SEITEL INC
Form 10-K
March 30, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2009

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _________ to _________

Commission File Number 333-144844

SEITEL, INC.

(Exact name of registrant as specified in its charter)

Delaware	**76-0025431**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification Number)**
10811 S. Westview Circle Drive, Building C, Suite 100 Houston, Texas	**77043**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: (713) 881-8900

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer (as defined in Rule 405 of the Securities Act). Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	x	Smaller reporting company	¨

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant at March 15, 2010 was zero. On March 15, 2010 there were a total of 100 shares of common stock outstanding.

CAUTIONARY STATEMENTS CONCERNING FORWARD-LOOKING INFORMATION

This Annual Report on Form 10-K (this Annual Report) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Statements contained in this report about our future outlook, prospects, strategies and plans, and about industry conditions, demand for seismic services and the future economic life of our seismic data are forward-looking. All statements that express belief, expectation, estimates or intentions, as well as those that are not statements of historical fact, are forward looking. The words proposed, anticipates, will, would, should, estimat similar expressions are intended to identify forward-looking statements. Forward-looking statements represent our present belief and are based on our current expectations and assumptions with respect to future events. While we believe our expectations and assumptions are reasonable, they involve risks and uncertainties beyond our control that could cause the actual results or outcome to differ materially from the expected results or outcome reflected in our forward-looking statements. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Annual Report may not occur. Such risks and uncertainties include, without limitation, actual customer demand for our seismic data and related services, the timing and extent of changes in commodity prices for natural gas, crude oil and condensate and natural gas liquids, conditions in the capital markets during the periods covered by the forward-looking statements, the effect of the duration of the economic downturn on our business, our ability to obtain financing on satisfactory terms if internally generated funds and our current credit facilities are insufficient to fund our capital needs, the impact on our financial condition as a result of our debt and our debt service, our ability to obtain and maintain normal terms with our vendors and service providers, our ability to maintain contracts that are critical to our operations, changes in the oil and gas industry or the economy generally, changes in the exploration budgets of our customers, and our ability to comply with the terms of our final judgment of permanent injunction by the Securities and Exchange Commission (SEC). Also note that we provide a cautionary discussion of risks and uncertainties under the captions Item 1A. Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this Annual Report.

The forward-looking statements contained in this report speak only as of the date hereof. Except as required by federal and state securities laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or any other reason. All forward-looking statements attributable to Seitel, Inc. or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this Annual Report and in our future periodic reports filed with the SEC.

PART I

Item 1. Business

General

Seitel, Inc. and its wholly owned subsidiaries are collectively referred to in this report as Seitel, the Company, we and us except as otherwi noted. Seitel is a leading provider of seismic data to the oil and gas industry in North America. Our products and services are critical for oil and gas exploration and development and management of hydrocarbon reserves by exploration and production companies. We own an extensive library of proprietary onshore and offshore seismic data that we have accumulated since our inception in 1982 and that we license to a wide range of oil and gas companies. Our customers use seismic data to identify 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. The importance of seismic data usage in the exploration, development and management process drives demand for data in our library.

We have built a library of onshore seismic data that we believe is the largest available for licensing in the United States and Canada. Our seismic data library includes both onshore and offshore three-dimensional (3D) and two-dimensional (2D) data. We have ownership in over 42,000 square miles of 3D and approximately 1.1 million linear miles of 2D seismic data concentrated primarily in the major active North American oil and gas producing regions. The majority of our onshore seismic data covers sections of the U.S. Gulf Coast, including Eastern Texas, Southern Louisiana and Mississippi, as well as Western Canada, the Rocky Mountains and Northern Louisiana. We have one of the largest seismic data libraries in each of these regions. We also own a library of offshore data covering parts of the shelf and certain deep water areas in the Western and Central U.S. Gulf of Mexico and the waters off the coast of Eastern Canada. We serve a market which includes over 1,600 companies in the oil and gas industry. Our customers range from small and mid-cap exploration and production companies and private prospecting individuals to large independent oil and gas companies and also include global oil and gas companies.

Several factors lead to multiple licensing of our seismic data. For example, new oil and gas field discoveries can cause renewed exploration activity in a previously assessed surrounding area and pipeline and oil and gas infrastructure expansion may make new oil and gas fields economically viable. New drilling technologies can cause oil and gas companies to reevaluate existing oil and gas fields and new data processing technologies can create additional value in previously processed seismic data. In addition, merger and acquisition activity can change the ownership of fields often requiring re-licensing of data. Each of these factors drives repeat demand for our existing seismic library.

We also regularly add to our seismic data library by creating new seismic data. These data creation programs are substantially funded by our customers in exchange for a license granting them access to the newly acquired data with a limited exclusivity period. We do not employ seismic crews or own any seismic survey equipment but instead contract our data shoots to third-party seismic acquisition companies. We believe this practice allows us to respond quickly to changes in demand and minimizes ongoing capital requirements. We also purchase seismic surveys or entire seismic libraries from oil and gas companies which have discontinued their exploration and production in a particular geographical area and no longer require ownership of, or which have otherwise determined to sell, their data or library. These purchases are funded with cash or structured as non-monetary exchanges, whereby we acquire ownership of existing data from customers in exchange for a grant of a non-exclusive license to use other 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. Historically, some of our seismic data has remained useful for decades after its creation. For example, we continue to license 15 year old 3D data and 2D data created over 20 years ago. We expect this to continue and our data to remain useful for extended periods after its creation.

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

In each of fiscal 2009, 2008 and 2007, approximately 96% of our revenues were attributable to acquisition and licensing of seismic data. Other revenues during these years were primarily derived from Solutions for reproduction and delivery of seismic data licensed by our clients. See Note O to Notes to Consolidated Financial Statements for information about our revenue by geographical area.

Seitel is incorporated under the laws of the State of Delaware. Our principal executive offices are in Houston, Texas.

2007 Business Combination

On February 14, 2007, Seitel Acquisition Corp. (Acquisition Corp.) was merged with and into Seitel, pursuant to a merger agreement between Seitel, Acquisition Corp. and Seitel Holdings, Inc. (Holdings) dated October 31, 2006 (the Merger). Pursuant to the merger agreement, Seitel continued as the surviving corporation and became a privately owned corporation and wholly-owned subsidiary of Holdings. Holdings is an investment entity controlled by ValueAct Capital Master Fund, L.P. (ValueAct Capital).

Under the terms of the merger agreement, our existing stockholders (other than ValueAct Capital and management investors contributing certain of their shares of Seitel stock for ownership in Holdings) and option holders were paid a total consideration of $386.8 million. In connection with the Merger, the warrants held by ValueAct Capital totaling 15,037,568 were cancelled.

In connection with the Merger, Acquisition Corp. conducted a cash tender offer and consent solicitation for all of the $189.0 million aggregate principal amount of our 11.75% senior notes due 2011 (the 11.75% Senior Notes). On February 14, 2007, we paid $187.0 million aggregate principal amount for all of the notes tendered. In connection with the tender offer and consent solicitation, we entered into a supplemental indenture, supplementing the indenture dated as of July 2, 2004 with respect to the 11.75% Senior Notes. The supplemental indenture effected certain amendments to the original indenture, primarily to eliminate substantially all of the restrictive covenants and certain events of default triggered or implicated by the Merger. $2.0 million aggregate principal amount of the 11.75% Senior Notes remain outstanding.

In addition, on February 14, 2007, we issued $400.0 million aggregate principal amount of 9.75% senior notes due 2014 (the 9.75% Senior Notes) pursuant to an indenture by and among Seitel, certain subsidiary guarantors and Bank of America, N.A. (as successor by merger to LaSalle Bank National Association), as trustee. Effective September 21, 2009, Deutsche Bank Trust Company Americas became trustee.

Description of Operations

Industry Conditions

Seismic data is critical to the oil and gas exploration process due to its ability to significantly increase the success rate of locating commercial oil and gas deposits by producing detailed images of the earth s subsurface features. The overall demand for seismic data and related geophysical services is dependent upon spending by oil and gas companies for exploration, production, development and field management activities. This spending is in turn driven largely by present and expected future demand and pricing for oil and natural gas. Demand for these commodities is influenced by global economic growth as well as political, economic, tax, and environmental considerations. Deterioration in the global business environment beginning in the fourth quarter of 2008, has led to a significant reduction in commodity prices from average levels reported in 2008 and a reduction in land drilling activity from the peak levels seen in 2008. These factors have resulted in a decline in the demand for seismic data. The outlook for 2010 remains largely dependent on the prospects for the general economy.

A significant portion of our revenues comes from small and mid-cap oil and gas exploration and production companies, independent oil and gas companies and private prospecting individuals. To achieve and maintain their success, we believe our customers will need to continue to find new, and exploit existing, oil and natural gas reserves, which we believe will require spending on seismic data. Over the medium to long-term, we believe there will continue to be an incentive for exploration and production spending in the United States and Canada. However, we believe the reduction in availability of financing which began in the second half of 2008 had a significant impact on many of our customers ability to invest in growing their businesses and to purchase seismic data in 2009.

Land rig counts in North America peaked during 2008 but fell during the first part of 2009, reaching a low in May 2009. Since that time, North America land rig counts have been recovering; however, significant uncertainty still remains as to the sustainability of the increase due to the divergence in supply and demand. The average North American land rig count for January and February 2010 has increased approximately 39% compared to the average land rig count for the last six months of 2009. We are cautiously optimistic that drilling in North America will continue to show improvement in 2010.

We believe the use of 3D seismic data and advanced processing techniques, coupled with advances in drilling and completion techniques, have enhanced the ability of oil and gas companies to explore for, develop and manage oil and gas reserves. However, general economic uncertainty has caused weakness in exploration and development spending levels. We cannot determine the timing of the economic recovery; but, we expect that seismic industry market conditions will show some improvement in 2010 and further strengthen in 2011.

We maintain sufficient working capital to enable us to provide a high level of service to our customers. Our working capital practices are consistent with the general practices associated in the industry in which we operate.

Seismic Data

Oil and gas companies consider seismic data an essential tool in finding hydrocarbons. Oil and gas companies use seismic data in oil and gas exploration and development efforts to increase the probability of drilling success. Further, seismic data analysis can increase recoveries of reserves from existing, mature oil fields by optimizing the drilling location of development wells and by revealing additional, or step-out, locations that would not otherwise be apparent. 3D seismic data provides a graphic depiction of the earth s subsurface from two horizontal dimensions and one vertical dimension, rendering a more detailed picture than 2D data, which presents a cross-sectional view from one vertical and one horizontal dimension. The more comprehensive geophysical information provided by 3D surveys significantly enhances an interpreter s ability to evaluate the probability of the existence and location of oil and gas deposits. According to the U.S. Department of Energy, 3D seismic data has been a key factor in improving drilling success ratios and lowering finding and field extension costs. However, the cost to create 3D seismic data is significantly more than the cost to create 2D seismic data. As a result, 2D data continues to be used by clients for preliminary, broad-scale exploration evaluation, as well as in determining the location and design of 3D surveys. 3D surveys can then be used for more detailed analysis to maximize actual drilling potential and success.

Although we amortize our seismic data over a maximum period of four years, most of our seismic data has continued to generate licensing revenue past its amortization period. Assuming the data is sampled and gathered adequately in the field recording phase, it is amenable to re-evaluation and re-presentation, multiple times, using new or alternate processing techniques as well as updated knowledge of the Earth model.

Management believes the level of resales from various vintages of our investment in seismic data is useful in order to assess the resiliency and value of our seismic data library. Management considers estimated longevity of and foreseeable demand for data in determining whether to undertake new data acquisition projects. For the year ended December 31, 2009, resale revenue from U.S. onshore 3D data and Canadian 2D and 3D data was recognized from net historical investments made in the indicated periods (in thousands):

	Resale Revenue	Percentage	Net Investment [1]	Percentage
Investments prior to 2005	$ 33,208	48%	$ 375,451	68%
Investments 2005 through 2009	35,883	52%	174,093	32%
Total U.S. 3D onshore and Canadian 2D and 3D	$ 69,091	100%	$ 549,544	100%

(1) Net investment reflects total data cost less client underwriting before fair value adjustments resulting from the Merger.

The following presents a reconciliation of resale revenue for U.S. 3D onshore and Canadian 2D and 3D (a non-GAAP financial measure) to total revenue for the year ended December 31, 2009 (the most directly comparable GAAP financial measure) (in thousands):

Total resale revenue U.S. 3D onshore and Canadian 2D and 3D	$ 69,091
Other revenue components:	
Other resale revenue (principally offshore and U.S. 2D)	6,375
Acquisition revenue	37,403
Solutions and other revenue	4,524
Selection revenue not recognized for GAAP due to purchase accounting adjustments	(2,048)
Total revenue	$ 115,345

The following presents a reconciliation of net historical investment for U.S. 3D onshore and Canadian 2D and 3D data (a non-GAAP financial measure) to net book value at December 31, 2009 (the most directly comparable GAAP financial measure) (in thousands):

Net historical investment in seismic data U.S. 3D onshore and Canadian 2D and 3D	$	549,544
Add:		
Acquisition revenue 3D onshore		509,116
Other seismic data investment (principally offshore and U.S. 2D)		378,428
Seismic projects in progress		19,701
Fair value adjustment resulting from Merger		275,235
Less:		
Historical impairment charges		(112,923)
Accumulated amortization (including historical amounts pre-Merger)		(1,418,712)
Net book value	$	200,389

Seismic Data Library

Our seismic data library includes onshore and offshore 3D, 2D data and multi-component data. We have ownership in over 42,000 square miles of 3D and approximately 1.1 million linear miles of 2D seismic data concentrated primarily in the major North American oil and natural gas producing regions. The majority of our seismic data library covers onshore regions within North America, with a geographic concentration on the onshore and transition zone of the U.S. Gulf Coast extending from Texas to Florida, Western Canada, Mississippi, Eastern Texas, the Rocky Mountain region and Northern Louisiana. Most of our remaining seismic data library covers the offshore Gulf of Mexico and Eastern Canada. The following table describes our 3D seismic data library, as well as data that we manage and market for third parties, as of March 15, 2010.

3D Data Library at March 15, 2010	Square Miles [(1)]	Percentage of Subtotal
Texas Gulf Coast and East Texas	9,869	48%
Southern Louisiana/Mississippi	7,048	35%
Rocky Mountains	1,687	8%
Other	1,839	9%
Total U.S. Onshore	20,443	100%
Canada	11,492	100%
U.S. Offshore	10,509	100%
Worldwide Total	42,444	100%

(1) Square miles reflect mileage net to our revenue interest.

U.S. Onshore: The U.S. onshore 3D sector of our seismic data library is comprised principally of our Gulf Coast Texas and Southern Louisiana/Mississippi components. We began accumulating this data in 1993 and 1994. Although these areas form the core of our U.S. onshore database, our U.S. capital programs since mid-2008 have been focused on adding data in shale plays, primarily the Eagle Ford Shale play in the Texas Gulf Coast region and the Haynesville Shale play in East Texas. As of March 15, 2010, we have approximately 345 square miles of data in the Haynesville Shale play and 630 square miles of data in progress in this area.

We also own data in the Rocky Mountain region as well as relatively small amounts of seismic data in other areas, such as Alabama, California, Michigan, North Dakota, and Northern Louisiana.

We also have a 2D data library in the United States that continues to contribute to our data licensing sales at a steady pace.

Canada: The Canadian market is less mature than the U.S. Gulf Coast and includes areas still considered frontier, or underexplored. Accordingly, there is still a significant demand for 2D data, with 3D data representing an increasing part of the market in recent years. The accumulation of 3D data in our seismic library began in 1998 and has grown at an average rate in excess of 950 square miles per year. Since 2004, our 3D licensing revenue has grown as a proportion of our total licensing revenue, a trend we believe will continue.

Offshore U.S. Gulf of Mexico: Our library of offshore data covers 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 have accumulated our U.S. Gulf of Mexico offshore 3D data since 1993. Although we have not shot new offshore surveys in recent years, on occasion, we add offshore Gulf of Mexico data through non-monetary exchanges.

Data Library Growth

We regularly add to our library of seismic data by: (1) recording new data, (2) buying ownership of existing data for cash, (3) acquiring ownership of existing data through non-monetary exchanges or (4) creating new value-added products from data existing within our library.

Underwritten Data Acquisitions: We create new seismic data designed in conjunction with our customers and specifically suited to the geology and environmental conditions of the area using the most appropriate technology available. Typically, one or more customers will underwrite or fund a significant portion of the direct cost in exchange for a license or licenses to use the resulting data. Under the terms of these licenses, the customers usually have exclusive access to use the newly acquired data for a limited, relatively short period of time, after which time the data is added to our library for licensing to the industry on a non-exclusive basis. Data acquisition activity during 2009 occurred in the Texas Gulf Coast, the Bossier/Haynesville resource play in East Texas and both the Montney and Horn River resource plays in Western Canada. All field work on these projects is outsourced to subcontractors, as is the data processing for those projects in Canada. A significant percentage of the data processing for Texas projects is processed by our wholly owned subsidiary Matrix Geophysical, Inc. (Matrix). We employ experienced geoscientists who design seismic programs and oversee field acquisition and data processing to ensure the quality and longevity of the data created.

Cash Purchases**:** We purchase seismic data for cash from oil and gas companies, other seismic companies or financial investors in seismic data when opportunities arise and within the limits of our capital expenditure budget.

Non-Monetary Exchanges: We grant our customers a non-exclusive license to selected data from our library in exchange for ownership of seismic data from the customer, a non-monetary exchange. The data that we receive is distinct from the data that is licensed to the customer. These transactions, which have been an essential tool in the growth of our seismic data library, will tend to be for individual surveys or groups of surveys. We also use non-monetary exchanges in conjunction with data acquisitions and cash purchases. In addition, we may receive advanced data processing services on selected existing data in exchange for a non-exclusive license to selected data from our library.

Value-Added Products**:** We create new products from existing seismic surveys in our library by extracting a variety of additional information from surveys that was not readily apparent in the initial products. Opportunities to extract such additional information and create such additional products may result from information from secondary sources, alternative conclusions regarding the initial products and applying alternate or more complex processes to the initial products, or some combination of these factors. Additional products may include Pre-Stack Time Migration volumes, Amplitude Versus Offset volumes, Complex Attribute volumes, Rock Property volumes and Pre-Stack Depth Migration volumes. Typically, one or more customers will underwrite a portion of the direct cost involved in these products in exchange for a license or licenses to use the resulting data. Under these licenses, the customers usually have exclusive access to the newly acquired data for a limited term. After this limited term of exclusivity, the data is added to our library for licensing to the industry on a non-exclusive basis. Work on these projects may be performed by Matrix, outsourced to specific specialists in the arena or conducted under an alliance with a particular specialist. We employ experienced geoscientists who design these value-added products and oversee the processing to ensure the quality and longevity of the data created.

Licenses and Marketing

We actively market data from our library to customers under non-exclusive license agreements using a well-developed marketing strategy combined with strong geophysical expertise. Our licenses are generally non-assignable and typically provide that in the event of a change of control of a customer-licensee, the surviving entity generally must pay a fee to maintain a license for any data it seeks to continue to use and for which such entity previously did not have a license. We employ an experienced sales force and it is our operating philosophy to actively market our seismic library. Our team of dedicated marketing specialists seeks to maximize license sale opportunities by monitoring petroleum industry exploration and development activities through close interaction with oil and gas companies on a daily basis. Our marketing team develops innovative contracting methods that have expanded the market for seismic data to our customers.

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

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

Backlog

At March 15, 2010, our backlog of underwriting commitments related to new data creation projects was $27.6 million compared with $39.2 million at March 6, 2009. We anticipate that the majority of this backlog will be recognized over the next 12 months.

Seitel Solutions

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

Customers

We market our seismic data to a varied customer base. Our customers range from small and mid-cap exploration and production companies and private prospect generating individuals to several of the largest companies in the oil and gas industry. No one customer accounted for more than 10% of revenue during the years ended December 31, 2009 and 2007. During the year ended December 31, 2008 one customer accounted for 11.3% of our revenue. We do not believe that the loss of any single customer would have a material adverse impact on our seismic business, cash flows or results of operations.

Competition

The creation and licensing of seismic data is competitive. Customers consider several factors, including location of data, price, technological expertise and reputation for quality and dependability, when choosing a service provider. There are a number of geophysical companies that create, market and license seismic data and maintain their own seismic data libraries. Rather than outsourcing their seismic data activities, some oil and gas companies create their own seismic data libraries, which they license to others. Our largest competitors, many of whom are engaged in acquiring seismic data, as well as maintaining a data library, are CGGVeritas; Geokinetics, Inc.; Global Geophysical Services, Inc.; Pulse Seismic Inc.; Seismic Exchange, Inc. (a private company based in New Orleans, Louisiana); TGS Nopec; and WesternGeco. Many of our competitors have substantially larger revenues and resources than we do.

Regulation

Our operations are subject to a variety of federal, provincial, state, foreign and local laws and regulations, including environmental and health and safety laws. We invest financial and managerial resources to comply with these laws and related permit requirements. Various governmental authorities have the power to enforce compliance with these regulations and the permits issued under them, and violators are subject to administrative, civil and criminal penalties, including civil fines, injunctions or both. In addition, failure to timely obtain required permits may result in delays in acquiring new data for our data library or cause operating losses. Because these laws and our business may change from time to time, we cannot predict the future cost of complying with these laws, and expenditures to ensure our compliance could be material in the future. Modification of existing laws or regulations or adoption of new laws or regulations limiting exploration or production activities by oil and gas companies could adversely affect us by reducing the demand for our seismic data.

Seasonality and Timing Factors

Our results of operations fluctuate from quarter to quarter due to a number of factors. Our results are influenced by oil and gas industry capital expenditure budgets and spending patterns. These budgets are not necessarily spent in equal or progressive increments during the year, with spending patterns affected by individual oil and gas company requirements as well as industry-wide conditions. In addition, under our revenue recognition policy, revenue recognition from data licensing contracts is dependent upon, among other things, when the customer selects the data. As a result, our seismic data revenue does not necessarily flow evenly or progressively during a year or from year to year. Although the majority of our data licensing transactions provide for fees to us of under $500,000 per transaction, occasionally a single data license transaction from our library, including those resulting from the merger and acquisition of our customers, may be substantially larger. Such large license transactions or an unusually large number of, or reduction in, data selections by customers can materially impact our results during a quarter, creating an impression of a revenue trend that may not be repeated in subsequent periods. In our data creation activities, weather-related or other events outside our control may impact or delay surveys during any given quarter.

Employees

As of December 31, 2009, we and our subsidiaries had 108 full-time employees, including 6 executive officers, 16 marketing staff and 27 geotechnical staff. None of our employees are covered by collective bargaining agreements, and we consider our relationship with our employees to be good.

Raw Material and Proprietary Information

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

Available Information

We make available free of charge, or through the Investor Relations section of our website at www.seitel.com, access to our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after such material is filed with, or furnished to, the SEC. Our Code of Business Conduct and Ethics is also available through the Investor Relations-Corporate Governance section of our website or in print to any stockholder who requests them.

The public may read and copy any materials filed by us with the SEC at the SEC s Public Reference Room at 100 F Street, NE, Washington, DC 20549 and may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at http://www.sec.gov.

Item 1A. Risk Factors

The duration of the current economic downturn and depressed commodity prices could adversely affect demand for our seismic data and related services and may increase our credit risk of customer non-payment.

Many of our customers are independent oil and gas companies and private prospect-generating companies that rely primarily on bank or commercial debt financing or private investments and cash flow from operations to finance their exploration, production, development and field management activities. We believe that the uncertainty surrounding the duration of the economic downturn commencing in late 2008 could result in continued limitation in the availability or increase in the cost of these types of capital. As a result, demand for our seismic data and related services could be adversely affected by these financial market conditions, which, in turn, could have a material adverse effect on our results of operations and cash flow. We are unable to predict the severity or duration of any such decrease in demand. Depressed commodity prices could also result in many oil and gas companies significantly reducing their levels of capital spending which could result in reduced demand for our seismic data and related services as our customers operating cash flow decreases and the borrowing bases under their oil and gas reserve-based credit facilities are reduced as a consequence of lower commodity prices. We may also face increased credit risk from customers as the ability of some of our customers to pay amounts owed to us may be impaired because of the falling commodity prices and decreases in their liquidity and capital resources.

Our industry is cyclical and our business could be adversely affected by the level of capital expenditures by oil and gas companies and by the level and volatility of oil and natural gas prices.

Our industry and the oil and gas industry generally are subject to cyclical fluctuations. Demand for our services depends upon spending levels by oil and gas companies for exploration, production, development and field management of oil and natural gas reserves and, in the case of new seismic data creation, the willingness of these companies to forgo ownership in the seismic data. Capital expenditures by oil and gas companies for these activities depend upon several factors, including actual and forecasted prices of oil and natural gas and those companies short-term and strategic plans. Oil and natural gas prices in turn depend on local, regional and global events or conditions that affect supply and demand for the relevant commodity. These events or conditions are generally not predictable and include, among other things:

- levels of demand for, and production of, oil and natural gas;
- worldwide political, military and economic conditions;
- weather, including seasonal patterns that affect regional energy demand as well as severe weather events that can disrupt supply;
- the level of oil and natural gas reserves; and
- government policies regarding adherence to OPEC quotas.

Oil and natural gas prices are subject to significant volatility and there can be no assurance that oil and natural gas prices and demand will not decline in the future. Low oil and natural gas prices and demand could result in decreased exploration and development spending by oil and gas companies, which could, in turn, affect our seismic data business. Our customers may adjust their exploration and development spending levels very quickly in response to any material change in oil and natural gas prices. A continued recession in 2010 may lead to further significant fluctuations in demand and pricing for oil and gas or seismic data. Any future decline in oil and natural gas prices, sustained downturn in the oil and gas or seismic data industries, or sustained periods of reduced capital expenditures by oil and gas companies as a result of factors which are beyond our control could have a material adverse effect on our results of operations and cash flow.

We are dependent on the availability of internally generated cash flow and financing alternatives to cover the costs of acquiring and processing seismic data for our data library that are not underwritten by our customers.

We continue to invest additional capital in acquiring and processing new seismic data to add to our data library and as our business grows, we expect these investments to increase. A significant portion of these costs are underwritten by our customers, while the remainder is financed through the use of internally generated cash flow and other financing sources. We may use bank or commercial debt, the issuance of equity or debt securities or any combination thereof to finance these costs. There can be no assurance that our customers will continue to underwrite these costs at historical levels, or that we will have available internally generated funds or will be successful in obtaining sufficient capital through additional financing or other transactions, if and when required on terms acceptable to us, to continue to invest in acquiring new seismic data. Any substantial alteration of or increase in our capitalization through the issuance of debt securities may significantly increase our leverage and decrease our financial flexibility. If we are unable to obtain financing if and when needed, we may be forced to curtail our business objectives and to finance business activities with only internally generated funds as may then be available.

Our substantial level of indebtedness could adversely affect our financial condition and our ability to fulfill our obligations and operate our business.

We have a significant amount of leverage and interest expense. As of December 31, 2009, we had approximately $405.6 million of total outstanding indebtedness, including $3.4 million of capital leases. Our 2010 consolidated annual debt service requirements are expected to aggregate approximately $39.7 million. We may also incur additional indebtedness in the future.

Our high level of indebtedness could have negative consequences to us, including:

- we may have difficulty satisfying our obligations with respect to our debt;
- we may have difficulty obtaining financing in the future for working capital, capital expenditures, acquisitions or other purposes;
- we may need to use all, or a substantial portion, of our available cash flow to pay interest and principal on our debt, which will reduce the amount of money available to finance our operations and other business activities;
- our vulnerability to general economic downturns and adverse industry conditions could increase;
- our flexibility in planning for, or reacting to, changes in our business and in our industry in general could be limited;
- our substantial amount of debt and the amount we must pay to service our debt obligations could place us at a competitive disadvantage compared to our competitors that have less debt;
- our customers may react adversely to our significant debt level and seek or develop alternative licensors or suppliers;
- we may have insufficient funds, and our debt level may also restrict us from raising the funds necessary to repurchase all of the notes tendered to us upon the occurrence of a change of control, which would constitute an event of default under the notes; and
- our failure to comply with the financial and other restrictive covenants in our debt instruments which, among other things, require us to maintain specified financial ratios and limit our ability to incur debt and sell assets, could result in an event of default that, if not cured or waived, could have a material adverse effect on our business or prospects.

Our high level of indebtedness requires that we use a substantial portion of our cash flow from operations to pay principal of, and interest on, our indebtedness, which will reduce the availability of cash to fund working capital requirements, capital expenditures, research and development and other general corporate or business activities, including future acquisitions.

In addition, our U.S. secured credit facility and our Canadian revolving credit facility bear interest at variable rates. If market interest rates increase, debt service on our credit facilities will rise, which would adversely affect our cash flow. Although we may employ hedging strategies such that a portion of the aggregate principal amount of these credit facilities carries a fixed rate of interest, any hedging arrangement put in place may not offer complete protection from this risk. Additionally, the remaining portion of these credit facilities may not be hedged and, accordingly, the portion that is not hedged will be subject to changes in interest rates.

Our business could be adversely affected by the failure of our customers to fulfill their obligations to reimburse us for the underwritten portion of third-party contractor costs.

A substantial portion of our seismic acquisition project costs, including third-party project costs, are underwritten by our customers. We target an average of 70% underwriting levels for new seismic acquisition projects on an aggregate basis. On occasion, when our underwriting customer owns other attractive seismic data that we want to obtain, we may decide to take ownership in this data to cover part of the customer s underwriting obligation. In the event that underwriters for such projects fail to fulfill their obligations with respect to such underwriting commitments, we would continue to be obligated to satisfy our payment obligations to third-party contractors.

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

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

Competition for the acquisition of new seismic data is intense.

There are a number of geophysical companies that create, market and license seismic data and maintain their own seismic libraries. Competition for acquisition of new seismic data among geophysical service providers historically has been, and we expect will continue to be, intense. Certain competitors have significantly greater financial and other resources than we do. These larger and better-financed operators could enjoy an advantage over us in a competitive environment for new data.

Our operating results and cash flows are subject to fluctuations due to circumstances that are beyond our control.

Our operating results and cash flows from operations have in the past, and may in the future, vary in material respects from period to period. Factors that have and could cause variations include (1) timing of the receipt and commencement of contracts for data acquisition, (2) our customers budgetary cycles and their effect on the demand for geophysical activities, (3) seasonal factors, (4) the timing of sales of licenses and selections of significant geophysical data from our data library, which are not typically made in a linear or consistent pattern and (5) technological or regulatory changes. These revenue fluctuations could produce unexpected adverse operating results in any period.

Reduced demand for our seismic data may result in an impairment of the value of our seismic data library.

Reduced demand, future sales or cash flows may result in a requirement to increase amortization rates or record impairment charges to reduce the carrying value of our data library. Such increases or charges, if required, could be material to operating results in the periods in which they are recorded. For purposes of evaluating potential impairment losses, we estimate the future cash flows attributable to a library component by evaluating historical and recent revenue trends, oil and gas prospectivity in particular regions, general economic conditions affecting our customer base, expected changes in technology and other factors that we deem relevant. As a result of these factors, among others, estimations of future cash flows are highly subjective, inherently imprecise and can fluctuate materially from period to period. Accordingly, if conditions change in the future, we may record impairment losses relative to our seismic data library, which could materially affect our results of operations in any particular reporting period.

Failure to meet cash flow projections may result in goodwill impairment charges.

We perform an annual assessment of the recoverability of goodwill and indefinite lived intangibles. Additionally, we assess goodwill and indefinite lived intangibles for impairment whenever events or changes in circumstances indicate that such carrying values may not be recoverable. We rely on discounted cash flow analysis, which requires significant judgments and estimates about our future operations, to develop our estimates of fair value. If these projected cash flows change materially, we may be required to record impairment losses relative to goodwill or indefinite lived intangibles which could be material to our results of operations in any particular reporting period.

Our Canadian operations subject us to currency translation risk, which could cause our results to fluctuate significantly from period to period.

A portion of our revenues are derived from our Canadian activities and operations. As a result, we translate the results of our operations and financial condition of our Canadian operations into U.S. dollars. Therefore, our reported results of operations and financial condition are subject to changes in the exchange rate between the two currencies. Fluctuations in foreign currency exchange rates could affect our revenue, expenses and operating margins. Assets and liabilities of Canadian operations are translated from Canadian dollars into U.S. dollars at the exchange rates in effect at the relevant balance sheet date, and revenue and expenses of Canadian operations are translated from Canadian dollars into U.S. dollars at exchange rates as of the dates on which they are recognized. Translation adjustments related to assets and liabilities are included in other accumulated other comprehensive income (loss) in stockholder s equity. Realized gains and losses on translation of the Canadian operations into U.S. dollars are included in net income (loss). Currently, we do not hedge our exposure to changes in foreign exchange rates.

We may be unable to attract and retain key employees.

Our success depends upon attracting and retaining highly skilled geophysical professionals and other technical personnel. A failure to continue to attract and retain these individuals could adversely affect our ability to compete in the geophysical services industry. We may confront significant and potentially adverse competition for key personnel, particularly during periods of increased demand for geophysical services.

Our success also depends to a significant extent upon the abilities and efforts of members of our senior management, the loss of whom could adversely affect our business. Only our President and Chief Executive Officer and our Chief Operating Officer have employment agreements with us. We cannot be certain that our senior executives will continue to be employed by us for an indefinite period of time and, if they do, how long they will remain so employed. Our inability to attract and retain key personnel could have a material adverse effect on our ability to manage our business properly.

Current and future government regulation may negatively impact demand for our products and services and increase our cost of conducting business.

The conduct of our business and the use of our products and services are subject to various laws and regulations administered by federal, state and local governmental agencies in the United States and Canada. These laws and regulations may impose numerous obligations that are applicable to our operations including:

- the acquisition of permits before commencing regulated activities; and
- the limitation or prohibition of seismic activities in environmentally sensitive or protected areas such as wetlands or wilderness areas.

Failure to comply with laws, regulations and permits may result in the assessment of administrative, civil and criminal penalties, the imposition of remedial obligations and the issuance of injunctions limiting or preventing some or all of our operations. Additionally, these laws and regulations may change, sometimes dramatically, as a result of political, economic or social events. Changes in laws, regulations or governmental policy may alter the environment in which we do business and the demand for our products and services and, therefore, may impact our results of operations or increase our liabilities. Changes in these and other laws and regulations or additional regulation could cause the demand for our products to decrease. Moreover, complying with increased or changed regulations could cause our operating expenses to increase, which could adversely affect our business.

Technological changes not available to us could adversely affect our business.

New data acquisition or processing technologies may be developed. We cannot assure you that new and enhanced products and services introduced by one of our competitors will not gain market acceptance, will be available to us or will not adversely affect us.

Our U.S. secured credit facility and the indenture governing our 9.75% Senior Notes contain a number of restrictive covenants which limit our ability to finance future operations or capital needs or engage in other business activities that may be in our interest.

Our U.S. secured credit facility and the indenture governing our 9.75% Senior Notes impose, and the terms of any future indebtedness may impose, operating and other restrictions on us and our subsidiaries. Such restrictions affect or will affect, and in many respects limit or prohibit, among other things, our ability and the ability of certain of our subsidiaries to:

- incur additional indebtedness;
- create liens;

pay dividends and make other distributions in respect of our capital stock;

- redeem our capital stock;
- make investments or certain other restricted payments;
- sell certain kinds of assets;
- enter into transactions with affiliates; and
- effect mergers or consolidations.

Our U.S. secured credit facility includes additional covenants, including a requirement that we achieve certain financial and operating results and maintain compliance with a specified financial ratio. Our ability to comply with this ratio may be affected by events beyond our control.

The restrictions contained in our U.S. secured credit facility and the indenture governing our 9.75% Senior Notes could:

- limit our ability to plan for or react to market or economic conditions or meet capital needs or otherwise restrict our activities or business plans; and
- adversely affect our ability to finance our operations, acquisitions, investments or strategic alliances or other capital needs or to engage in other business activities that would be in our interest.

A breach of any of these covenants or our inability to comply with the required financial ratio could result in a default under our U.S. secured credit facility and/or the indenture governing our 9.75% Senior Notes. If an event of default occurs under our U.S. secured credit facility, which includes an event of default under the indenture governing the 9.75% Senior Notes, the lenders could elect to:

- declare all borrowings outstanding, together with accrued and unpaid interest, to be immediately due and payable;
- require us to apply all of our available cash to repay the borrowings; or
- prevent us from borrowing under our U.S. secured credit facility;

any of which could also result in an event of default under the 9.75% Senior Notes. The lenders will also have the right in these circumstances to terminate any commitments they have to provide further financing.

If we were unable to repay or otherwise refinance these borrowings when due, our lenders could sell the collateral securing our U.S. secured credit facility, which constitutes substantially all of our and our domestic subsidiaries assets. Although holders of the 9.75% Senior Notes could accelerate the 9.75% Senior Notes upon the acceleration of the obligations under our U.S. secured credit facility, we cannot assure you that sufficient assets will remain to repay the 9.75% Senior Notes after we have paid all the borrowings under our U.S. secured credit facility and any other debt.

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.

We were the subject of a formal investigation by the SEC s Division of Enforcement. We 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, referred to as the SEC Injunction, being entered on June 16, 2003 in the United States District Court for the Southern District of Texas, Houston Division. The agreement for the entry of the SEC Injunction was without admitting or denying the allegations in the SEC s complaint, which had alleged violations of the reporting, books and records, internal controls and proxy statement provisions of the Securities Exchange Act of 1934, as amended, (the Exchange Act) and rules and regulations adopted under the Exchange Act. Our 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 report under the Exchange Act that contains any untrue statement of a material fact, which omits to state any material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, or that omits to disclose any information required to be disclosed, (2) failing to make and keep accurate books, records and accounts, (3) failing to devise and maintain an adequate system of internal accounting controls and procedures, and (4) soliciting any proxy or consent or authorization in respect of any security registered under Section 12 of the Exchange Act in contravention of the SEC s proxy rules, or making any solicitation by means of any proxy statement, form of proxy, notice of meeting or other communication subject to the SEC s proxy rules which, at the time and in light of the circumstances under which it is made, is false or misleading with respect to any material fact, or which omits to state any material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

Our failure to comply with any of the provisions of the SEC Injunction could adversely affect us.

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

Companies which have had a change in ownership, as defined by the Internal Revenue Code, are subject to limitations on certain tax attributes. We underwent a change in ownership for these purposes as a result of the Merger and therefore the use of our net operating losses and certain other tax attributes are subject to certain limitations following the Merger. However, we do not expect a significant impact to our financial position or results of operation as a consequence of the Merger because we expect the limitations to exceed our carryforward attributes.

Our internal controls for financial reporting and our disclosure controls and procedures may not prevent all possible errors that could occur.

Our Chief Executive Officer and Chief Financial Officer evaluate on a quarterly basis our internal controls for financial reporting and our disclosure controls and procedures, which includes a review of the objectives, design, implementation and effect of the controls in respect of the information generated for use in our periodic reports. In the course of our controls evaluation, we seek to identify data errors, control problems and to confirm that appropriate corrective action, including process improvements, were being undertaken. The overall goals of these various evaluation activities are to monitor our internal controls for financial reporting and our disclosure controls and procedures and to make modifications as necessary. Our intent in this regard is that our internal controls for financial reporting and our disclosure controls and procedures will be maintained as dynamic systems that change (including with improvements and corrections) as conditions warrant.

A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system s objectives will be satisfied. Our management has concluded that our internal controls for financial reporting and our disclosure controls and procedures are designed to give a reasonable assurance that they are effective to achieve their objectives. We cannot provide absolute assurance that we have detected all possible control issues. These inherent limitations include the possibility that judgments in our decision-making could be faulty, and that isolated breakdowns could occur because of simple human error or mistake. The design of our system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed absolutely in achieving our stated goals under all potential future or unforeseeable conditions. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud could occur and not be detected. Breakdowns in our internal controls and procedures could occur in the future, and any such breakdowns could have an adverse effect on us.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

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

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

Location	Approximate Square Footage	Use	Owned/Leased
Houston, Texas	80,125	Administrative; Financial; Marketing; Operations; Warehouse	Leased
Denver, Colorado	1,513	Marketing	Leased
New Orleans, Louisiana	364	Marketing	Leased
Calgary, Alberta, Canada	23,270	Administrative; Financial; Marketing; Operations	Leased
Calgary, Alberta, Canada	42,985	Warehouse	Leased

Item 3. Legal Proceedings

We are involved from time to time in ordinary, routine claims and lawsuits incidental to our business. In the opinion of management, uninsured losses, if any, resulting from the ultimate resolutions of these matters should not be material to our financial position or results of operation. However, it is not possible to predict or determine the outcomes of the legal actions brought against us or by us, or to provide an estimate of all additional losses, if any, that may arise. At December 31, 2009, we did not have any amounts accrued related to litigation claims, as we believe it is not probable that any amounts will be paid relative to such litigation and claims.

Item 4. Reserved

PART II

Item 5. Market for Registrant s Common Equity, Securities Related Stockholder Matters and Issuer Purchases of Equity

Market Information

Our common stock is privately held and there is no established public trading market for our common stock. As of December 31, 2009, there was one holder of record of our 100 shares of common stock, $0.001 par value.

Dividend Policy

We have not declared or paid any cash dividends on our common stock during our two most recent fiscal years. We do not intend to declare or pay any cash dividends on our common stock in the foreseeable future. Covenants within our 9.75% Senior Notes restrict our ability to pay cash dividends on our capital stock. Future declaration and payment of cash dividends, if any, on our common stock will be determined in light of factors deemed relevant by our board of directors, including our earnings, operations, capital requirements and financial condition and restrictions in our financing agreements.

Item 6. Selected Consolidated Financial Data (In Thousands)

As a result of the Merger, which was completed on February 14, 2007, our capital structure and our basis of accounting differ from those prior to the Merger. Our financial data in respect of all reporting periods after February 13, 2007 reflect the Merger under the purchase method of accounting. The financial information for the periods before the Merger is referred to as Predecessor Period and financial information for the periods after the Merger is referred to as the Successor Period.

The following table summarizes certain historical consolidated financial data of Seitel and is qualified in its entirety by the more detailed consolidated financial statements and notes thereto included herein.

	SUCCESSOR PERIOD			PREDECESSOR PERIOD		
	Year Ended December 31,		Feb. 14, 2007 -	Jan. 1, 2007 -	Year Ended December 31,	
	2009	2008	Dec. 31, 2007	Feb. 13, 2007	2006	2005
Statement of Operations Data:						
Revenue	$ 115,345	$ 172,403	$ 129,802	$ 19,010	$ 191,919	$ 149,178
Expenses and costs:						
Depreciation and amortization	150,199	168,629	146,072	11,485	88,662	98,373
Impairment of intangible asset		225				
Gain on sale of seismic data					(231)	
Cost of sales	290	462	218	8	234	185
Selling, general and administrative	25,090	36,316	33,393	3,577	35,930	34,910
Merger		357	2,657	17,457	1,449	
	175,579	205,989	182,340	32,527	126,044	133,468
Income (loss) from operations	(60,234)	(33,586)	(52,538)	(13,517)	65,875	15,710
Interest expense, net	(40,696)	(40,017)	(38,844)	(2,284)	(19,520)	(23,224)
Foreign currency exchange gains (losses)	1,008	(4,059)	3,173	(102)	259	963
Gain (loss) on sale of marketable securities					27	(11)
Other income	151	40	39	12		
Income (loss) from continuing operations before income taxes	(99,771)	(77,622)	(88,170)	(15,891)	46,641	(6,562)
Provision (benefit) for income taxes	(2,974)	(3,548)	(11,057)	452	(715)	(4,776)
Income (loss) from continuing operations	(96,797)	(74,074)	(77,113)	(16,343)	47,356	(1,786)
Income (loss) from discontinued operations, net of tax					(142)	47
Net income (loss)	$ (96,797)	$ (74,074)	$ (77,113)	$ (16,343)	$ 47,214	$ (1,739)

	SUCCESSOR PERIOD			PREDECESSOR PERIOD	
	As of December 31,				
	2009	2008	2007	2006	2005
Balance Sheet Data:					
Cash and cash equivalents	$ 26,270	$ 42,678	$ 43,443	$ 107,495	$ 78,182
Seismic data library, net	200,389	279,257	349,039	123,123	111,946
Total assets	522,019	643,825	743,101	305,435	246,671
Total debt	405,732	405,499	406,481	189,038	188,600
Stockholder s equity (deficit)	46,361	115,785	220,958	37,491	(11,161)
Common shares outstanding	100	100	100	155,184	153,604

Item 7. Management s Discussion and Analysis Of Financial Condition And Results Of Operations

The following discussion should be read in conjunction with our consolidated financial statements and the related notes to the financial statements included elsewhere in this document.

Overview

General

Our products and services are used by oil and gas companies to assist in oil and gas exploration and development and management of hydrocarbon reserves. We own an extensive library of onshore and offshore seismic data that we offer for license to oil and gas companies. Oil and gas companies use seismic data in oil and gas exploration and development efforts to increase the probability of drilling success. We believe that our library of onshore seismic data is the largest available for licensing in the United States and Canada. We generate revenue primarily by licensing data from our data library and from new data creation products, which are substantially underwritten or paid for by clients. By participating in underwritten, nonexclusive surveys or purchasing licenses to existing data, oil and gas companies can obtain access to surveys at reduced costs as compared to acquiring seismic data on a proprietary basis.

Our primary areas of focus are onshore United States and Canada and, to a lesser extent, offshore U.S. Gulf of Mexico. These markets continue to experience major changes. Having spent several years increasing their focus on international exploration opportunities, several major oil companies have become more active in the U.S. market than in the past few years. Independent oil and gas companies continue to be responsible for a significant portion of current U.S. drilling activity. Although exploration activity in North America declined in 2009 as a result of economic uncertainty and low commodity prices, we expect demand recovery for natural gas over the medium term to lead to renewed growth exploration activity in the U.S. and Canada.

Our clients continue to seek our services to create data in the United States and Canada. On March 15, 2010, our clients commitment for underwriting on new data creation projects was $27.6 million. Licensing data off the shelf does not require the longer planning and lead times like new data creation and thus is more likely to fluctuate quarter to quarter.

In 2009, oil and gas companies demand for seismic data declined due to reduction in exploration spending in the U.S. and Canada caused by weak commodity prices, economic uncertainty and tough credit markets. We expect seismic industry market conditions will improve in 2010 over that seen in 2009.

The Merger and Related Transactions

On February 14, 2007, Acquisition Corp. was merged with and into Seitel, pursuant to a merger agreement between Seitel, Acquisition Corp. and Holdings dated October 31, 2006. Pursuant to the merger agreement, Seitel continued as the surviving corporation and became a privately owned corporation and wholly-owned subsidiary of Holdings.

In connection with the Merger, we paid $187.0 million of our 11.75% Senior Notes and issued $400.0 million of our 9.75% Senior Notes. Accordingly, as a result of the increase in our indebtedness, our interest expense has been significantly higher in periods following the Merger.

The Merger was accounted for as a business combination on a step acquisition basis. ValueAct Capital progressively increased its interest in Seitel in a series of transactions with the most significant transactions occurring on March 1, 2006 and February 14, 2007, the date of the Merger. Therefore, the assets and liabilities of Seitel for financial reporting purposes were recorded at the closing of the Merger based on the proportional fair values at March 1, 2006 and February 14, 2007 with the remainder allocated to goodwill. For income tax purposes, these assets and liabilities remained at their historic tax basis. This resulted in recording deferred tax liabilities at the closing of the Merger.

The adjustments to our assets and liabilities as a result of the Merger have impacted net income subsequent to the Merger. The increase in the basis of the assets has resulted in non-cash charges in periods subsequent to the Merger, principally related to the step-up in the value of our seismic data library and other intangible assets. The book value of our seismic data library was increased by approximately $275.2 million to its then fair market value of $395.6 million. As a result of this step up in value and of our maximum four-year straight-line amortization of seismic data, our data amortization expense has increased in the Successor Period. In addition, we recorded identifiable intangible assets with a fair value of $53.4 million of which $52.5 million is amortizable over their useful lives ranging from 1 to 10 years. As a result of this step up in value, amortization expense of acquired intangible assets has increased in the Successor Period. Our deferred revenue liability was reduced by $26.5 million primarily associated with data licensing contracts for which the data was not fully selected as of February 13, 2007. This reduction in deferred revenue has reduced non-cash revenue in the Successor Period.

Although Seitel continues as the same legal entity after the Merger, the consolidated financial information for the year ended December 31, 2007 is presented for two periods: January 1, 2007 through February 13, 2007 (the Predecessor Period or Predecessor, as context requires), which relates to the period proceeding the Merger and February 14, 2007 through December 31, 2007, which relates to the period succeeding the Merger. All financial statements for periods succeeding the Merger are referred to as Successor Period or Successor, as context requires. The combined results for the year ended December 31, 2007 represent the addition of the Predecessor and 2007 Successor Periods (Combined). This combination does not comply with United States generally accepted accounting principles, or GAAP, or with the rules for pro forma presentation but is presented because we believe it provides a meaningful comparison of our results. The results of the Successor are not comparable to the results of the Predecessor due to the difference in the basis of presentation of purchase accounting as compared to historical costs. The Combined results do not reflect the actual results we would have achieved absent the Merger and are not indicative of our future results of operations.

Principal Factors Affecting Our Business

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

Demand for Seismic Data: Demand for our products and services is cyclical due to the nature of the oil and gas industry. In particular, demand for our seismic data services depends upon exploration, production, development and field management spending by oil and gas companies and, in the case of new data creation, the willingness of these companies to forgo ownership in the seismic data. Capital expenditures by oil and gas companies depend upon several factors, including actual and forecasted oil and natural gas commodity prices, prospect availability and the companies own short-term and strategic plans. These capital expenditures may also be affected by worldwide economic or industry-wide conditions. Demand for our seismic data is more likely to be influenced by natural gas prices rather than crude oil prices due to the geographic location of our seismic data. The economic downturn resulted in lower commodity prices and reduced exploration capital expenditures, which, in turn, has caused demand for seismic data to decline. There continues to be uncertainty as to the recovery from the economic downturn and the impact on demand for seismic data.

Availability of Capital for Our Customers: Many of our customers consist of independent oil and gas companies and private prospect-generating companies that rely primarily on private capital markets to fund their exploration, production, development and field management activities. The reduction in cash flows being experienced by our customers resulting from the declines in commodity prices, along with the reduced availability of credit and increased costs of borrowing due to the tightening of the credit markets, could have a material impact on the ability of such companies to obtain funding necessary to purchase our seismic data.

Merger and Acquisition Activity: Merger and acquisition activity continues to occur within our client base. This activity could have a negative impact on seismic companies that operate in markets with a limited number of participating clients. However, we believe that, over time, this activity could have a positive impact on our business, as it should generate re-licensing fees, result in increased vitality in the trading of mineral interests and result in the creation of new independent customers through the rationalization of staff within those companies affected by this activity.

North America Drilling Activity: The economic downturn in North America resulted in reduced demand for natural gas due to an imbalance between supply and demand that led to lower hydrocarbon prices resulting in a decrease in drilling activity in the first part of 2009 with land rig counts in North America reaching a low in May 2009. We believe near-term drilling activity in North America will be largely influenced by natural gas fundamentals. Drilling activity in 2010 is currently expected to increase moderately over 2009 levels, influenced by continued low global energy demand and U.S. natural gas storage levels.

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

Non-GAAP Key Performance Measures

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

The following are the key performance measures considered by management.

Cash Resales

Cash resales represent new contracts for data licenses from our library, payable in cash. We believe this measure is important in gauging new business activity. We expect cash resales to generally follow a consistent trend over several quarters, while considering our normal seasonality. Volatility in this trend over several consecutive quarters could indicate changing market conditions.

The following is a reconciliation of this non-GAAP financial measure to the most directly comparable GAAP financial measure, total revenue (in thousands):

	SUCCESSOR PERIOD			PREDECESSOR PERIOD	COMBINED [1]
	Year Ended December 31,		Feb. 14, 2007 -	Jan. 1, 2007 -	Year Ended
	2009	2008	Dec. 31, 2007	Feb. 13, 2007	Dec. 31, 2007
Cash resales	$ 49,268	$ 117,305	$ 115,821	$ 5,985	$ 121,806
Other revenue components:					
Acquisition revenue	37,403	55,990	36,561	6,098	42,659
Non-monetary exchanges	1,764	7,625	7,981	(7)	7,974
Revenue deferred	(25,942)	(63,540)	(65,435)	(2,636)	(68,071)
Recognition of revenue previously deferred	48,328	48,480	30,141	8,946	39,087
Solutions and other	4,524	6,543	4,733	624	5,357
Total revenue	$ 115,345	$ 172,403	$ 129,802	$ 19,010	$ 148,812

(1) Our combined results for the year ended December 31, 2007 represent the addition of the Predecessor Period from January 1, 2007 through February 13, 2007 and the Successor Period from February 14, 2007 to December 31, 2007. This combination does not comply with GAAP or with the rules for pro forma presentation, but is presented because we believe it provides a meaningful comparison of our results.

Cash EBITDA

Cash EBITDA represents cash generated from licensing data from our data library net of recurring cash operating expenses. We believe this measure is helpful in determining the level of cash from operations we have available for debt service and funding of capital expenditures (net of the portion funded or underwritten by our customers). Cash EBITDA includes cash resales plus all other cash revenues other than from data acquisitions, less cash selling, general and administrative expenses (excluding non-recurring corporate expenses such as merger and acquisition transaction costs and severance costs) and cost of goods sold.

The following is a quantitative reconciliation of this non-GAAP financial measure to the most directly comparable GAAP financial measure, operating loss (in thousands):

	SUCCESSOR PERIOD			PREDECESSOR PERIOD	COMBINED [1]
	Year Ended December 31,		Feb. 14, 2007 - Dec. 31,	Jan. 1, 2007 - Feb. 13,	Year Ended
	2009	2008	2007	2007	Dec. 31, 2007
Cash EBITDA	$ 32,868	$ 93,791	$ 96,741	$ 3,430	$ 100,171
Add (subtract) other revenue components not included in cash EBITDA:					
Acquisition revenue	37,403	55,990	36,561	6,098	42,659
Non-monetary exchanges	1,764	7,625	7,981	(7)	7,974
Revenue deferred	(25,942)	(63,540)	(65,435)	(2,636)	(68,071)
Recognition of revenue previously deferred	48,328	48,480	30,141	8,946	39,087
Solutions revenue deferred			(50)		(50)
Recognition of Solutions revenue previously deferred		44	6	6	12
Less:					
Depreciation and amortization	(150,199)	(168,629)	(146,072)	(11,485)	(157,557)
Impairment of intangible asset		(225)			
Merger expenses		(357)	(2,657)	(17,457)	(20,114)
Merger and acquisition transaction costs		(6)	(1,145)		(1,145)
One-time costs associated with cost reduction measures	(1,170)				
Non-cash operating expenses	(3,286)	(6,759)	(8,609)	(412)	(9,021)
Operating loss	$ (60,234)	$ (33,586)	$ (52,538)	$ (13,517)	$ (66,055)

(1) Our combined results for the year ended December 31, 2007 represent the addition of the Predecessor Period from January 1, 2007 through February 13, 2007 and the Successor Period from February 14, 2007 to December 31, 2007. This combination does not comply with GAAP or with the rules for pro forma presentation, but is presented because we believe it provides a meaningful comparison of our results.

Growth of our Seismic Data Library

We regularly add to our seismic data library through four different methods: (1) recording new data; (2) buying ownership of existing data for cash; (3) obtaining ownership of existing data sets through non-monetary exchanges; and (4) creating new value-added products from existing data within our library. For the years ended December 31, 2009, 2008 and 2007, we completed the addition of approximately 750 square miles, 2,700 square miles and 2,400 square miles, respectively, of seismic data to our library. For the period from January 1, 2010 to March 15, 2010 we completed the addition of 50 square miles and as of March 15, 2010 we had approximately 700 square miles of seismic data in progress.

Critical Accounting Policies

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

We prepare our financial statements and the accompanying notes in conformity with GAAP, which requires management to make estimates and assumptions about future events that affect the reported amounts in the financial statements and the accompanying notes. We identify certain accounting policies as critical based on, among other things, their impact on the portrayal of our financial condition and results of operations and the degree of difficulty, subjectivity and complexity in their deployment. Notes B and C of the notes to the consolidated financial statements include a summary of the significant accounting policies used in the preparation of the accompanying consolidated financial statements. The following is a brief discussion of our most critical accounting policies.

Revenue Recognition

Revenue from Data Acquisition

We generate revenue when we create a new seismic survey that is initially licensed by one or more of our customers to use the resulting data with a limited exclusivity period. Revenue from the creation of new seismic data is recognized throughout the creation period using the proportional performance method based upon costs incurred and work performed to date as a percentage of total estimated costs and work required. Management believes that this method is the most reliable and representative measure of progress for our data creation projects. The customers paying for the initial exclusive licenses receive legally enforceable rights to any resulting product of the specific activities required to complete the survey. The customers also receive access to and use of the newly acquired, processed data.

Revenue from Non-Exclusive Data Licenses

We recognize a substantial portion of our revenue from data licenses sold after any exclusive license period. Revenue from the non-exclusive licensing of seismic data is recognized when the following criteria are met:

- we have an arrangement with the customer that is validated by a signed contract;
- the sales price is fixed and determinable;
- collection is reasonably assured;
- the customer has selected the specific data or the contract has expired without full selection;
- the data is currently available for delivery; and
- the license term has begun.

Copies of the data are available to the customer immediately upon request.

For licenses that have been invoiced for which payment is due or has been received, but have not met the aforementioned criteria, the revenue is deferred along with the related direct costs (primarily sales commissions). This normally occurs under the library card, review and possession or review only license contracts because the data selection may occur over time. Additionally, if the contract allows licensing of data that is not currently available or enhancements, modifications or additions to the data are required per the contract, revenue is deferred until such time that the data is available.

Revenue from Non-Monetary Exchanges

In certain cases, we will take ownership of a customer s seismic data or revenue interest (collectively referred to as data) or receive advanced data processing services in exchange for a non-exclusive license to selected seismic data from our library or as partial consideration for the underwriting of new data acquisition. These exchanges are referred to as non-monetary exchanges. In non-monetary exchange transactions, we record a data library asset for the data received or processed at the time the contract is entered into or the data is completed, as applicable, and recognize revenue on the transaction in equal value in accordance with our policy on revenue from data licenses, that is, when the seismic data is selected by the customer, or revenue from data acquisition, as applicable. These transactions are valued at the fair value of the data received or delivered, whichever is more readily determinable.

Seismic Data Library

Costs associated with creating, acquiring or purchasing seismic data are capitalized and amortized principally on the income forecast method subject to a straight-line amortization period of four years, applied on a quarterly basis at the individual survey level.

Data Library Amortization

We amortize our seismic data library using the greater of the amortization that would result from the application of the income forecast method (subject to a minimum amortization rate) or a straight-line basis over the useful life of the data. Due to the subjectivity inherent in the income forecast amortization method, this amortization policy ensures a minimum level of amortization will be recorded if sales of the specific data do not occur as expected and ensures that costs are fully amortized at the end of the data s useful life. With respect to each survey in the data library, the straight-line policy is applied from the time such survey is available for licensing to customers on a non-exclusive basis, since some data in the library may not be licensed until an exclusivity period has lapsed.

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

The greater of the income forecast or straight-line amortization policy is applied quarterly on a cumulative basis at the individual survey level. Under this policy, we first record amortization using the income forecast method. The cumulative amortization recorded for each survey is then compared with the cumulative straight-line amortization. If the cumulative straight-line amortization is higher for any specific survey, additional amortization expense is recorded, resulting in accumulated amortization being equal to the cumulative straight-line amortization for such survey. This requirement is applied regardless of future-year revenue estimates for the library component of which the survey is a part and does not consider the existence of deferred revenue with respect to the library component or to any survey.

In light of the current economic downturn and its negative effect on our revenue in 2009, we reevaluated our methodology for recording data library amortization and concluded our policy is still appropriate.

Seismic Data Library Impairment

We evaluate our seismic data library for impairment by grouping individual surveys into components based on our operations and geological and geographical trends. We believe that these library components constitute the lowest levels of independently identifiable cash flows. We evaluate our seismic data library investment for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. We consider the level of sales performance in each component compared to projected sales, as well as industry conditions, among others, to be key factors in determining when our seismic data should be evaluated for impairment. In evaluating sales performance of each component, we generally consider five consecutive quarters of actual performance below forecasted sales to be an indicator of potential impairment.

The impairment evaluation is based first on a comparison of the undiscounted future cash flows over each component s remaining estimated useful life with the carrying value of each library component. If the undiscounted cash flows are equal to or greater than the carrying value of such component, no impairment is recorded. If undiscounted cash flows are less than the carrying value of any component, the forecast of future cash flows related to such component is discounted to fair value and compared with such component s carrying amount. The difference between the library component s carrying amount and the discounted future value of the expected revenue stream is recorded as an impairment charge.

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

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

Business Acquisitions and Goodwill

We account for acquired businesses using the purchase method of accounting which requires that the assets acquired and liabilities assumed be recorded at the date of acquisition at their respective fair values. The cost to acquire a business, including transaction costs, is allocated to the underlying net assets of the acquired business in proportion to their respective fair values. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill.

Goodwill is tested annually for impairment at the reporting unit level. If an indication of impairment exists, we are required to determine if such reporting unit s implied fair value is less than its carrying value in order to determine the amount, if any, of the impairment loss required to be recorded. Subsequent to the Merger, we established October 1 as our annual impairment testing date.

Use of Estimates and Assumptions

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

The most difficult, subjective and complex estimates and assumptions that deal with the greatest amount of uncertainty are related to our accounting for our seismic data library and goodwill.

Accounting for our seismic data library requires us to make significant subjective estimates and assumptions relative to future sales and cash flows from such library. These cash flows impact amortization rates, as well as potential impairment charges. Any changes in these estimates or underlying assumptions will impact our income from operations prospectively from the date changes are made. To the extent that such estimates, or the assumptions used to make those estimates, prove to be significantly different than actual results, the carrying value of the seismic data library may be subject to higher prospective amortization rates, additional straight-line amortization or impairment losses.

Because we apply a minimum income forecast amortization rate of 70%, the effect of decreasing future sales by 10%, with all other factors remaining constant, would not increase amortization rates from 70% as of January 1, 2010. The effect of decreasing future sales by 20%, with all other factors remaining constant, would cause the range of amortization rates to be from 70% to 73% as of January 1, 2010.

In a portion of our seismic data library activities, we engage in certain non-monetary exchanges and record a data library asset for the seismic data received and recognize revenue on the transaction in accordance with our policy on revenue from data licenses or revenue from data acquisition, as applicable. These transactions are valued at the fair value of the data received by us or licenses granted by us, whichever is more readily determinable. In addition, we obtain third-party concurrence on the portfolio of all non-monetary exchanges for data of $750,000 or more in order to support our estimate of the fair value of the transactions. Our estimate of the value of these transactions is highly subjective and based, in large part, on data sales transactions between us and a limited number of customers over a limited time period, and appraisals of the value of such transactions based on a relatively small market of private transactions over a limited period of time.

For our estimates of the fair value of goodwill, we prepare discounted cash flow analysis, which requires significant judgments and estimates about our future performance. If these projected cash flows change materially, we may be required to record impairment losses relative to goodwill.

Actual results could differ materially from the estimates and assumptions that we use in the preparation of our financial statements. To the extent management s estimates and assumptions change in the future, the effect on our reported results could be significant to any particular reporting period.

Results of Operations

Revenue

The following table summarizes the components of our revenue for the periods indicated (in thousands):

	SUCCESSOR PERIOD			PREDECESSOR PERIOD	COMBINED [1]
	Year Ended December 31,		Feb. 14, 2007 -	Jan. 1, 2007 -	Year Ended
	2009	2008	Dec. 31, 2007	Feb. 13, 2007	Dec. 31, 2007
Acquisition revenue:					
Cash underwriting	$ 34,565	$ 41,511	$ 35,215	$ 6,087	$ 41,302
Underwriting from non- monetary exchanges	2,838	14,479	1,346	11	1,357
Total acquisition revenue	37,403	55,990	36,561	6,098	42,659
Resale licensing revenue:					
Cash resales	49,268	117,305	115,821	5,985	121,806
Non-monetary exchanges	1,764	7,625	7,981	(7)	7,974
Revenue deferred	(25,942)	(63,540)	(65,435)	(2,636)	(68,071)
Recognition of revenue previously deferred	48,328	48,480	30,141	8,946	39,087
Total resale licensing revenue	73,418	109,870	88,508	12,288	100,796
Total seismic revenue	110,821	165,860	125,069	18,386	143,455
Solutions and other	4,524	6,543	4,733	624	5,357
Total revenue	$ 115,345	$ 172,403	$ 129,802	$ 19,010	$ 148,812

(1) Our combined results for the year ended December 31, 2007 represent the addition of the Predecessor Period from January 1, 2007 through February 13, 2007 and the Successor Period from February 14, 2007 to December 31, 2007. This combination does not comply with GAAP or with the rules for pro forma presentation, but is presented because we believe it provides a meaningful comparison of our results.

Total revenue was $115.3 million for the year ended December 31, 2009 compared to $172.4 million for the year ended December 31, 2008. This $57.1 million, or 33.1%, decline was due to a decrease in acquisition revenue and lower total resale licensing revenue. Acquisition revenue decreased in both the U.S. and Canada from $56.0 million in 2008 to $37.4 million in 2009 because of our planned reduction in new data acquisition resulting from the poor industry conditions and economic uncertainty in 2009. Total resale licensing revenue was $73.4 million in 2009 compared to $109.9 million in 2008. Resale licensing revenue in 2009 was impacted by weak natural gas prices and the slowdown in drilling activity in North America with oil and gas companies curtailing their exploration and development spending as compared to 2008. Cash resales were $49.3 million in 2009, down 58% compared to $117.3 million in 2008, as clients general concerns about the economic environment and liquidity delayed spending on seismic data. For the year 2009, core cash resales (U.S. 3D and Canada 2D and 3D data) were $46.0 million, down 55.9% from the 2008 level of $104.2 million. Non-core cash resales (U.S. 2D and offshore data) decreased from $13.1 million in 2008 to $3.3 million in 2009. Non-monetary exchanges fluctuate year to year depending upon the data available for trade and totaled $1.8 million in 2009 compared to $7.6 million in 2008. Revenue deferred decreased from $63.5 million to $25.9 million due to a fewer amount of library card contracts entered into in 2009 as compared to 2008. Recognition of previously deferred revenue, primarily selections, was relatively stable between 2009 and 2008 at $48.3 million and $48.5 million, respectively. Solutions and other revenue decreased from $6.5 million in 2008 to $4.5 million in 2009 primarily resulting from the lower level of seismic revenue and the types of products delivered.

Total revenue was $172.4 million for the year ended December 31, 2008 compared to $148.8 million for the year ended December 31, 2007, an increase of $23.6 million, or 15.9%. Acquisition revenue increased 31.3% to $56.0 million in 2008 from $42.7 million in 2007 primarily from increased data creation activity in Canada. Total resale licensing revenue increased 9.0% from $100.8 million in 2007 to $109.9 million in 2008 and was the result of various changes in the components of licensing revenue. Cash resales were $117.3 million in 2008 compared to $121.8 million in 2007. This decrease between years was primarily due to lower cash resales in the fourth quarter of 2008 as a result of the economic downturn. For the year 2008, core cash resales (U.S. 3D and Canada 2D and 3D data) were $104.2 million, down 4.3% from the 2007 level of $108.8 million. Non-core cash resales (U.S. 2D and offshore data) were relatively stable between 2008 and 2007 at $13.1 million and $13.0 million, respectively. Non-monetary exchanges fluctuate year to year depending upon the data available for trade and totaled $7.6 million in 2008 compared to $8.0 million in 2007. Revenue deferred decreased from $68.1 million in 2007 to $63.5 million in 2008 due to fewer library card contracts (which require deferral) and more direct licenses of data (not requiring deferral). Revenue recognized from previously deferred contracts, primarily selections, increased $9.4 million primarily due to the growth in the inventory of open library cards from which clients selected subsequent to the Merger. Solutions and other revenue increased from $5.4 million in 2007 to $6.5 million in 2008 primarily resulting from the higher level of seismic revenue and the types of products delivered.

At December 31, 2009, we had a deferred revenue balance of $26.7 million compared to the December 31, 2008 balance of $67.7 million. The deferred revenue balance was related to (i) data licensing contracts on which selection of specific data had not yet occurred, (ii) deferred revenue on data acquisition projects and (iii) contracts in which the data products are not yet available or the revenue recognition criteria has not yet been met. The deferred revenue will be recognized when selection of specific data is made by the customer, upon expiration of the data selection period specified in the data licensing contracts, as work progresses on the data acquisition contracts, as the data products become available or as all of the revenue recognition criteria are met. Deferred revenue will be recognized no later than the following, based on the expiration of the selection period or our estimate of progress on acquisition projects and the availability of data products, although some revenue may be recognized earlier (in thousands):

2010	$ 21,960
2011	4,237
2012 and thereafter	525

Depreciation and Amortization

Depreciation and amortization was comprised of the following (in thousands):

	SUCCESSOR PERIOD			PREDECESSOR PERIOD	COMBINED [1]
	Year Ended December 31,		Feb. 14, 2007 -	Jan. 1, 2007 -	Year Ended
	2009	2008	Dec. 31, 2007	Feb. 13, 2007	Dec. 31, 2007
Amortization of seismic data:					
Income forecast	$ 65,424	$ 101,301	$ 81,816	$ 6,911	$ 88,727
Straight-line	77,031	59,288	57,158	4,296	61,454
Total amortization of seismic data	142,455	160,589	138,974	11,207	150,181
Depreciation of property and equipment	2,256	2,345	1,965	278	2,243
Amortization of acquired intangibles	5,488	5,695	5,133		5,133
Total	$ 150,199	$ 168,629	$ 146,072	$ 11,485	$ 157,557

(1) Our combined results for the year ended December 31, 2007 represent the addition of the Predecessor Period from January 1, 2007 through February 13, 2007 and the Successor Period from February 14, 2007 to December 31, 2007. This combination does not comply with GAAP or with the rules for pro forma presentation, but is presented because we believe it provides a meaningful comparison of our results.

Total seismic data library amortization amounted to $142.5 million, $160.6 million and $150.2 million in 2009, 2008 and 2007, respectively. The amount of seismic data library amortization fluctuates based on the level and location of specific seismic surveys licensed (including licensing resulting from new data acquisition) and selected by our customers during any period as well as the amount of straight-line amortization required under our accounting policy. The Successor Periods reflect the higher level of amortization as a result of the step-up to fair value of our seismic data library in connection with the Merger.

Seismic data amortization as of percentage of total seismic revenue is summarized as follows:

	SUCCESSOR PERIOD			PREDECESSOR PERIOD	COMBINED [1]
	Year Ended December 31,		Feb. 14, 2007 -	Jan. 1, 2007 -	Year Ended
Components of Amortization	2009	2008	Dec. 31, 2007	Feb. 13, 2007	Dec. 31, 2007
Income forecast	59%	61%	65 %	38 %	62 %
Straight-line	70%	36%	46 %	23 %	43 %
Total	129%	97%	111 %	61 %	105 %

(1) Our combined results for the year ended December 31, 2007 represent the addition of the Predecessor Period from January 1, 2007 through February 13, 2007 and the Successor Period from February 14, 2007 to December 31, 2007. This combination does not comply with GAAP or with the rules for pro forma presentation, but is presented because we believe it provides a meaningful comparison of our results.

The percentage of income forecast amortization to total seismic revenue was 59% for the year ended December 31, 2009; 61% for the year ended December 31, 2008; and 62% for the year ended December 31, 2007. In all three years, we had resale revenue recognized which was from data whose costs were fully amortized. In 2009, 24% of resales did not attract amortization, as compared to 19% in 2008 and 15% in 2007. Straight-line amortization represents the expense required under our accounting policy to ensure our data value is fully amortized within four years of when the data becomes available for sale. The $17.7 million increase in straight-line amortization from 2008 to 2009 was due to lower revenues and the distribution of revenue among the various seismic surveys, resulting in more straight-line amortization in 2009. Straight-line amortization did not vary significantly between 2007 and 2008.

For the year ended December 31, 2009, the rates utilized under the income forecast method ranged from 70% to 74%. For the year ended December 31, 2008, the rates utilized under the income forecast method ranged from 70% to 73%. For the year ended December 31, 2007, the amortization rate utilized under the income forecast method was 70% for all components. The rate of amortization with respect to each component is decreased or increased if our estimate of future cash sales from such component is materially increased or decreased, subject to a minimum amortization rate of 70%. Additionally, certain seismic surveys have been fully amortized; consequently, no amortization expense is required on revenue recorded for these seismic surveys. As of January 1, 2010, the amortization rates to be utilized under the income forecast method is 70% for all components.

In connection with the Merger, we recorded acquired intangible assets of $53.4 million, of which $52.5 million are amortizable over their useful lives ranging from 1 to 10 years. Amortization related to customer relationships, internally developed software and covenants not to compete totaled $5.5 million, $5.7 million, and $5.1 million for the year ended December 31, 2009; for the year ended December 31, 2008; and the period from February 14, 2007 to December 31, 2007, respectively.

Impairment of Intangible Asset

During the year ended December 31, 2008, we recorded an impairment charge of $0.2 million related to the customer relationship intangible asset that resulted from our October 2007 purchase of a small data fulfillment company in Canada. The impairment was necessary as a result of the loss of significant customer business and current-period and projected operating losses associated with the customer relationship intangible asset. The impairment was determined by comparing estimated future cash flows attributable to the customer relationship to the carrying value of the asset. The resulting impairment reduced the customer relationship intangible asset to $0. Subsequently in 2009, we sold this data fulfillment company.

Goodwill and Indefinite Lived Intangibles

We performed our annual assessment of the recoverability of goodwill and indefinite lived intangibles on October 1, 2009, and concluded that no impairment of goodwill or indefinite lived intangibles was indicated. This evaluation utilized discounted cash flow analysis and multiple analyses of our historical and forecasted operating results. We evaluated whether the decline in cash resales in 2009 represented a significant decline in our underlying fair value. Based upon our analysis, we do not believe the decline was caused by significant underperformance of the company relative to historical or projected future operating results or a significant change in the manner of our use of the acquired assets or the strategy for our overall business. We will, however, continue to monitor whether a continued decline in our cash resales or our failure to meet cash flow projections in the future represent triggering

events that would require us to perform an interim goodwill and indefinite lived intangibles impairment test in subsequent periods. In the event such a test is required, we might be required to record a significant charge for the impairment of our goodwill and indefinite lived intangibles.

Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses were $25.1 million in 2009, $36.3 million in 2008 and $37.0 million in 2007. SG&A expense is made up of the following expense categories (in thousands):

	SUCCESSOR PERIOD			PREDECESSOR PERIOD	COMBINED (1)
	Year Ended December 31,		Feb. 14, 2007- Dec. 31, 2007	Jan. 1, 2007 - Feb. 13, 2007	Year Ended Dec. 31, 2007
	2009	2008			
Cash SG&A expenses	$ 21,804	$ 29,557	$ 24,784	$ 3,165	$ 27,949
Non-cash equity compensation expense	3,034	6,492	8,371	412	8,783
Non-cash rent expense	252	267	238		238
Total	$ 25,090	$ 36,316	$ 33,393	$ 3,577	$ 36,970

(1) Our combined results for the year ended December 31, 2007 represent the addition of the Predecessor Period from January 1, 2007 through February 13, 2007 and the Successor Period from February 14, 2007 to December 31, 2007. This combination does not comply with GAAP or with the rules for pro forma presentation, but is presented because we believe it provides a meaningful comparison of our results.

The decrease in cash SG&A expenses of $7.8 million from the year ended December 31, 2008 to the year ended December 31, 2009 was primarily due to (1) a decrease of $4.1 million in personnel costs resulting from workforce reductions and reductions in base salaries and employee benefits implemented in 2009, (2) a decrease of $1.1 million due to no performance incentive expense in 2009 because of lower cash resales resulting from the economic downturn, (3) a decrease of $1.4 million in sales commissions as a result of lower revenues and (4) a decrease of $2.6 million in various other expenses resulting primarily from cost cutting measures implemented in 2009, of which $1.0 million resulted from savings in travel, marketing and entertainment costs. These decreases were partially offset by $1.1 million of one-time costs incurred to implement cost reduction measures and additional reserves for bad debt in 2009 of $0.3 million.

Cash SG&A expenses increased to $29.6 million for the year ended December 31, 2008 from $27.9 million for the year ended December 31, 2007. This increase of $1.6 million was primarily due to (1) the 2007 period including a $0.9 million reduction in SG&A resulting from a cash settlement of litigation and collection of a previously reserved receivable, (2) an increase of $0.7 million in variable expenses, mainly sales commissions, on the higher level of revenue recognized in 2008 and (3) an increase of $0.7 million in salaries primarily due to merit increases. These increases were partially offset by a decrease of $0.6 million in performance based compensation expense associated with our incentive compensation plan.

The decrease in non-cash equity compensation expense of $3.5 million between 2009 and 2008 and of $2.3 million between 2008 and 2007 was primarily due to a reduction in the expense related to stock options granted to certain employees and non-employee directors since the Merger due to the expense being recognized using graded vesting. The reduction between 2008 and 2007 was partially offset by a charge of $0.6 million in the year ended December 31, 2008 due to the issuance of fully vested restricted stock units to certain key employees.

The non-cash rent expense in the Successor Periods related to amortization of a favorable facility lease that was recorded as an intangible asset in connection with the Merger and is being amortized over its remaining lease term from the Merger date of 6.25 years.

Merger Expenses

Merger expenses in 2008 and 2007 included the following fees and expenses incurred in connection with the merger transaction; no merger expenses were recorded in 2009 (in thousands):

	SUCCESSOR PERIOD		PREDECESSOR PERIOD	COMBINED (1)
	Year Ended Dec. 31, 2008	Feb. 14, 2007- Dec. 31, 2007	Jan. 1, 2007 - Feb. 13, 2007	Year Ended Dec. 31, 2007
Investment banking fees	$	$	$ 7,789	$ 7,789
Legal and advisory fees		498	629	1,127
Change in control payments	357	2,159	2,745	4,904
Early vesting of restricted stock (non-cash)			6,294	6,294
	$ 357	$ 2,657	$ 17,457	$ 20,114

(1) Our combined results for the year ended December 31, 2007 represent the addition of the Predecessor Period from January 1, 2007 through February 13, 2007 and the Successor Period from February 14, 2007 to December 31, 2007. This combination does not comply with GAAP or with the rules for pro forma presentation, but is presented because we believe it provides a meaningful comparison of our results.

Other Income (Expense)

Interest expense was $41.2 million for each of the years ended December 31, 2009 and 2008 and $42.9 million for the year ended December 31, 2007. The $1.7 million decrease in interest expense from 2007 to 2008 was primarily due to the 2007 period including $4.0 million related to fees from the non-utilized acquisition financing bridge facility. This decrease was partially offset by higher interest expense resulting from our higher debt level subsequent to the Merger.

Interest income was $0.5 million, $1.2 million and $1.7 million for the years ended December 31, 2009, 2008 and 2007, respectively. The decrease between 2008 and 2009 was mainly due to lower cash balances in 2009 resulting from lower cash resales as well as lower rates of return on our cash investments. The decrease between 2007 and 2008 was mainly due to lower rates of return on our cash investments during 2008.

During the three years ended December 31, 2009, we reported foreign currency transaction gains (losses) on U.S. denominated transactions of our Canadian subsidiaries totaling $1.0 million, $(4.1) million and $3.1 million, respectively.

Income Taxes

Tax benefit was $3.0 million, $3.5 million and $10.6 million for the years ended December 31, 2009, 2008 and 2007, respectively. The 2009 benefit was comprised of (i) a benefit of $2.8 million related to our Canadian operations, (ii) a benefit of $0.3 million related to certain research and development tax credits received in Canada, (iii) $0.1 million of state tax benefit in the U.S. and (iv) an expense of $0.2 million related to penalties and interest on uncertain tax positions. The Federal tax benefit of $30.8 million in 2009 resulting from our U.S. operations was offset by a valuation allowance because it was more likely than not that the deferred tax asset would not be realized.

The 2008 benefit was comprised of (i) a benefit of $5.0 million related to our Canadian operations, (ii) an expense of $1.3 million related to principal and interest on uncertain tax positions and (iii) $0.2 million of Canadian withholding taxes. The Federal tax benefit of $20.6 million resulting from our U.S. operations was offset by a valuation allowance because it was more likely than not that the deferred tax asset would not be realized.

The 2007 benefit related to both our U.S. and Canadian operations. In the U.S., a deferred tax liability of $4.4 million was recorded in connection with the Merger due to the step-up in asset value related to the Merger. In the period from February 14, 2007 to December 31, 2007, a U.S. Federal tax benefit was recorded equivalent to the amount of deferred tax liability with the remainder of the benefit from our U.S. book loss being offset by a valuation allowance because it was more likely than not that the deferred tax asset would not be realized. In Canada, a tax benefit of $7.4 million was recognized on our Canadian operations in the period from February 14, 2007 to December 31, 2007. Additionally, we recorded other tax expense primarily related to state income tax and

uncertain tax positions totaling approximately $0.7 million in the period from February 14, 2007 to December 31, 2007. Tax expense for the period from January 1, 2007 to February 13, 2007 primarily related to taxes on our Canadian operations and uncertain tax positions. The Federal income tax expense recorded on our U.S. operations was offset by a reduction in our deferred tax asset valuation allowance resulting in no Federal tax expense in the U.S. for the period from January 1, 2007 to February 13, 2007.

Liquidity and Capital Resources

As of December 31, 2009, we had $26.3 million in consolidated cash, cash equivalents and short-term investments, including $113,000 of restricted cash. Other sources of liquidity include our credit facilities described below.

U.S. Credit Facility: On December 22, 2009, we entered into a secured credit agreement which provides the ability to borrow up to $9.9 million. Borrowings under the facility may be made from date of the agreement until December 31, 2010. Borrowings may be prepaid and, in certain circumstances as defined in the agreement, mandatory prepayments are required. However, such prepaid amounts may not be reborrowed. The maturity date of the facility is December 22, 2014. The facility contains financial covenants, including a covenant requiring us to achieve and maintain a minimum level of cash EBITDA (as defined in the agreement governing the facility). At December 31, 2009, there was no outstanding balance under the facility and there was $9.9 million of availability.

Canadian Credit Facility: Our wholly owned subsidiary, Olympic Seismic Ltd. (Olympic), has a revolving credit facility which allows it to borrow up to $5.0 million (Canadian), subject to an availability formula, by way of prime-based loans or letters of credit. Available borrowings under the facility are equivalent to a maximum of $5.0 million (Canadian), subject to a requirement that such borrowings may not exceed 75% of good accounts receivable (as defined in the agreement) of Olympic, less prior-ranking claims, if any, relating to inventory or accounts. As of December 31, 2009, no amounts were outstanding on this revolving line of credit and $5.0 million (Canadian) was available on the line of credit.

9.75% Senior Unsecured Notes: On February 14, 2007, we issued in a private placement $400.0 million aggregate principal amount of our 9.75% Senior Notes. The proceeds from the notes were used to partially fund the transactions in connection with the Merger. Interest on these senior notes is payable in cash, semi-annually in arrears on February 15 and August 15.

11.75% Senior Unsecured Notes: On July 2, 2004, we issued in a private placement $193.0 million aggregate principal amount of our 11.75% Senior Notes. As of December 31, 2009, $2.0 million of the 11.75% Senior Notes remain outstanding. Interest on these senior notes is payable in cash, semi-annually in arrears on January 15 and July 15.

Contractual Obligations. As of December 31, 2009, we had outstanding debt and lease obligations, with aggregate contractual cash obligations, including principal and interest, summarized as follows (in thousands):

			Payments due by period		
Contractual cash obligations	**Total**	**2010**	**2011-2013**	**2014-2015**	**2016 and thereafter**
Debt obligations [1][2]	$ 578,216	$ 39,307	$ 119,409	$ 419,500	$
Capital lease obligations [2]	4,944	354	1,124	783	2,683
Operating lease obligations	3,399	1,194	2,205		
Total contractual cash obligations	$ 586,559	$ 40,855	$ 122,738	$ 420,283	$ 2,683

(1) Debt obligations include the face amount of our 9.75% Senior Notes totaling $400.0 million and our 11.75% Senior Notes totaling $2.0 million.

(2) Amounts include interest related to debt and capital lease obligations.

Cash Flows from Operating Activities*:* Cash flows provided by operating activities were $40.9 million, $88.8 million, $84.9 million and $5.6 million for the years ended December 31, 2009 and 2008, for the period February 14, 2007 to December 31, 2007 (Successor Period), and for the period January 1, 2007 to February 13, 2007 (Predecessor Period), respectively. Operating cash flows for 2009 decreased from 2008 primarily due to the lower level of our cash resales in 2009 as a result of the slowdown in activity. Operating cash flows for the year ended December 31, 2008 decreased $1.8 million from the combined period January 1, 2007 to December 31, 2007

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primarily due to an increase in interest expense paid and a decrease in cash received from our customers during 2008. These uses of cash were partially offset by the 2007 period including the payment of fees and expenses totaling $13.2 million related to the Merger whereas 2008 only included the payment of $2.5 million of Merger related expenses.

Cash Flows from Investing Activities: Cash flows used in investing activities were $56.3 million, $92.1 million, $59.7 million and $8.4 million for the years ended December 31, 2009 and 2008; for the period February 14, 2007 to December 31, 2007 (Successor Period); and for the period January 1, 2007 to February 13, 2007 (Predecessor Period), respectively. Cash expenditures for seismic data were $55.9 million, $90.7 million, $58.7 million and $8.4 million for the year ended December 31, 2009; for the year ended December 31, 2008; for the period February 14, 2007 to December 31, 2007 (Successor Period); and for the period January 1, 2007 to February 13, 2007 (Predecessor Period), respectively. The decrease in cash invested in seismic data for 2009 compared to 2008 was primarily due to a decrease in cash paid for new data acquisition projects in both the U.S. and Canada because of our planned reduction in capital expenditures resulting from the poor industry conditions and economic uncertainty in 2009. The increase in cash invested in seismic data for the year ended December 31, 2008 compared to the combined period January 1, 2007 to December 31, 2007 was primarily due to an increase in cash paid for new data acquisition projects partially offset by a decrease in cash purchases of seismic data.

Cash Flows from Financing Activities: Cash flows used in financing activities were $0.2 million, $0.1 million, $83.3 million and $0.4 million for the years ended December 31, 2009 and 2008; for the period February 14, 2007 to December 31, 2007 (Successor Period); and for the period January 1, 2007 to February 13, 2007 (Predecessor Period), respectively. The period from February 14, 2007 to December 31, 2007 included (i) the issuance of $400.0 million of our 9.75% Senior Notes; (ii) a cash capital contribution of $153.5 million by ValueAct Capital in connection with the Merger and $0.2 million as a result of the issuance of additional shares of Holding's stock; (iii) acquisition of all of our outstanding common stock (other than shares owned by ValueAct Capital and management investors) in connection with the Merger for a total of $386.6 million; (iv) payment of $233.4 million on our 11.75% Senior Notes, including principal and certain fees and expenses associated with the tender offer; and (v) payment of $17.3 million of financing fees in connection with the Merger.

Anticipated Liquidity: Our ability to cover our operating and capital expenses, make required payments of interest on our 9.75% and 11.75% Senior Notes, incur additional indebtedness, and comply with our various debt covenants, will depend primarily on our ability to generate substantial operating cash flows. Over the next 12 months, we expect to obtain the funds necessary to pay our operating, capital and other expenses and principal and interest on our senior notes and our other indebtedness, from our operating cash flows, cash and cash equivalents on hand and, if required, from additional borrowings (to the extent available under our credit facilities and otherwise subject to the borrowing base). Our ability to satisfy our payment obligations depends substantially on our future operating and financial performance, which necessarily will be affected by, and subject to, industry, market, economic and other factors. If necessary, we could choose to reduce our spending on capital projects and operating expenses to ensure we operate within the cash flow generated from our operations. We will not be able to predict or control many of these factors, such as economic conditions in the markets where we operate and competitive pressures.

For a discussion of a number of factors that may impact our liquidity and the sufficiency of our capital resources, see - Overview and Item 1A. Risk Factors above.

Deferred Taxes

As of December 31, 2009, we had a net deferred tax liability of $6.1 million attributable to our Canadian operations. In the United States, we had a Federal deferred tax asset of $88.7 million, all of which was fully offset by a valuation allowance. The recognition of the U.S. Federal deferred tax asset will not occur until such time that it is more likely than not that some portion or all of the Federal deferred tax asset will be realized. As of December 31, 2009, it was more likely than not that all of the U.S. Federal deferred tax asset will not be realized. Additionally, in the United States, we had a state deferred tax asset of $0.3 million which was recognized as it is more likely than not that the state deferred tax asset will be realized.

Section 382 of the Internal Revenue Code places a limit on certain tax attributes which were in existence prior to a greater than 50% change in ownership. The rules use a rolling three-year period for determination of such change. At February 14, 2007, we had a greater than 50% change in ownership. However, any limitations resulting from the application of the Section 382 rules are not expected to have a significant effect on us.

Off-Balance Sheet Transactions

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

Capital Expenditures

During 2009, capital expenditures for seismic data and other property and equipment amounted to $54.3 million. Our capital expenditures for 2010 are presently estimated to be $67.0 million. Our 2009 actual and 2010 estimated capital expenditures are comprised of the following (in thousands):

	Year Ended December 31, 2009	Estimate For Year Ending December 31, 2010
New data acquisition	$ 48,931	$ 56,000
Cash purchases and data processing	2,771	500
Non-monetary exchanges	2,197	10,000
Other property and equipment	400	500
Total capital expenditures	54,299	67,000
Less:		
Non-monetary exchanges	(2,197)	(10,000)
Changes in working capital	4,163	
Cash investment per statement of cash flows	$ 56,265	$ 57,000

Capital expenditures funded from operating cash flow are as follows (in thousands):

	Year Ended December 31, 2009	Estimate For Year Ending December 31, 2010
Total capital expenditures	$ 54,299	$ 67,000
Less:		
Non-cash additions	(2,197)	(10,000)
Cash underwriting	(34,565)	(42,000)
Capital expenditures funded from operating cash flow	$ 17,537	$ 15,000

As of March 15, 2010, we had capital expenditure commitments related to data acquisition projects of approximately $38.4 million of which we have obtained approximately $26.8 million of cash underwriting and $0.8 million of underwriting from non-monetary exchanges.

As we see improvement in market conditions and demand for seismic data, we could increase the level of our capital expenditures for 2010.

Recent Accounting Pronouncements

In October 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2009-13 on Topic 605, Revenue Recognition Multiple Deliverable Revenue Arrangements a consensus of the FASB Emerging Issues Task Force. The ASU provides guidance on accounting for products or services (deliverables) separately rather than as a combined unit utilizing a selling price hierarchy to determine the selling price of a deliverable. The selling price is based on vendor-specific evidence, third-party evidence or estimated selling price. We will be required to apply the standard prospectively to any contracts that may contain multiple-element arrangements entered into or materially modified on or after January 1, 2011; however, earlier application is permitted. We do not currently expect the adoption of this new accounting update to have a material impact on our consolidated financial statements.

In January 2010, the FASB issued ASU 2010-06, Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements, which requires new disclosures regarding transfers in and out of the Level 1 and 2 and activity within Level 3 fair value measurements and clarifies existing disclosures of inputs and valuation techniques for Level 2 and 3 fair value measurements. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosure of activity within Level 3 fair value measurements, which is effective for fiscal years beginning after December 15, 2010, and for interim periods within those years. We are currently evaluating the impact of adopting the guidance and will include any required disclosures in our report for the interim period ending March 31, 2010, as appropriate. We do not currently expect the adoption of this new accounting update to have a material impact on our consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

Interest Rate Risk

We may enter into various financial instruments, such as interest rate swaps or interest rate lock agreements, to manage the impact of changes in interest rates. Currently, we have no open interest rate swap or interest rate lock agreements. Therefore, our exposure to changes in interest rates primarily results from our short-term and long-term debt with both fixed and floating interest rates. As of December 31, 2009 and 2008 we did not have any debt outstanding with floating interest rates. The following table presents principal or notional amounts (stated in thousands) and related average interest rates by year of maturity for our debt obligations and their indicated fair market value at December 31, 2009:

	2010	2011	2012	2013	2014	Thereafter	Total	Fair Value
Debt:								
Fixed Rate	$ 54	$ 2,059	$ 66	$ 29	$ 400,000	$	$ 402,208	$ 314,564
Average Interest								
Rate	9.76 %	9.76 %	9.75 %	9.75 %	9.75%		9.76%	

The following table presents principal or notional amounts (stated in thousands) and related average interest rates by year of maturity for our debt obligations and their indicated fair market value at December 31, 2008:

	2009	2010	2011	2012	2013	Thereafter	Total	Fair Value
Debt:								
Fixed Rate	$ 49	$ 54	$ 2,059	$ 65	$ 29	$ 400,000	$ 402,256	$ 140,804
Average Interest								
Rate	9.76 %	9.76 %	9.76 %	9.75 %	9.75 %	9.75%	9.76%	

Foreign Currency Exchange Rate Risk

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

Item 8. Financial Statements and Supplementary Data

The financial statements and financial statement schedules required by this Item are set forth at the pages indicated in Item 15(a) (1) and (2) below.

Item 9. Change in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A(T). Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of December 31, 2009, our management carried out an evaluation, under the supervision and with the participation of our President and Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, our President and Chief Executive Officer along with our Chief Financial Officer concluded that our disclosure controls and procedures as of December 31, 2009 were designed to ensure, and were effective in ensuring, that our information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management, including our President and Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Management s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining effective internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) promulgated under the Exchange Act) for us. Even an effective internal control system, no matter how well designed, has inherent limitations, including the possibility of human error and circumvention or overriding of controls and therefore can provide only reasonable assurance with respect to reliable financial reporting. Furthermore, the effectiveness of a system of internal control over financial reporting in future periods can change as conditions change.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2009. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control - Integrated Framework*. Based on this assessment and such criteria, management believes that, as of December 31, 2009, our internal control over financial reporting was effective. Our assessment also appears on page F-1.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management s report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the SEC that permit us to provide only management s report in this annual report.

Changes in Internal Controls Over Financial Reporting

There have been no changes in our internal controls over financial reporting during the quarter ended December 31, 2009 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Directors and Executive Officers

The following table sets forth the name, age as of March 15, 2010, and position of each person who is currently an executive officer or director of our company.

Name	Age	Position
Robert D. Monson	54	President, Chief Executive Officer and Director
Kevin P. Callaghan	57	Chief Operating Officer, Executive Vice President and Director
Marcia H. Kendrick	49	Chief Financial Officer, Executive Vice President, Secretary and Treasurer
David A. Richard	51	President-Olympic Seismic Ltd.
Randall A. Sides	43	President-Seitel Data, Ltd.
Robert J. Simon	54	Senior Vice President of Business Development
Allison A. Bennington	46	Director
Ryan M. Birtwell	27	Director
Jay H. Golding	64	Director
John E. Jackson	51	Director
Peter H. Kamin	48	Director
Gregory P. Spivy	41	Director

Robert D. Monson has been our President and Chief Executive Officer and one of our directors since December 15, 2004. He previously served as our Chief Financial Officer from May 10, 2004 until December 15, 2004 and served as Secretary from August 31, 2004 until December 15, 2004. Mr. Monson has over 25 years of experience in the oil and gas industry, including over nine years in the international seismic industry. Prior to joining Seitel, he served in various capacities with Schlumberger Limited (Schlumberger), a New York Stock Exchange, Inc. listed company, since 1985. In his last position with Schlumberger, Mr. Monson served as business segment chief financial officer for Schlumberger Well Services and the worldwide controller for Oilfield Technology Centers. Prior to this, he served as worldwide director of human resources for financial personnel of Schlumberger Limited. From 1998 to 2000, he served as chief financial officer of Schlumberger Oilfield Services-UK. From 1985 to 1998, he served as either treasurer or controller to other Schlumberger entities, including assignments in the New York headquarters and various international locations. Mr. Monson s qualifications to serve on our board of directors include his long tenure as one of our directors, as well as his extensive background in the oil and gas industry and his many years of business experience.

Kevin P. Callaghan has been our Chief Operating Officer and Executive Vice President since June 2002 and one of our directors since January 2010. From January 1998 to June 2002, Mr. Callaghan was Senior Vice President of Seitel Data, Ltd. He was president of Olympic Seismic Ltd., a wholly-owned subsidiary of Seitel, from June 2002 until December 2004, interim president of Olympic Seismic Ltd. from July 2001 until June 2002 and vice president of Olympic Seismic Ltd. from January 2001 until July 2001. Mr. Callaghan joined us in August 1995 as Vice President of Onshore Operations of Seitel Data, Ltd. Before joining us, he spent 24 years in the seismic industry in various operational and managerial positions in several companies, including his most recent position as Vice President of North and South American Operations for Digicon Geophysical Corporation. He has been a director of Wandoo Energy LLC (Wandoo), privately owned oil and gas prospecting company in which Seitel has a 20% ownership interest, since November 2005. Mr. Callaghan s long seismic industry experience and his various operational and management positions bring valuable managerial and corporate governance skills to the full board of directors.

Marcia H. Kendrick, CPA, has been our Chief Financial Officer, Executive Vice President and Secretary since October 2009, and our Treasurer since May 2005. She was our Chief Accounting Officer and Assistant Secretary from August 1993 to October 2009 and Senior Vice President from September 2001 to October 2009. Ms. Kendrick also served as our interim Chief Financial Officer from December 2004 to July 2005 and from June 2002 to May 2004. Prior to joining Seitel in 1993, she was employed by Arthur Andersen LLP, where her last position was Director of Finance and Administration.

David A. Richard has been President of Olympic Seismic Ltd. since July 2009. Prior to this date, he had been our Senior Vice President responsible for corporate business development activities in both the United States and

Canada. Prior to joining us in June 2008, Mr. Richard was co-founder, President and Chief Executive Officer of FX Energy Ltd, a private junior oil and gas company, from 2005 to 2008. He was President and Chief Executive Officer of Kelman Technologies Inc., an oil and gas technology company which performs seismic data processing and data management services, from 1999 to 2005. In addition, Mr. Richard was Chief Executive Officer of IHS Energy Group, a global energy information and software company, from 1996 to 1999. Mr. Richard has been a director of Boyd Exploration Consultants Ltd., a seismic interpretation and field operations consulting company, since June 2006.

Randall A. Sides has been President of Seitel Data, Ltd. since July 2009. He joined us in July 1996 as Manager of Onshore Operations for Seitel Data, Ltd. In November 2002, he was promoted to Vice President-Onshore Operations for Seitel Data, Ltd. and in January 2005 he was promoted to Senior Vice President-Operations for Seitel Data, Ltd. He was appointed President of Olympic Seismic Ltd. in May 2007, where he served until becoming president of Seitel Data, Ltd. Prior to joining Seitel, he was a geophysical analyst with Western Geophysical, Inc. from 1991 to 1996.

Robert J. Simon has been our Senior Vice President of Business Development since July 2009. He joined us in September 1984 as a marketing representative. In August 1985, he was promoted to Regional Sales Manager. In 1987, Mr. Simon was promoted to Vice President of Marketing and in 1992 to Senior Vice President. In 1996, Mr. Simon was promoted to Executive Vice President. He was appointed President of Seitel Data, Ltd. in June 2002, where he served until becoming Senior Vice President of Business Development.

Allison A. Bennington has been one of our directors since January 2010. She is the General Counsel and a Partner of ValueAct Capital. Prior to joining ValueAct Capital in April 2004, Ms. Bennington was the General Counsel of Atriax, Ltd., a joint venture of Deutsche Bank, J.P. Morgan Chase, Citibank and Reuters that was formed to establish a global foreign exchange internet trading market. From January 1999 to May 2000, Ms. Bennington was a Managing Director of Robertson Stephens, a full service investment bank. Previous to joining Robertson Stephens, she was an associate, and then a partner in the London office of Brobeck Hale and Dorr International, where she specialized in cross-border mergers and acquisitions and corporate finance transactions. Ms. Bennington was with Brobeck Hale and Dorr International from January 1993 to November 1998. Ms. Bennington s qualifications to serve on our board of directors include her extensive background in legal and corporate matters.

***Ryan M. Birtwell*, CFA,** has been one of our directors since January 2010. He is a Vice President at ValueAct Capital, having joined in June 2004. He received a B.A. from Middlebury College in 2004 and is a CFA charterholder. Mr. Birtwell s qualifications to serve on our board of directors include his extensive experience in the financial services industry, together with his background in advising portfolio companies of ValueAct Capital.

Jay H. Golding has been one of our directors since April 2007. He was also previously one of our directors from December 2004 until February 2007. Mr. Golding currently serves as President of Port Chester Industries, a privately held merchant banking entity. He is an advisory director of Texas Capital Bank, Inc. and serves on the board of several privately held companies. From 1981 to 1989, he served as either president or chairman and chief executive officer of Hi-Port Industries. Mr. Golding is a former director of Sterling Electronics, Data Transmission Network Corp., Falcon Oil & Gas and several private companies. Mr. Golding serves on the board of the Congregation Beth Israel as well as other non-profit organizations. Mr. Golding s qualifications to serve on our board of directors include his varied experience as a director on the boards of several private companies, his financial literacy and his extensive business experience in the financial industry.

John E. Jackson has been one of our directors since August 2007. Mr. Jackson is currently President and Chief Executive Officer of Spartan Terminals, LP, a dry bulk and liquids terminal company. Mr. Jackson was Chairman, Chief Executive Officer and President of Price Gregory Services, Inc., a pipeline-related infrastructure service provider in North America, from February 2008 until its sale in October of 2009. He became a director of Hanover Compressor Company (Hanover), now known as Exterran Holdings, Inc., in July 2004. Mr. Jackson served as Hanover s President and Chief Executive Officer from October 2004 to August 2007 and as Chief Financial Officer from January 2002 to October 2004. Mr. Jackson has been a director of Encore Energy Partners GP LLC, the general partner of Encore Energy Partners, L.P., an oil and gas exploration and production partnership, since February 2008. He also serves on the board of a non-profit organization. Mr. Jackson s qualifications to serve on our board of directors include his many years as an executive and director with companies in the oil and gas industry and his in-depth knowledge of our business.

Peter H. Kamin has been one of our directors since March 2006 and Chairman of the Board since February 2007. Mr. Kamin is a founding member and Managing Partner of ValueAct Capital. Prior to founding ValueAct Capital in 2000, Mr. Kamin founded and managed Peak Investment L.P (Peak) for eight years. Peak was a limited partnership, organized to invest in a select number of domestic public companies. Mr. Kamin is also a director of KAR Auction Services, Inc. Mr. Kamin s qualifications to serve on our board of directors include his tenure as our Chairman of the Board as well as his extensive entrepreneurial experience in founding both ValueAct Capital and Peak Investment L.P. which allow him to bring to the board valuable insight, especially in the areas of financing and acquisition opportunities.

Gregory P. Spivy has been one of our directors since March 2006. Mr. Spivy is a Partner of ValueAct Capital. Prior to joining ValueAct Capital in September 2004, Mr. Spivy worked with Gryphon Investors, a private equity fund managing approximately $500 million, from 2002 to 2004. Mr. Spivy is also a director of KAR Auction Services, Inc. and MDS, Inc. and is a former director of PRA International and MSC Software Corp. Mr. Spivy s qualifications to serve on our board of directors include his tenure as a director and his advisory of ValueAct Capital s portfolio companies as well as his extensive financial services industry experience.

Board Composition

The board of directors is composed of eight directors. Each director serves for annual terms and until his or her successor is elected and qualified. We do not have a standing nominating committee, as decisions related to the composition of the Board are made pursuant to the terms of the Securities Holders Agreement described under Item 13. Certain Relationships and Related Party Transactions, and Director Independence. Due to this, and due to the fact that we are a wholly-owned subsidiary of Holdings, there is no need for policies or procedures regarding the recommendations of security holders for nominees to the Board.

Committees of the Board of Directors

Since the consummation of the Merger, we have not had a formal compensation committee in place but our compensation decisions have been made by a committee consisting of two members of the Board, Messrs. Kamin and Spivy. This committee is empowered to review and approve the annual compensation and compensation structure of our executive officers and management compensation generally.

We continue to have a standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act, of which Mr. Jackson was appointed chairman in January 2010 and Mr. Golding is a member. The audit committee reviews and monitors our financial reporting, external audits, internal control functions and compliance with laws and regulations that could have a significant effect on our financial condition or results of operations. In addition, the audit committee has the responsibility to consider and appoint, and to review fee arrangements with, our independent registered public accounting firm. Messrs. Jackson and Golding each qualify as an audit committee financial expert, within the meaning of Item 407(d)(5) of Regulation S-K promulgated by the SEC. Messrs. Jackson and Golding are each independent (as that term is defined in Section 303A of the New York Stock Exchange s Listed Company Manual), and are each able to read and understand fundamental financial statements.

Section 16(a) Beneficial Ownership Reporting Compliance

Our officers, directors and 10% beneficial owners are not subject to Section 16(a) of the Exchange Act as we did not have a class of equity securities registered pursuant to Section 12 of the Exchange Act during the year ended December 31, 2009.

Code of Ethics

We have adopted a Code of Ethics that applies to our principal executive officer, principal financial officer and principal accounting officer or any person performing similar functions (the Code of Ethics). The Code of Ethics is available on the Corporate Governance page of our website at www.seitel.com/investor_governance.asp. If we ever were to amend or waive any provision of the Code of Ethics, we intend to satisfy our disclosure obligations with respect to any such waiver or amendment by posting such information on our internet website set forth above rather than by filing a Form 8-K.

Item 11. Executive Compensation

Compensation Discussion and Analysis

Overview

The compensation committee of the Board (the Committee) is empowered to review and approve the annual compensation and compensation structure of our executive officers and management compensation generally. The Committee approves and recommends to the Board the compensation for all executive officers and does not delegate any of its functions to others. However, the Chief Executive Officer makes recommendations to both the Committee and the Board with respect to the compensation of the Company's senior management.

The principal objectives of our compensation program are to provide an overall compensation package that will attract and retain the most highly qualified executives and provide incentives to create value. Currently, the total compensation program for our executive officers consists of three components: base salary, annual cash incentive bonuses and equity awards under the Seitel Holdings, Inc. 2007 Non-Qualified Stock Option Plan (the Holdings Stock Option Plan) and the Seitel Holdings, Inc. 2008 Restricted Stock and Restricted Stock Unit Plan (the Holdings Restricted Stock Plan). While accounting treatment is considered when structuring the components of our compensation program, these considerations are secondary to the overall objectives of the compensation program described above.

The Committee does not engage in benchmarking or conduct peer group comparisons or studies in approving the compensation of our executive officers. In addition, the Committee did not engage a compensation consultant during 2009 to assist in determining appropriate levels of compensation. Instead, the type and amount of compensation paid to our executive officers is determined based on the extensive industry experience of the members of the Committee, with the goal of setting compensation at levels that are sufficient to attract and retain the most highly qualified executives who will help create shareholder value. In determining appropriate levels of compensation, the Committee may consider overall past compensation and incentives.

The disclosure that follows relates to the compensation of our Chief Executive Officer, each individual who served in the position of Chief Financial Officer during 2009, and our three highest compensated executive officers during 2009 other than our Chief Executive Officer and Chief Financial Officer. We refer to these individuals throughout the disclosure as our named executive officers.

Risk Assessment

The Company has reviewed its compensation policies and practices for all employees and has concluded that any risks arising from such policies and practices are not reasonably likely to have a material adverse effect on the Company. We believe that our compensation policies and practices promote a focus on strategic goals and long-term success and therefore limit the incentive of our employees to take excessive risk.

Compensation Elements

In connection with the Merger, we entered into new employment agreements with each of Messrs. Monson and Callaghan and our then Chief Financial Officer, William Restrepo. These employment agreements were negotiated to ensure that each executive would be adequately compensated for his day-to-day work for us and our subsidiaries, to provide an opportunity for each executive to invest in Holdings following the Merger, and to provide income security to each executive in the event of his termination. Each employment agreement was effective upon the closing date of the Merger (February 14, 2007) and continued for an initial term of two years, subject to automatic extension for additional one year periods. Messrs. Monson s and Callaghan s employment agreements have been extended to February 14, 2011 and Mr. Restrepo s employment agreement terminated in connection with his resignation from employment on October 15, 2009.

Base Salaries

We believe that base salaries for named executive officers should adequately compensate them for their day-to-day work for us and should be set at levels that allow us to compete for, and retain, executive talent. Base salaries for Messrs. Monson, Callaghan and Restrepo (prior to his resignation) are established pursuant to their employment agreements and base salaries for our other named executive officers are set at levels determined to be appropriate by the Committee. The Committee continues to evaluate our named executive officers base salaries to ensure that they are competitive and that we are able to attract and retain talented executives.

In 2009, due to the global economic downturn, certain of our named executive officers agreed to voluntarily reduce their base salary. Specifically, each of Messrs. Monson, Callaghan and Restrepo agreed to amendments to their employment agreements to reduce their base salaries by 10% for the period beginning May 1, 2009 and ending December 31, 2009. Mr. Simon and Ms. Kendrick also agreed to a 10% reduction in base salary during this period, although Ms. Kendrick s base salary was subsequently increased in connection with her promotion to Chief Financial Officer on October 15, 2009. The Committee determined not to reduce Mr. Sides base salary during 2009 due to his pending appointment as President of Seitel Data, Ltd., for which he received an increase in base salary from $236,000 to $250,000. The base salary reductions that our named executive officers voluntarily agreed to were greater than those that applied to the Company s other employees during 2009, which took the form of one day of unpaid vacation per month, equivalent to a 4.6% decrease in base salary.

In January 2010, Messrs. Monson and Callaghan agreed to additional amendments to their employment agreements to continue their base salary reduction through December 31, 2010 and Mr. Simon agreed to continue his reduction in base salary through such date. The 2009 and 2010 base salary reductions for Messrs. Monson and Callaghan are not applied in determining the amount of severance benefits that would be payable in the event that their employment is terminated for certain reasons. In addition, the salary reductions applicable to the named executive officers are not considered in the calculation of his or her annual bonus.

Annual Bonuses

We pay cash bonuses to our named executive officers pursuant to the terms and conditions of an annual incentive plan approved by the Committee. Under this plan, company wide financial performance goals are pre-established and a named executive officer's bonus is based on our performance in relation to these pre-established goals. Bonuses are based on a percentage of the executive s base salary. If the target financial performance goal is achieved, the executive is entitled to a target bonus. If the maximum financial performance goal is achieved or exceeded, the executive is eligible to earn up to the maximum bonus. The percentages payable under the target bonus and the maximum bonus are set forth in the table below.

Name	**Target Bonus %**	**Maximum Bonus %**
Mr. Monson	100%	158%
Ms. Kendrick	70%(1)	110%(1)
Mr. Callaghan	70%	110%
Mr. Simon	70%	110%
Mr. Sides	70%	110%
Mr. Restrepo	70%	110%

(1) Prior to Ms. Kendrick s promotion to Chief Financial Officer, her target bonus percentage was 60% and her maximum bonus percentage was 100%.

For 2009, the Committee determined that the annual bonus for Messrs. Monson, Callaghan and Restrepo and Ms. Kendrick would be based on consolidated cash EBITDA as defined and calculated under the caption Management s Discussion and Analysis of Financial Condition and Results of Operations Non-GAAP Key Performance Financial Measures, Cash EBITDA. In addition, the Committee determined that 50% of Mr. Simon s annual bonus would be based on consolidated cash EBITDA and 50% would be based on U.S. cash EBITDA, a component of consolidated cash EBITDA generated by our U.S. operations. The Committee also determined that 50% of Mr. Sides annual bonus would be based on consolidated cash EBITDA and 50% would be based on Canadian cash EBITDA, a component of consolidated cash EBITDA generated by our Canadian operations. In establishing these performance measures, the Committee determined that consolidated cash EBITDA was an appropriate performance goal because it reflects the level of cash generated by Seitel available for debt service and growing the business. In addition, the Committee determined that it was appropriate to base part of Messrs. Simon s and Sides bonuses on U.S. cash EBITDA and Canadian cash EBITDA, respectively, because they represented the part of our operations each individual was responsible for at the beginning of 2009.

In determining the financial performance levels under the annual incentive plan, the Committee established a threshold, target and maximum level of performance for each performance goal. Where the level achieved under a financial performance goal falls between the threshold level and target or target and maximum level, the bonus is determined by interpolation. In establishing the performance levels for 2009, the Committee believed that the target level of performance was achievable, but would present a significant challenge for the named executive officers to attain. The chart below contains the threshold, target and maximum level of performance established by the Committee for 2009 under our annual incentive plan for each performance goal:

Performance Measure	Threshold	Target	Maximum
Consolidated Cash EBITDA	$ 80,300,000	$ 97,200,000	$ 114,100,000
U.S. Cash EBITDA	56,400,000	68,300,000	80,100,000
Canadian Cash EBITDA	23,900,000	28,900,000	34,000,000

Because the threshold level of performance was not achieved during 2009 for any of the performance goals, none of the named executive officers received a bonus under the annual incentive plan with respect to 2009.

Equity-Based Compensation

No equity-based awards were granted to the named executive officers during 2009 because the Committee determined that the named executive officers equity ownership in Holdings was at a sufficient level to ensure that their interests were aligned with our shareholders.

Other Benefits and Perquisites

All employees, including named executive officers, are eligible to participate in our health and welfare benefit programs and to participate in and receive matching contributions from us under our 401(k) plan.

For 2009, we provided named executive officers with perquisites and other personal benefits that we and the Committee believed to be reasonable and consistent with the goal of enabling us to attract and retain highly qualified employees for key positions. The Committee periodically reviews the levels of perquisites and other personal benefits provided to named executive officers.

Messrs. Monson, Callaghan, Simon, Restrepo (prior to his resignation) and Sides and Ms. Kendrick were provided with

company-paid life insurance. In addition, Messrs. Monson, Callaghan and Simon were entitled to and received reimbursement for reasonable social, athletic or country club membership dues until May 1, 2009 when such perquisite was eliminated. Mr. Sides also received certain living and automobile related allowances and gross-ups for the payment of Canadian taxes since he was a U.S. citizen who resided in Canada through June 30, 2009 in order to fulfill his duties for Seitel. The Company also agreed to pay certain relocation costs associated with Mr. Sides return to the U.S. as part of his new role as President of Seitel Data, Ltd. effective July 1, 2009.

Attributed costs of the personal benefits described above for the named executive officers for the fiscal year ended December 31, 2009, are included in the Summary Compensation Table below.

Severance Arrangements

Each of the employment agreements of Messrs. Monson and Callaghan has certain severance features. The following table sets forth the severance payments that Messrs. Monson and Callaghan would be entitled to receive under their employment agreements in the event their employment is terminated for the reasons set forth below:

Reason for Termination	Severance (Lump Sum)	Health/Welfare Benefits	Equity Vesting
Without Cause by the Company or by Executive for Good Reason, in either case, prior to a Change in Control	2 times base salary (Callaghan only) 2 times base salary and target bonus (Monson only)	Continued for 12 months at Company expense (less Executive copay)	Full and immediate vesting of equity awards
Death of Executive			Full and immediate vesting of equity awards
Disability of Executive	Base salary and annual bonus through the earlier of the end of the term of the agreement or one year, reduced by disability insurance payments, if any		Full and immediate vesting of equity awards
Without Cause by the Company or by Executive with or without Good Reason, in either case, following a Change in Control	2 times base salary (Callaghan only) 3 times base salary and target bonus (Monson only)	Continued for 12 months at Company expense (less Executive copay)	Full and immediate vesting of equity awards

In addition, each of our named executive officers is entitled to receive payment of his or her vested restricted stock units in the event of disability or any termination of employment and is entitled to receive accelerated vesting of his or her unvested stock options in the event of a termination of employment by the Company without cause. For more on these arrangements, see Potential Payments upon Termination of Employment or Change in Control below.

IRS Limits on Deductibility

Since the Merger, our equity securities are no longer publicly held. Accordingly, Section 162(m) of the Internal Revenue Code no longer applies to us and as a result, our compensation program is not structured to comply with it. However, we expect to be able to fully deduct executive compensation in subsequent reporting periods.

Compensation Committee Report

The members of the Board currently serving as our compensation committee have reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, have recommended to the Board that the Compensation Discussion and Analysis be included in this annual report.

The Board members serving as the compensation committee:

Peter H. Kamin

Gregory P. Spivy

Summary Compensation Table

Name and Principal Position	Year	Salary (1)	Bonus (2)	Stock Awards (3)	Option Awards (3)	Non- Equity Incentive Plan Compensation (4)	All Other Compensation (5)	Total
Robert D. Monson, President and Chief Executive Officer	2009	$ 588,000	$	$	$	$	$ 6,052	$ 594,052
	2008	630,000	758,000	164,862		196,793	10,802	1,760,457
	2007	580,125	758,000	960,007	6,490,187	270,686	10,802	9,069,807
Marcia H. Kendrick Chief Financial Officer and Executive Vice President (6)	2009	249,408					4,485	253,893
	2008	252,000	178,500	41,280		47,230	8,110	527,120
	2007	237,563	178,500	135,640	865,437	64,965	8,092	1,490,197
Kevin P. Callaghan, Chief Operating Officer and Executive Vice President	2009	436,800					6,532	443,332
	2008	468,000	444,000	88,752		102,333	10,802	1,113,887
	2007	435,794	444,000	537,920	2,163,396	140,847	10,802	3,732,759
Robert J. Simon, Senior Vice President of Business Development (7)	2009	322,933					6,052	328,985
	2008	346,000	349,500	44,376		37,828	23,024	800,728
	2007	324,581	349,500	423,202	1,514,318	136,402	29,957	2,777,960
Randall A. Sides, President - Seitel Data, Ltd. (8) (9)	2009	231,009					90,606	321,615
	2008	233,267	137,000	49,536		155,602	56,530	631,935
William J. Restrepo, Former Chief Financial Officer and Executive Vice President (10)	2009	250,310					6,052	256,362
	2008	328,000	283,500	62,178		71,720	8,110	753,508
	2007	306,075	283,500	292,575	2,163,396	98,530	8,110	3,152,186

(1) Prior to the reductions in base salary described above, the base salaries for Messrs. Monson, Callaghan, Simon and Restrepo and Ms. Kendrick were $630,000, $468,000, $346,000, $328,000 and $252,000, respectively. Following such reductions, the base salaries for Messrs. Monson, Callaghan, Simon and Restrepo and Ms. Kendrick were $567,000, $421,200, $311,400, $295,200 and $226,800, respectively. Ms. Kendrick s base salary was increased to $295,000 on October 15, 2009 in connection with her promotion to Chief Financial Officer.

(2) Amounts reported in this column reflect the retention bonus paid as a result of the Merger.

(3) These amounts represent the grant date fair value of equity-based awards granted by Holdings during each of 2008 and 2007, as determined in accordance with ASC Topic 718, Stock Compensation . For a discussion of valuation assumptions, see Note J - Stock Based Compensation to the Consolidated Financial Statements.

(4) Represents the performance-based cash bonus paid pursuant to the annual incentive plan. Because the threshold level of performance was not achieved during 2009, no bonuses were paid to our named executive officers pursuant to the annual incentive plan with respect to 2009.

(5) See the table below, titled Details of All Other Compensation for details regarding the amounts reported in this column and see the discussion of perquisites and other personal benefits in the Compensation Discussion and Analysis section above for explanation of these benefits.

(6) Ms. Kendrick was appointed to Chief Financial Officer effective October 15, 2009.

(7) Mr. Simon was appointed Senior Vice President of Business Development effective July 1, 2009.

(8) Mr. Sides was appointed President of Seitel Data, Ltd. effective July 1, 2009.

(9) Mr. Sides resided in Calgary for the entire year of 2008 and the first six months of 2009. His compensation denominated in Canadian dollars was converted to U.S. dollars based on an average of the month-end exchange rates during the twelve months of 2008 (for 2008 calculations) and the first six months of 2009 (for 2009 calculations).

(10) Mr. Restrepo resigned from the Company effective October 15, 2009.

Details of All Other Compensation

Name	Life Insurance Premiums [1]	Living and Automobile Related Allowances [2]	Gross-up for Payment of Taxes [2]	Relocation Expenses [3]	401(k) Matching Contributions
Robert D. Monson	$ 552	$	$	$	$ 5,500
Marcia H. Kendrick	360				4,125
Kevin P. Callaghan	1,032				5,500
Robert J. Simon	552				5,500
Randall A. Sides	240	19,740	14,353	52,148	4,125
William J. Restrepo	552				5,500

(1) Named executive officers were entitled to life insurance coverage which, when combined with the $50,000 of coverage the Company provided to employees generally, equals $250,000. Accordingly, named executive officers have $200,000 in supplemental life insurance protection.

(2) As discussed in the Compensation Discussion and Analysis section above, Mr. Sides benefited from the payment of certain living and automobile related allowances. Mr. Sides also received benefits related to gross-ups for the payment of taxes in order to equalize the impact of higher Canadian taxes related to his Canadian wages.

(3) The Company paid for certain relocation expenses incurred to move Mr. Sides and his family from Calgary to Houston in order to take on his new role as President of Seitel Data, Ltd. effective July 1, 2009.

Grants of Plan-Based Awards Table

The following table represents the threshold, target and maximum bonus award that each named executive officer was eligible to earn in 2009 under the annual incentive plan.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards [1]		
Name	Grant Date	Threshold	Target	Maximum
Robert D. Monson	1/27/09	$	$ 630,000	$ 995,400
Marcia H. Kendrick	1/27/09		180,163	283,113
Kevin P. Callaghan	1/27/09		327,600	514,800
Robert J. Simon	1/27/09		242,200	380,600
Randall A.				