

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	(Primary Standard Industrial	(I.R.S. Employer
Incorporation or Organization)	Classification Code Number)	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. Stilley

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.

Charles P. Axelrod, Esq.

Anthony J. Marsico, Esq.

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. ☒ x

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.

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	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	