2.5 million for increased commissions related to the higher level of revenue; (8) \$1.7 million due to

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expensing certain internal costs of new data acquisition in 2002 whereas such costs were capitalized in 2001; (9) \$1.1 million of consulting fees, primarily associated with Solutions business; (10) \$0.8 million of costs incurred in connection with the restatement of our financial statements; and (11) \$0.8 million of increased premiums for casualty, property, health and other insurance coverage.

Beginning July 1, 2002, we implemented cost reduction measures, including reductions in work force, relocation of our headquarters, reduction of space in our Calgary operations, overhaul of our compensation structure and the imposition of strict controls on spending of all types.

The decrease from 2000 to 2001 primarily resulted from a decrease in compensation expense tied to pre-tax profits resulting from the restatement of our financial statements and impairment of oil and gas properties recorded by us during 2001. Additionally, the 2000 compensation expense included amounts paid to certain of our former executive officers in connection with the restructure of their employment contracts. These decreases were partially offset by an increase in overhead costs due to an increase in the size of our company, including overhead and personnel costs associated with Solutions and international business development. As a percentage of total revenue, selling, general and administrative expenses were 48% in 2002, 30% in 2001 and 31% in 2000.

Interest expense was \$21,248,000 in 2002, \$14,245,000 in 2001 and \$13,368,000 in 2000. The increase in interest expense from 2001 to 2002 was primarily due to an increase in interest expense related to old senior unsecured notes issued in October and December 2001, a decrease in the amount of interest capitalized as a result of the sale of our oil and gas assets and an increase resulting from new capital leases entered into during 2002. Such increases were partially offset by a decrease in interest expense related to our revolving line of credit, as no balances were outstanding during 2002. The increase from 2000 to 2001 primarily relates to a decrease in the amount of interest capitalized.

During 2002, we sold certain marketable securities for cash proceeds of \$2,490,000. As a result, a loss on the sale of these marketable securities of \$332,000 is reflected in the consolidated statement of operations for the year ended December 31, 2002.

Our effective income tax rate from continuing operations was 11.7% (benefit), 41.3% and 41.0% for 2002, 2001 and 2000, respectively. Our effective tax rate for these years differed from the amounts that result from applying the U.S. Federal income tax rate of 35% due principally to the effect of foreign taxes, non-deductible expenses and, in 2002, a valuation allowance of \$58.5 million on the deferred tax asset resulting primarily from the impairments and additional amortization of the seismic data library.

Discontinued Operations

In June 2002, our board of directors unanimously adopted a plan to dispose of our oil and gas operations by sale. In August and September 2002 and in January 2004, we consummated transactions and sold substantially all of our oil and gas assets. Our remaining oil and gas assets are not material. We recorded charges in 2002 and the first nine months of 2003 totaling \$58.9 million and \$293,000, respectively, to reduce the carrying value of such assets to their estimated realizable value.

Revenue from the discontinued operations was \$225,000 and \$7,579,000 for the nine months ended September 30, 2003 and 2002, respectively. Pre-tax income (loss) from the discontinued operations was \$(179,000) and \$(60,201,000) for the nine months ended September 30, 2003 and 2002, respectively. The decrease in revenue between 2003 and 2002 was primarily due to lower production volumes as a result of the sale of the majority of the producing wells. The decrease in the pre-tax loss from the discontinued operations between 2003 and 2002 was primarily due to the loss on the sale of the assets recorded in the 2002 periods.

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Revenue from the discontinued operations was \$7,768,000, \$21,091,000 and \$24,435,000 for the years ended December 31, 2002, 2001 and 2000, respectively. Pre-tax income (losses) from the discontinued

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operations were \$(62,709,000), \$(37,805,000) and \$5,541,000 for the years ended December 31, 2002, 2001 and 2000 respectively. The decrease in revenue between 2002 and 2001 was primarily due to lower production volumes as a result of the sale of the majority of the producing wells. The decrease in revenue between 2001 and 2000 primarily resulted from lower production volumes due to property sales and normal production declines as well as lower oil prices. The decrease in the pre-tax loss from the discontinued operations between 2002 and 2001 was primarily due to impairments of oil and gas properties of \$58,947,000 recorded in 2002 compared to impairments of \$40,433,000 in 2001. The increase in pre-tax loss from the discontinued operations between 2001 and 2000 was primarily due to the impairments of oil and gas properties recorded in 2001.

Liquidity and Capital Resources

As of March 1, 2004, we had approximately \$50.1 million in consolidated cash, cash equivalents and short-term investments. In addition, we have in place and approved by the bankruptcy court, a debtor-in-possession financing facility for up to \$20 million. Advances under the facility are available pursuant to a formula based on the carrying value of certain accounts receivable and components of the seismic data library. If an advance is made under this facility, the first such advance must be in an amount not less than, and must be used to retire our term loan presently outstanding in the amount of, \$5.4 million and secured by certain seismic data. At March 1, 2004, there was no outstanding balance under this facility and there was \$20 million of availability. For a discussion of a number of factors that may impact our liquidity and the sufficiency of our capital resources, see Overview above.

Operating Activities. Cash flows provided by operating activities from continuing operations was \$61,798,000 and \$24,716,000 for the nine months ended September 30, 2003 and 2002, respectively. The significant increase from 2002 to 2003 was primarily due to the receipt of a Federal income tax refund of \$17.4 million, non-payment of interest expense on the debtors' debt due to the bankruptcy proceedings, and increased cash license sales during the first nine months of 2003. Absent any adverse factors outside our control such as a significant decrease in oil and gas prices or a decline in availability of capital for our customers, we believe that our liquidity and access to cash will be sufficient to fund our current operations through 2004 if we are successful in completing all of the financing transactions contemplated by the Plan. See Financing Activities below.

Investing Activities. Cash flows used by investing activities from continuing operations was \$29,884,000 and \$49,544,000 for the nine months ended September 30, 2003 and 2002, respectively. Cash expenditures for seismic data were \$33,281,000 and \$45,822,000 for the nine months ended September 30, 2003 and 2002, respectively. As of September 30, 2003, we anticipated capital expenditures for the remainder of 2003 would total approximately \$20 million, substantially all of which would be for seismic data library additions. Of this amount, we anticipated that we would receive underwriting or sponsorship totaling approximately \$9.5 million and would execute non-monetary exchanges for an additional \$5 million leaving approximately \$5.5 million of capital spending to be funded from operating cash flow.

Our capital budget for 2004 is presently estimated to be \$85 million, substantially all of which is allocated for additions to our seismic data library. Of the amount budgeted, approximately \$56.3 million of these additions will come from data acquisition projects for which we anticipate receiving approximately \$36.3 million in cash underwriting and \$2.4 million in non-monetary exchanges. In addition, the budget anticipates potential cash data purchases of approximately \$12 million, and the execution of approximately \$14 million in non-monetary exchanges. In addition to the above described seismic data library additions, we plan to spend approximately \$2.7 million on other property and equipment. Assuming the capital budget is executed as planned, it would require approximately \$34.7 million to be funded from operating cash flow. As of March 1, 2004, we had capital expenditure commitments related to data acquisition projects of approximately \$32.8 million of which approximately \$22.3 million of cash underwriting has been obtained.

We also have operating lease and facility rental obligations. For the quarter ended December 31, 2003, such obligations totaled approximately \$308,000. Payments due for the year ending December 31, 2004 are approximately \$1.0 million.

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Financing Activities. Cash flows used in financing activities were \$4,786,000 and \$1,926,000 for the nine months ended September 30, 2003 and 2002, respectively. During the nine months ended September 30, 2003 payments on term loans and capital leases equaled \$4.8 million and were offset by payments received on notes receivable from officers and employees of approximately \$1.0 million. As of September 30, 2003, we had approximately \$273.6 million of outstanding debt and lease obligations, with aggregate contractual cash obligations summarized as follows (in thousands):

Contractual cash obligations	Payments due by period				
	Total	2003	2004	2005	2006 and thereafter
Debt obligations ⁽¹⁾	\$ 261,364	\$ 260,792	\$ 157	\$ 37	\$ 378
Capital lease obligations	6,846	273	1,593	2,433	2,547
Operating lease obligations	5,343	308	1,018	984	3,033
Total contractual cash obligations	\$ 273,553	\$ 261,373	\$ 2,768	\$ 3,454	\$ 5,958

⁽¹⁾ Debt obligations include debt subject to compromise of approximately \$255.5 million. These debt obligations have contractual maturities ranging from 2003 to 2011. We are not in compliance with certain of the covenants related to this debt, the holders of \$255 million of such debt have accelerated the maturity thereof and the maturities have been reflected as due in 2003.

Under the Plan, the rights of and ultimate payments related to certain of these contractual obligations may be substantially altered. Please see *The Plan of Reorganization* for a discussion concerning the treatment of such obligations under the Plan.

We have outstanding senior unsecured notes totaling \$255 million that were issued in various series from December 1995 through December 2001. The senior unsecured notes bear interest at rates ranging from 7.04% to 7.48% and have original stated maturity dates ranging from December 2002 to October 2011. As a result of the non-payment of interest thereon, our chapter 11 filing, the restatement of our financial statements prior to January 1, 2002, among other factors, we are currently in default on the senior unsecured notes. The principal balance outstanding on the senior unsecured notes was \$255 million at March 1, 2004. No principal or interest payments have been made on the senior unsecured notes since May 2, 2003.

On August 28, 2001, our wholly owned subsidiary, Seitel Data, Ltd., obtained a term loan for the purchase of certain seismic data, some of which data secures the debt. We are not in compliance with payment terms or covenants of this term loan. At March 1, 2004, the term loan had an outstanding principal balance of approximately \$5.4 million and a maturity date of October 1, 2004, when a balloon payment of \$2.5 million is due. No principal or interest payments have been made on this loan since we filed voluntary petitions under chapter 11 on July 21, 2003.

On January 17, 2004, we filed the Plan with the support of the Official Equity Committee, under which all of our pre-petition creditors will be paid in full, in cash, together with post-petition (non-default rate) interest, except with respect to any disputed claims and any secured claims that are reinstated under the Plan. We have estimated that the total amount of pre-petition claims, administrative costs and other fees and expenses related to the Plan is \$301.7 million. Please see *The Plan of Reorganization* for a discussion of the treatment of our pre-petition creditors.

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The Plan will be funded from (1) the net proceeds to us from the exercise of Stockholder Warrants, the purchase of shares of reorganized common stock under the standby purchase agreements, or any combination thereof, (2) the net proceeds from our anticipated institutional private placement of new senior notes resulting in net proceeds to us of not less than \$180 million, (3) available cash and cash equivalents of not less than \$35 million and, if necessary, (4) available borrowings under our anticipated new revolving credit facility providing a

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revolving loan commitment, subject to borrowing base, of not less than \$25 million. Summarized as follows are the sources and uses of funds expected as of April 30, 2004 related to the Plan, assuming the aggregate principal amount of new senior notes totals \$190 million (in millions):

Sources and Uses of Funds

(\$ in millions)			
Sources		Uses	
Cash Required(1)	\$ 36.9	Outstanding Senior Unsecured Notes	\$ 255.0
High Yield Issue	190.0	Accrued Interest on Senior Unsecured Notes (3)	18.5
New Equity Issue to be Raised(2)	75.0	Other Secured & Unsecured Claims (4)	10.2
		Administrative Costs	10.1
		Fees & Other Expenses (5)	8.1
Total Sources	\$ 301.9	Total Uses	\$ 301.9

(1) The Plan requires that we have at least \$35 million in cash at the effective date.

(2) \$75.0 million warrant offering to existing shareholders, guaranteed by Mellon HBV.

(3) Includes interest accrued on outstanding senior unsecured notes through April 30, 2004.

(4) Includes \$5.6 million of secured claims, \$3.9 million of unsecured claims and \$0.7 million of priority claims.

(5) Includes high yield issuance fees, fees related to rights offering, and legal and other fees; does not include fees related to escrow account or letter of credit.

Reorganized Seitel's principal sources of funds in 2004 are expected to be operating revenues, cash and cash equivalents on hand, and funds available for borrowing under the new revolving credit facility. Reorganized Seitel's principal uses of funds are expected to be the payment of operating expenses, interest expense as a result of the implementation of the Plan, and capital expenditures as described above in Investing Activities. We expect that operating revenues, cash and cash equivalents on hand, and the funds available for borrowing under the new revolving credit facility will be sufficient to enable Reorganized Seitel to cover its operating expenses, interest expense on new indebtedness, and the cash requirements in connection with our investments in seismic data. However, there can be no assurance that such funds will be sufficient to meet our cash requirements on a consolidated basis. If our anticipated level of revenue is not achieved because of decreased demand for our seismic data or weakness in the overall market for oil and gas exploration, the current sources of funds may be insufficient to meet our cash requirements.

Other Debt

On January 12, 2004, our wholly owned subsidiary, Olympic Seismic Ltd., entered into a new revolving credit facility. The facility allows it to borrow up to \$5 million (Canadian dollars), subject to an availability formula, by way of prime-based loans, bankers' acceptances or letters of credit. The rate applicable to borrowings is the bank's prime rate plus 0.35% per annum and to bankers' acceptances is 1.50% per annum. Letter of credit fees are based on scheduled rates in effect at the time of issuance. The facility is secured by the assets of Olympic, SEIC Trust Administration Ltd. (as sole trustee of, and for and on behalf of, SEIC Business Trust) and SEIC Holdings, Ltd., but is not guaranteed by us or any of our other United States subsidiaries. However, all intercompany debt owing by Olympic or SEIC Holdings, Ltd. to us or to any of our U.S. subsidiaries (approximately \$13,923,000 (Canadian dollars) at September 30, 2003) has been subordinated to the repayment of the revolving credit facility. Available borrowings under the facility are equivalent to a maximum of \$5 million (Canadian dollars), subject to a requirement that such borrowings may not exceed 75% of good accounts receivable (as defined in the agreement) of SEIC Trust Administration, less prior-ranking claims, if any, relating to inventory or accounts. The facility is subject to repayment upon demand and is available from time to time at the Bank's sole discretion. A review of this demand facility is performed annually at the Bank's

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discretion. As of March 1, 2004, no amounts were outstanding on this revolving line of credit and \$5.0 million (Canadian dollars) was available on the line of credit. Olympic is not a party to any of the debt issued by us other than the note payable to a former executive.

During 2001 and 2002, we entered into capital leases for the purchase of computer and data center furniture and equipment. The lease agreement originally was for a term of approximately two years. On February 18, 2003, we and the lessor entered into a restructuring of this lease effective as of January 1, 2003. Under the restructured obligation, on February 18, 2003, we made a one time payment of \$1,580,000, plus applicable taxes, in consideration of past due lease payments and agreed to make 33 additional monthly payments of principal and interest of \$165,000, plus applicable taxes. At the conclusion of the lease, we may purchase the leased equipment, in whole but not in part, for \$810,000, less a credit of \$309,910 in respect of a cash deposit held by the lessor. The outstanding balance on the capital lease as of March 1, 2004 was \$3,571,000. We have assumed the lease pursuant to an order of the bankruptcy court dated December 29, 2003.

On April 30, 2002, Olympic entered into a sale leaseback agreement on a building and land located in Calgary, Alberta, Canada. Proceeds of the sale were \$3.6 million (Canadian dollars). The proceeds were used to pay off Olympic's revolving line of credit and for general corporate purposes. The term of the lease is a 20-year capital lease with lease payments of: \$336,000 (Canadian dollars) in years 1-5; \$370,860 (Canadian dollars) in years 6-10; \$409,500 (Canadian dollars) in years 11-15; and \$452,340 (Canadian dollars) in years 16-20. The transaction resulted in a gain on the sale of \$737,000, which has been deferred and is being recognized into income over the term of the lease.

In connection with the settlement of certain litigation, we entered into a note payable to a former executive consisting of payments of \$6,417 per month for 36 months commencing June 2003 and payments of \$6,000 per month for 84 months commencing June 2006. The note is non-interest bearing. The note is guaranteed by Olympic Seismic, Ltd. The outstanding balance on this note as of March 1, 2004 was \$441,000. Since the date we filed our voluntary chapter 11 petition with the bankruptcy court, Olympic Seismic, Ltd. has made the monthly payments on this note. Under the Plan, the note will be assumed by Reorganized Seitel.

Under the terms of a separation agreement with a former officer of Seitel, we have guaranteed a bank loan with an outstanding balance of \$193,000 as of November 14, 2003. The balance is due in annual installments of \$60,000 with a maturity date of November 13, 2006.

Deferred Tax Assets. We have not paid Federal income taxes in the last two years. As of September 30, 2003, we had a net deferred tax asset of approximately \$8.1 million which was net of a valuation allowance of approximately \$60 million. The remaining deferred tax asset relates to the carryback of losses. We anticipate receiving a refund of Federal income tax for the year ended December 31, 2003. The amount of such refund has not yet been determined. Following the implementation of the Plan, any remaining net operating loss and tax credit carry forwards and certain other of our tax attributes applicable to periods prior to the effective date of the Plan (collectively, pre-change losses) may be subject to limitation under Section 382 of the Internal Revenue Code of 1986, as amended, as a result of the change in ownership of Reorganized Seitel. Under Section 382, if a corporation undergoes an ownership change and the corporation does not qualify for (or elects out of) under Section 382(1)(5)(H), the amount of its pre-change losses that may be utilized to offset future taxable income is subject to an annual limitation. The amount of the annual limitation is generally based on the value of Seitel immediately before the ownership change multiplied by a percentage rate published by the Internal Revenue Service. Such limitation also may apply to certain losses or deductions that are built-in (i.e., economically accrued but not recognized) as of the date of the ownership change and that are subsequently recognized during the five year period beginning with the date of the ownership change.

Off-Balance Sheet Transactions. We do not maintain any off-balance sheet transactions, arrangements, obligations or other relationships with unconsolidated entities or others that are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenue or expense, results of operations, liquidity, capital expenditures or capital resources.

Table of Contents**Recent Accounting Pronouncements**

In November 2002, the Financial Accounting Standards Board, or FASB, issued Interpretation 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, or FIN 45. FIN 45 requires a guarantor to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. FIN 45 also expands the disclosures required to be made by a guarantor about its obligations under certain guarantees that it has issued. Initial recognition and measurement provisions of FIN 45 are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure requirements were effective for 2002. The adoption of FIN 45 on January 1, 2003 did not have a material effect on our results of operations or balance sheet.

In January 2003, the FASB issued Interpretation 46, *Consolidation of Variable Interest Entities*, and Interpretation of Accounting Research Bulletin No. 51, or FIN 46. FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective for all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied for the first interim or annual period beginning after December 15, 2003. The adoption of this interpretation is not expected to have a material impact on our financial position or results of operations.

Quantitative and Qualitative Disclosure About Market Risk

We are exposed to market risk, including adverse changes in interest rates and foreign currency exchange rates.

Interest Rate Risk

We may enter into various financial instruments, such as interest rate swaps, to manage the impact of changes in interest rates. As of September 30, 2003, we did not have any open interest rate swap or interest rate lock agreements. Therefore, our exposure to changes in interest rates primarily results from its short-term and long-term debt with both fixed and floating interest rates. The following table presents principal or notional amounts (stated in thousands) and related average interest rates by year of maturity for our debt obligations and their indicated fair market value at December 31, 2002:

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>There- after</u>	<u>Total</u>	<u>Fair Value</u>
Debt:								
Variable Rate	\$ 3,750	\$ 4,497	\$	\$	\$	\$	\$ 8,247	\$ 8,247
Average Interest Rate	4.55%	4.35%					4.44%	
Fixed Rate	\$ 10,375	\$ 32,500	\$ 12,500	\$ 32,500	\$ 12,500	\$ 155,000	\$ 255,375	\$ 172,994
Average Interest Rate	7.23%	7.13%	7.28%	7.13%	7.28%	7.31%	7.25%	

The following table presents principal or notional amounts (stated in thousands) and related average interest rates by year of maturity for our debt obligations and their indicated fair market value at December 31, 2001:

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	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>There- after</u>	<u>Total</u>	<u>Fair Value</u>
Debt:								
Variable Rate	\$ 3,819	\$ 2,500	\$ 4,375	\$	\$	\$	\$ 10,694	\$ 10,694
Average Interest Rate	4.79%	5.02%	5.02%				4.94%	
Fixed Rate	\$ 10,000	\$	\$ 32,500	\$ 12,500	\$ 32,500	\$ 167,500	\$ 255,000	\$ 284,554
Average Interest Rate	7.31%		7.13%	7.28%	7.13%	7.30%	7.26%	

We note that under the Plan, most of our pre-petition debt will be cancelled and thus the above tables are not indicative of our actual interest rate risk.

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Foreign Currency Exchange Rate Risk

Our Canadian subsidiaries conduct business in the Canadian dollar and, therefore, we are and will be, subject to foreign currency exchange rate risk on cash flows related to sales, expenses, financing and investing transactions in currencies other than the U.S. dollar. As of September 30, 2003, we did not have any open forward exchange contracts.

We have not had any significant changes in the market risk exposures since December 31, 2002.

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BUSINESS

General

We are a leading provider of seismic data and related geophysical services to the oil and gas industry. Our products and services are used by oil and gas companies to assist in the exploration, development and management of oil and gas reserves. We have ownership in an extensive library of proprietary onshore and offshore seismic data that we have accumulated since 1982, which we offer for license to a wide range of oil and gas companies. Our customers utilize this data, in part, to assist them in the identification of new geographical areas where subsurface conditions are favorable for oil and gas exploration, to determine the size and structure of previously identified oil and gas fields and to optimize development and production of oil and gas reserves. We believe that our library of onshore seismic data is one of the largest available for licensing in the United States and Canada.

We also have ownership in a library of offshore data covering extensive parts of the U.S. Gulf of Mexico shelf and certain deep water areas in the western and central U.S. Gulf of Mexico. We regularly add to our seismic data library by conducting new programs funded (or underwritten) substantially by our customers in exchange for a license granting exclusive access to newly acquired data for a limited period of time. We also acquire entire seismic libraries from oil and gas companies which strategically have discontinued their exploration and production focus in a particular geographical region or local area and no longer require use of the library or which have determined to sell their library strictly for financial purposes. These acquisitions typically are structured as non-monetary exchanges of seismic data, whereby we acquire ownership of existing data from customers in exchange for an assignment of a non-exclusive license to use data from our library, and less frequently as cash purchase transactions. We also create new value-added products by applying advanced seismic data processing or other quantitative analytical techniques to selected portions of our library.

We are incorporated under the laws of the State of Delaware. Our principal executive offices are located at 10811 South Westview Circle Drive, Suite 100, Building C, Houston, Texas 77043, and our telephone number at that address is (713) 881-8900.

Industry Conditions

The overall demand for seismic data and related geophysical services is dependent upon spending by oil and gas companies for exploration, production, development and field management activities, which is driven largely by present and expected future prices for crude oil and natural gas. This in turn is impacted by global events and economic, tax, and environmental considerations. Crude oil and natural gas prices have rebounded over the past several years, resulting in increased capital spending by the oil and gas industry, including spending for seismic data and geophysical services. Weak global economic conditions combined with an oversupply of crude oil and natural gas led to a weak commodity price environment in the later half of 2001. This led to a decrease in capital spending by our customers on seismic data and geophysical services. Since 2002, however, strengthening economic conditions, the global political environment and cold weather in the United States has led prices to increase dramatically, rising from \$14.38/bbl to \$36.86/bbl for crude oil and from \$2.08/mcf to \$5.18/mcf for natural gas between 1998 and March 1, 2004. We anticipate a corresponding increase in overall exploration and production capital spending, resulting in improved seismic industry market conditions. We believe that this improvement, as well as the necessity for the oil and gas industry to replace reserves which otherwise are currently being depleted at a rate estimated by industry analysts at 5 to 10% per year for the major oil and gas operators¹, have stabilized spending levels.

¹ Energy Information Administration

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	Years Ended December 31,					Nine Months Ended	
						September 30,	
	1998	1999	2000	2001	2002	2002	2003
Average Oil Price (\$/bbl)	14.38	19.30	30.37	25.96	26.17	25.46	31.03
Average Natural Gas (\$/mcf)	2.08	2.27	4.30	3.96	3.37	3.05	5.62
Average Rig Count:(a)							
US Onshore	692	622	916	1,155	831	826	1,006
Canada	255	246	344	342	266	260	360
Total North American Onshore	947	869	1,261	1,497	1,097	1,086	1,366
Offshore Gulf of Mexico	121	105	136	148	109	109	104
Total North America	1,068	973	1,397	1,644	1,206	1,195	1,470
Exploration-Production Spending(b) (US\$ in billions):							
United States:							
Drilling-exploration	22.8	18.3	24.3	39.9	31.9	na	na
Production	4.3	3.5	4.6	7.6	6.1	na	na
OCS lease bonus	1.3	0.2	0.4	1.0	0.5	na	na
US Sub-total	28.5	22.0	29.4	48.5	38.5	na	na
Canada:							
Drilling-exploration	8.1	5.8	8.6	9.7	10.4	na	na
Production	3.6	3.4	3.5	4.0	4.3	na	na
Canada Sub-total	11.7	9.2	12.0	13.7	14.7	na	na
Total North America	40.2	31.3	41.5	62.2	53.2	na	na
North American Seismic Spending(c) (US\$ in billions):	na	1.6	1.8	2.4	2.2	na	na
Average S&P Small Capitalization E&P Index(d)	154.0	133.4	191.0	231.5	229.9	229.0	257.3
Average S&P Mid Capitalization E&P Index(e)	106.6	75.6	102.3	133.6	145.8	144.7	154.9
Average S&P Large Capitalization E&P Index(f)	118.9	110.9	131.1	141.7	130.5	131.6	133.7

Source:

(a) Baker Hughes Rig Count

(b) *Oil & Gas Journal*(c) Spears & Associates, *2003 Oilfield Market Report*

(d) Bloomberg. Includes: Cabot Oil and Gas, Cimarex Energy, Evergreen Resources, Newfield Exploration, Nuevo Energy, Patina Oil and Gas, Prima Energy, Remington Oil, Southwestern Energy, Spinnaker Exploration, St. Mary's Land and Exploration, Stone Energy, Swift Energy, Tom Brown, Vintage Petroleum

(e) Bloomberg. Includes: Forest Oil, Noble Energy, Pioneer Natural Resources, Pogo Producing, XTO Energy

(f) Bloomberg. Includes: Anadarko Petroleum, Apache, Burlington Resources, Devon Energy, EOG Resources, Kerr-McGee, Unocal

The oil and gas industry has over time increasingly relied on the use of 3D seismic data that has fueled the growth and demand for geophysical services. The greater precision and improved subsurface resolution obtainable from 3D seismic data, combined with advanced processing techniques, have assisted oil and gas companies in finding new fields and more accurately delineating existing fields. These improved technologies have been key factors in improving drilling success ratios² and lowering finding and field extension costs. These improved technologies, coupled with advances in drilling and completion techniques, are significantly enhancing the ability of oil and gas companies to explore for, develop and manage oil and gas reserves cost-effectively.

² Independent Petroleum Association of America

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Dry Wells as a % of Total Exploratory Wells (in US)

Seismic Data

Oil and gas companies consider seismic data an essential tool in finding hydrocarbons. Oil and gas companies use seismic data in oil and gas exploration and development efforts to increase the probability of drilling success. 3D seismic data provides a graphic depiction of the earth's subsurface from two horizontal dimensions and one vertical dimension, rendering a more detailed picture than 2D data, which presents a cross-sectional view from one vertical and one horizontal dimension. The more comprehensive geophysical information provided by 3D surveys significantly enhances an interpreter's ability to evaluate the probability of the existence and location of oil and gas deposits. The use of 3D surveys has been demonstrated to increase drilling success rates and, correspondingly, lower exploration and development costs. However, the cost to create 3D seismic data is significantly more than the cost to create 2D seismic data. As a result, 2D data continues to be used by clients for preliminary, broad-scale exploration evaluation, as well as in determining the location and design of 3D surveys. 3D surveys can then be used for more site-specific analysis to maximize actual drilling potential and success.

Our offshore data library includes limited amounts of multi-component data. In a standard 3D seismic survey, only pressure waves are measured and recorded, whereas in a multi-component survey not only pressure waves but also shear waves are measured and recorded. Pressure waves are affected by the fluids in rock formation, whereas shear waves are not. By measuring and recording both pressure waves and shear waves, a multi-component survey can improve analysis of rock formations.

We believe seismic data is a long life asset. We amortize our seismic data over a seven year period for onshore seismic data and five years for offshore seismic data; however, we believe that the seismic data will continue to generate licensing revenue after such time. Assuming the data is sampled and gathered adequately in the field recording phase, it is amenable to re-evaluation and re-presentation, multiple times, using new or alternate processing techniques or updated knowledge of the earth model.

Seismic Data Library

Our seismic data library includes onshore and offshore 3D and 2D data and offshore multi-component data. We have ownership in approximately 31,800 square miles of 3D and approximately 1.1 million linear miles of 2D seismic data concentrated primarily in the major North American oil and gas producing regions. The main geographic regions of focus include the onshore, offshore and transition zone of the U.S. Gulf Coast extending from Texas to Florida, northern Louisiana, Mississippi, eastern Texas, the Rocky Mountain region and western

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Canada. The majority of our seismic data library covers onshore regions within North America with the remainder covering the offshore United States. Our seismic data concentration is primarily in the 3D market. The following table describes our 3D seismic data library as of February 15, 2004.

3D Data Library at February 15, 2004	Square Miles	Percentage of Subtotal
Gulf Coast Texas	5,483	41.8%
Southern Louisiana/Mississippi	5,636	43.0%
Rockies	816	6.2%
Northern Louisiana	370	2.8%
Other	798	6.1%
Total U.S. Onshore	13,103	100.0%
Canada	8,610	100.0%
Conventional	9,096	90.1%
Multi-Component	996	9.9%
Total U.S. Offshore	10,092	100.0%
Worldwide Total	31,805	100.0%

U.S. Onshore. The U.S. onshore 3D sector of our seismic data library is comprised principally of our Gulf Coast Texas and southern Louisiana/Mississippi components. We began accumulating this data in 1993 and 1994. Until recent years, the southern Louisiana/Mississippi component of our U.S. onshore seismic data library grew significantly faster than our Gulf Coast Texas component. More recently, our Gulf Coast Texas component has experienced significant growth and now represents approximately the same percentage of our total U.S. onshore seismic data library as our Louisiana and Mississippi component. These areas form the core of our U.S. onshore database and currently represent the areas of most demand from our U.S. clients.

The Rocky Mountain region and northern Louisiana sectors, although currently small contributors, are believed to be areas of strong potential growth in the future. Although we own relatively small amounts of seismic data in other areas, such as Alabama, Arkansas, Michigan and North Dakota, we do not intend to focus in these areas in the near future because we have determined that such areas do not have sufficient revenue producing potential.

Canada. The Canadian market is less mature than the U.S. Gulf Coast and includes areas still considered Frontier, or underexplored. Accordingly, there is still a significant demand for 2D data, with 3D data representing an increasing part of the market in recent years. In 2003, demand for our 3D seismic data was almost equivalent to the demand for our 2D seismic data, and we anticipate that demand for our 3D seismic data will surpass that for our 2D seismic data in 2004 and the future. The accumulation of 3D data in our Canadian seismic library began in 1998 and has grown at an average rate in excess of 1,000 square miles per year.

Offshore U.S. Gulf Of Mexico. We have accumulated conventional U.S. Gulf of Mexico offshore 3D data since 1993, with the volume growing steadily through 2000. We have not added any such new data since that time. However, during 2001 and 2002, we added several projects of multi-component data under an alliance agreement with Western Geco (formerly known as Schlumberger-Geco). After 2002, we discontinued making cash investments for recording new data in the offshore U.S. seismic market, which is dominated by competitors who deploy their own marine vessels and field equipment to service their own data libraries, because we believe the market does not provide favorable growth opportunities for us.

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Data Library Creation

We regularly add to our library of seismic data by: (1) recording new data, (2) buying ownership of existing data for cash, (3) creating new value-added products from data existing within our library, or (4) acquiring ownership of existing data from customers in exchange for an assignment of a non-exclusive license to data from our library, or non-monetary exchange.

Data Acquisitions. We create new seismic data designed in conjunction with our customers and specifically suited to the geology of the area using the most appropriate technology available. Typically one or more customers will underwrite a significant portion of the direct cost in exchange for a license or licenses to use the resulting data. Under such licenses, the customers usually have exclusive access to use the newly acquired data for a limited term, which is usually nine months or less, at which time the data is added to our library for licensing to the industry on a non-exclusive basis. Data acquisition activity during 2003 occurred in: the Texas Gulf Coast, southern Louisiana, Wyoming and western Canada. All field work on these projects is outsourced to subcontractors, as is the data processing for those projects in Canada and the Rocky Mountain region; a significant percentage of the data processing for Gulf Coast projects are processed by our wholly owned subsidiary Matrix Geophysical. We employ experienced geoscientists who design seismic programs and oversee field acquisition and data processing to ensure the quality and longevity of the data created.

Cash Purchases. We generally pursue acquisitions of data for cash less frequently than we do other methods of adding to our seismic data library. Typically when we purchase data for cash, such purchases will include entire libraries of data or significant subsets of libraries, rather than individual surveys, as is common in the other library creation methods. In these transactions, we usually purchase data from companies that lack sufficient economic and other resources to continue focusing in certain geographical areas or those that have made a strategic decision to discontinue focus in a particular geographical area.

Value-Added Products. We create new, additional products from existing seismic surveys in our library by extracting a variety of additional information from surveys that are not readily apparent in initial products. Opportunities to create such additional products may result from alternate or more complex processing algorithms applied to initial products, information with respect to the Earth model from secondary sources and alternative conclusions derived from initial products, or a combination thereof. Additional products may include Pre-Stack Time Migration volumes, Amplitude Versus Offset volumes, Complex Attribute volumes, Rock Property volumes and Pre-Stack Depth Migration volumes. Typically one or more customers will underwrite a portion of the direct cost in exchange for a license or licenses to use the resulting data. Under such licenses, the customers usually have exclusive access to the newly acquired data for a limited term, which is usually three months or less, after which the data is added to our library for licensing to the industry on a non-exclusive basis. Work on these projects may be performed by our wholly owned subsidiary Matrix Geophysical, outsourced to specific specialists in the arena or conducted under an alliance with a particular specialist. We employ experienced geoscientists who design these VAP projects and oversee the processing to ensure the quality and longevity of the data created.

Non-Monetary Exchanges. We grant our customers a non-exclusive license to selected data from our library in exchange for ownership of seismic data from the customer. The data that we receive is distinct from the data that is licensed to the customer. These transactions, which have been an essential tool in the growth of our seismic data library, will tend to be for individual surveys or groups of surveys, rather than whole libraries. The principle underlying these non-monetary exchanges has occasionally been used in conjunction with data acquisitions and cash purchases.

Licenses and Marketing

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We actively market data from our library to customers under non-exclusive license agreements using an aggressive marketing strategy combined with strong geophysical expertise. Our licenses are generally non-assignable. Our licenses typically provide that in the event of a change in or sale of control of a customer-

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licensee, the surviving entity generally must pay a fee to maintain a license for any data it seeks to continue to use and for which such entity previously did not have a license. Our marketing philosophy is that seismic data must be sold actively as opposed to waiting passively for customer purchases. We maintain a team of dedicated marketing specialists who seek to maximize license sale opportunities and create innovative methods of contracting opportunities by monitoring petroleum industry exploration and development activities through close interaction with oil and gas companies on a daily basis.

Licenses generally are granted for cash payable within 30 days of invoice, although we sometimes permit a customer to make an initial payment upon inception of the license followed by periodic payments over a period of time, usually not more than 12 to 18 months. Some licenses provide for additional payments to us, as and if the licensee acquires additional mineral leases, drills wells or achieves oil or gas production in the areas covered by the licensed data.

Fundamental to our business model is the concept that once seismic data is created it is owned by us and added to our library for licensing to customers in the oil and gas industry on a non-exclusive basis. Since the data is a long life asset such data can be licensed repeatedly and over an extended period of time to different customers at the same time.

Seitel Solutions

To support our seismic data licensing business, we maintain warehouse and storage facilities at our Houston, Texas headquarters and our Calgary, Alberta location. Through our wholly owned subsidiaries, Seitel Solutions, Ltd. and Seitel Solutions Canada Ltd. (together, "Solutions"), we offer the ability to access and interact with the seismic data we own and market via a standard web browser and the Internet. Using proprietary technology, we store, manage, access and deliver data, tapes and graphic cross-sections to our licensees. In addition, Solutions offers use of its proprietary display and inventory software to certain customers, and the use of its proprietary quality control software to the seismic brokerage community principally in Calgary, Alberta, Canada. In the future, we may decide to offer data management services to clients generally.

Current Strategies

During the past 18 months, we have implemented a plan to refocus our activities, both functionally and geographically, and have discontinued certain areas of operation. We have discontinued the oil and gas exploration and production business and have disposed of almost all of our properties in that portion of the business. Our remaining oil and gas assets are not material. We discontinued making cash investments for recording new data in the offshore U.S. seismic market, which is dominated by competitors who deploy their own marine vessels and field equipment to service their own data libraries. We determined that certain geographical areas such as Alabama, Arkansas, Michigan and North Dakota did not have sufficient revenue producing potential. We also significantly narrowed and reduced the mission for our Solutions division to focus on internal requirements and a very limited participation in the external market. In line with this strategy, beginning in the third quarter of 2002, management implemented cost reduction measures, including reductions in work force, the consolidation of our Houston office location (resulting in the relocation of our headquarters), reduction of office space used in our Calgary operations, overhaul of our compensation structure and the imposition of strict controls on spending of all types.

We intend to continue to grow our seismic data library using a combination of recording new data, cash purchases, creating new value-added products from data existing within our library, and non-monetary exchanges.

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We believe that our policy of not owning field equipment and outsourcing these services gives us flexibility not available to some of our competitors. It allows us to respond appropriately to changing market conditions rendering our cash flows less susceptible to volatility. It also enables us to select vendors with the best price, equipment and skill sets appropriate to a particular environment, geographical location or geophysical objective, and provides us with access to state-of-the-art equipment and new and advancing technologies.

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This policy of outsourcing along with strong geophysical, technical and field operating management, allows us to align our interests with those of our underwriting customers. We believe this has allowed us to become a leading provider in certain core areas where local expertise is important. We believe we have developed expertise in certain areas of southern Louisiana, Gulf Coast Texas, Alberta and northeast British Columbia and that there are opportunities to continue expansion in these areas and to repeat these experiences in areas such as the U.S. Rocky Mountain region, northern Louisiana and certain selected areas of the market outside North America.

We believe our policy of seeking significant underwriting levels before undertaking new acquisition projects is crucial to our success, as is ensuring that conditions exist for repeated licensing of the same data over an extended period. Significant in our rationale for creating new 3D survey additions to the library, is the idea of proximity to 3D surveys already in the library. We believe that there is greater value in contiguous data, or reasonably close concentrations of surveys in a single area. These ideas and policies will continue to play a large part in our strategy for the growth of the library.

We intend to continue with our aggressive marketing approach and to maintain our disciplined approach to all expenditures.

Competitive Strengths

We believe that we have the following competitive strengths:

Leading Market Position. Within our industry, we are considered to be one of the leading providers of seismic data in North America. We believe our library of 3D seismic data is one of the largest available for licensing in the U.S. and Canada. We have ownership in approximately 31,800 square miles of 3D seismic data, the majority of which is concentrated primarily in the major North American oil and gas producing regions.

Diversified Customer Base. We market our seismic data to over 1,300 customers in the oil and gas industry, and we have license arrangements with in excess of 1,000 customers. In 2003, four of our top ten customers were rated investment grade by Standard & Poor's. None of our customers accounted for more than 10% of total revenues, and our top ten customers accounted for approximately 40% of total revenues. We have been providing seismic data to several of our largest customers for over 10 years.

Data Ownership Provides the Opportunity to Realize Long-Term Revenue Streams. We own our seismic data and are able to license the data an unlimited number of times, allowing for a lengthened life of our seismic data library. The ability to continuously license the seismic data multiple times over, as well as the commercial longevity of our seismic data is a result of many factors, including multiple interpretations of the same data set, changes in ownership of mineral interests, new discoveries of hydrocarbons, advances in drilling and production technology, creation of oil and gas distribution infrastructures and new seismic processing techniques. As a result, we believe there is minimal obsolescence risk regarding our seismic library. Most of our data is expected to generate revenues for ten years or more. In some instances, samples of our older 2D data are still being licensed after 20 years. The current weighted average of our 3D onshore data library is 3.2 years.

Low Cost Business Model. In order to remain profitable in volatile business cycles, we believe it is essential to have a low cost operating structure. As a result, we strive to maintain an efficient base of assets and employees with which to conduct our operations. We do not own seismic acquisition equipment or employ seismic acquisition crews, but rather, engage third party contractors with qualified equipment on an as required basis to shoot new data. We believe our decision to engage third party contractors on an as required basis results in substantially less

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volatility in our cash flows by allowing us to respond more quickly to changes in the demand for our products and services and minimizing our ongoing capital requirements. We do not participate in speculative seismic shoots and impose strict capital investment hurdles with targeted underwriting levels of approximately 70%.

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Leading Provider in Dominant Areas. Onshore seismic data collection requires a high degree of technical expertise, extensive permitting and geographical knowledge. We have developed a strong operational reputation over the past twenty years and believe that we are a leading provider for customers seeking seismic data in our dominant areas of operation. Our large and contiguous database encourages customers looking to acquire data in our area of operations to select us as their provider. We also believe that our experience and relationships with the relevant permitting agencies gives us an advantage over our competitors.

Refocused Operations

Because our historical success was built around our seismic expertise and the quality of our library, through the process of our reorganization, we have completely refocused our operations on our core competency of seismic data licensing. In 2002, we sold substantially all of our assets which engaged in the exploration for and development, production and sale of natural gas and oil, and we are currently in the process of selling what little amount remains of such assets. By exiting the exploration and production sector, we believe we have refocused our operations and are well-positioned to achieve success in the future.

Customers

We market our seismic data to a varied customer base. Our customers range from small, independent oil and gas companies and private prospect generating individuals to several of the largest companies in the oil and gas industry. During the three-year period ended December 31, 2003, no one customer accounted for more than 10% of our revenue. We do not believe that the loss of any single customer would have a material adverse impact on our seismic business, cash flows or results of operations.

Competition

The creation and licensing of seismic data is highly competitive. There are a number of geophysical companies that create, market and license seismic data and maintain their own seismic data libraries. Rather than outsourcing, some oil and gas companies create their own seismic data libraries, which they license to users. Our largest competitors, most of whom are engaged in acquiring seismic data, as well as maintaining a data library, are: Compagnie Generale de Geophysique, Petroleum Geo-Services, Seismic Exchange, Inc. (a private company based in New Orleans, Louisiana), TGS Nopec, Veritas DGC, Inc. and WesternGeco (a joint venture of Schlumberger and Baker Hughes). Many of our competitors have substantially larger revenues and resources than we do.

We believe that we have positioned ourselves to take advantage of the continued outsourcing trend by exploration and production companies for their seismic data needs. In addition, we believe we can compete favorably due to: the breadth of our data library, the expertise of our marketing staff, the technical proficiency of our geoscientists and the employment of a business model that does not require capital investment in, or the ownership of, field crews.

Seasonality and Timing Factors

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Our results of operations fluctuate from quarter to quarter due to a number of factors. Our results are influenced by oil and gas industry capital expenditure budgets and spending patterns. These budgets are not necessarily spent in equal or progressive increments during the year, with spending patterns affected by individual oil and gas company requirements as well as industry-wide conditions. In addition, under our revenue recognition policy, revenue recognition from data licensing contracts is dependent, among other things, upon when the customer selects the data. As a result, our seismic data revenue does not necessarily flow evenly or progressively during a year or from year to year. Although the majority of our data licensing transactions provide for fees to us of under \$500,000 per transaction, occasionally a single data license transaction from our library, including those resulting from the merger and acquisition of our oil and gas company customers, may be

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substantially larger. Such large license transactions or an unusually large number of, or reduction in, data selections by customers can materially impact our results during a quarter, creating an impression of a revenue trend that may not be repeated in subsequent periods. In our data creation activities, weather-related or other events outside our control may impact or delay surveys during any given quarter.

Employees

As of March 1, 2004, we and our subsidiaries had 140 full-time employees, including 5 executive officers, 19 marketing staff and 29 geotechnical staff. None of our employees are covered by collective bargaining agreements, and we consider our relationship with our employees to be good.

Raw Materials and Proprietary Information

We are not dependent on any particular raw materials, patents, trademarks or copyrights for our business operations. Our seismic data library is proprietary confidential information, which is not generally available to the public and is subject to confidentiality agreements with our employees and customers. The seismic data within our library is a trade secret, which we protect through confidentiality agreements with our employees and licensees. We believe that our seismic data library is also protected by common law copyright.

Properties

Our corporate headquarters are located at 10811 South Westview Circle Drive, Suite 100, Building C, Houston, Texas 77043, which also serves as administrative and financial offices and warehouse space and storage. We maintain domestic marketing offices located in Denver, Colorado and New Orleans, Louisiana. We also lease office and warehouse space in Calgary, Alberta in two separate locations, where our Canadian operations are headquartered. We consider our business facilities adequate and suitable for our present and anticipated future needs, but may seek to expand our facilities from time to time. See [Current Strategies](#) above for a discussion of our consolidation of certain of our office and warehouse facilities.

The following table sets forth the locations of our offices and warehouses, the approximate square footage of space we maintain at such locations, our use of such space and whether it is owned or leased by us.

<u>Location</u>	<u>Approximate Square Footage</u>	<u>Use</u>	<u>Owned/Leased</u>
Houston, Texas	72,400	Administrative; Financial; Marketing; Operations; Warehouse	Leased
Denver, Colorado	1,529	Marketing	Leased
New Orleans, Louisiana	540	Marketing	Leased
Calgary, Alberta, Canada	11,400	Administrative; Financial; Marketing; Operations	Leased
Calgary, Alberta, Canada	42,000	Warehouse	Leased

Legal Proceedings

See [The Plan of Reorganization](#) for a detailed discussion of our Chapter 11 reorganization and the Plan.

Seitel was the subject of a formal investigation by the SEC's Office of Enforcement. In December 2002, the SEC issued an [Order Directing Private Investigation and Designating Officers To Take Testimony](#), commonly called a formal order of investigation. We were also notified by the Enforcement Division of the SEC that it intended to recommend that the SEC initiate an administrative proceeding against Seitel for alleged books and records and internal control violations. We cooperated fully with the SEC during the course of its investigation,

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and on June 16, 2003, we reached a consensual resolution of the SEC's civil complaint alleging violations of the reporting, books and records, internal controls and proxy statement provisions of the Exchange Act. In connection with the settlement and without admitting or denying the allegations, we agreed to the entry of a final judgment permanently enjoining it from violating such provisions.

On February 3, 2003, the former holders of Seitel's senior unsecured notes accelerated the senior unsecured notes and made demand upon Seitel and certain of its former and current officers and directors for money damages arising from certain alleged negligent actions and/or misrepresentations of those officers and directors. The holders alleged that money damages arising from the foregoing claims were not fully quantified, but exceeded \$20 million and included, without limitation, the lost value of such holders' investment in the senior unsecured notes. Notice of the demand has been provided by us to our insurance carriers. The holders of the senior unsecured notes did not commence suit. As of June 26, 2003, all of the former holders of senior unsecured notes had sold their senior unsecured notes to Ranch, who subsequently sold the senior unsecured notes to Berkshire. Under the Plan, if confirmed, all of the foregoing claims will be released and discharged.

On July 18, 2002, Seitel's former chief executive officer sued Seitel in the 113th Judicial District Court of Harris County, No. 2002-35891. Mr. Frame alleges a breach of his employment contract by virtue of his termination and also alleges defamation. He also seeks a declaratory judgment that certain funds he received from us were proper and do not have to be repaid. We have answered and asserted various defenses. We also filed a counter suit to recover approximately \$4,200,000 in corporate funds that Seitel believes Mr. Frame inappropriately caused Seitel to pay him or for his benefit plus over \$800,000 due on two notes that were accelerated pursuant to their respective terms. In addition, Seitel also holds a judgment against Mr. Frame in the amount of at least \$590,000 relating to a loan made to Mr. Frame by Bank One N.A. (Bank One) and guaranteed by Seitel. Seitel intends to seek dismissal of the complaint against it, and to pursue its causes of action. Seitel also intends to pursue enforcement of its judgment against Mr. Frame. Mr. Frame has filed claims totaling \$20.2 million against Seitel and the other debtors in the chapter 11 cases. The debtors have filed objections to such claims.

Seitel and its subsidiaries, Energy Venture Holdings LLC, Endeavor Exploration LLC, and DDD Energy, were sued by a former employee, Mark Stover, in Harris County District Court, 269th Judicial District, Cause No. 2002-52120 on October 8, 2002. Mr. Stover alleged breach of his employment contract and wrongful termination. We answered and generally denied the complaint on November 8, 2002. The matter was automatically stayed upon the chapter 11 filing. On October 9, 2003, Mr. Stover filed a proof of claim in the bankruptcy court in the amount of \$374,500. We have filed an objection to the claim and intend to vigorously seek its disallowance.

Seitel and its subsidiary, Seitel Data, Ltd., are parties to a class action lawsuit for geophysical trespass entitled *Juan O. Villarreal v. Grant Geophysical, Inc.*, et al., Cause No. DC-00-214, in the 229th District Court of Starr County, Texas that was initiated on April 1, 2002. The plaintiffs have sued a number of defendants, including Seitel and Seitel Data, Ltd. The plaintiffs allege that certain defendants conducted unauthorized 3-D seismic exploration of the mineral interests, and sold the information obtained to other defendants. The plaintiffs seek an unspecified amount of damages. All of the defendants have obtained summary judgments dismissing the plaintiffs' claims, and the case is now on appeal before the San Antonio Court of Appeals under Cause No. 04-02-00674-CV. On July 22, 2003, the Texas Court of Appeals granted appellant motion to proceed against the other appellees. The appeal against Seitel remains stayed. We intend to vigorously represent our interests in this appeal.

Seitel sued its former in-house counsel and law firm in *Seitel, Inc. v. Cynthia Moulton and Franklin Cardwell & Jones, P.C.*, Cause No. 2003-09151 in the 127th Judicial District Court of Harris County, Texas. The suit alleges negligence, breach of fiduciary duty and breach of contract surrounding the settlement of a personal

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lawsuit against the former chief executive officer and other aspects of representation. Seitel seeks recovery for fees paid and related expenses. Initial pleadings were filed on February 21, 2003. Discovery has not yet commenced.

On March 27, 2003, Seitel was served with a complaint filed by the General Electric Credit Corporation of Tennessee (GE) in the District Court No. 333rd of Harris County, Texas, styled *General Electric Credit Corporation of Tennessee, v. N360X, LLC and Seitel*. The complaint alleged that Seitel, as guarantor, and its wholly owned subsidiary N360X, LLC, as lessee, defaulted on an agreement for the lease of a jet aircraft. GE accelerated the obligation, took possession of the aircraft and demanded payment of amounts GE claims are due pursuant to the termination of the lease. The claim was subsequently reduced to \$2.055 million plus interest at 9% from November 18, 2003 and purchased by Berkshire and the amount thereof has been agreed to by the parties.

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The executive officers and directors of Seitel, and their ages and positions with Seitel, as of March 9, 2004, are as follows:

<u>Name</u>	<u>Age</u>	<u>Position(s) with Seitel</u>	<u>Director Since</u>	<u>Committee Membership</u>
Fred S. Zeidman	57	Chairman of the Board of Directors	1997	(2)
Randall D. Stilley	50	President and Chief Executive Officer	N/A	
Kevin P. Callaghan	51	Chief Operating Officer and Executive Vice President	N/A	
Leonard M. Goldstein	56	General Counsel and Corporate Secretary	N/A	
Marcia H. Kendrick	43	Senior Vice President, Acting Chief Financial Officer, Chief Accounting Officer and Assistant Secretary	N/A	
Robert J. Simon	48	President-Seitel Data, Ltd.	N/A	
Walter M. Craig, Jr.	49	Director and Assistant Corporate Secretary	1987	(2)(3)
Robert L. Knauss	72	Director	2002	(1)(4)
William Lerner	70	Director	1985	(1)(2)(3)
John E. Stieglitz	72	Director	1989	(1)(3)

(1) Member of Audit Committee

(2) Member of Corporate Governance and Nominating Committee

(3) Member of Compensation and Stock Option Committee

(4) Member of Special Litigation Committee

With the exception of Mr. Fred S. Zeidman, none of the above identified directors will continue as a director of Reorganized Seitel, and those individuals identified under Executive Officers and Directors of Reorganized Seitel will constitute the board of directors.

Fred S. Zeidman, a director since 1997, was named chairman of our board of directors on June 3, 2002. He served as acting chief executive officer from November 6, 2002 to December 6, 2002. He is a member of Seitel's Corporate Governance and Nominating Committee. Mr. Zeidman was a director of EquiFin, Inc., (formerly known as InterSystems, Inc.) from July 1993 through October 2000. EquiFin provided structured capital to small and mid-size business enterprises. He served as president and chief executive officer of EquiFin from July 1993 until December 1999. He also served as president of Interpak Terminals, Inc., a wholly owned subsidiary of Helm Capital Group, Inc., engaged in the packaging and distribution of thermoplastic resins, from July 1993 until its sale in July 1997. Mr. Zeidman also currently serves as a director of First Prosperity Bank and as Chairman of the United States Holocaust Memorial Council in Washington, D.C.

Randall D. Stilley was named president and chief executive officer of Seitel on February 17, 2004. Mr. Stilley has over 28 years of experience in the oil and gas industry. He has been an investor and consultant to private equity funds since 2000. Prior to that time, he was president of the Oilfield Services Division at Weatherford International, Inc., a NYSE-listed company, from 1998 to 2000, where he was instrumental in the growth of Weatherford. Prior to his employment at Weatherford, Mr. Stilley spent 22 years at Halliburton Company, a NYSE-listed company, holding various management and engineering roles, including vice president of the Production Enhancement Group and vice president, Asia Pacific. He is a registered professional engineer in the State of Texas.

Kevin P. Callaghan has been chief operating officer and executive vice president of Seitel and president of Olympic Seismic Ltd. since June 2002. Prior to this date, Mr. Callaghan had been senior vice president of Seitel Data, Ltd. since January 1998. He was interim president of Olympic Seismic Ltd. from July 2001 until June 2002

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and vice president of Olympic Seismic Ltd. from January 2001 until July 2001. Mr. Callaghan joined Old Seitel in August 1995 as vice president of Onshore Operations of Seitel Data, Ltd. He has also served as an outside director of Aeroscan International Inc., a privately held Canadian company engaged in digital imaging services, from June 2000 until December 2002.

Leonard M. Goldstein joined Seitel in October 2002 and was named general counsel and corporate secretary in February 2003. Mr. Goldstein has over 30 years experience as a corporate general counsel, and as a practitioner in the private and public practice of law. From 1996 to 2001, Mr. Goldstein was general counsel, senior vice president, chief administrative officer and secretary for New Era of Networks, Inc., or NEON, a publicly traded software company. He was a partner with the law firm of Feder, Morris, Tamblyn & Goldstein, PC in Denver, Colorado from 1978 to 1996. In addition, Mr. Goldstein has played a strategic role in consulting and corporate development to many software development companies.

Marcia H. Kendrick, CPA, was appointed acting chief financial officer in June 2002 and serves as both our principal financial officer and principal accounting officer. She was named senior vice president in September 2001. In August 1993, Ms. Kendrick was appointed our chief accounting officer and assistant secretary. Prior to joining Seitel in 1993, she was employed by Arthur Andersen LLP, where her last position was director of finance and administration.

Robert J. Simon was named president of Seitel Data, Ltd. in June 2002. He joined Seitel in September 1984 as a marketing representative. In August 1985, he was promoted to regional sales manager. In 1987, Mr. Simon was promoted to vice president of marketing and in 1992, to senior vice president. In 1996, Mr. Simon was promoted to executive vice president where he served until becoming president of Seitel Data, Ltd.

Walter M. Craig, Jr. was elected as a director of Seitel in 1987. He is chairman of Seitel's Corporate Governance and Nominating Committee and a member of Seitel's Compensation and Stock Option Committee. Mr. Craig became assistant secretary of Seitel in June 2000. Mr. Craig has been president and chief executive officer of EquiFin since August 2000. He has been a director of EquiFin since April 1993 and in April 2001, he was named chairman of the board of directors of EquiFin. Prior to his employment at EquiFin, Mr. Craig was, from 1993 to 2000, president and a director of PLB Management Corp, the general partner of The Mezzanine Financial Fund, L.P., a private limited partnership which made collateralized loans to companies. From 1993 until November 1999, he served as executive vice president and chief operating officer of Helm, a publicly held company involved in merchant banking activities from 1981 to 2000.

Robert L. Knauss was elected as a director of Seitel in June 2002. He is the sole member of Seitel's Special Litigation Committee and a member of Seitel's Audit Committee. Mr. Knauss has been chairman of the board of directors of Philip Services Corporation, or PSC, an industrial and metals services company, since April 2002 and principal executive officer since May 2002. He also served as chairman of the board of PSC from April 2000 to May 2001. In June 1999, the predecessor company of PSC filed a voluntary petition for reorganization under Chapter 11 of the Bankruptcy Code. Mr. Knauss has been chairman and chief executive officer of Baltic International USA, Inc., an investment company, since January 1994. He is a director of Equus II Inc. and a director of The Mexico Fund, Inc., both of which are investment funds. Mr. Knauss is the former Dean of the schools of law at both the University of Houston and Vanderbilt University and served as a Visiting Professor at the Amos Tuck School of Business Administration at Dartmouth College.

William Lerner has been a director of Seitel since 1985. He is chairman of Seitel's Audit Committee, a member of Seitel's Compensation and Stock Option Committee and a member of Seitel's Corporate Governance and Nominating Committee. Mr. Lerner has been engaged in the private practice of corporate and securities law in New York since 1960 and Pennsylvania since 1991. His career includes service with the U.S. Securities and Exchange Commission, the American Stock Exchange, and as counsel to a major investment banking/securities brokerage firm. Mr. Lerner is a director of Rent-Way, Inc., a New York Stock Exchange listed company that is the second largest in the rental-purchase industry; Micros-to-Mainframes, Inc., a Nasdaq listed company that

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provides comprehensive high-technology computer and communication services primarily in the New York Tri-State area; and The Cortland Trust, Inc., a money market mutual fund that is marketed primarily through brokerage firms and regional commercial banks.

John E. Stieglitz has been a director of Seitel since 1989. He is chairman of Seitel's Compensation and Stock Option Committee and a member of Seitel's Audit Committee. He is Chairman Emeritus of Conspectus, Inc., a privately held company formed in 1976 to provide services in the area of executive recruitment. He served as President of Conspectus, Inc. from 1976 to 1996. Mr. Stieglitz is also a director of Helm and EquiFin.

All of Seitel's directors and executive officers served in their current positions with Seitel before we filed for relief under chapter 11 of the Bankruptcy Code on July 21, 2003. Executive officers serve at the discretion of Seitel's board of directors. There is no family relationship between any director or executive officer of Seitel.

Significant Employee

Jay H. Rosen joined Seitel in June 2003 as a consultant to the chief executive officer. Effective January 1, 2004, we entered into a retention agreement with Mr. Rosen under which he agreed to serve as our principal financial officer on a month-to-month basis. As of March 9, 2004, Seitel and Mr. Rosen mutually determined to discontinue Mr. Rosen's services as principal financial officer, and he presently is serving per diem as a consultant to our chief executive officer. Mr. Rosen has over 15 years of senior financial management experience, most recently at Gryphon Exploration Company, a private E&P company focused on natural gas in the Gulf of Mexico. From 1997 to 2000, he was the CFO of Hearthstone Assisted Living, Inc., a private developer and operator of assisted living communities. Prior to that he was the CFO of Careerstaff Unlimited, Inc., a leading provider of temporary therapist staffing. Prior to his employment at Careerstaff, Mr. Rosen was CFO of Leslie Rudd Investment Company, a private merchant banking company. From 1975 to 1991, Mr. Rosen served in a number of positions culminating as Treasurer for Texas Industries, Inc. a NYSE listed company that is a manufacturer of cement and steel. Mr. Rosen has an MBA from Texas Christian University.

Executive Officers and Directors of Reorganized Seitel

On the effective date of the Plan, we will amend and restate our certificate of incorporation to provide, among other things, for a classified board of directors consisting of three classes. Class I will consist of three directors that will serve for an initial term of three years, Class II will consist of three directors that will serve for an initial term of two years and Class III will consist of one director that will serve for an initial term of one year. Each class of directors coming up for election upon the expiration of its initial term will be elected for successive terms of three years. Directors hold office until their successors have been elected and qualified. The Plan reflects a negotiated agreement with Mellon HBV as part of the standby purchase commitment, and provides that the initial members of Reorganized Seitel's board of directors be composed of seven directors selected as follows:

two directors (one in Class I and one in Class II) selected by Mellon HBV (severally for itself and not on behalf of any other Standby Purchaser), one of whom must satisfy applicable rules and regulations of independence for audit committees,

two directors (one in Class I and one in Class II) selected by a majority vote of the Official Equity Committee, one of whom must satisfy applicable rules and regulations of independence and financial literacy qualifications for audit committees,

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two directors (one in Class I and one in Class II) selected by Fred S. Zeidman (one of whom will be himself), Seitel's chairman of the board, one of whom must satisfy applicable rules and regulations of independence and financial literacy qualifications for audit committees, and

one director (Class III) selected by mutual agreement of the Standby Purchasers, the Official Equity Committee and Seitel's chairman of the board, who must satisfy applicable rules and regulations of independence and financial literacy qualifications for audit committees.

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Upon the appointment of the members of the new classified board of directors, the then existing board of directors will resign.

The following table sets forth executive officers and directors of Reorganized Seitel, and their ages and positions with Reorganized Seitel, as of the effective date of the Plan:

Name	Age	Position(s) with	Director Class	Committee Membership
		Reorganized Seitel		
Fred S. Zeidman	57	Director		
Randall D. Stilley	50	President and Chief Executive Officer	N/A	N/A
Kevin P. Callaghan	51	Chief Operating Officer and Executive Vice President	N/A	N/A
Leonard M. Goldstein	56	General Counsel and	N/A	N/A
Marcia H. Kendrick	43	Corporate Secretary Senior Vice President, Acting Chief Financial Officer, Chief Accounting Officer and Assistant Secretary	N/A	N/A
Robert J. Simon	48	President Seitel Data, Ltd.	N/A	N/A

- (1) Member of Audit Committee
(2) Member of Compensation Committee
(3) Member of Nominating/Corporate Governance Committee

For biographies of Messrs. Zeidman, Stilley, Callaghan, Goldstein and Simon and Ms. Kendrick, please see Executive Officers and Directors of Seitel above. Randall D. Stilley, our chief executive officer and president, has entered into an employment agreement with us which is subject to approval by the bankruptcy court in our chapter 11 proceedings. For a discussion concerning this agreement, please see Employment and Retention Agreements below.

The amended and restated bylaws of Reorganized Seitel will provide that its Nominating/Corporate Governance Committee consist entirely of independent directors within the meaning of the applicable requirements of the Nasdaq Stock Market or any national securities exchange on which our securities are listed for trading. Upon the expiration of the respective initial terms of the members of Reorganized Seitel's board of directors, and subject to all applicable laws, rules, regulations and listing requirements, any holder of our reorganized common stock will have the right to recommend to the Nominating/Corporate Governance Committee persons for election to Reorganized Seitel's board of directors, provided that such holder has complied with the advance notice procedures for stockholders to make nominations of candidates for election as directors as set forth in the amended and restated bylaws and applicable proxy rules of the SEC. Please see Description of Capital Stock of Reorganized Seitel Anti-Takeover Provisions Contained in the Amended and Restated Certificate of Incorporation and Bylaws for a detailed description of such stockholder advance notice provisions and other provisions relating to the rights of stockholders to recommend persons for election to Reorganized Seitel's board of directors.

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Corporate Governance

We are committed to establishing and maintaining high standards of corporate governance. Accordingly, we have constructed a comprehensive set of corporate governance initiatives that we believe serve the long-term interests of our company. As more fully discussed below, we believe these initiatives comply with the provisions of the Sarbanes-Oxley Act of 2002 (SOXA), the rules and regulations of the SEC adopted under SOXA, and the listing standards of the Nasdaq National Market as if we were a Nasdaq-listed company.

Our amended and restated certificate of incorporation and bylaws will provide that so long as Reorganized Seitel has any class of equity securities (regardless of class) or debt securities registered under Section 12 of the Exchange Act, we will comply with the corporate governance requirements of the Nasdaq Stock Market for the initial and continued listing of securities of any national securities exchange on which any of our securities are then listed for trading, and if not so listed for trading, of the Nasdaq Stock Market, without regard to any controlled company exemptions, as that term is defined in the applicable listing requirements.

In addition, and in furtherance of the settlement and termination of certain derivative actions instituted against Seitel, enhanced internal controls, procedures and approval processes have been designed and maintained. We have established Audit, Nominating/Corporate Governance and Compensation Committees of the board of directors. We have designed their respective charters to implement compliance with mandated corporate governance initiatives and best practices and to enable performance of our ongoing obligations under the consent judgment of permanent injunction in connection with Seitel s resolution of an SEC enforcement proceeding. See The Plan of Reorganization Events Precipitating Our Chapter 11 Filing and Business Legal Proceedings .

As required by SOXA and by the Nasdaq listing standards we have elected to comply with, our Audit Committee is composed of three independent directors , as that term is defined in SOXA and the Nasdaq listing standards. All members of the Audit Committee will meet the qualifications for audit committee service and one member will qualify as the audit committee financial expert. Our Nominating/Corporate Governance Committee and our Compensation Committee are likewise composed of three independent directors and are compliant with Nasdaq listing standards.

Although we do not intend to apply to list our reorganized common stock or the Stockholder Warrants on any national securities exchange or U.S. inter-dealer quotation system, we have elected to comply with the Nasdaq listing standards, without regard to any otherwise applicable controlled company exemptions, as that term is defined in the applicable listing requirements. All companies listed or applying to be listed on Nasdaq must comply with the following corporate governance requirements:

A majority of the company s board of directors must be independent as defined in Nasdaq s listing standards.

The independent members of the board must hold regularly scheduled executive sessions at least twice annually at which only independent directors are present.

The audit committee members must (1) meet the specified independence criteria provided for by rules adopted by the SEC under the Exchange Act, (2) receive no compensation other than compensation for board or committee service, (3) have at least one member qualify as the audit committee financial expert as defined by rules adopted by the SEC and (4) be financially sophisticated, as defined.

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The audit committee must (1) be solely vested with the authority to engage and discharge the company's independent auditors and to engage advisors and counsel, (2) be funded by the company, and (3) provide and implement procedures for anonymous complaints relating to accounting, internal control or auditing matters (commonly referred to as whistleblower procedures), all pursuant to a written charter designed to achieve the audit committee's purpose of overseeing the accounting and financial reporting processes, and the annual audits and quarterly reviews of the company's financial statements.

Listed companies must provide Nasdaq with prompt notification after an executive officer becomes aware of any material noncompliance by the company with the Nasdaq governance listing requirements.

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Directors must be selected or recommended for the board's selection by either a nominating committee consisting solely of independent directors, or by a majority of independent directors. The nominating process must be addressed by formal written charter in the case of a company that has a nominating committee, and by board resolution, in the case of a company that does not have a nominating committee.

The compensation of executive officers must be determined or recommended to the board for determination by either a compensation committee consisting solely of independent directors or by a majority of the independent directors.

A publicly available code of conduct applicable to all directors, officers and employees must be adopted and comply with the definitions of "Code of Ethics" provided in SOXA and the rules of the SEC adopted under SOXA.

Our Committees, Code and Policies

Audit Committee. Our Audit Committee has been established pursuant to a written charter which we believe is compliant with SOXA and the rules of the SEC adopted thereunder, and the Nasdaq listing standards. Our Audit Committee assists the board of directors in its oversight of the quality and integrity of our accounting, auditing, and financial reporting practices. The Audit Committee's role includes discussing with management our process to manage financial risk and for compliance with significant applicable legal, ethical and regulatory requirements. The Audit Committee is responsible for the appointment, compensation, retention and oversight of our independent auditor engaged to prepare or issue audit reports on our financial statements or to perform other audit, review or attest services for us, and for reviewing the scope of the audit plan and the results of each audit with management and our independent auditors. The Audit Committee will receive reports from management and the internal auditor, and will meet with representatives of our independent auditor in carrying out the committee's oversight responsibilities. The specific responsibilities in carrying out the Audit Committee's oversight role are delineated in the Audit Committee charter, which will be posted on Reorganized Seitel's website. All members of our Audit Committee are and will be independent as such term is defined in the listing standards of the Nasdaq Stock Market as applicable to audit committee members, and one of its members will be an audit committee financial expert as such term is defined in the applicable rules of the SEC.

Our audit committee is also responsible for approving all proposed transactions between the company and any of our officers, directors and significant employees, any immediate family members of such persons, and any entity in which any of such persons, directly or indirectly, have more than a 5% voting or economic interest or in which any such persons otherwise are a partner, director, officer, managing member or trustee (or are affiliates or associates).

Compensation Committee. Our Compensation Committee operates pursuant to a written charter, and is responsible for establishing, reviewing and approving the compensation and benefits of executive officers and administering our 2004 omnibus stock option plan when adopted under the Plan. A copy of the committee's charter will be available on Reorganized Seitel's website. All of the members of the Compensation Committee will be independent as such term is defined in the listing standards of the Nasdaq Stock Market.

Nominating/Corporate Governance Committee. Our Nominating/Corporate Governance Committee operates pursuant to a written charter and has the exclusive right to recommend candidates for election to Reorganized Seitel's board of directors. A copy of the committee's charter will be available on Reorganized Seitel's website. The Nominating/Corporate Governance Committee will consider any director candidate recommended by a stockholder of Reorganized Seitel when such recommendation is submitted in accordance with our amended and restated bylaws, the procedures described in this prospectus under "Election of Reorganized Seitel Directors" and the applicable rules of the SEC. The Nominating/Corporate Governance Committee charter will set forth certain guidelines and criteria for determining the qualifications that a director nominee must possess before it recommends a nominee for a position on Reorganized Seitel's board of directors. The charter will provide that director nominees should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of the stockholders of Reorganized

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Seitel. The nominating committee will be responsible for and will determine the qualifications of director nominees by considering Reorganized Seitel's needs for business and other experience relevant to the issues impacting Reorganized Seitel. The committee's process for identifying and evaluating nominees is as follows:

In the case of incumbent directors whose terms of office are scheduled to expire, the Nominating/Corporate Governance Committee will review such directors' overall service to Reorganized Seitel during their term, including the number of meetings attended, level of participation, quality of performance, and any transactions of such directors with Reorganized Seitel during their term.

In the case of new director candidates, the Nominating/Corporate Governance Committee will first determine whether the nominee is independent under the listing standards of the Nasdaq Stock Market. The committee may then compile a list of other potential candidates using its network of contacts, and may also engage, if it deems appropriate, an outside professional search firm. The committee will then meet to discuss and consider such candidates' qualifications and then will choose a candidate by majority vote.

The Nominating/Corporate Governance Committee will also ensure that the composition of the board of directors of Reorganized Seitel at all times adheres to the independence requirements of the Nasdaq Stock Market and reflects a range of talents, ages, skills, character, diversity and expertise, particularly in the areas of management, leadership and corporate governance, the seismic data industry and related industries sufficient to provide sound and prudent guidance with respect to the operations and interests of Reorganized Seitel.

Director Independence Standards

We have established standards to be satisfied for the purpose of determining director independence. These standards generally provide that no director or any immediate family member shall have received from us any direct or indirect compensation or other remuneration within the preceding five years as an advisor or consultant and shall not have received any compensatory fees or personal benefits other than standard compensation applicable to all directors, nor have had a personal services contract with us within the preceding five years.

Payments by us, if any, to a director's primary business affiliation or any business of an immediate family member must be made in the ordinary course of business and on substantially the same terms as those prevailing at the time for comparable transactions with non-affiliated persons pursuant to arm's-length negotiation, and the aggregate of such payments must not exceed 1% of the gross revenues of the company receiving the payment. The same is applicable with payments made to us by a director's primary business affiliation or that of an immediate family member.

No director or immediate family member of a director can be an officer, director or trustee of a charity, foundation, university or foundation to which we make contributions.

Our policy is not to have interlocking directorates. Therefore, no inside director or executive officer may serve as a director where one of our directors is an executive officer.

No director or immediate family member may receive an IPO allocation from a broker/dealer acting or in the past three years has acted as an underwriter or placement agent of our securities, or has acted as a financial advisor to us.

Audit Committee Complaint Procedures

Our Audit Committee has adopted a procedure for our employees to submit good faith complaints, on a confidential basis, without fear of reprisals, regarding our accounting, internal accounting controls or auditing matters. These procedures provide for the receipt, retention and treatment of such complaints. Complaints may relate, without limitation, to fraud or deliberate error in the preparation, evaluation, review or audit of our

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financial statements or in the recording and maintenance of our financial records; deficiencies or non-compliance with our internal accounting controls; or misrepresentations or false statements to or by a senior officer or accountant regarding our financial records or financial reports.

The Audit Committee will acknowledge the receipt of any complaint, direct the review of the complaint and direct prompt and appropriate action when and as warranted in the judgment of the Audit Committee.

Code of Ethics and Business Conduct

We are committed to a high standard of business conduct. This means conducting business in accordance with the spirit and letter of all applicable laws, regulations and public policies, and in accordance with the best standard of ethical business practices. Our Code of Ethics and Business Conduct (the Code), which will be available on our website, essentially codifies the business and ethical principles that have always been a part of our business practice, is intended to help in this endeavor by providing a clear statement of the fundamental principles that govern our business, and is intended to promote, among other things:

honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships,

avoidance of conflicts of interest, including disclosure to an appropriate person identified in the Code of any material transaction or relationship that reasonably could be expected to give rise to such a conflict,

full, fair, accurate, timely, and understandable public disclosure in reports and documents that we file with, or submit to, the SEC and in other public communications made by us,

compliance with applicable governmental laws, rules and regulations, not only of the U.S., but also applicable governmental laws, including provincial laws, rules and regulations of Canada and any other foreign jurisdiction in which we or any of our direct or indirect subsidiaries operate,

prompt internal reporting of Code violations to the appropriate person identified in the Code, and

accountability for adherence to the Code.

Our Code, which covers a wide range of business practices and procedures, applies to all our officers, directors and employees. This Code does not and cannot address every issue that may arise, but it establishes basic principles to guide all employees of Reorganized Seitel. Some of the basic principles espoused in our Code include the compliance by all of our officers, directors and employees of the laws of countries and jurisdictions in addition to the U.S. federal securities laws, including laws which relate to conduct in the workplace, tax matters, wages, working conditions and laws which directly relate to our principal business activities. Our Code, among other things:

requires compliance with internal and disclosure controls and dealings with our independent auditors, all in furtherance of the honest and accurate recording and reporting of financial information,

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requires directors, officers and employees to disclose and report violations and waivers of our Code,

prohibits an officer, director or employee taking for themselves a corporate opportunity belonging to us or in which we have a reasonable expectancy,

requires accurate maintenance of our books and records, and compliance with our document retention policies,

prohibits disclosure of our proprietary or confidential information, including material non-public information, and

requires accountability for violations of our Code through oversight by our Nominating/Corporate Governance Committee.

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Communications with Stockholders of Reorganized Seitel

Reorganized Seitel will not have a formal process by which stockholders of Reorganized Seitel may send communications to Reorganized Seitel's board of directors. We do not believe that it is appropriate to have such a process because stockholders of Reorganized Seitel will have the opportunity to communicate with members of the board of directors at the annual meeting of Reorganized Seitel's stockholders.

Director Compensation

Effective as of the effective date of the Plan, directors who are not employees of Reorganized Seitel will receive fees of \$[] annually plus fees of \$[] for each board meeting attended in person, \$[] for each board meeting attended by conference telephone and \$[] for each committee meeting attended, whether in person or by teleconference. Directors who are also employees of Reorganized Seitel will receive no fees for their service as directors.

All directors will be entitled to reimbursement for their reasonable out-of-pocket expenditures.

Director Liability and Indemnification of Directors and Executive Officers

The Delaware General Corporation Law provides that a corporation may limit the liability of each director to the corporation or its stockholders for monetary damages except for liability for any breach of the director's duty of loyalty to the corporation or its stockholders, for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, in respect of certain unlawful dividend payments or stock redemptions or repurchases and for any transaction from which the director derives an improper personal benefit.

Our amended and restated certificate of incorporation will provide for the elimination and limitation of the personal liability of Reorganized Seitel's directors for monetary damages to the fullest extent permitted by the Delaware General Corporation Law. In addition, our amended and restated certificate of incorporation provides that if the Delaware General Corporation Law is amended to authorize the further elimination or limitation of the liability of directors, then the liability of Reorganized Seitel's directors will be eliminated or limited to the fullest extent permitted by the amended law. The effect of this provision is to eliminate the rights of Reorganized Seitel and its stockholders to recover monetary damages against a director for breach of the fiduciary duty of care as a director, including breaches resulting from negligent or grossly negligent behavior, except in a situation described above where director liability may not be limited under Delaware law. The provision does not limit or eliminate the rights of Reorganized Seitel or any stockholder to seek non-monetary relief such as an injunction or rescission in the event of a breach of a director's duty of care. This provision is consistent with Section 102(b)(7) of the Delaware General Corporation Law, which is designed, among other things, to encourage qualified individuals to serve as directors of Delaware corporations. We believe this provision will assist Reorganized Seitel in securing and maintaining the services of qualified individuals who are not employees of Reorganized Seitel.

The amended and restated bylaws provide that Reorganized Seitel will, to the full extent permitted by the Delaware General Corporation Law, indemnify and may advance expenses to Reorganized Seitel's directors and officers. Reorganized Seitel may also maintain directors and officers liability insurance, which covers directors and officers against certain claims or liabilities arising out of the performance of their duties.

We may also enter into indemnification agreements with our officers and directors from time to time in the future.

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The following table sets forth certain summary information concerning executive compensation awarded to, earned by or paid to the chief executive officer of Seitel in 2003 and each of the four most highly compensated executive officers of Seitel other than the chief executive officer serving at the end of 2003.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation				Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (2)	Long-Term Compensation Awards Stock Options/SARs (#)	
Larry E. Lenig, Jr. (1)						
Former Chief Executive Officer and President	2003	\$ 300,000	\$ 290,000			\$ 3,500(3)
	2002	\$ 51,559				\$ 375
Kevin P. Callaghan Chief Operating Officer and Executive Vice President	2003	\$ 82,200		\$ 1,099,128		\$ 3,500(3)
	2002	\$ 75,000		\$ 951,289		\$ 12,678
Robert J. Simon						
President Seitel Data, Ltd.	2003	\$ 158,400		\$ 1,229,540		\$ 3,000(3)
	2002	\$ 112,500		\$ 1,327,288		\$ 131,581
Leonard M. Goldstein	2003	\$ 300,000				\$ 3,500(3)
General Counsel and Corporate Secretary						
Marcia H. Kendrick Chief Accounting Officer, Acting Chief Financial Officer, Senior Vice President and Assistant Corporate Secretary	2003	\$ 242,200				\$ 3,000(3)
	2002	\$ 235,000		\$ 8,389		\$ 69,663
	2001	\$ 211,667	\$ 250,000	\$ 8,115		\$ 53,903

(1) Mr. Lenig left the employ of Seitel on February 17, 2004, as anticipated, after completion of the structuring and negotiation of the Plan.

(2) Includes commissions based on sales for Messrs. Callaghan and Simon and commission based on property sales for Ms. Kendrick.

(3) Includes amounts contributed by Seitel to its 401(k) Savings Plan (the 401(k) Plan) on behalf of such named executive officers as discretionary and matching contributions.

Stock Option Grants in Fiscal 2003

No options to purchase common stock were granted during the year ended December 31, 2003, to any of the executive officers named in the summary compensation table above. Under the Plan, all options outstanding as of the effective date of the Plan will be cancelled in their entirety, and the holders of such options will no longer be able to exercise such options after such time.

2004 Omnibus Stock Option Plan

Seitel maintains several stock option plans for its employees and directors. Under the Plan, each of these plans will be terminated as of the effective date of the Plan. In connection with our reorganization, our board of directors will adopt the Seitel, Inc. 2004 Omnibus Stock Option Plan (the "Stock Option Plan"), effective on the effective date of the Plan. Under the Stock Option Plan, Reorganized Seitel may issue up to [] shares of reorganized common stock representing 5% of our reorganized common stock on a fully diluted basis, all of which shares may be issued pursuant to the exercise of options or other stock purchase rights.

The Stock Option Plan is intended to attract, retain, and reward high-quality executives, employees, directors and other persons who provide services to Reorganized Seitel and/or its subsidiaries, enabling such persons to acquire or increase a proprietary interest in Reorganized Seitel to strengthen the mutuality of interests between such persons and stockholders of Reorganized Seitel, and providing such persons with annual and long-

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term performance incentives to expend their maximum efforts in the creation of shareholder value. The Stock Option Plan is also intended to qualify certain compensation awarded thereunder for tax deductibility under Section 162(m) of the Internal Revenue Code to the extent deemed appropriate by our Compensation Committee. It is contemplated that each executive officer (generally the chairman of the board, vice-chairman, chief executive officer, chief operating officer, president and vice presidents of Reorganized Seitel), other officers, employees and other persons who perform services of special importance to Reorganized Seitel, including directors of Reorganized Seitel, will be eligible to participate under the Stock Option Plan.

Subject to the specific provisions of the Stock Option Plan, our Compensation Committee, which will administer the plan, will have the discretion to determine the recipients of the awards, the nature of the awards to be granted, the dates such awards will be granted, the terms and conditions of awards and the interpretation of the Stock Option Plan.

Generally, the Stock Option Plan may be amended by action of the board of directors, except that any amendment or alteration is subject to the approval of Reorganized Seitel's stockholders not later than the annual meeting next following such board action if such stockholder approval is required by any federal or state law or regulation or the rules of Nasdaq or any national stock exchange on which any securities of Reorganized Seitel may then be listed for trading. The Committee may waive any conditions or rights under, or amend, alter, suspend, discontinue or terminate any award theretofore granted and any award agreement relating thereto, except as otherwise provided in the Stock Option Plan.

As more particularly set forth in the Stock Option Plan, at any time, awards granted thereunder may, in the discretion of the Compensation Committee, be granted either alone or in addition to, in tandem with, or in substitution or exchange for, any other award granted thereunder or any award granted under another plan of Reorganized Seitel, any subsidiary, or any business entity to be acquired by Reorganized Seitel or a subsidiary, or any other right of a holder to receive payment from Reorganized Seitel. If an award is granted in substitution or exchange for another award, the Compensation Committee shall require the surrender of such other award in consideration for the grant of the new award. In addition, awards may be granted in lieu of cash compensation. The term of each award shall be for such period as may be determined by the Compensation Committee; provided that in no event shall the term of any option or SAR exceed a period of ten years (or such shorter term as may be required in respect of an ISO under Section 422 of the Internal Revenue Code).

Subject to the terms of the Stock Option Plan and any applicable award agreement, payments to be made by Reorganized Seitel or a subsidiary upon the exercise of an option or other award or settlement of an award may be made in such forms as our Compensation Committee shall determine, including, without limitation, cash, reorganized common stock, other awards or other property, and may be made in a single payment or transfer, in installments, or on a deferred basis. The settlement of any award may be accelerated, and cash paid in lieu of reorganized common stock in connection with such settlement, in the discretion of our Compensation Committee or upon occurrence of one or more specified events (in addition to a change of control). Installment or deferred payments may be required by our Compensation Committee or permitted at the election of the holder on terms and conditions established by our Compensation Committee. Payments may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of Dividend Equivalents (as defined below) or other amounts in respect of installment or deferred payments denominated in reorganized common stock.

The Stock Option Plan generally provides that, unless our Compensation Committee determines otherwise, each option or right granted thereunder will become exercisable in full upon certain change of control events as described therein. If any change is made in the stock subject to the Stock Option Plan, or subject to any right or option granted thereunder (through merger, consolidation, reorganization, recapitalization, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or otherwise), our Compensation Committee will make appropriate adjustments to the classes, number of shares and price per share of stock subject to outstanding rights or options.

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In general, our Compensation Committee may impose on any award (subject to the provisions of the Stock Option Plan), such additional terms and conditions not inconsistent with the provisions of the Stock Option Plan as our Compensation Committee will determine, including terms requiring forfeiture of awards in the event of termination of employment of the holder and terms permitting a holder to make elections relating to his or her award. Our Compensation Committee will retain full power and discretion to accelerate, waive or modify, at any time, any term or condition of an award that is not mandatory under the Stock Option Plan; provided, however, that our Compensation Committee will not have any discretion to accelerate, waive or modify any term or condition of an award that is intended to qualify as performance-based compensation for purposes of Section 162(m) of the Internal Revenue Code if such discretion would cause the award not to so qualify. Except in cases in which our Compensation Committee is authorized to require other forms of consideration under the Stock Option Plan, or to the extent other forms of consideration must be paid to satisfy the requirements of state law, no consideration other than services may be required for the grant (but not the exercise) of any award. The Stock Option Plan provides several types of awards: stock options, stock appreciation rights (including limited stock appreciation rights), restricted stock, restricted stock units or RSUs, bonus stock and awards in lieu of obligations, dividend equivalents, annual incentive and performance awards, and other stock-based awards, as further described below.

Stock Options. Options granted under the Stock Option Plan may be either incentive stock options (ISOs) or options which do not qualify as ISOs. Our Compensation Committee will determine the exercise price of stock purchasable under an option, provided that such exercise price shall be not less than the fair market value of a share of stock on the date of grant of such option except as otherwise provided in the Stock Option Plan. Our Compensation Committee will determine the times at or circumstances under which an option may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the methods by which such exercise price may be paid or deemed to be paid, the form of such payment, including, without limitation, cash, stock, other awards or awards granted under other plans of Reorganized Seitel or any subsidiary, or other property (including notes or other contractual obligations of holders to make payment on a deferred basis), and the methods by or forms in which stock will be delivered or deemed to be delivered to holders. In no event may an option remain exercisable more than ten years following the date of grant.

The terms of any ISO granted under the Stock Option Plan shall comply in all respects with the provisions of Section 422 of the Internal Revenue Code.

Stock Appreciation Rights. SARs may be granted to recipients of options under the Stock Option Plan. An SAR will confer a right to receive, upon exercise thereof, the excess of (A) the fair market value of one share of reorganized common stock on the date of exercise (or, in the case of a Limited SAR, the fair market value determined by reference to the Change in Control Price, as defined in the Stock Option Plan) over (B) the grant price of the SAR as determined by our Compensation Committee provided that such grant price shall not be less than the fair market value of a share of reorganized common stock on the date of grant of such SAR except as provided under the Stock Option Plan. Our Compensation Committee will determine at the date of grant or thereafter, the time or times at which and the circumstances under which a SAR may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the method of exercise, method of settlement, form of consideration payable in settlement, method by or forms in which reorganized common stock will be delivered or deemed to be delivered to holders, whether or not an SAR shall be in tandem or in combination with any other award, and any other terms and conditions of any SAR. Limited SARs that may only be exercised in connection with a change of control or other event as specified by our Compensation Committee may be granted on such terms as the committee may determine. SARs and Limited SARs may be either freestanding or in tandem with other awards.

Restricted Stock. Restricted shares awarded under the Stock Option Plan will be subject to such restrictions on transferability, risk of forfeiture and other restrictions as are imposed by our Compensation Committee, which restrictions may lapse separately or in combination at such times, under such circumstances (including based on achievement of performance goals and/or future service requirements), in such installments or otherwise, as our

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Compensation Committee may determine at the date of grant or thereafter. Except to the extent restricted under the terms of the Stock Option Plan and any award agreement relating to the restricted stock, a holder granted restricted stock shall have all of the rights of a shareholder, including the right to vote the restricted stock and the right to receive dividends thereon (subject to any mandatory reinvestment or other requirement imposed by our Compensation Committee). During the restricted period applicable to the restricted stock, subject to provisions of the Stock Option Plan, the restricted stock may not be sold, transferred, pledged, hypothecated, margined or otherwise encumbered by the holder.

Restricted stock granted under the Stock Option Plan shall be evidenced in the manner determined by our Compensation Committee. Our Compensation Committee may require that certificates representing restricted stock, if any, registered in the name of a holder bear a legend, that Reorganized Seitel retain physical possession of the certificates, and that the holder deliver a stock power to Reorganized Seitel, endorsed in blank, relating to the restricted stock. As a condition to the grant of an award of restricted stock, our Compensation Committee may require or permit a holder to elect that any cash dividends paid on a share of restricted stock be automatically reinvested in additional shares of restricted stock or applied to the purchase of additional awards under the Stock Option Plan. Unless otherwise determined by our Compensation Committee, stock distributed in connection with a stock split or stock dividend, and other property distributed as a dividend, shall be subject to restrictions and a risk of forfeiture to the same extent as the restricted stock with respect to which such stock or other property has been distributed. Except as otherwise determined by our Compensation Committee, upon termination of employment during the applicable restriction period, restricted stock that is at that time subject to restrictions shall be forfeited and reacquired by Reorganized Seitel.

Restricted Stock Units. The Stock Option Plan also provides for the award of Restricted Stock Units (RSUs). These are rights to receive reorganized common stock, cash or a combination thereof at the end of a specified deferral period. The satisfaction of an RSU award occurs on the expiration of the deferral period specified for such RSU by our Compensation Committee. RSUs may be satisfied by the delivery of stock, cash equal to the fair market value of the specified number of shares of reorganized common stock covered by the RSUs, or a combination thereof, as determined by our Compensation Committee. Except as otherwise determined by our Compensation Committee, upon termination of employment during the applicable deferral period or portion thereof to which forfeiture conditions apply (as provided in the award agreement evidencing the RSUs), all RSUs that are at that time subject to deferral (other than a deferral at the election of the Holder) shall be forfeited; provided that our Compensation Committee may waive such restriction or forfeiture condition in whole or in part in the event of terminations resulting from specified causes, and our Compensation Committee may in other cases waive in whole or in part the forfeiture of RSUs. Unless otherwise determined by our Compensation Committee at the date of grant, Dividend Equivalents on the specified number of shares of reorganized common stock covered by an award of RSUs shall be either (A) paid with respect to such RSUs at the dividend payment date in cash or in shares of unrestricted reorganized common stock having a fair market value equal to the amount of such dividends, or (B) deferred with respect to such RSUs and the amount or value thereof automatically deemed reinvested in additional RSUs, other awards or other investment vehicles, as the Committee shall determine or permit the holder to elect.

Bonus Stock and Awards in Lieu of Obligations. Our Compensation Committee is also authorized to grant reorganized common stock as a bonus, or to grant reorganized common stock or other awards in lieu of obligations to pay cash or deliver other property under the Stock Option Plan, provided that, in the case of holders subject to Section 16 of the Exchange Act, the amount of such grants remains within the discretion of our Compensation Committee to the extent necessary to ensure that acquisitions of reorganized common stock or other awards are exempt from liability under Section 16(b) of the Exchange Act. Reorganized common stock or awards granted thereunder shall be subject to such other terms as determined by our Compensation Committee.

Dividend Equivalents. The Stock Option Plan also authorizes our Compensation Committee to grant Dividend Equivalents to a Holder, entitling the holder to receive cash, reorganized common stock, other awards, or other property equal in value to dividends paid with respect to a specified number of shares of reorganized

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common stock, or other periodic payments. Dividend Equivalents may be awarded on a freestanding basis or in connection with another award. Our Compensation Committee may provide that Dividend Equivalents shall be paid or distributed when accrued or shall be deemed to have been reinvested in additional reorganized common stock, awards, or other investment vehicles, and subject to such restrictions on transferability and risks of forfeiture, as our Compensation Committee may specify.

Annual Incentive and Performance Awards. Under the Stock Option Plan, our Compensation Committee is authorized to make Annual Incentive Awards and Performance Awards payable in cash, shares of reorganized common stock, or other awards, on terms and conditions established by the committee, subject to certain conditions. The right of a holder to exercise or receive a grant or settlement of any award, and the timing thereof, may be subject to such performance conditions as may be specified by our Compensation Committee. It is our intent that Performance Awards and Annual Incentive Awards granted to persons who are designated by our Compensation Committee as likely to be covered employees within the meaning of Section 162(m) of the Internal Revenue Code and regulations thereunder (including Regulation 1.162-27 and successor regulations thereto) shall, if so designated by our Compensation Committee, constitute performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code and regulations thereunder.

Performance Awards. In determining a Performance Award, our Compensation Committee may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions, and may exercise its discretion to reduce or increase the amounts payable under any award subject to performance conditions, except as limited in the case of a Performance Award or Annual Incentive Award intended to qualify under Section 162(m) of the Internal Revenue Code. If our Compensation Committee determines that a Performance Award should qualify as performance-based compensation for purposes of Section 162(m) of the Internal Revenue Code, the grant, exercise and/or settlement of such Performance Award shall be contingent upon achievement of pre-established performance goals and other terms set forth in the Stock Option Plan. Our Compensation Committee may establish a Performance Award pool, which shall be an unfunded pool, for purposes of measuring performance of Reorganized Seitel in connection with Performance Awards. The amount of such Performance Award pool shall be based upon the achievement of a performance goal or goals based on one or more of the business criteria set forth in the Stock Option Plan during the given performance period, as specified by our Compensation Committee in accordance with the Stock Option Plan. Our Compensation Committee may specify the amount of the Performance Award pool as a percentage of any of such business criteria, a percentage thereof in excess of a threshold amount, or as another amount which need not bear a strictly mathematical relationship to such business criteria.

Annual Incentive Awards. Our Compensation Committee may establish an Annual Incentive Award pool, which shall be an unfunded pool, for purposes of measuring performance of Reorganized Seitel in connection with Annual Incentive Awards. The amount of such Annual Incentive Award pool shall be based upon the achievement of a performance goal or goals based on one or more of the business criteria set forth in the Stock Option Plan during the given performance period, as specified by our Compensation Committee in accordance therewith. Our Compensation Committee may specify the amount of the Annual Incentive Award pool as a percentage of any of such business criteria, a percentage thereof in excess of a threshold amount, or as another amount which need not bear a strictly mathematical relationship to such business criteria.

Our Compensation Committee will determine potential recipients of Annual Incentive Awards, and the amounts potentially payable thereunder, for each fiscal year, not later than the end of the 90th day of each such fiscal year, or at such other date as may be required or permitted in the case of awards intended to be performance-based compensation under Section 162(m) of the Internal Revenue Code. In the case of individual Annual Incentive Awards intended to qualify under Section 162(m) of the Internal Revenue Code, the amount potentially payable shall be based upon the achievement of a performance goal or goals based on one or more of the business criteria in the given performance year, as specified by our Compensation Committee; in other cases, such amounts shall be based on such criteria as shall be established by the committee. In all cases, the maximum Annual Incentive Award of any holder shall be subject to the limitations set forth in the Stock Option Plan.

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After the end of each fiscal year, our Compensation Committee will determine the amount, if any, of (A) the Annual Incentive Award pool, and the maximum amount of potential Annual Incentive Award payable to each holder in the Annual Incentive Award pool, or (B) the amount of potential Annual Incentive Award otherwise payable to each holder. Our Compensation Committee may, in its discretion, determine that the amount payable to any holder as a final Annual Incentive Award shall be increased or reduced from the amount of his or her potential Annual Incentive Award, except in the case of an Annual Incentive Award intended to qualify under Section 162(m) of the Internal Revenue Code. Our Compensation Committee shall specify the circumstances in which an Annual Incentive Award shall be paid or forfeited in the event of termination of employment by the holder prior to the end of a fiscal year or settlement of such Annual Incentive Award.

Other Stock-Based Awards. The Stock Option Plan also authorizes our Compensation Committee, subject to limitations under applicable law, to grant to holders such other awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, reorganized common stock, as deemed by our Compensation Committee to be consistent with the purposes of the Stock Option Plan, including, without limitation, convertible or exchangeable debt securities, other rights convertible or exchangeable into reorganized common stock, purchase rights for reorganized common stock, awards with value and payment contingent upon performance of Reorganized Seitel or any other factors designated by our Compensation Committee, and awards valued by reference to the book value of reorganized common stock or the value of securities of or the performance of specified subsidiaries. Our Compensation Committee shall determine the terms and conditions of such awards. Reorganized common stock delivered pursuant to an award in the nature of a purchase right granted shall be purchased for such consideration, paid for at such times, by such methods, and in such forms, including, without limitation, cash, reorganized common stock, other awards, or other property, as our Compensation Committee shall determine. Cash awards, as an element of or supplement to any other award under the Stock Option Plan, may also be granted.

Reorganized Seitel intends that the grant of any awards to or other transaction by a holder who is subject to Section 16 of the Exchange Act shall be exempt from Section 16 pursuant to an applicable exemption (except for transactions acknowledged in writing to be non-exempt by such holder). Accordingly, if any provision of the Stock Option Plan or any award agreement does not comply with the requirements of Rule 16b-3 as then applicable to any such transaction, such, provision shall be construed or deemed amended to the extent necessary to conform to the applicable requirements of Rule 16b-3 so that such holder shall avoid liability under Section 16(b).

No award or other right or interest granted under the Stock Option Plan shall be pledged, hypothecated or otherwise encumbered or subject to any lien, obligation or liability of the holder thereof to any party (other than Reorganized Seitel or a subsidiary), or assigned or transferred by such holder otherwise than by will or the laws of descent and distribution or to a beneficiary upon the death of a holder, and such awards or rights that may be exercisable shall be exercised during the lifetime of the holder only by the holder or his or her guardian or legal representative, except that awards and other rights (other than ISOs and SARs in tandem therewith) may be transferred to one or more beneficiaries or other transferees during the lifetime of the holder, and may be exercised by such transferees in accordance with the terms of such award, but only if and to the extent such transfers are permitted by our Compensation Committee pursuant to the express terms of an award agreement (subject to any terms and conditions which the committee may impose thereon). A beneficiary, transferee, or other person claiming any rights under the Stock Option Plan from or through any holder shall be subject to all terms and conditions of the Stock Option Plan and any award agreement applicable to such holder, except as otherwise determined by our Compensation Committee, and to any additional terms and conditions deemed necessary or appropriate by the committee.

The foregoing is a summary description of the Stock Option Plan, and does not purport to describe all of its terms and provisions. Reference is made to the full Stock Option Plan filed as an exhibit to the registration statement of which this prospectus is a part report for all of its terms and provisions.

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Employment and Retention Agreements

Effective January 1, 2004, we entered into a retention agreement with Jay Rosen under which he agreed to serve as our principal financial officer on a month-to-month basis. The agreement was approved by the bankruptcy court by order dated January 30, 2004. Under the agreement, we agreed to provide Mr. Rosen the following compensation and employee benefits: (1) a consulting fee of \$25,000 per month, less applicable withholdings taxes and other deductions; (2) upon any determination by our board of directors to discontinue Mr. Rosen's services without cause, \$150,000, payable in six \$25,000 monthly installments; and (3) other benefits generally available to our employees. In addition, we have agreed to indemnify Mr. Rosen for any claim made against him in his capacity as our principal financial officer, except for claims resulting from Mr. Rosen's willful misconduct and gross negligence. As of March 9, 2004, Seitel and Mr. Rosen mutually determined to discontinue Mr. Rosen's services as principal financial officer, and he presently is serving as a consultant to our chief executive officer.

Effective February 17, 2004, we entered into an employment agreement with Randall D. Stilley in which Mr. Stilley agreed to act as president and chief executive officer for an initial term of one-year. The agreement is subject to bankruptcy court approval. Under the agreement, we will provide Mr. Stilley the following compensation and employee benefits: (1) a base salary of \$350,000 per annum; (2) participation in our 2004 omnibus stock option plan; (3) for calendar year 2004, Mr. Stilley is entitled to receive an annual cash incentive award of up to 60% of his base salary; (4) other employee benefits generally available to our employees; and (5) voluntary termination or termination not-for-cause benefits of: (A) any unpaid bonus earned; (B) 24 monthly payments, equal to one-twelfth of his base salary upon termination; (C) a pro-rata bonus; (D) immediate vesting of all options outstanding upon termination; and (E) continued participation for 6 months in medical and dental plans. We have also agreed to indemnify Mr. Stilley for any claim made against him or an employee or officer, except for claims resulting from Mr. Stilley's willful misconduct and gross negligence.

We do not have any other employment or retention agreements with any of our executive officers or directors.

Compensation Committee Interlocks and Insider Participation

Seitel's Compensation and Stock Option Committee was composed of John E. Stieglitz, Chairman, Walter M. Craig, Jr. and William Lerner during the year ended December 31, 2003.

No member of the Compensation Committee of Seitel's board of directors was, during 2003, an officer or employee of Seitel or any of its subsidiaries, or was formerly an officer of Seitel or any of its subsidiaries, or had any relationship requiring disclosure pursuant to applicable rules and regulations of the SEC. During 2003, no executive officer of Seitel served as a member of the compensation committee (or other board committee performing equivalent functions) of another entity, one of whose executive officers served on Seitel's Compensation Committee, a director of another entity, one of whose executive officers served on Seitel's Compensation Committee, or a member of the compensation committee (or other board committee performing equivalent functions) of another entity, one of whose executive officers served as a director of Seitel.

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TRANSACTIONS INVOLVING RELATED PARTIES

The following is a summary of our transactions from January 1, 2003 through the date of this prospectus among our company and its directors, executive officers, beneficial owners of more than 5% of any class of its current or former voting securities, and certain entities with which the foregoing persons are affiliated or associated.

Transactions with Helm Capital Group, Inc.

Seitel entered into a number of transactions with Helm Capital Group, Inc. and its subsidiaries when a Helm executive officer was a director of Seitel. As of February 2002, the Helm executive officer is no longer a director of Seitel. Seitel owes Helm \$38,000 and \$16,000 as of December 31, 2003 and 2002, respectively, for sales of seismic data and for general and administrative expenses paid by Helm on behalf of Seitel. Seitel incurred charges of \$88,000, \$175,000 and \$117,000, for these general and administrative expenses during 2002, 2001 and 2000, respectively. No such costs were incurred in 2003. It is not anticipated that Reorganized Seitel will incur any general and administrative expenses paid by Helm on behalf of Reorganized Seitel in future years.

Loans to Employees

On October 2, 1998, Seitel granted five-year loans at an interest rate of 4% to many of its employees for the purchase of an aggregate of 794,300 shares of common stock at the then market price of \$10.3125 per share and options to purchase a like number of shares of common stock at an exercise price of \$11.75 per share. Payment of 60% of the loan amount plus accrued interest was made in equal monthly, quarterly or annual payments, as applicable, and a balloon payment of the remaining 40% was due on October 2, 2003. Loans were made to

Mr. Simon, the president of Seitel Data, Ltd., amounting to \$515,625, to Mr. Callaghan, our chief operating officer, amounting to \$192,031 and to Ms. Kendrick, our senior vice president, acting chief financial officer, chief accounting officer and assistant secretary, amounting to \$257,813. The largest aggregate amounts of principal and interest outstanding on such loans since January 1, 2003, were approximately \$262,000 for Mr. Simon, \$52,000 for Mr. Callaghan and \$131,000 for Ms. Kendrick. As of October 2003, the aggregate amounts of principal and interest outstanding on such loans to Messrs. Simon and Callaghan and Ms. Kendrick had been paid in full.

In October 2001, Seitel guaranteed an institutional loan totaling \$600,000 to Kevin Fiur, its former chief operating officer and general counsel, who later was named chief executive officer and who resigned in November 2002. Under the terms of Mr. Fiur's separation agreement, a portion of the amount outstanding was paid and he is required to make annual installments of \$60,000 with a maturity date of November 13, 2006. The outstanding and unpaid principal balance on the loan was \$193,000 on February 15, 2004. The loan is presently current and not in default.

During 2001, Mr. Frame and Ms. Debra Valice, two former executive officers of Seitel, received advances against bonus and commission payments that were contingent upon achieving pre-tax profits goals during 2001. The pre-tax profits goals were not met in 2001. Seitel initially determined that advances previously paid but not earned or awarded would be repaid pursuant to promissory notes; however, the repayment of the note from Mr. Frame and certain other matters are the subject of pending litigation proceedings between Seitel and Mr. Frame. The repayment of the note from Ms. Valice and certain other matters were the subject of litigation proceedings between Ms. Valice and Seitel which proceedings have been settled, resulting in the forgiveness of such debt by Seitel. The SEC has informed Seitel that it has issued a formal order of investigation relating to the events surrounding the advances and other matters concerning Mr. Frame. The U.S. Attorney's Office for the Southern District of Texas was also investigating these events. For additional information concerning the pending matter involving Seitel and Mr. Frame, please see Business Legal Proceedings.

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Seitel instituted an action against Mr. Pearlman, Seitel's former chairman of the board, seeking a declaratory judgment with respect to his employment agreement. Mr. Pearlman asserted various counterclaims. On May 9, 2003, this litigation was settled under an agreement that provided Mr. Pearlman \$485,000 for certain out-of-pocket costs and expenses, payment to him of \$1 million and issuance of a note to him in the amount of \$735,000 payable in equal installments over a period of 10 years. Under the Plan, the Pearlman note will be reaffirmed or reissued, Pearlman was allowed to file claims, if any, that he sought to assert and, except as amended by the Plan, with respect to certain indemnity obligations, Reorganized Seitel will perform its obligations under the settlement.

Transactions with Mellon HBV and Standby Purchasers

Please see [The Standby Purchase Agreement](#) and [Management Executive Officers and Directors of Reorganized Seitel](#) for information concerning the Standby Purchase Agreement, warrants to be issued to the Standby Purchasers, the initial board of directors of Reorganized Seitel and recommendations for future board nominees.

Right of Seitel's Chairman of the Board to Appoint Directors of Reorganized Seitel

Please see [Management Executive Officers and Directors of Reorganized Seitel](#) for a discussion relating to the right of Fred S. Zeidman, Seitel's chairman of the board, to appoint directors of Reorganized Seitel.

Retention and Change of Control Agreement with Former Executive

Effective January 1, 2004, we entered into a retention and change of control agreement with Larry E. Lenig, Jr., Seitel's former chief executive officer and president, relating to his service in those capacities. That agreement entitled Mr. Lenig to receive the following compensation and employee benefits: (1) a base salary of \$420,000 per year; (2) a bonus of up to \$200,000, based on Mr. Lenig's service in 2003; (3) on June 30, 2004, or the effective date of the Plan, whichever occurred earlier, if Seitel's board of directors determined to terminate Mr. Lenig's employment without cause, or if Mr. Lenig resigned due to his determination, in his sole discretion, that his ability to work with our board of directors after the effective date of the Plan would be impaired, the sum of \$250,000, plus \$35,000 for each full and partial month that Mr. Lenig was employed since January 1, 2004 prior to the termination; and (4) other employee benefits generally available to our employees. In addition, we agreed to indemnify Mr. Lenig for any claim made against him as an employee or officer, except for claims resulting from Mr. Lenig's willful misconduct and gross negligence. The agreement was approved by the bankruptcy court by order dated January 30, 2004. Mr. Lenig was paid a \$200,000 bonus at that time. Mr. Lenig left the employ of Seitel on February 17, 2004, as anticipated, following completion of the structuring and negotiation of the Plan, and he was paid \$477,500 in accordance with the terms of his retention agreement.

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The information presented below regarding beneficial ownership of our common stock and reorganized common stock has been presented in accordance with the rules of the SEC and is not necessarily indicative of beneficial ownership for any other purpose. Under these rules, beneficial ownership of shares of capital stock includes any shares as to which a person, directly or indirectly, has or shares voting power or investment power and also any shares as to which a person has the right to acquire such voting or investment power within 60 days through the exercise of any stock option or other right. As of March 1, 2004, there were 25,375,683 shares of our common stock outstanding.

The following table sets forth, as to each current director and executive officer named in the summary compensation table above, each beneficial owner of 5% or more of our common stock, and all officers and directors as a group, the number of shares of common stock and the percent of such class beneficially owned as of March 1, 2004 and, the number of shares of reorganized common stock and the percent of such class that would be beneficially owned as of the effective date of the Plan.

Name and Address of Beneficial Owner (1)	Common Stock Beneficially Owned as of March 1, 2004		Reorganized Common Stock Beneficially Owned as of the Effective Date of the Plan of Reorganization	
	Amount (2)	Percent of Class	Amount(2)(3)	Percent of Class
Contrarian Capital Management, L.L.C. (4) 411 West Putnam Avenue, Ste. 225 Greenwich, CT 06830	2,512,150	9.9%	14,887,000	9.9%
Mellon HBV Alternative Strategies LLC 200 Park Avenue, Ste. 3300 New York, NY 10166	2,356,132(5)	9.3%	142,393,700(6)	86.1%
Robert J. Simon 10811 S. Westview Circle Drive Building C, Ste. 100 Houston, Texas 77043	281,574(7)	1.1%	592,048	*
Kevin P. Callaghan 10811 S. Westview Circle Drive Building C, Ste. 100 Houston, Texas 77043	211,455(8)	*	146,893	*
Marcia H. Kendrick	155,931(9)	*	221,395	*

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10811 S. Westview Circle Drive

Building C, Ste. 100

Houston, Texas 77043

Fred S. Zeidman

141,450(10)

*

54,519

*

4265 San Felipe, Ste. 600

Houston, TX 77027

William Lerner

71,420(11)

*

54,341

*

423 East Beau Street

Washington, PA 15301

John E. Stieglitz

64,335(12)

*

71,615

*

Conspectus, Inc.

222 Purchase Street

Rye, NY 10580

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<u>Name and Address of Beneficial Owner (1)</u>	<u>Common Stock Beneficially Owned as of March 1, 2004</u>		<u>Reorganized Common Stock Beneficially Owned as of the Effective Date of the Plan of Reorganization</u>	
	<u>Amount (2)</u>	<u>Percent of Class</u>	<u>Amount(2)(3)</u>	<u>Percent of Class</u>
Walter M. Craig, Jr. 1011 HWY 71 Spring Lake, NJ 07762	55,238(13)	*	10,417	*
Robert Knauss 5151 San Felipe, Ste. 1662 Houston, Texas 77056	10,000(14)	*		*
Randall D. Stilley 10811 S. Westview Circle Drive Building C, Ste. 100 Houston, Texas 77043				
Leonard M. Goldstein 10811 S. Westview Circle Drive Building C, Ste. 100 Houston, Texas 77043				
<u>All executive officers and directors as a group (10 persons)</u>	991,403(15)	3.8%	1,151,228	*

* Less than 1%

- (1) Except as otherwise noted, each named holder has, to the best of our knowledge, sole voting and investment power with respect to the shares indicated.
- (2) Includes shares that may be acquired from us within 60 days by any of the named persons upon exercise of any right. Under the Plan, any options or warrants to acquire shares of common stock outstanding on the effective date of the Plan will be cancelled, and the holders of such options and warrants will no longer be able to exercise such options and warrants after that time. Information with respect to beneficial ownership of reorganized common stock assumes that such options or warrants were not exercised prior to the effective date of the Plan.
- (3) Assumes the exercise in full of all Stockholder Warrants to be received by such stockholder on the effective date of the Plan.
- (4) Information with respect to the beneficial ownership of Contrarian Capital Management, L.L.C. is derived from its Schedule 13G dated February 12, 2004. According to its Schedule 13G, Contrarian Capital Management, L.L.C. has shared voting and dispositive power with respect to 2,512,150 shares of common stock, representing 9.9% of the shares outstanding, and Contrarian Equity Fund, L.P. has shared voting and investment power with respect to 1,437,150 shares of common stock, representing 5.66% of the shares outstanding. Contrarian Capital Management, L.L.C. is the general partner of

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Contrarian Equity Fund, L.P. Jon R. Bauer is the managing member of Contrarian Capital Management, L.L.C.

- (5) Includes: (1) 1,766,132 shares of common stock held of record by Mellon HBV Master Multi-Strategy Fund L.P., representing 6.96% of the shares outstanding; (2) 184,412 shares of common stock held of record by Mellon HBV Master Rediscovered Opportunities Fund LP, representing less than 1% of the shares outstanding; (3) 158,000 shares of common stock held of record by Distressed Recovery Master Fund Ltd., representing less than 1% of the shares outstanding; (4) 125,000 shares of common stock held of record by Mellon HBV Special Situations Fund L.P., representing less than 1% of the shares outstanding; (5) 85,000 shares of common stock held of record by Mellon HBV Capital Partners, representing less than 1% of the shares outstanding; (6) 21,037 shares of common stock held of record by HFR DS Performance Master Trust, representing less than 1% of the shares outstanding; and (7) 16,551 shares of common stock held of record by Axis-RDO Limited, representing less than 1% of the shares outstanding (collectively, the Mellon Funds).

Mellon HBV, which is an indirect wholly-owned subsidiary of Mellon Financial Corporation, has entered into investment advisory, manager and/or sub-manager agreements that grant Mellon HBV full and complete charge of the management of all securities investment, re-investment and trading activities of each of the entities set forth above. More specifically (1) as to Mellon HBV Master Multi-Strategy Fund L.P., (a) Mellon HBV serves as investment advisor pursuant to an Investment Advisory Agreement, dated March 1, 2002 and (b) Mellon HBV Company, Ltd. (HBV Limited), an affiliate of Mellon HBV, serves as sole general partner; (2) as to Mellon HBV Master Rediscovered Opportunities Fund LP, (a) Mellon HBV serves as investment advisor pursuant to an Investment Advisory Agreement, dated March 1, 2002 and (b) HBV Limited serves as sole general partner; (3) as to Mellon HBV Capital Partners

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LP, (a) Mellon HBV serves as an investment manager pursuant to an Investment Management Agreement dated June 1, 2003 and (b) Mellon HBV Advisors LLC, an affiliate of Mellon HBV, serves as sole general partner; (4) as to Mellon HBV Special Situations Fund LP, (a) Mellon HBV serves as an investment manager pursuant to an Investment Management Agreement dated June 1, 2003 and (b) Mellon HBV II, LLC, an affiliate of Mellon HBV, serves as sole general partner with full responsibility for investment decisions except to extent it delegates power to Mellon HBV and (b) Mellon HBV serves as administrator pursuant to an Administrative Services Agreement dated August 1, 2002; (5) as to Distressed Recovery Master Fund, Ltd., Mellon HBV serves as investment advisor pursuant to an Advisory Agreement dated October 1, 2003; (6) as to HFR DS Performance Master Trust, Mellon HBV serves as trading manager pursuant to a Trading Management Agreement dated February 6, 2002; and (7) as to Axis-RDO Limited, Mellon HBV serves as sub-manager pursuant to a Sub-Management Agreement dated March 1, 2002. Accordingly, Mellon HBV has sole voting and dispositive power with respect to 2,356,132 shares of common stock.

- (6) Represents (1) 2,356,132 shares of reorganized common stock which will be beneficially owned by Mellon HBV on the effective date of the Plan and 11,606,306 shares of reorganized common stock issuable to the Mellon Funds upon exercise of Stockholder Warrants to be beneficially owned by Mellon HBV on the effective date of the Plan; (2) 113,393,694 shares of reorganized common stock Mellon HBV would be required to purchase from us on the Guaranty Performance Date under the Standby Purchase Agreement, assuming none of the Stockholder Warrants (other than those beneficially held by the Mellon Funds) are exercised before they expire and Mellon HBV is the sole obligor under the Standby Purchase Agreement; and (3) 15,037,568 shares of reorganized common stock issuable to Mellon HBV upon exercise of the Standby Purchaser warrants, assuming Mellon HBV is the sole obligor under the standby purchase agreement.

Includes: (1) 1,766,132 of Stockholder Warrants issued to Mellon HBV Master Multi-Strategy Fund L.P. on the effective date of the Plan; (2) 184,412 of Stockholder Warrants issued to Mellon HBV Master Rediscovered Opportunities Fund L.P. on the effective date of the Plan; (3) 158,000 of Stockholder Warrants issued to Distressed Recovery Master Fund, Ltd. on the effective date of the Plan; (4) 125,000 of Stockholder Warrants issued to Mellon HBV Special Situations Fund L.P. on the effective date of the Plan; (5) 85,000 of Stockholder Warrants issued to Mellon HBV Capital Partners LP on the effective date of the Plan; (6) 21,037 of Stockholder Warrants issued to HFR DS Performance Master Trust on the effective date of the Plan; and (7) 16,551 of Stockholder Warrants issued to Axis-RDO Limited.

- (7) Includes 181,667 shares which may be acquired from us within 60 days upon exercise of options and common stock purchase warrants. The exercise prices of the options and warrants range from \$11.00 to \$13.73 per share.
- (8) Includes 186,667 shares which may be acquired from us within 60 days upon exercise of options and common stock purchase warrants. The exercise prices of the options and warrants range from \$11.00 to \$13.73 per share.
- (9) Includes 118,571 shares which may be acquired from us within 60 days upon exercise of options and common stock purchase warrants. The exercise prices of the options and warrants range from \$11.00 to \$13.73 per share.
- (10) Includes 132,250 shares which may be acquired from us within 60 days upon exercise of options. The exercise prices of the options range from \$2.23 to \$18.26 per share. Does not include 5,928.895 shares of common stock issuable to Mr. Zeidman under Seitel's non-employee director deferred compensation plan.
- (11) Includes 62,250 shares which may be acquired from us within 60 days upon exercise of options. The exercise prices of the options range from \$11.00 to \$18.26 per share. Does not include 5,928.895 shares of common stock issuable to Mr. Lerner under Seitel's non-employee director deferred compensation plan.
- (12) Includes 52,250 shares which may be acquired from us within 60 days upon exercise of options and common stock purchase warrants. The exercise prices of the options range from \$11.00 to \$18.26 per share. Does not include 5,928.895 shares of common stock issuable to Mr. Stieglitz under Seitel's non-employee director deferred compensation plan.
- (13) Includes 53,480 shares which may be acquired from us within 60 days upon exercise of options. The exercise prices of the options range from \$11.00 to \$18.26 per share. Does not include 5,928.895 shares of common stock issuable to Mr. Craig under Seitel's non-employee director deferred compensation plan.

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- (14) Includes 10,000 shares which may be acquired from us within 60 days upon exercise of options at an exercise price of \$2.09 per share.
- (15) Includes an aggregate of 797,135 shares which may be acquired from us within 60 days upon exercise of options, by the group of ten persons which comprises all executive officers and directors. The exercise prices of the options and warrants range from \$2.09 to \$18.26 per share.

Table of Contents**SELLING STOCKHOLDERS**

The tables below list the names of the selling stockholders who may offer for resale their reorganized common stock and/or Stockholder Warrants and the amount of those securities that they may offer for resale. Our registration of these securities does not necessarily mean that the selling stockholders will sell any or all of the securities we have registered. The information below has been provided to us by the selling stockholders. For information about how the selling stockholders plan to offer the securities for resale, see Plan of Distribution.

The tables present information, as of the effective date of the Plan, regarding the beneficial ownership of our reorganized common stock and Stockholder Warrants by the selling stockholders both before and after giving effect to their sale of the securities offered by this prospectus. The tables also present the number of reorganized common stock and Stockholder Warrants that the selling stockholders may offer for resale pursuant to this prospectus. Upon completion of the offering, assuming the selling stockholders sell all of the securities we have registered, no selling stockholder will beneficially own one percent or more of our reorganized common stock and no selling stockholder will beneficially own one percent or more of our Stockholder Warrants.

Under SEC rules, a person is deemed to be a beneficial owner of a security if that person has or shares the power to vote or direct the voting of the security or the power to dispose of or direct the disposition of the security. Under these rules, beneficial ownership includes any security that a person has the right to acquire sole or shared voting or investment power within 60 days, through the conversion or exercise of any convertible security, warrant, option or other right. Except as we otherwise indicate below and under applicable community property laws, we believe that the beneficial owners of the securities listed below have sole voting and investment power with respect to the shares shown.

Reorganized Common Stock

Name of Selling Stockholder	Shares of Reorganized Common Stock Beneficially Owned On The Effective Date Of The Plan		Shares Of Reorganized Common Stock Offered Hereby
	Number	% of Class	Number
Mellon HBV Master Multi-Strategy Fund L.P.	106,736,834(1)	64.5274	8,699,966(2)
Master Rediscovered Opportunities Fund LP	11,145,006(3)	6.7377	908,413(4)
Distressed Recovery Master Fund LP	9,548,788(5)	5.7727	778,308(6)
Mellon HBV Special Situations Fund L.P.	7,554,421(7)	4.5670	615,750(8)
Mellon HBV Capital Partners LP	5,137,006(9)	3.1056	418,710(10)
HFR DS Performance Master Trust	1,271,379(11)	0.7686	103,628(12)
Axis-RDO Limited	1,000,266(13)	0.6047	81,530(14)
Mellon HBV Alternative Strategies LLC	142,393,700(15)	86.0836	11,606,306(16)

(1) Represents 74.9590% of the 142,393,700 shares of reorganized common stock beneficially owned by Mellon HBV on the effective date of the Plan.

(2) Represents 74.9590% of the 11,606,306 shares of reorganized common stock issuable upon exercise of Stockholder Warrants issued to the Mellon Funds on the effective date of the Plan.

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- (3) Represents 7.8269% of the 142,393,700 shares of reorganized common stock beneficially owned by Mellon HBV on the effective date of the Plan.
- (4) Represents 7.8269% of the 11,606,306 shares of reorganized common stock issuable upon exercise of Stockholders Warrants issued to the Mellon Funds on the effective date of the Plan.
- (5) Represents 6.7059% of the 142,393,700 shares of reorganized common stock beneficially owned by Mellon HBV on the effective date of the Plan.

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- (6) Represents 6.7059% of the 11,606,306 shares of reorganized common stock issuable upon exercise of Stockholder Warrants issued to the Mellon Funds on the effective date of the Plan.
- (7) Represents 5.3053% of the 142,393,700 shares of reorganized common stock beneficially owned by Mellon HBV on the effective date of the Plan.
- (8) Represents 5.3053% of the 11,606,306 shares of reorganized common stock issuable upon exercise of Stockholder Warrants issued to the Mellon Funds on the effective date of the Plan.
- (9) Represents 3.6076% of the 142,393,700 shares of reorganized common stock beneficially owned by Mellon HBV on the effective date of the Plan.
- (10) Represents 3.6076% of the 11,606,306 shares of reorganized common stock issuable upon exercise of Stockholder Warrants issued to the Mellon Funds on the effective date of the Plan.
- (11) Represents 0.8929% of the 142,393,700 shares of reorganized common stock beneficially owned by Mellon HBV on the effective date of the Plan.
- (12) Represents 0.8929% of the 11,606,306 shares of reorganized common stock issuable upon exercise of Stockholder Warrants issued to the Mellon Funds on the effective date of the Plan.
- (13) Represents 0.7025% of the 142,393,700 shares of reorganized common stock beneficially owned by Mellon HBV on the effective date of the Plan.
- (14) Represents 0.7025% of the 11,606,306 shares of reorganized common stock issuable upon exercise of Stockholder Warrants issued to the Mellon Funds on the effective date of the Plan.
- (15) Represents (1) 2,356,132 shares of reorganized common stock that will be beneficially owned by Mellon HBV on the effective date of the Plan and 11,606,306 shares of reorganized common stock issuable to the Mellon Funds upon exercise of Stockholder Warrants to be beneficially owned by Mellon HBV on the effective date of the Plan; (2) 113,393,694 shares of reorganized common stock Mellon HBV would be required to purchase from us on the Guaranty Performance Date under the Standby Purchase Agreement, assuming none of the Stockholder Warrants (other than those beneficially held by the Mellon Funds) are exercised before they expire and Mellon HBV is the sole obligor under the Standby Purchase Agreement; and (3) 15,037,568 shares of reorganized common stock issuable to Mellon HBV upon exercise of the Standby Purchaser warrants, assuming Mellon HBV is the sole obligor under the standby purchase agreement.
- (16) Represents shares of reorganized common stock issuable upon exercise of Stockholder Warrants issued to the selling stockholders on the effective date of the Plan in their respective capacity as a stockholder of our company.

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Stockholder Warrants

Name of Selling Stockholder	Stockholder Warrants Beneficially Owned On Effective Date Of The Plan Number	Stockholder Warrants Offered Hereby Number
Mellon HBV Master Multi-Strategy Fund LP	1,766,132(1)	1,766,132
Master Rediscovered Opportunities Fund LP	184,412(2)	184,412
Distressed Recovery Master Fund LP	158,000(3)	158,000
Mellon HBV Special Situations Fund L.P.	125,000(4)	125,000
Mellon HBV Capital Partners LP	85,000(5)	85,000
HFR DS Performance Master Trust	21,037(6)	21,037
Axis-RDO Limited	16,551(7)	16,551
Mellon HBV Alternative Strategies LLC	2,356,132	2,356,132