

SEITEL INC
Form S-1/A
April 23, 2004
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As filed with the Securities and Exchange Commission on April 23, 2004

Registration No. 333-113446

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1

TO

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.

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10811 South Westview Circle Drive

Suite 100, Building C

Houston, Texas 77043

(713) 881-8900

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

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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

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Common Stock Purchase Warrants

25,375,683(3)

(4)

Total	\$ 9,502.50(5)
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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 Registrant 's stockholders on the effective date of the Plan of Reorganization.
- (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) The registration fee was paid in connection with the original filing of this registration statement on March 10, 2004.

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 APRIL 23, 2004

PROSPECTUS

**25,375,683 Warrants
to Purchase
125,000,000 Shares of Common Stock**

125,000,000 Shares of Common Stock

This prospectus relates to an aggregate of 25,375,683 warrants to purchase shares of our reorganized common stock. This prospectus also relates to the offer and sale of the 125,000,000 shares of our reorganized common stock covered by and issuable upon exercise of the warrants. The warrants will be issued by us on the effective date of our plan of reorganization under chapter 11 of the U.S. bankruptcy code to holders of record of our common stock as of May 1, 2004. Each warrant will represent the right to purchase 4.926 shares of our reorganized common stock, at an exercise price of 60 cents per share. The warrants will be exercisable for only 30 days and will expire at 5:00 p.m., New York City time, on June 30, 2004. If the warrants are exercised in full, we will receive \$75 million in cash, before deducting expenses of this offering payable by us which are estimated to be approximately \$2.6 million.

On the effective date of our chapter 11 plan, we will enter into a standby purchase agreement with Mellon HBV Alternative Strategies LLC, the owner of 9.28% of our common stock. Under this agreement, Mellon HBV, for itself and on behalf of certain of its affiliated funds and managed accounts, will purchase directly from us, on or prior to June 30, 2004 and after the warrants covered by this prospectus have expired and this offering has terminated, in a separate, private transaction not involving a public offering, up to 125,000,000 shares of reorganized common stock, to the extent such number of shares are not purchased upon exercise of the warrants, at 60 cents per share and at a maximum aggregate purchase price of \$75 million. Accordingly, even if the warrants are not exercised in full before they expire on June 30, 2004, we are assured to receive, by reason of this separate and subsequent private transaction, a total of \$75 million in cash, before deducting the expenses of this offering. As described in this prospectus in "Use of Proceeds", we will use the entire net proceeds of this offering to partially fund payments to creditors under our chapter 11 plan.

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We do not intend at this time to apply to list either our reorganized common stock or the warrants on any national securities exchange or U.S. inter-dealer quotation system. The warrants will be transferable until they expire on June [], 2004. We will cooperate with any registered broker-dealer if they seek to initiate price quotations for our reorganized common stock and 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 April 21, 2004, the closing bid price of our common stock on the OTC Bulletin Board was \$4.15 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 May , 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 plan of reorganization was confirmed by the bankruptcy court, and on May [], 2004 it will become effective. Our plan of reorganization provides for a sequence of corporate and securities transactions, including this offering. See *The Plan of Reorganization* at page 30.

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 May [], 2004. On the effective date of our plan of reorganization, we will issue and distribute to each holder of our common stock as of May [], 2004, in exchange for each share of common stock then held, one share of our reorganized common stock and one warrant to purchase 4.926 shares of reorganized common stock, at an exercise price of 60 cents per share (a *Stockholder Warrant*). This prospectus provides you with important information you should consider prior to exercising your *Stockholder Warrants*.

3. 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 May [], 2004. When issued, each *Stockholder Warrant* will entitle you to purchase 4.926 shares of reorganized common stock at 60 cents per share. If you exercise all of 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 of reorganization. Please see *Summary* at page 1, *Description of Stockholder Warrants* at page 22, *The Plan of Reorganization* at page 30 and *Dilution* at page 47.

4. Q. What will be the exercise price of the Stockholder Warrants?

A. 60 cents per share.

5. Q. When will my Stockholder Warrants expire?

A. The *Stockholder Warrants* will be exercisable in whole or in part until 5:00 p.m., New York City time, on June [], 2004, at which time all unexercised *Stockholder Warrants* will expire.

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

A. If you do not exercise any of your *Stockholder Warrants*, you will own the same number of shares that you owned immediately prior to the effective date of our plan of reorganization, however your percentage equity ownership in our company will be diluted by up to 83.13%. This is because 125,000,000 additional shares of reorganized common stock either will be issued upon exercise of the *Stockholder Warrants* covered by this prospectus, or will be purchased by standby purchasers directly from us in a separate private

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transaction following the expiration of the Stockholder Warrants and the termination of this offering under the standby purchase agreements, 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 diluted 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 of reorganization, you must exercise all of your Stockholder Warrants. See The Standby Purchase Agreement at page 27 and Dilution at page 47.

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- 7. Q. Will my percentage ownership of reorganized common stock be diluted by any other known issuance of reorganized common stock?**
- A. Your percentage ownership of reorganized common stock will be further diluted if the standby purchasers elect to exercise certain warrants (which are unrelated to the Stockholder Warrants covered by this prospectus) 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, on or prior to June [], 2004 and after the warrants covered by this prospectus have expired and this offering has terminated. We have also been authorized to issue up to 8,270,662 shares of reorganized common stock, representing approximately 5% of the reorganized common stock on a fully diluted basis, in accordance with our 2004 omnibus stock option plan.
- 8. 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.
- 9. 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 & Trust Company
59 Maiden Lane
New York, New York 10038
Telephone: (718) 921-8200
Attention: Shareholders Services Department
- 10. Q. Are there any conditions to exercising my Stockholder Warrants?**
- A. No. The exercise of your Stockholder Warrants is not subject to any conditions.
- 11. 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.

12. 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. See [How You May Transfer or Exchange Your Stockholder Warrants](#) at page 24.

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13. 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. See Description of Stockholder Warrants at page 22.

14. 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 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.

15. 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.

16. 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.

17. Q. Is participation in this offering recommended?

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 and, accordingly, we urge you to consult with your own financial, tax and legal advisors.

18. 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 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 our plan of reorganization.

19. 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 and confirmed by order of the bankruptcy court on March 18, 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 containing this prospectus be 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 these transactions were consummated on December 31, 2003 in the case of the unaudited pro forma consolidated balance sheet, and on January 1, 2003 in the case of the unaudited pro forma consolidated income statement.

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 seismic data creation 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 have discontinued their exploration and production focus in a particular geographical area and no longer require use of the library or which have determined to sell their library for financial purposes. These acquisitions are sometimes funded with cash, but are typically 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. 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 32,000 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 electronic 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 Official Equity Committee was appointed by the U.S. trustee on August 11, 2003 to represent and protect the economic and other interests of our common stockholders in connection with the negotiation and formulation of the Plan. The Official Equity Committee consists of the following members: Tanaka Capital, Bruce Galloway IRA, Charles Mouquin and Weber Systems, Inc.

The Plan was confirmed by the bankruptcy court on March 18, 2004. 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 claims that are reinstated under the Plan (see The Plan of Reorganization Treatment of Pre-Petition Claims), 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:

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, 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

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of warrants (which are unrelated to the Stockholder Warrants covered by this prospectus) to be issued to the Standby Purchasers, after the Stockholder Warrants covered by this prospectus have expired and this offering has terminated, as compensation for their agreements (described below) to purchase up to 125,000,000 shares of our reorganized common stock to the extent the Stockholder Warrants covered by this prospectus are not exercised in full 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 record of our common stock as of May [], 2004 will receive, in exchange for each share owned, 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 stockholder will receive will enable it to retain the same percentage ownership in our company it had immediately prior to the effective date of the Plan, subject to dilution as described in Dilution at page 47. The Stockholder Warrants will be exercisable until 5:00 p.m., New York City time, on June [], 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. **Please note that if you do not exercise your Stockholder Warrants in full you will experience substantial dilution in your percentage equity ownership of Reorganized Seitel. Please see Dilution at page 47 for a detailed discussion.**

Private Placement Subsequent to this Offering

On the effective date of the Plan, we will enter into an agreement (the Standby Purchase Agreement) with Mellon HBV, which beneficially owns approximately 9.28% of our outstanding shares of common stock. Under this agreement, Mellon HBV, for itself and on behalf of certain of its affiliated funds and managed accounts, will purchase directly from us, on or prior to June [], 2004 and after the Stockholder Warrants covered by this prospectus have expired and this offering has terminated (the Guaranty Performance Date), in a separate, private transaction under section 4(2) of the Securities Act of 1933, as amended (the Securities Act), 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 60 cents per share and 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 the separate, private transaction under section 4(2) of the Securities Act 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. With respect to the private purchase of such shares of reorganized common stock by Mellon HBV, Mellon HBV may be deemed to be an underwriter within the meaning of the Securities Act. We have not engaged Mellon HBV to participate in any capacity in the offer, sale, exercise or distribution of the Stockholder Warrants. As consideration for their standby purchase agreements, Reorganized Seitel will issue to the Standby Purchasers on the Guaranty Performance Date, warrants (which are unrelated to the Stockholder Warrants covered by this Prospectus) 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 June [], 2004, we are assured to receive proceeds of \$75 million, before deducting the expenses of this offering payable by us, which are estimated to be approximately \$2.6 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 as amended and restated on February 3, 2004, which has been approved 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 financial advisor and dealer-manager in connection with this offering.

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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.

The Offering

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
Stockholder Warrants to be issued pursuant to this prospectus	25,375,683 Stockholder Warrants
Shares of reorganized common stock offered through this prospectus underlying Stockholder Warrants	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 \$2.6 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

(1) Includes shares of reorganized common stock offered through this prospectus underlying Stockholder Warrants and shares of reorganized common stock, if any, to be purchased directly from us by the Standby Purchasers on the Guaranty Performance Date in a separate, private transaction under section 4(2) of the Securities Act pursuant to the standby purchase agreements. Does not include: (1) up to 15,037,568 shares of reorganized common stock underlying the warrants (which are unrelated to the Stockholder Warrants covered by this Prospectus) to be issued to the Standby Purchasers on the Guaranty Performance Date as compensation for their standby purchase agreements, and (2) up to 8,270,662 shares of reorganized common stock, representing approximately 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, 2001, 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 December 31, 2003 in the case of the unaudited pro forma consolidated balance sheet and January 1, 2003 in the case of the unaudited pro forma consolidated income statement.

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, 2001, 2002 and 2003, and for each of the years in the three-year period ended December 31, 2003, 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, 2003 and 2002 included an explanatory paragraph relating to our ability to continue as a going concern. 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 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,		
	2001	2002	2003
Statement of Operations Data:			
(In thousands)			
Revenue	\$ 115,238	\$ 149,795	\$ 131,465
Expenses and Costs:			
Depreciation and amortization	49,448	129,856	82,638
Cost of sales	1,196	928	815
Selling, general and administrative	34,805	71,732	29,678
Impairment of seismic data library		82,964	29,959
	<u>85,449</u>	<u>285,480</u>	<u>143,090</u>
Income (loss) from operations	29,789	(135,685)	(11,625)
Interest expense, net	(13,461)	(20,856)	(19,950)
Loss on sale of marketable securities		(332)	
Gain on extinguishment of liabilities			681
Reorganization items			(5,984)
Income (loss) from continuing operations before income taxes and cumulative effect of change in accounting principle	16,328	(156,873)	(36,878)
Provision (benefit) for income taxes	6,748	(18,304)	2,199
Income (loss) from continuing operations before cumulative effect of change in accounting principle	9,580	(138,569)	(39,077)
Income (loss) from discontinued operations, net of tax	(24,573)	(62,709)	1,139
Cumulative effect of change in accounting principle, net of tax		(11,162)	
Net loss (1)	<u>\$ (14,993)</u>	<u>\$ (212,440)</u>	<u>\$ (37,938)</u>

	Year Ended December 31,		
	2001	2002	2003
Earnings (loss) per share:			
Basic:			
Income (loss) from continuing operations	\$.38	\$ (5.48)	\$ (1.54)
Income (loss) from discontinued operations	(.98)	(2.48)	.04
Cumulative effect of accounting change		(.44)	
Net loss	<u>\$ (.60)</u>	<u>\$ (8.40)</u>	<u>\$ (1.50)</u>
Diluted:			
Income (loss) from continuing operations	\$.37	\$ (5.48)	\$ (1.54)

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Income (loss) from discontinued operations	(.95)	(2.48)	.04
Cumulative effect of accounting change		(.44)	
	<u> </u>	<u> </u>	<u> </u>
Net loss	\$ (.58)	\$ (8.40)	\$ (1.50)
	<u> </u>	<u> </u>	<u> </u>
Weighted average shares (in thousands):			
Basic	24,986	25,300	25,376
Diluted	25,692	25,300	25,376

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	Year Ended December 31,		
	2001	2002	2003
Other Financial Data (in thousands):			
EBITDA(2)	\$ 79,237	\$ 76,803	\$ 95,669
Cash operating income(3)	63,842	19,968	89,536
Capital expenditures(4)	150,559	66,968	61,235
Cash flows provided by operating activities of continuing operations	30,767	21,716	80,314
Cash flows used in investing activities of continuing operations(5)	(79,565)	(49,358)	(48,668)
Cash flows provided by (used in) financing activities of continuing operations	61,255	(2,630)	(5,646)
Financial ratios:			
EBITDA(2)/Interest Expense, net	5.9	3.7	4.8
Cash Operating Income(3)/Interest Expense, net	4.7	1.0	4.5
Net Debt (6)/EBITDA(2)	3.1	3.3	2.3
Net Debt (6)/Cash Operating Income(3)	3.8	12.5	2.5
Net Debt (6)/Total Net Book Capitalization	50.0%	87.1%	98.4%

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 year ended December 31, 2001, assuming the new seismic data amortization policy had been applied retroactively in this period, was as follows (in thousands, except per share amounts):

Income from continuing operations before cumulative effect of change in accounting principle	\$ 5,178
Income from continuing operations before cumulative effect of change in accounting principle per share:	
Basic	\$.21
Diluted	.20
Net loss	\$ (19,395)
Net loss per share:	
Basic	\$ (.78)
Diluted	(.75)

	As of December 31,		
	2001	2002	2003
Balance Sheet Data:			
(in thousands, except per share amounts)			
Cash and cash equivalents	\$ 25,223	\$ 21,517	\$ 44,362
Seismic data library, net	455,845	284,396	247,541
Total assets	661,469	398,136	367,089
Total debt(7)	268,350	272,061	267,434
Stockholders' equity	243,587	37,036	3,722
Book value per common share outstanding	\$ 9.71	\$ 1.46	\$.15
Common shares outstanding	25,075	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.
- (2) EBITDA is defined as earnings from continuing operations before income taxes (benefit), interest expense, net, impairment of seismic data, and depreciation and amortization. EBITDA is a non-GAAP financial measure, which should not be construed 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. 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, 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 year ended December 31, 2003 included \$11.4 million of costs and expenses related to our restructuring efforts, bankruptcy proceedings and various litigation, net of reduction in litigation accruals. We believe that, 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.
- (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. Cash operating income is a non-GAAP financial measure which should not be construed 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. 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, 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 year ended December 31, 2003 included \$5.5 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.

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,		
	2001	2002	2003
Cash operating income	\$ 63,842	\$ 19,968	\$ 89,536
Add (subtract) other revenue components not included in cash operating income:			
Acquisition underwriting from non-monetary exchanges			624
Non-monetary exchanges	57,045	13,551	10,630
Deferral of revenue	(89,764)	(38,366)	(51,421)
Selections of data	48,114	81,982	51,603
Less:			
Loss on sale of marketable securities		(332)	
Gain on extinguishment of liabilities			681
Reorganization items			(5,984)
EBITDA	79,237	76,803	95,669
Less:			
Interest expense, net	(13,461)	(20,856)	(19,950)
Taxes	(6,748)	18,304	(2,199)
Impairment of seismic data library		(82,964)	(29,959)
Depreciation and amortization	(49,448)	(129,856)	(82,638)

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Income (loss) from continuing operations before cumulative effect of change in accounting principle	\$ 9,580	\$ (138,569)	\$ (39,077)
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- (4) Capital expenditures include non-cash additions to our seismic data library, primarily from non-monetary exchanges, totaling \$60.4 million for the year ended December 31, 2001, \$21.1 million for the year ended December 31, 2002, and \$14.8 million for the year ended December 31, 2003.

- (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.

Table of Contents**Summary Unaudited Pro Forma Consolidated Financial Data**

(in thousands, except per share amounts)

	Pro Forma As of December 31, 2003
	(unaudited)
Balance Sheet Data:	
Cash and cash equivalents	\$ 15,436
Seismic data library, net	247,541
Total assets	345,658
Total debt	197,017
Stockholders' equity	70,782
Book Value per common share outstanding	\$ 0.47
Common shares outstanding	150,376
	Pro Forma
	For the
	Year Ended
	December 31, 2003
	(unaudited)
Statement of Operations Data:	
Revenue	\$ 131,465
Loss from operations	(11,625)
Loss from continuing operations	(38,164)
Basic and diluted loss from continuing operations per share	(0.25)
Weighted average number of common and common equivalent shares - basic and diluted	150,376
Other Financial Data:	
EBITDA	95,669
Cash operating income	89,536
Financial ratios:	
EBITDA/Interest Expense, net	5.2
Cash Operating Income/Interest Expense, net	4.8
Net Debt/EBITDA	1.9
Net Debt/Cash Operating Income	2.0
Net Debt/Total Net Book Capitalization	72.0%

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RISK FACTORS

You should carefully consider the following risk factors prior to making a decision about investing in our company. 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

If our Plan becomes effective and the Stockholders Warrants are issued, the exercise price of the Stockholder Warrants will be substantially below the most recent closing bid price for our common stock as reported on the OTC Bulletin Board. This price disparity could result in volatile trading activity in our common stock, as well as price fluctuations reflecting such trading activity, all of which could have a depressive effect on the price of our reorganized common stock.

If our Plan becomes effective and the Stockholder Warrants are issued, the Stockholder Warrants will be exercisable at 60 cents per share, a price that is significantly below the most recent closing bid prices of our common stock as reported on the OTC Bulletin Board. There is a risk that this price disparity could result in volatile trading activity by those who either exercise Stockholder Warrants and sell their warrant shares, sell shares they currently own, or sell or have sold short shares of our common stock and then exercise their Stockholder Warrants to cover short positions, all of which could have a depressive effect on the price of our reorganized common stock. The occurrence of any of the foregoing may contribute to volatility of the price of our reorganized common stock and may have a negative impact on your investment in our company.

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. 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 apply to the OTC Bulletin Board to initiate quotations in our reorganized common stock as of the effective date of the Plan. If the application 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.

It may be difficult for holders of Stockholder Warrants to publicly trade their Stockholder Warrants during the 30-day period between the date of this prospectus and June [], 2004, for holders of reorganized common stock to publicly trade reorganized common stock at any time after the date of this prospectus, or for such holders to obtain 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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Our common stock currently is quoted on the OTC Bulletin Board and trades below \$5.00 per share and therefore is considered a penny stock within the meaning of Rule 15g-9 under the Securities Exchange Act of 1934, as amended. If the reorganized common stock continues to trade at prices below \$5.00 per share, it and the Stockholder Warrants also will be considered penny stock and the liquidity of the reorganized common stock and the Stockholder Warrants may be adversely affected.

The SEC has adopted regulations which define a penny stock to be any equity security not listed on a national securities exchange or quoted on the Nasdaq Stock Market that has a market price or in the case of a derivative security, an exercise price of less than \$5.00 per share, subject to certain exceptions. Our common stock currently trades below \$5.00 per share and therefore is considered to be a penny stock. If our reorganized common stock trades at prices less than \$5.00 per share, such stock and the Stockholder Warrants also will be considered penny stock, and trading in the reorganized common stock and Stockholder Warrants will be subject to the requirements of Rule 15g-9 under the Securities Exchange Act of 1934, as amended (the Exchange Act). Under this rule, broker-dealers who recommend low-priced securities to persons other than established customers and accredited investors must satisfy special sales practice requirements. The broker-dealer must make an individualized written suitability determination for the purchaser and receive the purchaser's written consent prior to the transaction. This may have an adverse impact upon the development of a retail market for our reorganized common stock having the depth and breadth to result in liquidity at stable prices. Also, many financial institutions and funds have internal policies which preclude investing in penny stock securities.

SEC regulations also require additional disclosure in connection with any trades involving a penny stock, including the delivery, prior to any penny stock transaction, of a disclosure schedule explaining the penny stock market and its associated risks. These requirements severely limit the liquidity of securities in the secondary market because few broker-dealers are likely to undertake these compliance activities. In addition to the applicability of the penny stock rules, other risks associated with trading in penny stocks could also be price fluctuations and the lack of a liquid market. Therefore, if the reorganized common stock is subject to the penny stock rules, the liquidity of our reorganized common stock (as well as the liquidity of our Stockholder Warrants) may be adversely affected.

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 will be exercisable until 5:00 p.m., New York City time, on June [], 2004, the 30th day 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 June [], 2004, the 28th day after the date of this prospectus, would be required to be settled not later than June [], 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, owns approximately 9.28% of our common stock and has agreed, under the Standby Purchase Agreement, to potentially purchase directly from us a substantial number of additional shares of reorganized common stock in a separate, private transaction to be effected on the Guaranty Performance Date, 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 directly from us on the Guaranty Performance Date in a separate, private transaction under section 4(2) of the Securities Act 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

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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, with respect to which there will be cumulative voting, and other major corporate decisions and transactions on which all stockholders are entitled to vote. With respect to the private purchase of such shares of reorganized common stock by Mellon HBV, Mellon HBV may be deemed to be an underwriter within the meaning of the Securities Act. We have not engaged Mellon HBV to participate in any capacity in the offer, sale, exercise or distribution of the Stockholder Warrants.

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 standby purchase agreements, on the Guaranty Performance Date, Mellon HBV would be required to purchase directly from us 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 reorganized common stock reserved for issuance under our 2004 omnibus stock option plan. Also, if the other Standby Purchasers breached their obligations under their respective standby purchase agreements, Mellon HBV, as the only Standby Purchaser, would receive on the Guaranty Performance Date, as consideration for the Standby Purchase Agreement, warrants (which are unrelated to the Stockholder Warrants covered by this prospectus) 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. 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 Stockholder 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 have designated 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 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 on the effective date of the Plan, and assuming no change in its ownership, Mellon HBV or the other Standby Purchasers may have the effective ability to elect nominees of any class to the board of directors 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.

Mellon HBV will have the right to designate a limited number of other qualified institutional buyers and institutional accredited investors who are not affiliates of Mellon HBV to participate in the standby purchase of up to \$75 million of reorganized common stock. As a result, one or more persons or entities other than Mellon HBV and its affiliates could acquire a substantial number of shares of reorganized common stock after you have made an investment decision to exercise your Stockholder Warrants, which could give them the ability to materially influence the election of directors and major corporate decisions.

Under the terms of the Standby Purchase Agreement to be entered into on the effective date of our Plan, 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 following the expiration of the Stockholder

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Warrants, but not less than three nor more than seven days prior to the Guaranty Performance Date. Each of these designees will purchase directly from us in a separate, private transaction under section 4(2) of the Securities Act under separate subscription agreements, at 60 cents per share, shares of reorganized common stock otherwise issuable to Mellon HBV under the Standby Purchase Agreement, if any. To the extent Mellon HBV designates such other qualified institutional buyers and institutional accredited investors to so participate and allocates its obligation to purchase shares of reorganized common stock under the Standby Purchase Agreement to such other participants, one or more persons or entities other than Mellon HBV or its affiliates may acquire a substantial number of shares of reorganized common stock, which would give such persons or entities the ability to materially influence the election of directors and major corporate decisions. Moreover, because the identity of such other designees, if any, will not be disclosed to us until at least three days and as much as seven days after the Stockholder Warrants have expired by their terms and this offering has terminated, you will not know whether any other person or entity will become a significant stockholder of our company until after you have decided whether to exercise your Stockholder Warrants.

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 and all shares of reorganized common stock issued to them under the Plan in their capacity as stockholders of our company as of May [], 2004, and (2) all shares of reorganized common stock purchased by them in their standby purchase capacity on the Guaranty Performance Date, if any, and all warrants (and underlying shares of reorganized common stock) to be issued to them on the Guaranty Performance Date 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, which will become effective on the effective date of the Plan, will 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, which will become effective on the effective date of the Plan, may have the effect

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of maintaining in office the directors who are members of our board on the effective date of the Plan. Such provisions 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 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 Division 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 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