SEITEL INC
Form S-1/A
June 09, 2004
Table of Contents

As filed with the Securities and Exchange Commission on June 9, 2004

Registration No. 333-113446

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 4

TO

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

SEITEL, INC.

(Exact name of Registrant as Specified in Its charter)

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

Seitel, Inc.

10811 South Westview Circle Drive

Suite 100, Building C

Houston, Texas 77043

(713) 881-8900

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

Randall D. Stilley

President and Chief Executive Officer

Seitel, Inc.

10811 South Westview Circle Drive

Suite 100, Building C

Houston, Texas 77043

(713) 881-8900

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

Copy to:

Clifford E. Neimeth, Esq.

Charles P. Axelrod, Esq.

Anthony J. Marsico, Esq.

Greenberg Traurig, LLP

The MetLife Building

200 Park Avenue

New York, New York 10166

(212) 801-9200

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

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, $0.01 par value per share	125,000,000(1)	$ 0.60(2)	$ 75,000,000.00(2)	$ 9,502.50
Stockholder Warrants	25,375,683(3)			(4)
Total				$ 9,502.50(5)

(1) Represents the maximum number of shares of common stock, $0.01 par value (Reorganized Common Stock), of Seitel, Inc., a Delaware corporation (the Registrant), offered and sold from the combination of (x) the exercise of warrants (the Stockholder Warrants) issued to the Registrant s stockholders on the

effective date of the Registrant s Third Amended Joint Plan of Reorganization (the Plan of Reorganization) under chapter 11 of the United States Bankruptcy Code and (y) to the extent the Stockholder Warrants are not exercised, in full, before they expire on the 30th day after the effective date of the Plan of Reorganization, all shares of Reorganized Common Stock sold to Mellon HBV Alternative Strategies LLC (Mellon HBV), in its capacity as standby purchaser, which are not sold by the Registrant upon the exercise of the Stockholder Warrants. In all cases, the aggregate number of shares of Reorganized Common Stock included in this Registration Statement will not exceed 125,000,000.

(2) Pursuant to Rule 457(g) under the Securities Act of 1933, as amended (the Securities Act), the maximum offering price per share and the maximum aggregate offering price are based on the per share exercise price of the Stockholder Warrants and the per share price at which shares of Reorganized Common Stock, if any, will be sold to Mellon HBV standby purchasers.

(3) Represents the maximum number of Stockholder Warrants to be issued to the Registrant s stockholders on the effective date of the Plan of Reorganization.

(4) Pursuant to Rule 457(g) under the Securities Act, no separate registration fee is required with respect to the Stockholder Warrants, as they are being registered on the same registration statement as the shares of Reorganized Common Stock issuable upon exercise thereof.

(5) The registration fee was paid in connection with the original filing of this registration statement on March 10, 2004.

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

Table of Contents

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

SUBJECT TO COMPLETION, DATED JUNE 9, 2004

PROSPECTUS

25,375,683 Warrants

to Purchase Common Stock

125,000,000 Shares of Common Stock

This prospectus relates to the offer and sale of 25,375,683 stockholder warrants to purchase shares of our reorganized common stock. This prospectus also relates to the offer and sale of an aggregate of 125,000,000 shares of our reorganized common stock issuable upon the exercise of the stockholder warrants and, to the extent the stockholder warrants are not exercised, in full, before they expire on July [ ], 2004, our sale to Mellon HBV Alternative Strategies LLC of shares of our reorganized common stock as described below. The stockholder warrants will be issued by us on the effective date of and as required by our plan of reorganization under chapter 11 of the U.S. bankruptcy code to holders of record of our common stock as of June [ ], 2004. Each stockholder warrant will represent the right to purchase 4.926 shares of our reorganized common stock, at an exercise price of 60 cents per share. The stockholder warrants will be exercisable for only 30 days and will expire at 5:00 p.m., New York City time, on July [ ], 2004. If the stockholder warrants are exercised in full, we will receive $75 million in cash, before deducting expenses of this offering payable by us which are estimated to be approximately $2.9 million.

Mellon HBV, for itself and on behalf of certain of its affiliated funds and managed accounts, has agreed to act as a standby purchaser and in that capacity to purchase directly from us, after the stockholder warrants expire on July [ ], 2004 but on or prior to July 27, 2004, at 60 cents per share, all shares of our reorganized common stock not sold by us upon the exercise of the stockholder warrants. Accordingly, even if the stockholder warrants are not exercised in full before they expire, we are assured to receive $75 million in cash proceeds, before deducting the expenses of this offering.

In all cases, the maximum number of shares of our reorganized common stock offered by this prospectus will not exceed 125,000,000. The entire net proceeds from the sale of our reorganized common stock offered by this prospectus will be used to partially fund the payment of allowed creditors claims required under our plan of reorganization. See Use of Proceeds.

We do not intend at this time to apply to list either our reorganized common stock or the stockholder warrants on any national securities exchange or U.S. inter-dealer quotation system. The stockholder warrants will be transferable until they expire on July [ ], 2004. We will cooperate with any registered broker-dealer if they seek to initiate price quotations for our reorganized common stock and/or stockholder warrants on the OTC Bulletin Board. Our common stock currently is quoted on the OTC Bulletin Board under the symbol SEIEQ . On June 8, 2004, the closing bid price of our common stock on the OTC Bulletin Board was $4.75 per share.

Investing in our reorganized common stock involves considerable risks. See Risk Factors, beginning on page 12, to read about the factors you should consider carefully prior to making any decision to invest in our reorganized common stock.

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

The date of this prospectus is June , 2004.

Table of Contents

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

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

TABLE OF CONTENTS

Table of Contents

QUESTIONS AND ANSWERS ABOUT THIS OFFERING

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

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

A. No. On March 18, 2004, our plan of reorganization was confirmed by the bankruptcy court, and on June [ ], 2004 it will become effective. Our plan of reorganization provides for an interdependent sequence of corporate and securities transactions, including this offering. See The Plan of Reorganization at page 30.

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

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

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

A. You will receive one Stockholder Warrant for each share of our common stock that you owned on June [ ], 2004. When issued, each Stockholder Warrant will entitle you to purchase 4.926 shares of reorganized common stock at 60 cents per share. If you exercise all of your Stockholder Warrants, you will retain the same percentage equity ownership you had in our company immediately prior to the effective date of our plan of reorganization. Please see Summary at page 1, Description of Stockholder Warrants at page 23, The Plan of Reorganization at page 30 and Dilution at page 48.

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

A. 60 cents per share.

5. Q. When will my Stockholder Warrants expire?

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

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

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

Warrants, or any combination thereof. If you exercise some, but not all, of your Stockholder Warrants, your percentage ownership of our reorganized common stock will be diluted directly in proportion to the extent you do not exercise your Stockholder Warrants in full. Accordingly, for you to retain the equity percentage you owned in our company immediately prior to the effective date of our plan of reorganization, you must exercise all of your Stockholder Warrants. See The Standby Purchase Guaranty at page 28 and Dilution at page 48.

Table of Contents

7. Q. Will my percentage ownership of reorganized common stock be diluted by any other known issuance of reorganized common stock?

A. Your percentage ownership of reorganized common stock will be further diluted if the standby purchasers elect to exercise certain warrants (which constitute an entirely separate class of securities from and are unrelated to the Stockholder Warrants covered by this prospectus) to purchase up to 15,037,568 shares of reorganized common stock, which will be issued to them by us as compensation for their standby purchase obligation. We have also been authorized to issue up to 8,270,662 shares of reorganized common stock, representing approximately 5% of the reorganized common stock on a fully diluted basis, in accordance with our 2004 omnibus stock option plan.

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

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

If, on the effective date of the Plan, trading in reorganized common stock is initiated on the OTC Bulletin Board, it is expected that such trading will be on a when-issued basis and will continue on that basis until such time as a sufficient number of shares of reorganized common stock has been issued. Certificates for shares of reorganized common stock will be issued as and when certificates representing old shares are properly surrendered to our transfer agent. If, on the effective date of the Plan, trading in the Stockholder Warrants is initiated on the OTC Bulletin Board, we expect that such trading will be on a regular-way basis in accordance with normal settlement procedures.

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

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

American Stock Transfer & Trust Company

59 Maiden Lane

New York, New York 10038

Telephone: (718) 921-8200

Attention: Shareholders Services Department

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

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

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

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

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

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

Table of Contents

If your Stockholder Warrants are not registered in your name, but instead are held in the name of your broker or other custodian, a transfer can be made upon receipt by the Warrant Agent of written instructions or other form of instructions from your broker or other custodian who is the registered holder of such Stockholder Warrants. See How You May Transfer or Exchange Your Stockholder Warrants at page 25.

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

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

your Stockholder Warrant certificate,

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

payment by cash, certified check, official bank check or wire transfer of the aggregate exercise price for the number of shares of reorganized common stock for which your warrants are exercised. See Description of Stockholder Warrants at page 23.

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

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

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

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

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

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

17. Q. Is participation in this offering recommended?

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

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

A. Because this offering is fully guaranteed, we will receive proceeds of $75 million before the deduction of certain expenses of this offering payable by us. We will use all of the net proceeds of this offering to partially fund payments of allowed creditors claims required under our plan of reorganization.

Table of Contents

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

A. Yes. Please see Risk Factors, beginning on page 12, to read about the important factors you should consider carefully prior to making any decision to invest in our reorganized common stock.

Table of Contents

SUMMARY

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

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

The phrase Reorganized Seitel as used in this prospectus refers to Seitel, Inc. and its consolidated subsidiaries, on and after the effective date of its Third Amended Joint Plan of Reorganization, confirmed by order of the U.S. bankruptcy court on March 18, 2004 (the Plan), and Seitel refers to Seitel, Inc. and its consolidated subsidiaries prior to the effective date of the Plan. One of the conditions precedent to the effectiveness of the Plan is that the registration statement, of which this prospectus is a part, be declared effective by the SEC.

As used throughout this prospectus, the Guaranty Performance Date presently is anticipated to occur on July 27, 2004, and the effective date of the Plan presently is anticipated to occur on or about June 24, 2004. Certain financial data and capitalization information in this prospectus give effect to the payment on July 27, 2004 of allowed creditors claims required under the Plan.

The unaudited pro forma consolidated financial data contained in this prospectus have been prepared to give effect to the Plan and related financings, and the application of the net proceeds therefrom, as if these transactions were consummated on March 31, 2004 in the case of the unaudited pro forma consolidated balance sheet, and on January 1, 2003 in the case of the unaudited pro forma consolidated income statements.

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

Our Company

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

We believe that our library of onshore seismic data is one of the largest available for licensing in the United States and Canada. We also have ownership in a library of offshore data covering parts of the U.S. Gulf of Mexico shelf and certain deep water areas in the western and central U.S. Gulf of Mexico. We regularly add to the size of our seismic data library by conducting new seismic data creation programs funded (or

underwritten) substantially by our customers in exchange for a license granting exclusive access to newly acquired data for a limited period of time. We also acquire entire seismic libraries from oil and gas companies which have discontinued their exploration and production focus in a particular geographical area and no longer require

Table of Contents

ownership of the library or which have determined to sell their library for financial purposes. These acquisitions are sometimes funded with cash, but typically are structured as non-monetary exchanges of seismic data, whereby we acquire ownership of existing data from customers in exchange for an assignment of a non-exclusive license to use data from our library. We also create new value-added products by applying advanced seismic data processing or other quantitative analytical techniques to selected portions of our library.

Our seismic data library includes both onshore and offshore three-dimensional (3D) and two-dimensional (2D) data and offshore multi-component data. We have ownership in approximately 32,000 square miles of 3D and approximately 1.1 million linear miles of 2D seismic data concentrated primarily in the major North American oil and gas producing regions. The 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. We conduct our seismic data creation and licensing business through two wholly owned subsidiaries, Seitel Data, Ltd. in the United States and Olympic Seismic Ltd. in Canada.

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

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

Our Plan of Reorganization

On January 17, 2004, we filed the Plan with the U.S. bankruptcy court with the support of the Official Committee of Equity Holders of Seitel, Inc. (the Official Equity Committee), Berkshire Hathaway Inc. and Ranch Capital L.L.C., the holders of approximately $255 million aggregate principal amount of our senior unsecured notes and Seitel s largest creditors. The Official Equity Committee was appointed by the U.S. trustee on August 11, 2003 to represent and protect the economic and other interests of our common stockholders in connection with the negotiation and formulation of the Plan. The members of the Official Equity Committee are Tanaka Capital, Bruce Galloway IRA, Charles Mouquin and Weber Systems, Inc. Charles Mouquin has been designated by the Official Equity Committee as a director of Reorganized Seitel commencing on the effective date of the Plan. There are no other affiliations between us and the members of the Official Equity Committee.

The Plan was confirmed by the bankruptcy court on March 18, 2004. The Plan provides that as of the effective date thereof:

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

25,375,683 shares of our reorganized common stock, representing all of our outstanding shares of reorganized common stock on the effective date of the Plan, and

Table of Contents

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

net proceeds from our private placement of our new senior notes due 2012 will be placed in escrow, together with additional cash sufficient to effect a special mandatory redemption of the new senior notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of special mandatory redemption, pending the release from escrow of such funds on the Guaranty Performance Date (see Description of Indebtedness of Reorganized Seitel New Senior Notes),

a revolving loan commitment of $30 million, subject to borrowing base limitations, under our new revolving credit facility with Wells Fargo Foothill, Inc. (WFF) will be made available to us for borrowing (see Description of Indebtedness of Reorganized Seitel The New Revolving Credit Facility),

we must have on hand cash and cash equivalents of not less than $35 million available to pay allowed creditors claims required under the Plan, to the extent necessary, and

the registration statement, of which this prospectus is a part, must be declared effective by the SEC.

Plan Funding

The Plan provides that on the Guaranty Performance Date, all of our outstanding allowed pre-petition claims will be fully paid, in cash, together with post-petition (non-default rate) interest thereon, except for disputed claims and claims that are reinstated under the Plan. Total payments to creditors required, and administrative expenses anticipated, to be paid under the Plan on the Guaranty Performance Date are expected to aggregate approximately $304.9 million. See The Plan of Reorganization Treatment of Pre-Petition Claims.

Payments to creditors under the Plan will be funded primarily utilizing the following:

net cash payments received by us upon exercise of the Stockholder Warrants prior to their expiration on July [ ], 2004,

to the extent the Stockholder Warrants are not exercised, in full, prior to their expiration, the net proceeds from the sale of shares of our reorganized common stock to the Standby Purchasers on the Guaranty Performance Date,

the net proceeds from our private placement of new senior notes, which, together with additional funds, will be deposited into escrow on the effective date of the Plan pending the release and use thereof on the Guaranty Performance Date as described herein under Description of Indebtedness of Reorganized Seitel New Senior Notes,

borrowings under our new revolving credit facility with WFF, and

cash and cash equivalents on hand.

On the effective date of the Plan, each holder of record of our common stock as of June [ ], 2004 will receive, in exchange for each share owned, one share of our reorganized common stock and one Stockholder Warrant to purchase 4.926 shares of our reorganized common stock, at an exercise price of 60 cents per share. If exercised, in full, the number of Stockholder Warrants which each stockholder will receive will enable it to retain the same percentage ownership in our company that it owned immediately prior to the effective date of the Plan, subject to dilution as described in the section titled Dilution at page 48. The Stockholder Warrants will be

Table of Contents

exercisable until 5:00 p.m., New York City time, on July [ ], 2004. If the Stockholder Warrants are exercised in full, we will receive $75 million in cash, before deducting the expenses of this offering payable by us (presently estimated to be approximately $2.9 million). The entire net proceeds therefrom will be used to partially fund payments of allowed creditors claims required under the Plan. **Please note that if you do not exercise your Stockholder Warrants in full you will experience substantial dilution in your percentage equity ownership of Reorganized Seitel. Please see Dilution at page 48 for a detailed discussion.**

To ensure that we receive gross cash proceeds of $75 million if the Stockholder Warrants are not exercised in full prior to their expiration, Mellon HBV Alternative Strategies LLC (Mellon HBV), which currently beneficially owns approximately 9.28% of our outstanding shares of common stock, has agreed (collectively for itself and on behalf of certain of its affiliated funds and managed accounts, the Standby Purchasers) to purchase, at 60 cents per share, after the Stockholder Warrants have expired on July [ ], 2004 but in no event later than July 27, 2004 (the Guaranty Performance Date), all shares of reorganized common stock not purchased upon the exercise of the Stockholder Warrants. All of the securities of our company that the Standby Purchasers will receive under the terms of the Plan will be subject to restrictions on transfer under the Securities Act. Accordingly, such securities may only be transferred or sold by the Standby Purchasers pursuant to an effective registration statement under the Securities Act or in a transaction exempt from the registration requirements of the Securities Act. None of such securities can be resold by the Standby Purchasers by means or use of this prospectus. We have provided the Standby Purchasers with certain registration rights to enable the Standby Purchasers to transfer and sell their securities after the Guaranty Performance Date.

As compensation for their obligation to act as Standby Purchasers, we will issue to them on the Guaranty Performance Date warrants to purchase 15,037,568 shares (or, on a fully diluted basis, 9.10%) of our reorganized common stock (the Standby Purchaser Warrants). The Standby Purchaser Warrants will be exercisable until the seventh anniversary of the Guaranty Performance Date at an initial exercise price of 72 cents per share, subject to adjustment upon the occurrence of certain events.

As further assurance that we will have available for disbursement to creditors on the Guaranty Performance Date as required under the Plan not less than $75 million of gross cash proceeds (before deducting the expenses of this offering payable by us, which presently are estimated to be approximately $2.9 million), Mellon HBV has agreed to obtain as account beneficiary, but at our expense, not later than the third business day after the effective date of the Plan, an irrevocable standby letter of credit to secure the Standby Purchasers obligations. See The Standby Purchase Guaranty.

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

Please see Description of Indebtedness of Reorganized Seitel The New Revolving Credit Facility and New Senior Notes for a discussion of our new revolving credit facility with WFF and our private placement of new senior notes due 2012 and the terms thereof.

Other Information

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

4

Table of Contents

The Offering

Issuer	Seitel, Inc.
Shares of common stock outstanding prior to this offering and to be cancelled on the effective date of the Plan	25,375,683 shares
Shares of reorganized common stock to be issued on the effective date of the Plan	25,375,683 shares
Stockholder Warrants to be issued pursuant to this prospectus	25,375,683 Stockholder Warrants
Shares of reorganized common stock offered through this prospectus	125,000,000 shares(1)
Shares of reorganized common stock to be outstanding upon completion of this offering	150,375,683 shares(2)
Use of proceeds	We will receive for disbursement to Seitel s creditors under the Plan $75 million, before deducting our expenses of this offering, which are estimated to be approximately $2.9 million. As described in Use of Proceeds , we will use the entire net proceeds of this offering to partially fund payments to creditors under the Plan.
Transfer Agent and Warrant Agent	American Stock Transfer & Trust Company

(1) Represents the maximum number of shares of reorganized common stock to be offered and sold by us from the combination of (x) the exercise of the Stockholder Warrants and (y) to the extent the Stockholder Warrants are not exercised, in full, before they expire on July [ ], 2004, our sale to the Standby Purchasers on the Guaranty Performance Date of all shares of our reorganized common stock not sold upon such exercise.

(2) Includes: (1) 25,375,683 shares of reorganized common stock to be issued on the effective date of the Plan and (2) 125,000,000 shares of reorganized common stock offered by this prospectus. Does not include: (1) up to 15,037,568 shares of reorganized common stock underlying the Standby Purchaser Warrants to be issued to the Standby Purchasers on the Guaranty Performance Date as compensation for their standby purchase obligation, and (2) up to 8,270,662 shares of reorganized common stock, representing approximately 5% of our reorganized common stock, on a fully diluted basis, reserved for issuance under our new 2004 omnibus stock option plan.

Prior to making a decision about investing in our reorganized common stock, you should carefully consider the specific risks contained in the Risk Factors section, beginning on page 12 of this prospectus, together with all of the other information contained in this prospectus or appearing in the registration statement of which this prospectus is a part.

Table of Contents

Summary Historical and Pro Forma Consolidated Financial Data

The following is a summary of our historical consolidated financial data as of and for each of our fiscal years ended December 31, 2001, 2002 and 2003, and as of and for the three months ended March 31, 2003 and 2004. The following also sets forth unaudited summary pro forma consolidated financial data illustrating the estimated effects of the Plan and related financings and the application of the proceeds thereof as if they had occurred on March 31, 2004, in the case of the unaudited pro forma consolidated balance sheet and January 1, 2003, in the case of the unaudited pro forma consolidated income statements.

Our consolidated balance sheets after March 31, 2004, and our consolidated statements of operations for the periods after March 31, 2004, will not be comparable to our historical consolidated financial statements published before the effective date of the Plan and included elsewhere in this prospectus. Among other things, our consolidated statement of operations for future periods will include numerous adjustments required by the Plan, including reductions in interest expense and substantially less professional expenses related to our reorganization proceedings.

The consolidated balance sheet data and the consolidated statement of operations data presented below as of December 31, 2001, 2002 and 2003, and for each of the years in the three-year period ended December 31, 2003, have been derived from our consolidated financial statements, which have been audited by Ernst & Young LLP, independent auditors. The auditors report issued by Ernst & Young LLP with respect to their audit of our financial statements for the years ended December 31, 2003 and 2002 included an explanatory paragraph relating to our ability to continue as a going concern. The consolidated balance sheet data and the consolidated statement of operations data presented below as of and for the three-month periods ended March 31, 2003 and 2004, respectively, are unaudited. However, we believe that this information contains all adjustments, consisting only of normal recurring adjustments, which are necessary to present fairly our consolidated financial position and results of operations for those periods. The consolidated balance sheet data as of March 31, 2004, and the consolidated statement of operations data presented for the three-month period ended March 31, 2004, are not necessarily indicative of the results that may be expected for the fiscal year. Certain reclassifications have been made to the amounts in the prior years financial statements to conform to the current year s presentation.

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

Table of Contents

	Year Ended December 31,			Three Months Ended March 31,	
	2001	2002	2003	2003	2004
				(unaudited)	(unaudited)
Statement of Operations Data:					
(In thousands)					
Revenue	$ 115,238	$ 149,795	$ 131,465	$ 30,324	$ 41,264
Expenses and Costs:					
Depreciation and amortization	49,448	129,856	82,638	18,075	24,083
Cost of sales	1,196	928	815	154	74
Selling, general and administrative	34,805	71,732	29,678	8,893	8,539
Impairment of seismic data library		82,964	29,959		
	85,449	285,480	143,090	27,122	32,696
Income (loss) from operations	29,789	(135,685)	(11,625)	3,202	8,568
Interest expense, net	(13,461)	(20,856)	(19,950)	(5,078)	(4,948)
Loss on sale of marketable securities		(332)			
Gain on extinguishment of liabilities			681		
Reorganization items			(5,984)		(4,147)
Income (loss) from continuing operations before income taxes and cumulative effect of change in accounting principle	16,328	(156,873)	(36,878)	(1,876)	(527)
Provision (benefit) for income taxes	6,748	(18,304)	2,199	35	706
Income (loss) from continuing operations before cumulative effect of change in accounting principle	9,580	(138,569)	(39,077)	(1,911)	(1,233)
Income (loss) from discontinued operations, net of tax	(24,573)	(62,709)	1,139	(237)	35
Cumulative effect of change in accounting principle, net of tax		(11,162)			
Net loss (1)	$ (14,993)	$ (212,440)	$ (37,938)	$ (2,148)	$ (1,198)
Earnings (loss) per share:					
Basic:					
Income (loss) from continuing operations	$ .38	$ (5.48)	$ (1.54)	$ (.07)	$ (.05)
Income (loss) from discontinued operations	(.98)	(2.48)	.04	(.01)	
Cumulative effect of accounting change		(.44)			
Net loss	$ (.60)	$ (8.40)	$ (1.50)	$ (.08)	$ (.05)
Diluted:					
Income (loss) from continuing operations	$ .37	$ (5.48)	$ (1.54)	$ (.07)	$ (.05)
Income (loss) from discontinued operations	(.95)	(2.48)	.04	(.01)	
Cumulative effect of accounting change		(.44)			
Net loss	$ (.58)	$ (8.40)	$ (1.50)	$ (.08)	$ (.05)
Weighted average shares (in thousands):					
Basic	24,986	25,300	25,376	25,376	25,376
Diluted	25,692	25,300	25,376	25,376	25,376

7

Table of Contents

	Year Ended December 31,			Three Months Ended March 31,	
	2001	2002	2003	2003	2004
				(unaudited)	(unaudited)
Other Financial Data:					
(In thousands)					
Cash Operating Income(2)(3)	$ 63,842	$ 19,968	$ 89,536	$ 18,909	$ 28,153
EBITDA(3)	79,237	76,803	95,669	21,277	28,504
Cash flows provided by operating activities of continuing operations	30,767	21,716	80,314	12,366	29,538
Cash flows used in investing activities of continuing operations(4)	(79,565)	(49,358)	(48,668)	(11,488)	(25,955)
Cash flows provided by (used in) financing activities of continuing operations	61,255	(2,630)	(5,646)	(2,166)	(708)
Financial Ratios:					
Cash Operating Income(2)/Interest Expense, net	4.7	1.0	4.5	3.7	5.7
EBITDA(3)/Interest Expense, net	5.9	3.7	4.8	4.2	5.8
Net Debt(5)/Cash Operating Income(2)	3.8	12.5	2.5	na	na
Net Debt(5)/EBITDA(3)	3.1	3.3	2.3	na	na
Net Debt(5)/Total Net Book Capitalization	50.0%	87.1%	98.4%	87.4%	99.1%

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

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

Table of Contents

	As of December 31,			As of March 31,	
	2001	2002	2003	2003	2004
				(unaudited)	(unaudited)
Balance Sheet Data:					
(In thousands)					
Cash and cash equivalents	$ 25,223	$ 21,517	$ 44,362	$ 18,769	$ 48,588
Seismic data library, net	455,845	284,396	247,541	286,552	253,874
Total assets	661,469	398,136	367,089	392,325	373,115
Total debt(6)	268,350	272,061	267,434	270,102	267,122
Stockholders equity	243,587	37,036	3,722	36,221	2,041
Book value per common share outstanding	$9.71	$1.46	$.15	$1.43	$.08
Common shares outstanding	25,075	25,376	25,376	25,376	25,376

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

(2) Cash operating income is defined as cash revenue (derived primarily from seismic data acquisition revenue, cash library licensing revenue, and Solutions revenue) less cost of sales and SG&A. Cash operating income is a non-GAAP financial measure which should not be construed as an alternative to operating income (loss) (as determined in accordance with U.S. generally accepted accounting principles (GAAP)) as an indication of our operating performance, or to cash flows from operating activities (as determined in accordance with GAAP) as a measure of liquidity. Included in cash operating income are a number of special items that are not necessarily indicative of our core operations or our future prospects, and impact comparability between years. Cash operating income for the year ended December 31, 2001 included $1.3 million for charges related to former executives. Cash operating income for the year ended December 31, 2002 included $28.5 million of costs and expenses related to our restructuring efforts, various litigation, severance costs, the acceleration of certain lease obligations, allowances for doubtful accounts and certain other accruals. Cash operating income for the year ended December 31, 2003 included $5.5 million of costs and expenses related to our restructuring efforts, bankruptcy proceedings and various litigation, net of reduction in litigation accruals. Cash operating income for the three months ended March 31, 2003 included $2.8 million of costs and expenses related to our restructuring efforts and various litigation. Cash operating income for the three months ended March 31, 2004 included $0.7 million of costs and expenses related to various litigation and severance costs. We believe that cash operating income is a useful measure in evaluating our performance because of our revenue recognition policies. We believe that, in addition to operating income, cash flows from operating activities and EBITDA, cash operating income is a useful financial performance measurement reflecting our ability to incur and service debt and to fund capital expenditures.

(3) EBITDA is defined as earnings from continuing operations before income taxes (benefit), interest expense, net, impairment of seismic data, and depreciation and amortization. EBITDA is a non-GAAP financial measure, which should not be construed as an alternative to operating income (loss) (as determined in accordance with GAAP) as an indicator of our operating performance or to cash flows from operating activities (as determined in accordance with GAAP) as a measure of liquidity. Our method of calculating EBITDA may differ from methods used by other companies and, as a result, EBITDA measures disclosed herein might not be comparable to other similarly titled measures used by other companies. Included in earnings and EBITDA are a number of special items that are not necessarily indicative of our core operations or our future prospects, and impact comparability between years. EBITDA for the year ended December 31, 2001 included $1.3 million for charges related to former executives. EBITDA for the year ended December 31, 2002 included $28.5 million of costs and expenses related to our restructuring efforts, various litigation, severance costs, the acceleration of certain lease obligations, allowances for doubtful accounts and certain other accruals. EBITDA for the year ended December 31, 2003 included $11.5 million of costs and expenses related to our restructuring efforts, bankruptcy proceedings and various litigation, net of reduction in litigation accruals. EBITDA for the three months ended March 31, 2003 included $2.8 million of costs and expenses related to our restructuring efforts and various litigation. EBITDA for the three months ended March 31, 2004 included $4.8 million of costs and expenses related to our restructuring efforts, bankruptcy proceedings, various litigation and severance costs. We believe that, in addition to cash flow from operating activities and net earnings (loss), EBITDA is a useful financial performance measurement for assessing operating performance since it provides an additional basis to evaluate our ability to incur and service debt and to fund capital expenditures. To evaluate EBITDA, the components of EBITDA such as revenue and SG&A and the variability of such components over time also should be considered.

Table of Contents

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

	Year Ended December 31,			Three Months Ended March 31,	
	2001	2002	2003	2003	2004
				(unaudited)	(unaudited)
Cash operating income	$ 63,842	$ 19,968	$ 89,536	$ 18,909	$ 28,153
Add (subtract) other revenue components not included in cash operating income:					
Acquisition underwriting from non-monetary exchanges			624		1,812
Non-monetary exchanges	57,045	13,551	10,630	3,109	3,080
Deferral of revenue	(89,764)	(38,366)	(51,421)	(12,372)	(14,355)
Selections of data	48,114	81,982	51,603	11,631	13,961
Less:					
Loss on sale of marketable securities		(332)			
Gain on extinguishment of liabilities			681		
Reorganization items			(5,984)		(4,147)
EBITDA	79,237	76,803	95,669	21,277	28,504
Less:					
Interest expense, net	(13,461)	(20,856)	(19,950)	(5,078)	(4,948)
Taxes	(6,748)	18,304	(2,199)	(35)	(706)
Impairment of seismic data library		(82,964)	(29,959)		
Depreciation and amortization	(49,448)	(129,856)	(82,638)	(18,075)	(24,083)
Income (loss) from continuing operations before cumulative effect of change in accounting principle	$ 9,580	$ (138,569)	$ (39,077)	$ (1,911)	$ (1,233)

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

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

(6) Total debt includes capital lease obligations.

Table of Contents

	Pro Forma As of March 31, 2004
	(unaudited)
Balance Sheet Data:	
Cash and cash equivalents	$ 16,768
Seismic data library, net	253,874
Total assets	347,166
Total debt	196,705
Stockholders equity	70,612
Book Value per common share outstanding	$ 0.47
Common shares outstanding	150,376

	Pro Forma For the Year Ended December 31, 2003	Pro Forma For the Three Months Ended March 31, 2004
	(unaudited)	(unaudited)
Statement of Operations Data:		
Revenue	$ 131,465	$ 41,264
Income (loss) from operations	(11,625)	8,568
Loss from continuing operations	(39,560)	(1,371)
Basic and diluted loss from continuing operations per share	(0.26)	(0.01)
Weighted average number of common and common equivalent shares basic and diluted	150,376	150,376
Other Financial Data:		
Cash operating income	89,536	28,153
EBITDA	95,669	28,504
Financial Ratios:		
Cash Operating Income/Interest Expense, net	4.4	5.5
EBITDA/Interest Expense, net	4.7	5.6
Net Debt/Cash Operating Income	2.0	na
Net Debt/EBITDA	1.9	na
Net Debt/Total Net Book Capitalization	71.9%	71.8%

Table of Contents

RISK FACTORS

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

Risks Relating to this Offering

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

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

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

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

It may be difficult for holders of Stockholder Warrants to publicly trade their Stockholder Warrants during the 30-day period between the effective date of the Plan and July [ ], 2004, for holders of reorganized common stock to publicly trade reorganized common stock at any time after the date of this prospectus, or for such holders to obtain timely and accurate quotations with respect to such securities. Moreover, for such time as our reorganized common stock is not listed on a national securities exchange, included for quotation in a U.S. inter-dealer quotation system (e.g., NASDAQ), or listed on the OTC Bulletin Board, various institutional investors may be precluded, by reason of their internal investment policies, from purchasing our reorganized common stock for their portfolios. This, in turn, could adversely affect or preclude entirely

any buy side or sell side analysts coverage of our reorganized common stock.

Table of Contents

Our common stock currently is quoted on the OTC Bulletin Board and trades below $5.00 per share and therefore is considered a penny stock within the meaning of Rule 15g-9 under the Securities Exchange Act of 1934, as amended. If the reorganized common stock continues to trade at prices below $5.00 per share, it and the Stockholder Warrants also will be considered penny stock and the liquidity of the reorganized common stock and the Stockholder Warrants may be adversely affected.

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

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

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

The Stockholder Warrants will be exercisable until 5:00 p.m., New York City time, on July [ ], 2004, the 30th day after the effective date of the Plan. If, on the effective date of the Plan, trading in the Stockholder Warrants is initiated on the OTC Bulletin Board, we expect that such trading will be on a regular-way basis in accordance with normal settlement procedures. Accordingly, as with all securities, generally, trades effected in Stockholder Warrants will be required to be settled within three trading days after the trade date. A purchase and sale of Stockholder Warrants that is effected on July [ ], 2004, the 28th day after the the effective date of the Plan, would be required to be settled not later than July [ ], 2004, at which time the Stockholder Warrants will have expired. Therefore, if you purchase Stockholder Warrants on or after the 28th day next following the effective date of the Plan, you may actually receive such warrants after they have already expired and they will be of no value to you.

Table of Contents

Mellon HBV currently owns approximately 9.28% of our common stock and has agreed to purchase on the Guaranty Performance Date all shares of reorganized common stock not purchased upon the exercise of the Stockholder Warrants, which would enable it to materially influence the election of our directors and other major corporate decisions requiring the vote of our stockholders.

Mellon HBV and its affiliates have represented to us that they currently beneficially own 2,356,132 shares (or 9.28%) of our outstanding common stock. On the effective date of the Plan, Mellon HBV will receive 2,356,132 shares of our reorganized common stock and Stockholder Warrants to purchase 11,606,306 additional shares of our reorganized common stock, strictly in its capacity as a holder of record of our common stock as of June [ ], 2004. Further, if the Stockholder Warrants are not exercised in full before they expire, Mellon HBV, in its capacity as Standby Purchaser, has agreed to purchase on the Guaranty Performance Date all shares of reorganized common stock not purchased upon the exercise of the Stockholder Warrants which shares, together with all other shares of reorganized common stock it would then beneficially own, would represent in the aggregate a very substantial percentage of our outstanding reorganized common stock.

This potential substantial ownership of our reorganized common stock would enable Mellon HBV to significantly influence the election of our directors, with respect to which there will be cumulative voting, and other significant corporate decisions and transactions with respect to which our stockholders are entitled to vote. See The Standby Purchase Guaranty.

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

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

On the effective date of the Plan, we will enter into a registration rights agreement granting the Standby Purchasers certain demand and piggyback registration rights to enable them to resell without restriction under the Securities Act (1) all of the shares of reorganized common stock sold to them upon exercise of their Stockholder Warrants, and all shares of reorganized common stock issued to them under the Plan in their capacity as stockholders of our company as of June [ ], 2004, and (2) all shares of reorganized common stock purchased by them in their standby purchase capacity, if any, and all Standby Purchaser Warrants (and underlying shares of reorganized common stock) to be issued to them on the Guaranty Performance Date as compensation for their standby purchase obligation. As a result, a substantial number of shares of reorganized common stock may be eligible for sale in the public market following the completion of this offering. Even if few or none of the Stockholder Warrants are exercised before they expire, a substantial number of shares of reorganized common stock that would be purchased by the Standby Purchasers on the Guaranty Performance Date and upon exercise of the Standby Purchaser Warrants would be eligible for sale in the public market by the Standby Purchasers to the extent they exercise their demand or piggyback registration rights.

Table of Contents

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

Some of the provisions of Reorganized Seitel s amended and restated certificate of incorporation and amended and restated bylaws, which will become effective on the effective date of the Plan, may have the effect of maintaining in office the directors who are members of our board on the effective date of the Plan. Such provisions may make it more difficult and time consuming for stockholders or third parties to influence the management, policies or affairs of Reorganized Seitel, and may discourage, delay or prevent a transaction involving a change-in-control of Reorganized Seitel offering a premium over the current market price of our reorganized common stock. These provisions could also discourage proxy contests and make it more difficult for Reorganized Seitel s stockholders to elect new or replacement directors and to cause Reorganized Seitel to take extraordinary corporate actions.

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

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

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

Risks Relating to Us and Our Business

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

Seitel was the subject of a formal investigation by the SEC s Division of Enforcement. Seitel cooperated fully with the SEC during the course of its investigation, and reached a consensual resolution of the SEC s civil complaint resulting in its consent to a final judgment of permanent injunction (the SEC Injunction) being entered on June 16, 2003 in the United States District Court for the Southern District of Texas, Houston Division. The agreement for the entry of the SEC injunction was without admitting or denying the allegations in the SEC s complaint, which had alleged violations of the reporting, books and records, internal controls and proxy

15

statement provisions of the Exchange Act, and rules and regulations adopted under the Exchange Act. Seitel s chief executive officer and chief financial officer at the time of the events giving rise to the SEC s complaint have been replaced.

The SEC Injunction, by its terms, permanently restrains and enjoins us from, among other things: (1) filing with the SEC any annual report under the Exchange Act that contains any untrue statement of a material fact, which omits to state any material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, or that omits to disclose any information required to be disclosed, (2) failing to make and keep accurate books, records and accounts, (3) failing to devise and maintain an adequate system of internal accounting controls and procedures, or (4) soliciting any proxy or consent or authorization in respect of any security registered under Section 12 of the Exchange Act in contravention of the SEC s proxy rules, or making any solicitation by means of any proxy statement, form of proxy, notice of meeting or other communication subject to the SEC s proxy rules which, at the time and in the light of the circumstances under which it is made, is false or misleading with respect to any material fact, or which omits to state any material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

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

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

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

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

We will have a significant amount of leverage resulting from new indebtedness incurred in the financing and other transactions contemplated by and required under the Plan, indebtedness of our Canadian subsidiaries, and other indebtedness in respect of certain capital lease obligations.

On the effective date of the Plan, we will have completed our private placement of new senior notes due 2012. Subject to the escrow arrangements and special mandatory redemption event described elsewhere in this prospectus, these proceeds will be used to partially fund on the Guaranty Performance Date payments of allowed creditors claims required under the Plan. On April 16, 2004, we entered into a new revolving credit facility with WFF pursuant to which a revolving loan commitment of $30 million, subject to borrowing base limitations, will be made available to us for borrowing on the effective date of the Plan and, if necessary, to fund on the Guaranty Performance Date payments of allowed creditors claims required under the Plan. Borrowings under the new revolving credit facility not used to fund such payments will be

used by us from time to time to fund our working

Table of Contents

capital requirements. Accordingly, while the principal amount of our indebtedness will be reduced after the Guaranty Performance Date, our annual interest expense will be higher than it was prior to the effective date of the Plan and our total annual debt service requirements will continue to be substantial and the funds required to satisfy these requirements, which will derive principally from our operating cash flows, will not be available for working capital or to make investments in the future growth and development of our business.

As of March 31, 2004, on a pro forma basis giving effect to our private placement of new senior notes and the application of the net proceeds therefrom as set forth in Use of Proceeds, we would have had approximately $194.0 million of total indebtedness, including $3.6 million of secured indebtedness, and our pro forma consolidated annual debt service requirements would have aggregated on such date approximately $21.1 million. In addition, as of such date and giving effect to such transactions, would have had approximately $30.0 million of additional secured borrowing availability under our new revolving credit facility. Subject to certain restrictions and limitations in the indenture and in our new revolving credit facility, we may incur additional indebtedness.

Our high level of indebtedness could have important effects on our future operations. For example, it could:

- require us to dedicate a substantial portion of our cash flow from operations to interest and principal payments on our indebtedness, thereby reducing the availability of our operating cash flows for other purposes, such as capital expenditures, funding seismic data acquisitions and working capital,
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate,
- increase our vulnerability to general adverse economic and industry conditions,
- place us at a disadvantage compared to our competitors that have less debt,
- expose us to fluctuations in the interest rate environment because the new revolving credit facility is at a variable rate of interest, and
- limit our ability to borrow additional funds.

Our ability to make required payments of principal of and interest on borrowings under our new revolving credit facility and in respect of the new senior notes, incur additional indebtedness, and comply with our various debt covenants, will depend primarily on our ability to generate substantial operating cash flows. We expect to obtain the funds necessary to pay our operating and other expenses and principal and interest on the new senior notes, borrowings under our new revolving credit facility and our other indebtedness, from our operating cash flows and, if required, from additional borrowings (to the extent available under our new revolving credit facility and otherwise subject to our borrowing base). Our ability to satisfy our payment obligations, therefore, depends substantially on our future operating and financial performance, which necessarily will be affected by and subject to industry, market, economic and other factors. 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.

If, for any reason, we did not have sufficient funds from operating cash flows, cash and cash equivalents on hand, and borrowings available under our new revolving credit facility to pay principal and interest, when due, on the new senior notes and on our other outstanding debt obligations (including borrowings under the new revolving credit facility), we would be required to seek to refinance all or a portion of our existing debt (including the new senior notes), sell assets or seek to borrow additional funds or raise additional equity capital. We cannot guarantee that we would be able to complete any of the aforementioned refinancing transactions on terms that are commercially reasonable or

otherwise acceptable to us, if at all. In addition, the terms of our existing or future agreements governing our indebtedness, including our new revolving credit facility and the indenture governing the new senior notes, presently restrict and in the future would additionally restrict us from implementing these measures and consummating these alternative financing transactions.

Table of Contents

Our new revolving credit facility contains covenants requiring us to achieve and maintain certain financial results, and restricts, among other things, the amount of our capital expenditures and our ability to borrow money, grant additional liens on our assets, make particular types of investments and restricted payments, sell our assets, and merge or consolidate. Additionally, the indenture governing the new senior notes will contain covenants that among other things, limit our ability to incur certain additional indebtedness, incur indebtedness that is subordinate to any other indebtedness unless such indebtedness is expressly subordinate to the notes and the guarantees, pay cash dividends or make other cash distributions on or repurchase or redeem for cash our capital stock, make certain investments, sell assets without using the net proceeds thereof as set forth in the indenture, grant and permit certain liens, enter into sale-leaseback transactions, enter into agreements affecting the ability of our restricted subsidiaries to pay dividends, enter into transactions with affiliates, merge, consolidate or sell all or substantially all of our assets, and grant security interests or liens on our assets. Borrowings under the new revolving credit facility will be secured by a first priority, perfected security interest in and lien on all of our U.S. tangible and intangible assets (other than the net proceeds from the sale of the new senior notes and certain additional funds while such funds are in the escrow account described under Description of Indebtedness of Reorganized Seitel New Senior Notes), and we will pledge to WFF all of the issued and outstanding capital stock of our U.S. subsidiaries. Any default in respect of these covenants could materially and adversely affect our ability to conduct our business in the ordinary course, enter into business transactions and impair our rights under our other commercial agreements.

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

Our internal controls for financial reporting and our disclosure controls and procedures may not prevent all possible errors that could occur. Internal controls for financial reporting and disclosure controls and procedures, no matter how well designed and operated can provide only reasonable, not absolute, assurance that the control system s objective will be met.

Evaluations are made by our chief executive officer and chief financial officer of our internal controls for financial reporting and our disclosure controls and procedures, which include 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 sought (and seek) to identify data errors, control problems and to confirm that appropriate corrective action, including process improvements, were being undertaken. This type of evaluation is conducted on a quarterly basis so that the conclusions concerning the effectiveness of our controls can be reported in our periodic reports. 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.

In connection with the post-December 31, 2003 audit procedures conducted by our auditors, we have identified, and our auditors have concurred, that a material weakness existed with our internal controls for financial reporting which arose from our Plan having been confirmed on March 18, 2004, thereby requiring the expensing of an item carried by us as a prepaid expense and reduction of certain disputed pre-bankruptcy petition claims which had a partial offsetting effect. We have accordingly amended our Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.

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 all possible future control issues within our company have been detected. These inherent limitations include the real

Table of Contents

world possibility that judgments in our decision-making can be faulty, and that isolated breakdowns can 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 could occur and not be detected.

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

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

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

Many of our customers consist of independent oil and gas companies and private prospect-generating companies that rely primarily on private equity capital to fund their exploration, production, development and field management activities. A significant downturn in the availability of private equity capital could have a material adverse impact on the ability of such companies to obtain funding necessary to purchase our seismic data which, in turn, could have a material adverse effect on our business.

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

We invest significant amounts of money in acquiring and processing new seismic data to add to our data library. A portion of these investments are funded by customer underwriters or sponsors, while the remainder is sought to be recovered through future data licensing fees. The amounts of underwriting and sponsorship and of these future data licensing fees are uncertain and depend on a variety of factors, including the market prices of oil and gas, customer demand for seismic data in our library, availability of similar data from competitors and governmental regulations affecting oil and gas exploration. We may not be able to recover all of the costs of or earn any return on such investments. In periods where sales do not meet original expectations, we may be required to record required amortization and/or impairment charges to reduce the carrying value of our data library, which charges may be material to operating results in any period. In addition, timing of the receipt of license fees can vary greatly from period to period. Technological or regulatory changes or other developments could also adversely affect the value of the data.

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

While we have seismic surveys in other areas, most of the seismic data in our library covers areas along the U.S. Gulf Coast, offshore in the U.S. Gulf of Mexico and in Canada. Because of this geographic concentration, our results of operations could be adversely affected by events relating

primarily to one of these regions even if conditions in the oil and gas industry worldwide were favorable.

Table of Contents

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

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

During 2003 and 2002, Seitel recorded impairment charges of $30.0 million and $83.0 million, respectively, related to several different components of our data library. Additional impairment charges may also be required in the future based on industry conditions and our results of operations.

Extensive governmental regulation of our business affects our daily operations.

Our operations are subject to a variety of federal, provincial, state, foreign and local laws and regulations, including environmental laws. We invest financial and managerial resources to comply with these laws and related permit requirements. Failure to timely obtain required permits may result in delays in acquiring new data for the data library or cause operating losses. Because these laws and our business may change from time to time, we cannot predict the future cost of complying with these laws, and expenditures to ensure our compliance could be material in the future. Modification of existing laws or regulations or adoption of new laws or regulations limiting exploration or production activities by oil and gas companies could adversely affect us by reducing the demand for our seismic data.

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

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

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

Our operating results may, in the future, vary in material respects from quarter to quarter. Factors that could cause variations include (1) timing of the receipt and commencement of contracts for data acquisition, (2) our customers budgetary cycles and their effect on the demand for geophysical activities, (3) seasonal factors and (4) the timing of sales and selections of significant geophysical data from our data library, which are not typically made in a linear or consistent pattern. Reduced actual or estimated future sales may result in a requirement to record impairment charges to reduce the carrying value of our data library. Such charges, if required, can be material to operating results in the periods in which they are recorded. For purposes of evaluating potential impairment losses, we estimate the future cash flows attributable to a library component by evaluating historical revenue trends, oil and gas prospectivity in particular regions, general economic conditions affecting our customer base,

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

Table of Contents

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

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

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

Our success depends upon attracting and retaining highly skilled geophysical professionals and other technical personnel. A failure to continue to attract and retain such individuals could adversely affect our ability to compete in the geophysical services industry. We may confront significant and potentially adverse competition for key personnel, particularly during periods of increased demand for geophysical services. Our success will also depend to a significant extent upon the abilities and efforts of members of our senior management, the loss of whom could adversely affect our business. Moreover, certain of our senior executive officers have a very limited history of working together and may not be able to develop an effective working relationship. Our president and chief executive officer and our chief financial officer were recently appointed in February 2004 and May 2004, respectively. The failure of our executive officers and management personnel to develop an effective or sustained working relationship could require us to incur additional expenses and devote substantial senior management time and resources to identify qualified replacement personnel.

On the effective date of the Plan, none of our executive officers will have an employment or other retention agreement with us, with the exception of our president and chief executive officer. We cannot be certain that our senior executives will continue to be employed by us for an indefinite period of time after consummation of the Plan 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.

On the effective date of the Plan, our amended and restated certificate of incorporation will provide for a classified board of directors consisting of three classes, with each class of directors serving a staggered term, the first term to expire at our 2005 annual meeting of stockholders.

On the effective date of the Plan, our board of directors will be composed of seven directors divided into three classes, with each class of directors serving a staggered, three-year term. The initial term of the three Class I directors will expire at the 2007 annual meeting of stockholders. The initial term of the three Class II directors will expire at the 2006 annual meeting of stockholders and the initial term of the one Class III director will expire at the 2005 annual meeting of stockholders. Accordingly, we will not hold an annual meeting of stockholders to elect a Class III director until 2005, when the term of the Class III director expires.

We have not independently verified or confirmed any market or industry data used in this prospectus.

Market data and other statistical information used throughout this prospectus are based on independent industry publications, government publications, reports by market research firms or other published independent sources. Some data are also based on our good faith estimates, which are derived from our review of internal surveys, as well as the independent sources listed above. Although we believe these sources are reliable, we have not independently verified the information or any of the data or analyses underlying such information and cannot guarantee its

accuracy and completeness in any respect.

Table of Contents

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION

This prospectus contains forward-looking statements. Statements contained in this prospectus about Reorganized Seitel s future outlook, prospects and plans, including those that express belief, expectation, estimates or intentions, as well as those that are not statements of historical fact, are forward looking. The words may, will, should, could, might, although there can be no assurance, expect, plan, anticipate, estimate, predict, potential or continue, the negative of such terms or other comparable and analogous or synonymous terminology are intended to identify forward-looking statements. Forward-looking statements represent our reasonable belief and are based on our current expectations and assumptions with respect to future events. While we believe our expectations and assumptions are reasonable, they involve risks and uncertainties beyond our control that could cause the actual results or outcome to differ materially from the expected results or outcome. Such factors include:

- our ability to abide by the terms of the SEC Injunction,
- the impact on our results of operations of the significant amount of debt we will have after the Guaranty Performance Date,
- the significant amount of debt service we will have going forward after the Guaranty Performance Date,
- any delay or inability to complete the transactions contemplated by the Plan,
- our ability to obtain and maintain normal terms with our vendors and service providers,
- our ability to maintain contracts that are critical to our operations,
- any significant change in the oil and gas industry or the economy generally,
- changes in the exploration budgets of our seismic data and related services customers,
- actual customer demand for our seismic data and related services,
- the timing and extent of changes in commodity prices for natural gas, crude oil and condensate and natural gas liquids and conditions in the capital markets and equity markets during the periods covered by the forward looking statements,
- our ability to obtain alternate debt or equity financing on satisfactory terms if internally generated funds are insufficient to fund our capital needs, and
- all of the factors in this prospectus appearing under the caption Risk Factors Risks Relating to Us and Our Business.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or any other reason. Also note that we provide a cautionary discussion of risks and uncertainties under Risk Factors, beginning on page 12 of this prospectus. All forward-looking statements attributable to Reorganized Seitel or any person acting on its behalf are expressly qualified in their

entirety by the cautionary statements contained or referred to in this prospectus. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus may not occur.

Table of Contents

DESCRIPTION OF STOCKHOLDER WARRANTS

Under the Plan, in addition to our issuance of shares of reorganized common stock, we will issue to stockholders of record as of June [ ], 2004, Stockholder Warrants exercisable for 125,000,000 shares of reorganized common stock. We will issue the Stockholder Warrants under a warrant agent agreement dated as of June 1, 2004 with American Stock Transfer & Trust Company, as Warrant Agent.

General. Each record holder of our common stock as of June [ ], 2004 will receive such number of Stockholder Warrants which, if exercised in full by such holder, will enable it to retain the same percentage equity ownership in our company immediately prior to the effective date of the Plan, subject to dilution resulting from the exercise of the Standby Purchaser Warrants, and the issuance of up to an additional 5% of our fully diluted shares of reorganized common stock reserved for issuance under our 2004 omnibus stock option plan. Each Stockholder Warrant, when issued, will represent the right to purchase 4.926 shares of reorganized common stock, at an exercise price of 60 cents per share. Each Stockholder Warrant will be exercisable at any time during the period commencing on the effective date of the Plan and ending at 5:00 p.m., New York City time, on July [ ], 2004. Each Stockholder Warrant that is not exercised before such time will become void and all rights of the holder in respect of such Stockholder Warrant will cease as of such date. **Please note that if you do not exercise your Stockholder Warrants in full you will experience substantial dilution in your percentage equity ownership of Reorganized Seitel. Please see Dilution at page 48 for a detailed discussion.**

The Stockholder Warrants will be issued in either global form or in definitive, certificated form representing individual warrants. The global warrant will represent such number of the outstanding Stockholder Warrants as specified in the global warrant and will provide that it will represent the aggregate amount of outstanding Stockholder Warrants from time to time endorsed on the global warrant and that the aggregate amount of outstanding Stockholder Warrants may from time to time be reduced or increased, as appropriate. Any such endorsement will be made by the Warrant Agent and The Depository Trust Company who will be acting as the depository. Upon request, a holder of Stockholder Warrants may receive from the depository and the Warrant Agent separate definitive warrants.

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

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

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

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

Table of Contents

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

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

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

Table of Contents

HOW YOU MAY TRANSFER OR EXCHANGE YOUR STOCKHOLDER WARRANTS

When definitive, certificated Stockholder Warrants are presented to the Warrant Agent with a request to register the transfer of the definitive Stockholder Warrant or to exchange the definitive Stockholder Warrant for an equal number of definitive Stockholder Warrants of other denominations, the Warrant Agent will register the transfer or make the changes requested, provided that the definitive Stockholder Warrants presented or surrendered for registration or transfer or exchange are duly endorsed or accompanied by a written instruction of transfer form satisfactory to the Warrant Agent, duly executed by the holder.

The transfer and exchange of global Stockholder Warrants or beneficial positions in such warrants will be effected through the depository as follows:

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

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

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

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

American Stock Transfer & Trust Company

59 Maiden Lane

New York, New York 10038

Telephone: (718) 921-8200

Attention: Exchange Department

25

Table of Contents

U.S. FEDERAL INCOME TAX CONSIDERATIONS

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

The information in this section is based on the Internal Revenue Code of 1986, as amended (the Internal Revenue Code), regulations of the Treasury Department in effect on the date hereof, current administrative interpretations and positions of the Internal Revenue Service and existing court decisions. It is possible that future legislation, regulations, administrative interpretations and court decisions could significantly change, perhaps retroactively, the law on which the following discussion is based. Even if there is no change in applicable law, the statements set forth in this discussion could still be challenged by the Internal Revenue Service or will be sustained by a court if so challenged.

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

Tax Considerations for Holders of Stockholder Warrants

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

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

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

Expiration/Lapse. In the case of a Stockholder Warrant received in a nontaxable recapitalization, if such Stockholder Warrant expires without being exercised, you would recognize a loss equal to your tax basis in the Stockholder Warrant. In the case of a Stockholder Warrant received in a nontaxable distribution under Section 305 of the Internal Revenue Code, if such Stockholder Warrant expires without being exercised, you

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

Table of Contents

Information Reporting and Backup Withholding

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

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

OUR FINANCIAL ADVISOR

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

Table of Contents

THE STANDBY PURCHASE GUARANTY

To ensure that we receive gross cash proceeds of $75 million if the Stockholder Warrants are not exercised in full prior to their expiration, the Standby Purchasers will purchase on the Guaranty Performance Date, at 60 cents per share, all shares of reorganized common stock not purchased upon the exercise of the Stockholder Warrants. All of the securities of our company that the Standby Purchasers will receive under the terms of the Plan will be subject to restrictions on transfer under the Securities Act. Accordingly, such securities may only be transferred or sold by the Standby Purchasers pursuant to an effective registration statement under the Securities Act or in a transaction exempt from the registration requirements of the Securities Act. None of such securities can be resold by the Standby Purchasers by means or use of this prospectus. We have provided the Standby Purchasers with certain registration rights to enable the Standby Purchasers to transfer and sell their securities after the Guaranty Performance Date. See Registration Rights below.

As compensation for their obligation to act as Standby Purchasers, we will issue to them on the Guaranty Performance Date Standby Purchaser Warrants to purchase 15,037,568 shares (or, on a fully diluted basis, 9.10%) of our reorganized common stock. The Standby Purchaser Warrants will be exercisable until the seventh anniversary of the Guaranty Performance Date at an initial exercise price of 72 cents per share, subject to adjustment upon the occurrence of certain events.

As further assurance that we will have available for disbursement to creditors on the Guaranty Performance Date as required under the Plan not less than $75 million of gross cash proceeds (before deducting the expenses of this offering payable by us, which presently are estimated to be approximately $2.9 million), Mellon HBV has agreed to obtain as account beneficiary, but at our expense, not later than the third business day after the effective date of the Plan, an irrevocable standby letter of credit to secure the Standby Purchasers obligations.

The following table sets forth the names of each Standby Purchaser, its percentage of the total standby purchase obligation, the maximum dollar amount of its individual obligation, the maximum number of shares of reorganized common stock it would be required to purchase thereunder (assuming none of the Stockholder Warrants are exercised) and the number of Standby Purchaser Warrants it will receive.

Standby Purchaser(1)	Percentage of Total Standby Purchase Obligation	Maximum Dollar Amount of Standby Purchase Obligation	Maximum Shares to be Purchased under Standby Purchase Agreement	Number of Standby Purchaser Warrants to be Received
Mellon HBV Master Multi-Strategy Fund L.P.	74.9589%	$ 56,219,219	93,698,698	11,272,004
Mellon HBV Master Rediscovered Opportunities Fund L.P.	7.8269%	5,870,172	9,783,620	1,176,975
Distressed Recovery Master Fund Ltd.	6.7059%	5,029,429	8,382,382	1,008,405
Mellon HBV Special Situations Fund L.P.	5.3053%	3,978,979	6,631,632	797,789
Mellon HBV Capital Partners L.P.	3.6076%	2,705,706	4,509,510	542,496
HFR DS Performance Master Trust	0.8929%	669,646	1,116,077	134,265
Axis-RDO Limited	0.7025%	526,849	878,081	105,634
Mellon HBV Alternative Strategies LLC	100.0000%	$ 75,000,000	125,000,000	15,037,568

(1) Please see Security Ownership of Certain Beneficial Owners and Management for a description of the relationship among the Standby Purchasers.

Table of Contents

Registration Rights

We will enter into a registration rights agreement with the Standby Purchasers on the effective date of the Plan granting two demand registration rights and unlimited piggy-back registration rights to enable them to resell without restriction under the Securities Act (1) all of the shares of reorganized common stock sold to them upon exercise of their Stockholder Warrants, and all shares of reorganized common stock issued to them under the Plan in their capacity as stockholders of our company as of June [ ], 2004, and (2) all shares of reorganized common stock purchased by them in their standby purchase capacity, if any, and all Standby Purchaser Warrants (and underlying shares of reorganized common stock) to be issued to them on the Guaranty Performance Date as compensation for their standby purchase obligation. A registration demand will not qualify as such unless made by the holders of at least 10% of the reorganized common stock constituting registrable securities and unless at least 10% of the registrable securities are included to be sold in each registration statement. Such registrations are subject to various conditions as well as customary and reasonable black-out periods, holdback, and cut-back provisions. We will pay all fees and expenses for any demand registration, including the cost of one firm of special counsel to the Standby Purchasers. The Standby Purchasers will pay for their respective costs and expenses related to any piggyback registration in which they participate.

Reimbursement of Expenses and Indemnification

We have agreed to reimburse the Standby Purchasers for reasonable fees and expenses incurred by or on behalf of the Standby Purchasers in connection with their standby purchase obligation. As of the date of this prospectus, we have advanced $500,000 to Mellon HBV to be used to pay such fees and expenses. We have been authorized to pay all fees and expenses due and payable to the Standby Purchasers as of the Guaranty Performance Date.

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

Table of Contents

THE PLAN OF REORGANIZATION

Events Preceding Our Chapter 11 Cases

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

The restatement had no effect on the amount or timing of cash received by us and our subsidiaries during those periods. The effect of the restatement was to defer revenue previously recognized under certain seismic data licensing agreements until selection of specific data was made by the customer. The restatement also resulted in adjustments to the amount and timing of revenue previously recognized under certain data acquisition contracts. In these cases, it was determined that revenue previously recognized for amounts funded by customers under certain data acquisition contracts should be used to reduce the recorded cost of creating the seismic data. The restatement resulted in the commencement against us and certain of our current and former senior executive officers and directors of securities class actions and stockholder derivative actions. The restatement, coupled with poor financial results in the first quarter of 2002, resulted in our covenant default in respect of $255 million in principal amount of our senior unsecured notes. These senior unsecured notes were issued by us between 1995 to 2001 to various institutions (principally national insurance companies) and were guaranteed by 16 of our direct and indirect subsidiaries.

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

While these negotiations were pending, we designed and implemented enhanced internal controls, procedures and processes. Our board of directors named a new, independent director in the second quarter of 2002. Subsequently, our then chief executive officer and chief financial officer were terminated for cause, and new senior executive management was appointed by our then-standing board. As part of this process, we retained financial advisors to assist in evaluating employee compensation, accounting and accounting practices, budgeting and fiduciary reporting and performing forensic accounting, restructuring and litigation support.

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

30

Table of Contents

statement sections and regulations of and under the Exchange Act. In determining to enter into the agreement, the SEC took into consideration the fact that we promptly had undertaken remedial action and fully cooperated with the SEC staff.

We and the initial holders of the senior unsecured notes, through their steering committee, engaged in months of negotiations over the terms of the financial restructuring of the senior unsecured notes. In late May 2003, various issues became the subject of disagreement, and negotiations with the initial noteholders reached an impasse. Also, in late May 2003, several of the initial holders of senior unsecured notes sold their senior unsecured notes at a substantial discount to Ranch Capital L.L.C.(Ranch). Following these transactions, the negotiations with the initial holders of the senior unsecured notes deteriorated, and we determined as of May 30, 2003 not to seek a further extension of the standstill agreement previously entered into with such holders.

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

Commencement of the Chapter 11 Cases

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

As successor to the petitioning creditors, Berkshire and the debtors agreed that pursuit of a reorganization through the chapter 11 cases was preferable to continuing the involuntary cases, which involved only certain debtors and which was filed by the petitioning creditors who no longer had an interest in the debtors or their reorganization. In furtherance of the chapter 11 cases, the debtors and Berkshire filed a joint motion to dismiss the involuntary cases, which was granted by the bankruptcy court on July 25, 2003. On August 11, 2003, the United States trustee appointed the Official Equity Committee to represent and protect the economic and other interests of our common stockholders in connection with the negotiation and formulation of a chapter 11 plan of reorganization. The members of the Official Equity Committee are Tanaka Capital, Bruce Galloway IRA, Charles Mouquin and Weber Systems, Inc. Charles Mouquin has been designated by the Official Equity Committee as a director of Reorganized Seitel commencing on the effective date of the Plan. There are no other affiliations between us and the members of the Official Equity Committee.

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

31

Table of Contents

By order dated September 22, 2003, the bankruptcy court approved a $20 million debtor-in-possession loan facility from WFF, subject to certain conditions (the DIP Facility).

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

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

The Plan

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

On January 17, 2004, following months of negotiations among all relevant parties-in-interest and plan financing sources, the debtors filed with the bankruptcy court the Plan, which subsequently was amended on February 5, 2004. The Plan was agreed to by the Official Equity Committee, which furnished in writing to all holders of our common stock its recommendation to vote to accept the Plan. Similarly, Berkshire and Ranch, the holders of $255 million aggregate outstanding principal amount of our senior unsecured notes (and Seitel s largest creditors), agreed to vote for, support, and not take any action inconsistent with, the Plan. In addition to Berkshire and Ranch, the Plan was accepted by the holders of more than 99.6% of the shares of Seitel s common stock which voted on the Plan. On March 18, 2004, the bankruptcy court entered an order confirming the Plan.

The Plan provides for a sequence of interdependent corporate and securities transactions, including this offering. The Plan provides that as of the effective date thereof:

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

25,375,683 shares of our reorganized common stock, representing all of our outstanding shares of reorganized common stock on the effective date of the Plan, and

Table of Contents

Stockholder Warrants to purchase 125,000,000 shares of our reorganized common stock, representing approximately 83.13% of our outstanding shares of reorganized common stock on a fully diluted basis, without giving effect to (1) the exercise of the Standby Purchaser Warrants and (2) the issuance of shares of reorganized common stock reserved for issuance under our 2004 omnibus stock option plan.

Net proceeds from our private placement of new senior notes due 2012 will be placed in escrow, together with additional cash sufficient to effect the special mandatory redemption of the new senior notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of special mandatory redemption, pending the release from escrow of such funds on the Guaranty Performance Date.

A revolving loan commitment of $30 million, subject to borrowing base limitations, under our new revolving credit facility with WFF will be made available to us for borrowing.

We must have on hand cash and cash equivalents of not less than $35 million available to pay allowed creditors claims required under the Plan, to the extent necessary.

The registration statement, of which this prospectus is a part, must be declared effective by the SEC.

Treatment of Pre-Petition Claims

The Plan provides that on the Guaranty Performance Date, all of our outstanding allowed pre-petition claims will be fully paid, in cash, together with post-petition (non-default rate) interest thereon. Total payments to creditors required, and administrative expenses anticipated, to be paid under the Plan on the Guaranty Performance Date are expected to aggregate approximately $304.9 million. Claims to be reinstated under the Plan in the amount of approximately $1.1 million (estimated as of July 27, 2004 and including intercompany claims) will not be paid under the Plan. The face amount of claims asserted in the chapter 11 cases and subject to objection (i.e., disputed claims) total approximately $25.0 million. These disputed claims, including claims filed without asserting a liquidated claim amount, will not be so paid under the Plan until an order of the bankruptcy court determines their allowance or disallowance, and if allowed, sets the amount and classification thereof. We are currently in the process of litigating certain disputed claims and attempting to resolve such disputed claims for amounts less than the face amount filed with the bankruptcy court.

Table of Contents

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

Class of Claim	Dollar Amount of Claim (estimated through July 27, 2004)	Treatment
Administrative Claims (Unclassified)	$15,531,000	Paid in full in cash on the effective date of the Plan.
Priority Tax Claims (Unclassified)	$520,000	Paid in full in cash on the effective date of the Plan.
Debtor-in-Possession Financing Claims (Unclassified)		Paid in full in cash including unpaid principal, accrued but unpaid interest and attorneys fees and costs, on the effective date of the Plan.
Class 1: Other Priority Claims (Other Priority Claims are priority claims other than priority tax or administrative expense claims.)		Paid in full in cash on the effective date of the Plan, together with interest at the contract rate and fees and costs as may be required by contract.
Class 2: Harney Secured Claim (Harney Secured Claim is defined to be the claim held by Harney Investment Trust, an affiliate of Berkshire, in the original principal amount of $10 million, and in the estimated allowed amount of $5.7 million.)	$5,669,000	Paid in full in cash on the effective date of the Plan, together with interest at the contract rate and fees and costs as may be required by contract. (See Business Legal Proceedings)
Class 2A: Other Secured Claims (Other Secured Claims are all secured claims other than the Harney Secured Claim; none are known.)		Reinstated (if any)
Class 3: Unsecured Claims	$283,199,000	Paid in full in cash with interest at the (non-default) contract rate (or the federal judgment rate, if no contract exists) together with fees and expenses as may be required by contract, not later than the Guaranty Performance Date.
Class 4: Pearlman Claims (Pearlman Claims are those claims of Herbert Pearlman, former chairman of the board of Seitel.)	$430,000	Paid pursuant to prior agreement set forth in the Plan.(1)
Class 5: Securities Claims (Securities Claims are those claims arising in connection with the issuance, purchase, or sale of securities of Seitel.)		Treated pursuant to a previous court-approved settlement. (see Business Legal Proceedings)

Table of Contents

Class of Claim	Dollar Amount of Claim (estimated through July 27, 2004)	Treatment
Class 6: Seitel s common stock		Holders of Seitel s common stock as of June [ ], 2004 will retain 100% equity interest in Reorganized Seitel, subject to dilution. See Dilution.
Class 7: Subsidiary Equity Interests		Cancelled
(Subsidiary Equity Interests are those interests in the debtors (other than those of Seitel) issued or outstanding immediately before the effective date of the Plan.)		
Class 8: Pre-Petition Warrants		Cancelled
(Pre-Petition Warrants are all authorized, unissued shares of Seitel s common stock, including all warrants, options, and contract rights to purchase or acquire Seitel s common stock at any time.)		
Class 9: Inter-Company Claims	$668,000	Reinstated
(Inter-Company Claims are claims between the debtors and/or between any debtor and a non-debtor affiliate.)		

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

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

Payments to creditors under the Plan will be funded primarily utilizing the following:

net cash payments received by us upon exercise of the Stockholder Warrants prior to their expiration on July [ ], 2004,

to the extent the Stockholder Warrants are not exercised, in full, prior to their expiration, the net proceeds from the sale of shares of our reorganized common stock to the Standby Purchasers on the Guaranty Performance Date,

the net proceeds from our private placement of new senior notes, which, together with additional funds, will be deposited into escrow on the effective date of the Plan pending release and use thereof on the Guaranty Performance Date as described herein under Description of Indebtedness of Reorganized Seitel New Senior Notes,

borrowings under our new revolving credit facility with WFF, and

cash and cash equivalents on hand.

Please see Use of Proceeds, Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Financing Activities and Description of Certain Other Indebtedness The New Revolving Credit Facility.

Table of Contents

The net proceeds from our private placement of new senior notes, together with an additional amount of cash sufficient to effect the special mandatory redemption of the new senior notes described below, will be deposited with the indenture trustee, in its capacity as escrow agent, pursuant to an escrow agreement to be entered into on the original issue date of the notes (the Issue Date). The escrow agreement will provide that such escrowed funds will be released (the Release) on the Guaranty Performance Date to partially fund the payment of allowed creditors claims required under the Plan.

If certain conditions precedent to the Release from escrow of such funds (described under Description of Indebtedness of Reorganized Seitel New Senior Notes) do not occur on or prior to , 2004, the 75th day after the Issue Date, the escrowed funds will not be used to fund creditors payments required under the Plan, but instead will be used to fund the special mandatory redemption of all outstanding notes at a cash redemption price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of special mandatory redemption.

For the limited escrow period described above, the notes will be secured by a first priority lien on and security interest in the escrowed funds, but the notes otherwise will constitute unsecured debt obligations. See Description of the Indebtedness of Reorganized Seitel New Senior Notes.

Effectiveness of the Plan

The effective date of the Plan is anticipated to occur on June 24, 2004 or as soon as practicable thereafter. The Plan will not become effective unless and until the following conditions have occurred:

- the net proceeds from our private placement of new senior notes, together with additional cash sufficient to effect the special mandatory redemption of the new senior notes, are deposited in the escrow account referred to above, pending the Release from escrow of such funds on the Guaranty Performance Date,
- a revolving loan commitment of $30 million, subject to borrowing base limitations, under our new revolving credit facility with WFF is made available to us for borrowing,
- the registration statement, of which this prospectus is a part, is declared effective by the SEC, and no stop order has been issued in respect thereof,
- our initial board of directors, to be appointed on the effective date of the Plan, is appointed as set forth in the Plan and each director has agreed to serve as director of Reorganized Seitel,
- we have on hand as of the effective date of the Plan cash and cash equivalents of not less than $35 million available to pay allowed creditors claims required under the Plan, to the extent necessary, and
- the effective date of the Plan occurs on or prior to July 31, 2004.

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

Implementation of the Plan

Continued Corporate Existence and Vesting of Assets in the Reorganized Debtors

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

Table of Contents

Revesting of Assets

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

Assumption or Rejection of Executory Contracts and Unexpired Leases

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

Claims Based on Rejection of Executory Contracts

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

Limited Indemnification of Directors, Officers and Employees

The obligations of the debtors to indemnify any person serving at any time on or prior to the effective date of the Plan as one of its directors, officers or employees by reason of such person s service in such capacity, or as a director, officer or employee of any other corporation or legal entity, to the extent provided in any debtor s constituent documents or by a written agreement with the debtors or the Delaware General Corporation Law, will be deemed assumed by the reorganized debtors pursuant to the Plan and Section 365 of the Bankruptcy Code as of the effective date of the Plan to the limited extent of the obligation to defend against claims that are not securities claims. The debtors obligations, if any, to defend securities claims or to satisfy any judgment or liability of any such person on account of any securities claim will be a Class 5 securities claim. The debtors obligation, if any, to indemnify any such person with respect to any liability with respect to any claim or cause of action that arose prior to July 21, 2003 will not be assumed and will be deemed satisfied by the assumption of the obligation to defend, except as set forth in Section 10.4(a) of the Plan. The Debtors existing directors and officers insurance coverage will be assumed and maintained in effect (as set forth in Section 6.1(a) of the Plan). Accordingly, the limited indemnification obligations to defend described above as assumed will survive unimpaired and unaffected by entry of the confirmation order, irrespective of whether such indemnification is owed for an act or event occurring before or after the petition date, but all other indemnification obligations that arose before the petition date will be discharged. All

indemnification obligations based on any fact or circumstance first arising after the petition date is part of the directors , officers and employees administrative compensation claim and therefore, will be assumed and honored after the effective date of the Plan.

Table of Contents

Releases and Exculpation

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

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

Benefit Program

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

Issuance of Reorganized Common Stock on Effective Date of the Plan

On the effective date of the Plan, all 25,375,683 outstanding shares of our common stock will be cancelled, and holders of such shares will receive 25,375,683 shares of our reorganized common stock, representing all of the issued and outstanding shares of reorganized common stock on the effective date of the Plan, without giving effect to (1) the exercise of the Stockholder Warrants and, to the extent the Stockholder Warrants are not exercised, in full, before they expire on July [ ], 2004, our sale to the Standby Purchasers on the Guaranty Performance Date of all shares of our reorganized common stock not sold upon such exercise, (2) the exercise of Standby Purchaser Warrants and (3) the issuance of up to 5% of our reorganized common stock, on a fully diluted basis, reserved for issuance under our 2004 omnibus stock option plan. On the effective date of the Plan, each holder of our common stock will receive one share of reorganized common stock for each share of common stock held by such holder on June [ ], 2004.

Issuance of Stockholder Warrants on Effective Date of the Plan

If our Plan becomes effective, in addition to the shares of our reorganized common stock issued to holders of our common stock as of June [ ], 2004, such holders will receive on the effective date of the Plan, Stockholder Warrants to purchase 125,000,000 shares of reorganized common stock, representing approximately 83.13% of the outstanding shares of reorganized common stock on a fully diluted basis, without giving effect to (1) the exercise of Standby Purchaser Warrants and (2) the issuance of up to 5% of our reorganized common stock, on a fully diluted basis, reserved for issuance under our 2004 omnibus stock option plan. On the effective date of the Plan, each holder of our common stock will receive

such number of Stockholder Warrants that will enable such holder to retain the same percentage equity ownership it had in our company immediately prior to the effective date of the Plan, subject to reduction as set forth above. See Description of Stockholder Warrants for further information concerning the Stockholder Warrants, their issuance and the procedure for exercise, and Dilution for a discussion of the potential dilution that you may experience.

Table of Contents

DESCRIPTION OF INDEBTEDNESS OF REORGANIZED SEITEL

The New Revolving Credit Facility

On April 16, 2004, we entered into a loan agreement with WFF, pursuant to which WFF will, subject to certain conditions, make available to us a new $30 million senior secured revolving credit facility on the effective date of the Plan. The maximum amount available to us from time to time under the new revolving credit facility will be the lesser of (1) $30 million or (2) the Borrowing Base, less any reserves established by WFF and undrawn amounts under issued and outstanding letters of credit, if any, issued for our account under the new revolving credit facility from time to time, the amount of which will not exceed the lesser of $10 million or the Borrowing Base.

The Borrowing Base under the new revolving credit facility will be an amount equal to the least of:

- $30 million,
- 0.75 times our Cash Operating Income (defined as cash revenue, derived primarily from seismic data acquisition revenue, cash library licensing revenue and Solutions revenue, less cost of sales and SG&A, before depreciation and amortization expense for the trailing 12-month period), or
- the sum of (1) 85% of eligible Short Term Accounts (defined as accounts that are not Long Term Accounts and within 90 days of invoice date), (2) 50% of eligible Long Term Accounts (defined as accounts with contracts for periods of performance from one month to 18 months, where the account debtor makes payments over the term of the contract), and (3) $20 million.

The proceeds of the new revolving credit facility will be used solely to fund our working capital needs and other general corporate purposes, provided that prior to either (1) our receipt of the net proceeds from the combination of (x) the exercise of the Stockholder Warrants and (y) to the extent the Stockholder Warrants are not exercised, in full, before they expire on July [ ], 2004, our sale to the Standby Purchasers on the Guaranty Performance Date of all shares of our reorganized common stock not sold upon such exercise, or (2) delivery into escrow of an irrevocable standby letter of credit in the amount of $75 million (or such lesser amount as would reflect our receipt of the net proceeds referred to in clause (1) above on or before the third business day after the effective date of the Plan) naming Mellon HBV as account beneficiary, the proceeds of the new revolving credit facility will be available for working capital needs and payment of claims under the Plan, other than Class 3 unsecured claims.

Any and all outstanding borrowings under the new revolving credit facility will be due in full on the maturity date, which will be three years after the effective date of the Plan, and will accrue interest at our option at an applicable margin above either:

- the Prime Rate, which is the rate of interest publicly announced from time to time by Wells Fargo Bank, N.A. at its principal office in San Francisco, California, as its reference rate, base rate or prime rate, whether or not such announced rate is the best rate available from such financial institution, or
- LIBOR, which is the rate per annum, determined by WFF in accordance with its customary procedures, at which dollar deposits are offered to major banks in the London interbank market, adjusted by the reserve percentage prescribed by governmental authorities as

determined by WFF.

If the average principal amount of outstanding borrowings is less than $10 million in any month, the applicable margin will be 0% for Prime Rate-based loans and 2.75% for LIBOR-based loans; otherwise, the applicable margin will be 0.50% for Prime Rate-based loans and 3.25% for LIBOR-based loans.

During the existence of any event of default under the new revolving credit facility, amounts outstanding under the new revolving credit facility will bear interest at an annual rate equal to three percentage points above the rate of interest otherwise in effect.

The new revolving credit facility will be secured by a first priority, perfected security interest in all of our existing and future U.S. tangible and intangible assets (other than the net proceeds from the sale of the new senior notes and certain additional funds while such funds are in the escrow account described under New

Senior Notes below), including accounts receivable, general intangibles, negotiable collateral, inventory, equipment, books and records, commercial tort claims, real property, deposit accounts and any proceeds thereof, and a pledge of all of the issued and outstanding capital stock of our U.S. subsidiaries (the Collateral). Each of our U.S. subsidiaries that is not a borrower under the new revolving credit facility will deliver an unlimited, unconditional guarantee of our obligations under the new revolving credit facility. The new revolving credit facility has been authorized and approved by the bankruptcy court by entry of the confirmation order on March 18, 2004.

The new revolving credit facility contains financial and other covenants including:

- minimum Cash Operating Income of $60 million (subject to adjustment by mutual agreement) for every four consecutive fiscal quarters, and maximum capital expenditures (exclusive of non-monetary exchanges) of $71.5 million (subject to adjustment by mutual agreement) in each fiscal year,

- restrictions on the payment of dividends, and

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

The new revolving credit facility includes events of default similar to those under the DIP Facility. Further, a default under the new senior notes and the indenture under which the new senior notes will be issued will be an event of default under the new revolving credit facility. Changes in our ownership or control that are effected pursuant to, and as expressly contemplated by and disclosed in, the Plan, and which would otherwise be an event of default under the DIP Facility, will not constitute an event of default under the new revolving credit facility.

We will have the option, at any time upon 30 days prior written notice to WFF, to terminate the new revolving credit facility by paying to WFF, in cash, all outstanding amounts under the new revolving credit facility on the date of termination, including either (1) providing cash Collateral in an amount equal to 105% of the undrawn amount of any outstanding letters of credit, or (2) causing any outstanding original letters of credit to be returned by WFF.

The loan agreement provides that funding of the new revolving credit facility is subject to satisfaction of certain conditions, including among others:

- the terms and conditions of the Plan are in form and substance satisfactory to WFF and (1) the confirmation order has become a final order, (2) the net proceeds from the sale of the new senior notes have been placed in escrow, together with additional cash sufficient to effect the special mandatory redemption of the notes, pending the release from escrow of such funds on the Guaranty Performance Date, (3) the registration statement, of which this prospectus is a part, is declared effective by the SEC and no stop order in respect thereof has been issued, (4) the new board of directors of Reorganized Seitel is appointed and has agreed to serve, and (5) we have on hand cash and cash equivalents of not less than $35 million available to pay allowed creditors claims required under the Plan,

- there has not occurred between September 30, 2003 and the effective date of the Plan (1) any material adverse change in our financial condition, (2) any law or regulation that prevents or prohibits WFF from funding or maintaining the new revolving credit facility or (3) any other matter that might have a material adverse effect on us, financial or otherwise,

WFF s satisfaction that it has been granted a perfected, first priority lien on the Collateral and has received UCC, tax and judgment lien searches and other appropriate evidence evidencing the absence of any other lien on the Collateral which is not a permitted lien under the terms of the loan agreement,

No default or event of default has occurred under the DIP Facility, and

WFF has received on or before the effective date of the Plan, payment in full of any and all amounts due and owing under the DIP Facility. As of May 17, 2004, there are no outstanding borrowings under the DIP Facility. On the effective date of the Plan, the DIP Facility will be terminated.

Table of Contents

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

New Senior Notes

General

We intend to enter into a purchase agreement with certain financial institutions, under which they will agree to act as initial purchasers in connection with an institutional private placement of new senior unsecured notes pursuant to Section 4(2) of and Rule 144A and Regulation S under the Securities Act, intended to result in net cash proceeds to us of not less than $180 million, which net proceeds will be used to partially fund payments of allowed creditors claims required under the Plan. The new senior notes will be issued by Reorganized Seitel to the initial purchasers who, in turn, will resell the new senior notes pursuant to Rule 144A under the Securities Act to qualified institutional buyers (within the meaning of Rule 144A) and pursuant to Regulation S under the Securities Act to eligible purchasers outside the United States in offshore transactions.

Our new senior notes will mature in 2012. Interest will be payable in cash, semi-annually in arrears. The new senior notes will be unsecured and will be guaranteed by all of our domestic subsidiaries on a senior basis. Subject to compliance with the terms of our debt agreements, we will be able to issue additional notes after the Release of the escrowed net proceeds from the sale of new senior notes that are identical to the new senior notes (except as to issue price).

Escrow of Proceeds

The net proceeds from the sale of new senior notes will initially be deposited into an escrow account. Such proceeds will be Released from escrow upon our receipt of gross proceeds of $75 million from the combination of (x) the exercise of the Stockholder Warrants and (y) to the extent the Stockholder Warrants are not exercised, in full, before they expire on July [ ], 2004, our sale to the Standby Purchasers on the Guaranty Performance Date of all shares of our reorganized common stock not sold upon such exercise (or all conditions thereto, other than the release of such escrowed funds, have been satisfied and receipt of the net proceeds therefrom will occur simultaneously with the release of such escrowed funds). The Release must occur on or before the 75th day following the Issue Date of the new senior notes, and the Release may only occur if on the date thereof, no default or event of default is occurring under the Indenture governing the new senior notes, after giving pro forma effect to the Release.

Special Mandatory Redemption

If the Release does not occur on or before the 75th day following the Issue Date (or such earlier date as we determine that it is unlikely that we will meet the conditions to the Release), we will redeem, within 10 business days, all of the new senior notes at a redemption price equal to 101% of their principal amount plus accrued interest.

Optional Redemption

We will have the right to redeem any or all of the new senior notes, upon one or more occasions, on and after the fourth anniversary of the Issue Date, at redemption prices equal to par plus a premium equal to one-half of the interest rate on the notes during the fifth year of the new senior notes, which premium will decline ratably to zero on the sixth anniversary of the Issue Date, plus accrued and unpaid interest thereon.

Redemption with Proceeds from Equity Offerings

In addition, during the first three years after the Issue Date, using the proceeds of certain qualified equity offerings, we may redeem, upon one or more occasions, up to an aggregate of 35% of the new senior notes issued under the Indenture at a redemption price equal to par plus a premium equal to the interest rate on the new senior notes, plus accrued and unpaid interest thereon.

Table of Contents

Change of Control Offer

If we experience certain changes of control, we will have to make an offer to repurchase all of the new senior notes at 101% of their principal amount plus accrued and unpaid interest. The holders of the new senior notes will have the right, but not the obligation, to have their new senior notes repurchased by us in such offer.

Covenants

The Indenture will contain restrictive covenants which will limit our and our subsidiaries ability to, among other things:

(a) incur additional indebtedness,

(b) incur indebtedness that is subordinate to any other indebtedness unless such indebtedness is expressly subordinate to the new senior notes,

(c) make restricted payments (including repurchases of our equity interests, the making of dividend payments and the repurchase of subordinated debt),

(d) sell assets without using the net proceeds thereof as set forth in the Indenture,

(e) make investments in (or loans to or other payments on behalf of) entities or persons that are not restricted subsidiaries of ours,

(f) grant liens on assets,

(g) engage in asset sales,

(h) enter into mergers, consolidations and sales of all or substantially all of our assets,

(i) enter into new lines of business,

(j) engage in affiliate transactions, and

(k) allow our subsidiaries to grant restrictions on their ability to make distributions and dividends to us.

The above restrictions are subject to customary exceptions as set forth in the Indenture.

Events of Default

The Indenture will contain customary events of default, including failure to pay interest, principal or, if applicable, premium on the notes, failure to comply with covenants, cross-acceleration to (or failure to pay at final maturity of) debt in excess of a certain threshold, bankruptcy events, invalidity of subsidiary guarantees, and judgments against us or our subsidiaries in excess of a certain threshold. These events of default will be subject to customary exceptions as set forth in the Indenture. If an event of default occurs under the Indenture, the trustee or holders of at least 25% aggregate principal amount of the new senior notes will be able to declare all amounts owing under the new senior notes to be due and payable immediately.

We will be required to deliver to the trustee annually a statement regarding compliance with the Indenture and, upon any of our officers becoming aware of any default, a statement specifying such default and what action we are taking or propose to take with respect thereto.

The Exchange Offer

In connection with the offering of new senior notes, we will enter into a registration rights agreement with the initial purchasers which will require us and the subsidiary guarantors to use our reasonable best efforts to: (1) file a registration statement with the SEC (on Form S-4 or other appropriate registration form) providing for Securities Act registration of an offer which will remain open for acceptance for a minimum 20 business days enabling holders to surrender to us their new senior notes in exchange for registered new senior notes having identical terms in all material respects to the new senior notes (other than the transfer restrictions applicable to the new senior notes), (2) cause the registration statement to be declared effective by the SEC under the Securities Act, (3) complete the exchange offer within 180 days after the Release, and (4) in certain limited circumstances, if required, file a shelf registration statement for the resale of the new senior notes, cause it to be declared effective by the SEC under the Securities Act and maintain the effectiveness thereof for a period of two years (or such shorter period ending when all the new senior notes registered thereby are sold thereunder), if we cannot complete the registered exchange offer within the time period referred to above. If we

Table of Contents

do not comply with these obligations, we will be required to pay additional interest to the holders of the new senior notes.

Pearlman Note

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

Canadian Line of Credit

On January 12, 2004, our wholly owned, Canadian, non-debtor subsidiary, Olympic Seismic Ltd., entered into a revolving credit facility with Royal Bank of Canada. The facility allows Olympic to borrow in the form of prime-based loans, bankers acceptances or letters of credit up to $5 million (Canadian), subject to a borrowing base formula. The facility is secured by the assets of Olympic, SEIC Trust Administration Ltd. (as sole trustee of, and for and on behalf of, SEIC Business Trust) and SEIC Holdings, Ltd., but is not guaranteed by us. All intercompany debt owing by Olympic, SEIC Trust Administration Ltd., SEIC Business Trust or SEIC Holdings, Ltd. to us, SEIC Partners Limited Partnership or to any of our U.S. subsidiaries has been subordinated to the repayment in full of the revolving credit facility. The $5 million (Canadian) maximum borrowing commitment is subject to a 75% of eligible accounts receivable borrowing base sublimit (as defined in the agreement) further reduced by prior-ranking claims, if any, relating to inventory or accounts. The facility is subject to repayment upon demand. A review of this demand facility is performed annually at the bank s discretion. As of May 25, 2004, no amounts were outstanding under this revolving line of credit and there was approximately $2.4 million (Canadian) of borrowing availability on the line of credit. Olympic is not an obligor in respect of any of the notes, and is not a debtor under the Plan.

Other Significant Debt

During 2001 and 2002, Seitel, as lessee, entered into a lease with Winthrop Resources Corp., as lessor, for the purchase of computer and data technology center furniture and equipment. The lease had an initial term of approximately two years. On February 18, 2003, in settlement of certain non-bankruptcy litigation, Seitel and Winthrop entered into an amendment of the lease terms effective as of January 1, 2003. Under the amended obligations, on February 18, 2003, we made a one time payment of $1,580,000, plus applicable taxes, in consideration of past due lease payments and agreed to make 33 additional monthly payments of principal and interest of $165,000, plus applicable taxes. At the expiration of the lease term, there is an option to purchase the leased equipment, in whole but not in part, for $810,000, less a credit of $309,910 in respect of a cash deposit held by Winthrop. The outstanding balance on the lease as of May 25, 2004, was approximately $3.3 million. All payments due under the restructured lease have been timely made to date. We have assumed the Winthrop lease pursuant to an order of the bankruptcy court dated December 29, 2003. The lease has been treated for accounting and financial reporting purposes as a capital lease.

On April 30, 2002, Olympic entered into a sale-leaseback agreement on a building and property situated in Calgary, Alberta, Canada. Proceeds of the sale were $3.6 million (Canadian dollars). The proceeds were used to repay outstanding borrowings under Olympic s revolving line of credit and for general corporate purposes. This capital lease has a 20-year term, with lease payments of: $336,000 (Canadian dollars) in years

1-5; $370,860 (Canadian dollars) in years 6-10; $409,500 (Canadian dollars) in years 11-15; and $452,340 (Canadian dollars) in years 16-20. The sale-leaseback arrangement is not