SEITEL INC
Form 10-K
March 17, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-K

T	ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended December 31, 2008
	OR
o	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from __________ to __________

Commission File Number 333-144844

SEITEL, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	76-0025431 (IRS Employer Identification Number)
10811 S. Westview Circle Drive, Building C, Suite 100 Houston, Texas (Address of principal executive offices)	77043 (Zip Code)
Registrant's telephone number, including area code:	(713) 881-8900
Securities registered pursuant to Section 12(b) of the Act:	None
Securities registered pursuant to Section 12(g) of the Act:	None

Indicate by check mark if the registrant is a well-known seasoned issuer (as defined in Rule 405 of the Securities Act).

Yes o No T

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes o No T

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such

reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes T No o

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

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

Large accelerated filer	o	Accelerated filer	o	Non-accelerated filer	T	Smaller reporting company	o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes o No T

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant at March 6, 2009 was zero. On March 6, 2009 there were a total of 100 shares of common stock outstanding.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes T No o

CAUTIONARY STATEMENTS CONCERNING FORWARD-LOOKING INFORMATION

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

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

PART I

Item 1. *Business*

General

Seitel, Inc. and its wholly owned subsidiaries are collectively referred to in this report as "Seitel," "the Company," "we" and "us" except as otherwise noted. Seitel is a leading provider of seismic data to the oil and gas industry in North America. Our products and services are critical for oil and gas exploration and development and management of hydrocarbon reserves by exploration and production companies. We own an extensive library of proprietary onshore and offshore seismic data that we have accumulated since our inception in 1982 and that we license to a wide range of oil and gas companies. Our customers use seismic data to identify geographical areas where subsurface conditions are favorable for oil and gas exploration, to determine the size, depth and geophysical structure of previously identified oil and gas fields and to optimize the development and production of oil and gas

reserves. The importance of seismic data usage in the exploration, development and management process drives demand for data in our library.

We have built a library of onshore seismic data that we believe is the largest available for licensing in the United States and Canada. Our seismic data library includes both onshore and offshore three-dimensional ("3D") and two-dimensional ("2D") data. We have ownership in over 41,000 square miles of 3D and approximately 1.1 million linear miles of 2D seismic data concentrated primarily in the major active North American oil and gas producing regions. The majority of our onshore seismic data covers sections of the U.S. Gulf Coast, including Eastern Texas, Southern Louisiana and Mississippi, as well as Western Canada, the Rocky Mountains and Northern Louisiana. We have one of the largest seismic data libraries in each of these regions. We also own a library of offshore data covering parts of the shelf and certain deep water areas in the Western and Central U.S. Gulf of Mexico and the waters off the coast of Eastern Canada. We serve a market which includes over 1,600 companies in the oil and gas industry. Our customers range from small and mid-cap exploration and production companies and private prospecting individuals to large independent oil and gas companies and also include global oil and gas companies.

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

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

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

In each of fiscal 2008, 2007 and 2006, approximately 96% of our revenues were attributable to acquisition and licensing of seismic data. Other revenues during these years were primarily derived from Solutions for reproduction and delivery of seismic data licensed by our clients. See Note O to Notes to Consolidated Financial Statements for information about our revenue by geographical area.

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

2007 Business Combination

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

Under the terms of the merger agreement, our existing stockholders (other than ValueAct Capital and management investors contributing certain of their shares of Seitel stock for ownership in Holdings) and option holders were paid a total consideration of

$386.8 million. In connection with the Merger, the warrants held by ValueAct Capital totaling 15,037,568 were cancelled.

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

In addition, on February 14, 2007, we issued $400.0 million aggregate principal amount of 9.75% senior notes due 2014 (the "9.75% Senior Notes") pursuant to an indenture by and among Seitel, certain subsidiary guarantors and LaSalle Bank National Association, as trustee. We also entered into an Amended and Restated Loan and Security Agreement with Wells Fargo Foothill, Inc. ("WFF") with a maximum credit amount of $25.0 million, subject to certain borrowing base limitations. The facility includes a letter of credit sub-limit up to $10.0 million. All obligations are unconditionally guaranteed by our domestic subsidiaries that are not borrowers under the facility, subject to customary exceptions, exclusions and release mechanisms. The facility is secured by a lien on substantially all of our domestic assets, including equity interests in our U.S. subsidiaries.

Description of Operations

Industry Conditions

Seismic data is critical to the oil and gas exploration process due to its ability to significantly increase the success rate of locating commercial oil and gas deposits by producing detailed images of the earth's subsurface features. The overall demand for seismic data and related geophysical services is dependent upon spending by oil and gas companies for exploration, production, development and field management activities. This spending is in turn driven largely by present and expected future demand and pricing for oil and natural gas. Demand for these commodities is influenced by global economic growth as well as political, economic, tax, and environmental considerations. Beginning in the fourth quarter of 2008, demand for seismic data has declined as a result of the economic downturn. However, we are unable to predict the severity or duration of such decrease in demand. We also believe that fears of a prolonged recession and possibly reduced energy demand have contributed to recent substantial declines in prices for oil and natural gas. These falling commodity prices could also dampen demand for our seismic data and related services as our customers' operating cash flow decreases and the borrowing bases under their oil and gas reserve-based credit facilities are reduced as a consequence of lower commodity prices.

Oil and natural gas supply constraints have caused an increase in exploration and production spending in both the United States and Canada and have led to increasing hydrocarbon prices during recent years. However, beginning in the fourth quarter of 2008, drilling activity has fallen sharply in North America as a result of the economic downturn, and we expect this trend to continue. We believe that a return to more normal drilling levels will only be possible once worldwide economic activity reaches higher levels or some equilibrium between supply and demand of oil and natural gas occurs.

A significant portion of our revenues comes from small and mid-cap oil and gas exploration and production companies, independent oil and gas companies and private prospecting individuals. To achieve and maintain their success, we believe our customers will need to continue to find new, and exploit existing, oil and natural gas reserves, which we believe will require significant amounts of capital spending on seismic data among other things. Over the medium to long-term, we believe there will continue to be an incentive for exploration and production spending in the United States and Canada. However, in the near term, we believe that the capital markets will continue to provide insufficient or expensive funding for many of our customers, thus limiting their ability to invest in new areas and affecting their purchases of seismic data.

Land rig counts in North America peaked during 2008 but have fallen continuously during the early part of 2009 reflecting the currently cautious attitude of oil and gas companies. The average North American land rig count for January and February 2009 is down approximately 20% compared to the same period in 2008. We expect drilling in North America to continue falling significantly at least through the first two quarters of 2009.

We believe the use of 3D seismic data and advanced processing techniques, coupled with advances in drilling and completion techniques, have enhanced the ability of oil and gas companies to explore for, develop and manage oil and gas reserves. Nonetheless, due to the current economic downturn, decreased oil and gas company budgets for exploration and production spending and continued weak onshore rig counts in North America, we believe that seismic industry market conditions will continue to weaken during 2009. As a result, we expect the level of cash resales from our library in 2009 to be lower than our 2008 results. Consequently, we have implemented capital expenditure reductions, reducing our estimate of 2009 net cash capital expenditures to approximately $22 million, a 50% reduction as compared to 2008. In addition, we have implemented measures to reduce our cash operating expenses by approximately 20%, including headcount reductions implemented in January 2009.

Seismic Data

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

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

Management believes the level of resales from various vintages of our investment in seismic data is useful in order to assess the resiliency and value of our seismic data library. Management considers estimated longevity of and foreseeable demand for data in determining whether to undertake new data acquisition projects. For the year ended December 31, 2008, resale revenue from U.S. onshore 3D data and Canadian 2D and 3D data was recognized from net historical investments made in the indicated periods (in thousands):

	Resale Revenue	Percentage	Net Investment (1)	Percentage
Investments prior to 2002	$ 53,789	54%	$ 301,875	58%
Investments 2002 through 2008	46,492	46%	216,000	42%
Total U.S. 3D onshore and Canadian 2D and 3D	$ 100,281	100%	$ 517,875	100%

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

The following presents a reconciliation of resale revenue for U.S. 3D onshore and Canadian 2D and 3D (a non-GAAP financial measure) to total revenue for the year ended December 31, 2008 (the most directly comparable GAAP financial measure) (in thousands):

Total resale revenue - U.S. 3D onshore and Canadian 2D and 3D	$ 100,281
Other revenue components:	
Other resale revenue (principally offshore and U.S. 2D)	15,585
Acquisition revenue	55,990
Solutions and other revenue	6,543
Selection revenue not recognized for GAAP due to purchase accounting adjustments	(5,996)
Total revenue	$ 172,403

The following presents a reconciliation of net historical investment for U.S. 3D onshore and Canadian 2D and 3D data (a non-GAAP financial measure) to net book value at December 31, 2008 (the most directly comparable GAAP financial measure) (in thousands):

Net historical investment in seismic data - U.S. 3D onshore and Canadian 2D and 3D	$	517,875
Add:		
Acquisition revenue - 3D onshore		436,501
Other seismic data investment (principally offshore and U.S. 2D)		422,384
Fair value adjustment resulting from Merger		275,235
Less:		
Historical impairment charges		(112,923)
Accumulated amortization (including historical amounts pre-Merger)		(1,259,815)
Net book value	$	279,257

Seismic Data Library

Our seismic data library includes onshore and offshore 3D and 2D data and offshore multi-component data. We have ownership in over 41,000 square miles of 3D and approximately 1.1 million linear miles of 2D seismic data concentrated primarily in the major North American oil and natural gas producing regions. The majority of our seismic data library covers onshore regions within North America, with a geographic concentration on the onshore and transition zone of the U.S. Gulf Coast extending from Texas to Florida, Western Canada, Mississippi, Eastern Texas, the Rocky Mountain region and Northern Louisiana. Most of our remaining seismic data library covers the offshore Gulf of Mexico and Eastern Canada. The following table describes our 3D seismic data library, as well as data that we manage and market for third parties, as of March 6, 2009.

3D Data Library at March 6, 2009	**Square Miles[1]**	**Percentage of Subtotal**
Gulf Coast Texas	9,202	46%
Southern Louisiana/Mississippi	7,048	36%
Rocky Mountains	1,639	8%
Northern Louisiana	452	2%
Other	1,540	8%
Total U.S. Onshore	**19,881**	**100%**
Canada	**11,419**	**100%**
U.S. Offshore	**10,509**	**100%**
Worldwide Total	**41,809**	**100%**

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

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

The Rocky Mountain region and Northern Louisiana sectors, although currently small contributors, are believed to be areas of potential growth in the future. We own relatively small amounts of seismic data in other areas, such as Alabama, California, Michigan and North Dakota.

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

Canada: The Canadian market is less mature than the U.S. Gulf Coast and includes areas still considered frontier, or underexplored. Accordingly, there is still a significant demand for 2D data, with 3D data representing an increasing part of the market in recent years. The accumulation of 3D data in our seismic library began in 1998 and has grown at an average rate in excess of 1,000 square miles per year. During the period from 2004 through 2008, 3D licensing revenue has exceeded revenue from our 2D data. We anticipate that 3D data licensing revenue will continue to grow as a proportion of total licensing revenue in the future.

Offshore U.S. Gulf of Mexico: Our library of offshore data covers parts of the U.S. Gulf of Mexico shelf and certain deep water areas in the Western and Central U.S. Gulf of Mexico. We have accumulated our U.S. Gulf of Mexico offshore 3D data since 1993. Although we have not shot new offshore surveys in recent years, on occasion, we add offshore Gulf of Mexico data through non-monetary exchanges.

Data Library Growth

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

Underwritten Data Acquisitions: We create new seismic data designed in conjunction with our customers and specifically suited to the geology and environmental conditions of the area using the most appropriate technology available. Typically, one or more customers will underwrite or fund a significant portion of the direct cost in exchange for a license or licenses to use the resulting data. Under the terms of these licenses, the customers usually have exclusive access to use the newly acquired data for a limited term, which is usually six months, after which the data is added to our library for licensing to the industry on a non-exclusive basis. Data acquisition activity during 2008 occurred in the Texas Gulf Coast, the Bossier/Haynesville resource play in East Texas and Western Canada. All field work on these projects is outsourced to subcontractors, as is the data processing for those projects in Canada. A significant percentage of the data processing for Texas projects is processed by our wholly owned subsidiary Matrix Geophysical, Inc. ("Matrix"). We employ experienced geoscientists who design seismic programs and oversee field acquisition and data processing to ensure the quality and longevity of the data created.

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

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

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

Licenses and Marketing

Square

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

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

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

Backlog

At March 6, 2009, our backlog of underwriting commitments related to new data creation projects was $39.2 million compared with $38.0 million at March 3, 2008. We anticipate that the majority of this backlog will be recognized over the next 12 months.

Seitel Solutions

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

Customers

We market our seismic data to a varied customer base. Our customers range from small and mid-cap exploration and production companies and private prospect generating individuals to several of the largest companies in the oil and gas industry. During the year ended December 31, 2008, one customer accounted for 11.3% of our revenue. During the years ended December 31, 2007 and 2006, no one customer accounted for more than 10% of our revenue. We do not believe that the loss of any single customer would have a material adverse impact on our seismic business, cash flows or results of operations.

Competition

The creation and licensing of seismic data is competitive. There are a number of geophysical companies that create, market and license seismic data and maintain their own seismic data libraries. Rather than outsourcing their seismic data activities, some oil and gas companies create their own seismic data libraries, which they license to others. Our largest competitors, many of whom are engaged in acquiring seismic data, as well as maintaining a data library, are Petroleum Geo-Services, Pulse Data Inc., Seismic Exchange, Inc. (a private company based in New Orleans, Louisiana), TGS Nopec, CGGVeritas and WesternGeco. Many of our competitors have substantially larger revenues and resources than we do.

Regulation

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

Seasonality and Timing Factors

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

Employees

As of December 31, 2008, we and our subsidiaries had 150 full-time employees, including seven executive officers, 21 marketing staff and 38 geotechnical staff. None of our employees are covered by collective bargaining agreements, and we consider our relationship with our employees to be good.

Raw Material and Proprietary Information

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

Available Information

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

Item 1A. ***Risk Factors***

The current financial crisis and falling commodity prices could adversely affect demand for our seismic data and related services and may increase our credit risk of customer non-payment.

Many of our customers are independent oil and gas companies and private prospect-generating companies that rely primarily on bank or commercial debt financing or private investments and cash flow from operations to finance their exploration, production, development and field management activities. We believe that as a result of the current U.S. and global financial crisis there may be a significant downturn in the availability or increase in the cost of these types of capital. As a result, demand for our seismic data and related services could be adversely affected by these financial market conditions, which, in turn, could have a material adverse effect on our results of operations and cash flow. We are unable to predict the severity or duration of any such decrease in demand. We also believe that fears of a prolonged recession and possibly reduced energy demand have contributed to recent substantial declines in prices for oil and natural gas. These falling commodity prices could also dampen demand for our seismic data and related services as our customers' operating cash flow decreases and the borrowing bases under their oil and gas reserve-based credit facilities are reduced as a consequence of lower commodity prices. We may also face increased credit risk from customers as the ability of some of our customers to pay amounts owed to us may be impaired because of the falling commodity prices and decreases in their liquidity and capital resources.

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

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

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

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

The U.S. government's current plans to address the financial crises may not be effective to stabilize the financial markets or to increase the availability of credit.

In response to the financial crises affecting the banking system and financial markets and going concern threats to investment banks and other financial institutions, legislation was enacted that provides the U.S. Treasury the authority, among other things, to purchase mortgage-backed and other securities from financial institutions for the purpose of stabilizing the financial markets, and has discussed additional legislation that could expand this power. Despite these plans, the capital markets have continued to experience extreme levels of volatility and the credit markets have not yet shown any significant increase in the availability of credit. There can be no assurance what impact these plans ultimately will have on the financial markets. If the actions taken by the U.S. Treasury are not successful in stabilizing the financial markets and increasing the availability of credit, it could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

We have a significant amount of leverage and interest expense. As of December 31, 2008, we had approximately $405.3 million of total indebtedness, including $3.0 million of capital leases. Our 2009 consolidated annual debt service requirements are expected to aggregate approximately $39.6 million. We may also incur additional indebtedness in the future.

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

- we may have difficulty satisfying our obligations with respect to our debt;
- we may have difficulty obtaining financing in the future for working capital, capital expenditures, acquisitions or other purposes;
- we may need to use all, or a substantial portion, of our available cash flow to pay interest and principal on our debt, which will reduce the amount of money available to finance our operations and other business activities;

- our vulnerability to general economic downturns and adverse industry conditions could increase;
- our flexibility in planning for, or reacting to, changes in our business and in our industry in general could be limited;
- our substantial amount of debt and the amount we must pay to service our debt obligations could place us at a competitive disadvantage compared to our competitors that have less debt;

- our customers may react adversely to our significant debt level and seek or develop alternative licensors or suppliers;
- we may have insufficient funds, and our debt level may also restrict us from raising the funds necessary to repurchase all of the notes tendered to us upon the occurrence of a change of control, which would constitute an event of default under the notes; and
- our failure to comply with the financial and other restrictive covenants in our debt instruments which, among other things, require us to maintain specified financial ratios and limit our ability to incur debt and sell assets, could result in an event of default that, if not cured or waived, could have a material adverse effect on our business or prospects.

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

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

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

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

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

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

Competition for the acquisition of new seismic data is intense.

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

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

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

Weak demand could impair the value of our data library.

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

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

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

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

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

We may be unable to attract and retain key employees.

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

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

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

The conduct of our business, and the use of our products and services are subject to various laws and regulations administered by federal, state and local governmental agencies in the United States and Canada. These laws and regulations may change, sometimes dramatically, as a result of political, economic or social events. Changes in laws, regulations or governmental policy may alter the environment in which we do business and the demand for our products and services and, therefore, may impact our results of operations or increase our liabilities. Changes in these and other laws and regulations or additional regulation could cause the demand for our products to decrease. Moreover, complying with increased or changed regulations could cause our operating expenses to increase, which could adversely affect our business.

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

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

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

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

- incur additional indebtedness;
- create liens;
- pay dividends and make other distributions in respect of our capital stock;
- redeem our capital stock;
- make investments or certain other restricted payments;
- sell certain kinds of assets;
- enter into transactions with affiliates; and
- effect mergers or consolidations.

Our U.S. revolving credit facility includes additional covenants, including a restriction on capital expenditures, and a requirement that we achieve certain financial and operating results and maintain compliance with specified financial ratios. Our ability to comply with these ratios may be affected by events beyond our control.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

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

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

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

Item 3. ***Legal Proceedings***

We are involved from time to time in ordinary, routine claims and lawsuits incidental to our business. In the opinion of management, uninsured losses, if any, resulting from the ultimate resolutions of these matters should not be material to our financial position or results of operation. However, it is not possible to predict or determine the outcomes of the legal actions brought against us or by us, or to provide an estimate of all additional losses, if any, that may arise. At December 31, 2008, we did not have any amounts accrued related to litigation claims, as we believe it is not probable that any amounts will be paid relative to such litigation and claims.

Item 4. ***Submission of Matters to a Vote of Security Holders***

None.

PART II

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

Market Information

Our common stock is privately held and there is no established public trading market for our common stock. As of December 31, 2008, there was one holder of record of our 100 shares of common stock, $0.001 par value.

Dividend Policy

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

Item 6. ***Selected Consolidated Financial Data (In Thousands)***

As a result of the Merger, which was completed on February 14, 2007, our capital structure and our basis of accounting differ from those prior to the Merger. Our financial data in respect of all reporting periods after February 13, 2007 reflect the Merger under the

purchase method of accounting. The financial information for the periods before the Merger is referred to as "Predecessor Period" and financial information for the periods after the Merger is referred to as the "Successor Period."

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

	SUCCESSOR PERIOD		PREDECESSOR PERIOD			
	Year Ended Dec. 31, 2008	Feb. 14, 2007 - Dec. 31, 2007	Jan. 1, 2007 - Feb. 13, 2007	Year Ended December 31, 2006	2005	2004
Statement of Operations Data:						
Revenue	$ 172,403	$ 129,802	$ 19,010	$ 191,919	$ 149,178	$ 137,675
Expenses and costs:						
Depreciation and amortization	168,629	146,072	11,485	88,662	98,373	168,201
Impairment of intangible asset	225	-	-	-	-	-
Gain on sale of seismic data	-	-	-	(231)	-	-
Cost of sales	462	218	8	234	185	332
Selling, general and administrative	36,316	33,393	3,577	35,930	34,910	30,160
Merger	357	2,657	17,457	1,449	-	-
	205,989	182,340	32,527	126,044	133,468	198,693
Income (loss) from operations	(33,586)	(52,538)	(13,517)	65,875	15,710	(61,018)
Interest expense, net	(40,017)	(38,844)	(2,284)	(19,520)	(23,224)	(24,437)
Foreign currency exchange gains (losses)	(4,059)	3,173	(102)	259	963	2,372
Reorganization items	-	-	-	-	-	(12,498)
Gain (loss) on sale of marketable securities	-	-	-	27	(11)	-
Other income	40	39	12	-	-	1
Income (loss) from continuing operations before income taxes	(77,622)	(88,170)	(15,891)	46,641	(6,562)	(95,580)
Provision (benefit) for income taxes	(3,548)	(11,057)	452	(715)	(4,776)	(3,338)

Income (loss) from continuing operations	(74,074)	(77,113)	(16,343)	47,356	(1,786)	(92,242)
Income (loss) from discontinued operations, net of tax	-	-	-	(142)	47	144
Net income (loss) (1)	$ (74,074)	$ (77,113)	$ (16,343)	$ 47,214	$ (1,739)	$ (92,098)

(1) In the third quarter of 2004, we evaluated our estimate of the useful life of our seismic data library and reduced the estimated useful life of all of our seismic data to four years. The effect from this change on reported results was a reduction in net income of $70.6 million for the year ended December 31, 2004.

	SUCCESSOR PERIOD		PREDECESSOR PERIOD		
			As of December 31,		
	2008	2007	2006	2005	2004
Balance Sheet Data:					
Cash and cash equivalents	$ 42,565	$ 43,333	$ 107,390	$ 78,097	$ 43,285
Seismic data library, net	279,257	349,039	123,123	111,946	151,230
Total assets	643,825	743,101	305,435	246,671	263,482
Total debt	405,499	406,481	189,038	188,600	194,717
Stockholder's equity (deficit)	115,785	220,958	37,491	(11,161)	(15,829)
Common shares outstanding	100	100	155,184	153,604	151,414

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

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

Overview

General

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

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

Our clients continue to seek our services to create data in the United States and Canada. On March 6, 2009, our clients' commitment for underwriting on new data creation projects was $39.2 million. Licensing data "off the shelf" does not require the longer planning and lead times like new data creation and thus is more likely to fluctuate quarter to quarter.

Due to the current economic environment, we expect cash resales in 2009 to be lower than our 2008 results. Consequently, we have reduced our estimate for 2009 net cash capital expenditures by approximately 50% from the level we had in 2008. In addition, we have implemented measures to reduce our cash operating expenses by approximately 20% in 2009, including headcount reductions implemented in January 2009.

The Merger and Related Transactions

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

In connection with the Merger, we paid $187.0 million of our 11.75% Senior Notes, issued $400.0 million of our 9.75% Senior Notes and entered into an agreement with WFF to amend and restate our existing U.S. revolving credit facility. Accordingly, as a result of the increase in our indebtedness, our interest expense has been significantly higher in periods following the Merger.

The Merger was accounted for as a business combination in accordance with Statements of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations," on a step acquisition basis. ValueAct Capital progressively increased its interest in Seitel in a series of transactions with the most significant transactions occurring on March 1, 2006 and February 14, 2007, the date of the Merger. Therefore, the assets and liabilities of Seitel for financial reporting purposes were recorded at the closing of the Merger based on the proportional fair values at March 1, 2006 and February 14, 2007 with the remainder allocated to goodwill. For income tax purposes, these assets and liabilities remained at their historic tax basis. This resulted in recording deferred tax liabilities at the closing of the Merger.

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

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

Principal Factors Affecting Our Business

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

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

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

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

North America Drilling Activity: The current economic downturn in North America has resulted in reduced demand for natural gas due to an imbalance between supply and demand that has led to lower hydrocarbon prices. Until this imbalance is corrected, we expect drilling activity to continue to fall significantly in North America, reducing the demand for our seismic data.

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

Non-GAAP Key Performance Measures

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

The following are the key performance measures considered by management.

Cash Resales

Cash resales represent new contracts for data licenses from our library, payable in cash. We believe this measure is important in gauging new business activity. We expect cash resales to generally follow a consistent trend over several quarters, while considering our normal seasonality. Volatility in this trend over several consecutive quarters could indicate changing market conditions. The following is a reconciliation of this non-GAAP financial measure to the most directly comparable GAAP financial measure, total revenue (in thousands):

	SUCCESSOR PERIOD		PREDECESSOR PERIOD	COMBINED[1]	PREDECESSOR PERIOD
	Year Ended	Feb. 14, 2007	Jan. 1, 2007 -	Year Ended	Year Ended

	Dec. 31, 2008	Dec. 31, 2007	Feb. 13, 2007	Dec. 31, 2007	Dec. 31, 2006
Cash resales	$ 118,720	$ 115,821	$ 5,985	$ 121,806	$ 124,988
Other revenue components:					
Acquisition revenue	55,990	36,561	6,098	42,659	46,821
Non-monetary exchanges	7,625	7,981	(7)	7,974	5,838
Revenue deferred	(59,481)	(64,250)	(2,636)	(66,886)	(48,471)
Recognition of revenue previously deferred	43,006	28,956	8,946	37,902	55,344
Solutions and other	6,543	4,733	624	5,357	7,399
Total revenue, as reported	$ 172,403	$ 129,802	$ 19,010	$ 148,812	$ 191,919

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

Cash EBITDA

Cash EBITDA (which we have previously referred to as cash margin) includes cash resales plus all other cash revenues other than from data acquisitions, plus gain on sale of seismic data, less cash selling, general and administrative expenses (excluding Merger expenses and merger and acquisition transaction costs) and cost of goods sold. We believe this measure is helpful in determining the level of cash from operations we have available for debt service and funding of capital expenditures (net of the portion funded or underwritten by our customers). The following is a quantitative reconciliation of this non-GAAP financial measure to the most directly comparable GAAP financial measure, operating income (loss) (in thousands):

	SUCCESSOR PERIOD		PREDECESSOR PERIOD	COMBINED[1]	PREDECESSOR PERIOD
	Year Ended Dec. 31, 2008	Feb. 14, 2007 Dec. 31, 2007	Jan. 1, 2007 - Feb. 13, 2007	Year Ended Dec. 31, 2007	Year Ended Dec. 31, 2006
Cash EBITDA	$ 95,206	$ 96,741	$ 3,430	$ 100,171	$ 99,155
Add (subtract) other revenue components not included in cash EBITDA:					
Acquisition revenue	55,990	36,561	6,098	42,659	46,821
Non-monetary exchanges	7,625	7,981	(7)	7,974	5,838
Licensing revenue deferred	(59,481)	(64,250)	(2,636)	(66,886)	(48,471)
Recognition of licensing revenue previously deferred	43,006	28,956	8,946	37,902	55,344
Solutions revenue deferred	-	(50)	-	(50)	-
Recognition of Solutions revenue previously deferred	44	6	6	12	33
Less:					
Depreciation and amortization	(168,629)	(146,072)	(11,485)	(157,557)	(88,662)
Impairment of intangible asset	(225)	-	-	-	-
Merger expenses	(357)	(2,657)	(17,457)	(20,114)	(1,449)
Merger and acquisition transaction costs	(6)	(1,145)	-	(1,145)	-
Non-cash operating expenses	(6,759)	(8,609)	(412)	(9,021)	(2,734)

Operating income (loss),					
as reported	$ (33,586)	$ (52,538)	$ (13,517)	$ (66,055)	$ 65,875

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

Growth of our Seismic Data Library

We regularly add to our seismic data library through four different methods: (1) recording new data; (2) buying ownership of existing data for cash; (3) obtaining ownership of existing data sets through non-monetary exchanges; and (4) creating new value-added products from existing data within our library. For the years ended December 31, 2008, 2007 and 2006, we completed the addition of approximately 2,700 square miles, 2,400 square miles and 2,600 square miles, respectively, of seismic data to our library. For the period from January 1, 2009 to March 6, 2009 we completed the addition of 50 square miles and as of March 6, 2009 we had approximately 850 square miles of seismic data in progress.

Critical Accounting Policies

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

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

Revenue Recognition

Revenue from Data Acquisition

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

Revenue from Non-Exclusive Data Licenses

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

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

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

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

Revenue from Non-Monetary Exchanges

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

Seismic Data Library

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

Data Library Amortization

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

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

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

Seismic Data Library Impairment

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

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

the expected revenue stream is recorded as an impairment charge.

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

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

Business Acquisitions and Goodwill

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

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

Use of Estimates and Assumptions

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

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

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

Because we apply a minimum income forecast amortization rate of 70%, the effect of decreasing future sales by 10%, with all other factors remaining constant, would cause the range of amortization rates to be from 70% to 77% as of January 1, 2009. The effect of decreasing future sales by 20%, with all other factors remaining constant, would cause the range of amortization rates to be from 70% to 86% as of January 1, 2009.

In a portion of our seismic data library activities, we engage in certain non-monetary exchanges and record a data library asset for the seismic data received and recognize revenue on the transaction in accordance with our policy on revenue from data licenses or revenue from data acquisition, as applicable. These transactions are valued at the fair value of the data received by us or licenses granted by us, whichever is more readily determinable. In addition, we obtain third-party concurrence on the portfolio of all non-monetary exchanges for data of $500,000 or more in order to support our estimate of the fair value of the transactions. Our estimate of the value of these transactions is highly subjective and based, in large part, on data sales transactions between us and a limited number of customers over a limited time period, and appraisals of the value of such transactions based on a relatively small market of private transactions over a limited period of time.

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

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

Results of Operations

Revenue

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

	SUCCESSOR PERIOD		PREDECESSOR PERIOD	COMBINED(1)	PREDECESSOR PERIOD
	Year Ended Dec. 31, 2008	Feb. 14, 2007 Dec. 31, 2007	Jan. 1, 2007 - Feb. 13, 2007	Year Ended Dec. 31, 2007	Year Ended Dec. 31, 2006
Acquisition revenue:					
Cash underwriting	$ 41,511	$ 35,215	$ 6,087	$ 41,302	$ 42,327
Underwriting from non-monetary exchanges	14,479	1,346	11	1,357	4,494
Total acquisition revenue	55,990	36,561	6,098	42,659	46,821
Licensing revenue:					
New resales for cash	118,720	115,821	5,985	121,806	124,988
Non-monetary exchanges	7,625	7,981	(7)	7,974	5,838
Revenue deferred	(59,481)	(64,250)	(2,636)	(66,886)	(48,471)
Recognition of revenue previously deferred	43,006	28,956	8,946	37,902	55,344
Total licensing revenue	109,870	88,508	12,288	100,796	137,699
Total seismic revenue	165,860	125,069	18,386	143,455	184,520
Solutions and other	6,543	4,733	624	5,357	7,399
Total revenue	$ 172,403	$ 129,802	$ 19,010	$ 148,812	$ 191,919

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

Total revenue increased $23.6 million, or 15.9%, to $172.4 million for the year ended December 31, 2008 from $148.8 million for the year ended December 31, 2007. Acquisition revenue increased 31.3% to $56.0 million from $42.7 million in 2007 primarily from

increased data creation activity in Canada. Total licensing revenue increased 9.0% from $100.8 million in 2007 to $109.9 million in 2008 and was the result of various changes in the components of licensing revenue. Cash resales were $118.7 million in 2008 compared to $121.8 million in 2007. This decrease between years was primarily due to lower cash resales in the fourth quarter of 2008 as a result of the current economic downturn. For the year 2008, core cash resales (U.S. 3D and Canada 2D and 3D data) were $105.6 million, down 3% from the 2007 level of $108.8 million. Non-core cash resales (U.S. 2D and offshore data) were relatively stable between 2008 and 2007 at $13.1 million and $13.0 million, respectively. Non-monetary exchanges fluctuate year to year depending upon the data available for trade and totaled $7.6 million in 2008 compared to $8.0 million in 2007. Revenue deferred decreased from $66.9 million to $59.5 million from 2007 to 2008 due to fewer library card contracts (which require deferral) and more direct licenses of data (not requiring deferral). Revenue recognized from previously deferred contracts, or selections, increased $5.1 million primarily due to the growth in the inventory of open library cards from which clients selected subsequent to the Merger. Solutions and other revenue increased from $5.4 million in 2007 to $6.5 million in 2008 primarily resulting from the higher level of seismic revenue and the types of products delivered.

Total revenue was $148.8 million for the year ended December 31, 2007 compared to $191.9 million for the year ended December 31, 2006. This decrease was due to a decrease in both acquisition revenue and licensing revenue. Acquisition revenue decreased from $46.8 million in 2006 to $42.7 million in 2007 primarily due to weather related delays on U.S. seismic surveys experienced during 2007 and due to a lower acquisition underwriting percentage than in 2006. Total licensing revenue was $100.8 million in 2007 compared to $137.7 million in 2006. This decrease was the result of various changes in the components of licensing revenue. Cash resales were $121.8 million in 2007 compared to $125.0 million in 2006. This decrease between years was primarily due to weak offshore sales which were largely offset by increased licensing on land in both the U.S. and Canada. Non-monetary exchanges fluctuate year to year depending upon the data available for trade and totaled $8.0 million in 2007 compared to $5.8 million in 2006. Revenue deferred increased from $48.5 million to $66.9 million due to a larger amount of library card contracts entered into in 2007 as compared to 2006. Revenue recognized from previously deferred contracts, or selections, decreased $17.4 million between years. This decrease was primarily due to selection revenue totaling $18.3 million that could not be recognized in 2007 as a result of the purchase accounting adjustments to our deferred revenue balance at the Merger date. Solutions and other revenue decreased from $7.4 million in 2006 to $5.4 million in 2007 primarily resulting from the lower level of seismic revenue and the types of products delivered.

At December 31, 2008, we had a deferred revenue balance of $67.7 million compared to the December 31, 2007 balance of $48.2 million. The deferred revenue balance was related to (i) data licensing contracts on which selection of specific data had not yet occurred, (ii) deferred revenue on data acquisition projects and (iii) contracts in which the data products are not yet available or the revenue recognition criteria has not yet been met. The deferred revenue will be recognized when selection of specific data is made by the customer, upon expiration of the data selection period specified in the data licensing contracts, as work progresses on the data acquisition contracts, as the data products become available or as all of the revenue recognition criteria are met. Deferred revenue will be recognized no later than the following, based on the expiration of the selection period or our estimate of progress on acquisition projects and the data products, although some revenue may be recognized earlier (in thousands):

2009......................................	$52,565
2010......................................	14,088
2011 and thereafter.................	1,074

Depreciation and Amortization

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

	SUCCESSOR PERIOD		PREDECESSOR PERIOD	COMBINED[1]	PREDECESSOR PERIOD
	Year Ended Dec. 31, 2008	Feb. 14, 2007 Dec. 31, 2007	Jan. 1, 2007 - Feb. 13, 2007	Year Ended Dec. 31, 2007	Year Ended Dec. 31, 2006
Amortization of seismic data:					
Income forecast	$ 101,301	$ 81,816	$ 6,911	$ 88,727	$ 59,663
Straight-line	59,288	57,158	4,296	61,454	26,327
Total amortization of seismic data	160,589	138,974	11,207	150,181	85,990

Depreciation of property										
and equipment		2,345		1,965		278		2,243		2,672
Amortization of acquired										
intangibles		5,695		5,133		-		5,133		-
Total	$	168,629	$	146,072	$	11,485	$	157,557	$	88,662

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

Total seismic data library amortization amounted to $160.6 million, $150.2 million and $86.0 million in 2008, 2007 and 2006, respectively. The amount of seismic data library amortization fluctuates based on the level and location of specific seismic surveys licensed (including licensing resulting from new data acquisition) and selected by our customers during any period as well as the amount of straight-line amortization required under our accounting policy. The Successor Periods reflect the higher level of amortization as a result of the step-up to fair value of our seismic data library in connection with the Merger.

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

	SUCCESSOR PERIOD		PREDECESSOR PERIOD	COMBINED[1]	PREDECESSOR PERIOD
Components of Amortization	Year Ended Dec. 31, 2008	Feb. 14, 2007 Dec. 31, 2007	Jan. 1, 2007 - Feb. 13, 2007	Year Ended Dec. 31, 2007	Year Ended Dec. 31, 2006
Income forecast	61 %	65 %	38 %	62 %	32%
Straight-line	36 %	46 %	23 %	43 %	15%
Total	97 %	111 %	61 %	105 %	47%

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

The percentage of income forecast amortization to total seismic revenue was 61% for the year ended December 31, 2008 compared to 62% for the year ended December 31, 2007. In both years, we had resale revenue recognized which was from data whose costs were fully amortized. In 2008, 19% of resales did not attract amortization, as compared to 15% in 2007. Straight-line amortization represents the expense required under our accounting policy to ensure our data value is fully amortized within four years of when the data becomes available for sale. The $2.2 million decrease from 2007 to 2008 was due to certain seismic surveys becoming fully amortized, thus not requiring any straight-line amortization, as well as to the distribution of revenue among the various seismic surveys, resulting in less straight-line amortization.

The increase in the percentage of income forecast amortization to total seismic revenue for the year ended December 31, 2007, compared to the year ended December 31, 2006, was due to an increase in income forecast amortization recorded in the Successor Period. As a result of the Merger, our data whose costs had previously been fully amortized now have net book value as a result of being stepped up to fair value. Consequently, the majority of 2007 resale revenue attracted income forecast amortization compared to the year ended December 31, 2006 when 70% of our resale revenue was attributable to data whose costs had been fully amortized. The increase in the amount of straight-line amortization was due to the step up to fair value of our seismic data library in connection with the Merger.

For the year ended December 31, 2008, the rates utilized under the income forecast method ranged from 70% to 73%. For the years ended December 31, 2007 and 2006, the amortization rate utilized under the income forecast method was 70% for all components. The rate of amortization with respect to each component is decreased or increased if our estimate of future cash sales from such component is materially increased or decreased, subject to a minimum amortization rate of 70%. Additionally, certain seismic surveys have been fully amortized; consequently, no amortization expense is required on revenue recorded for these seismic surveys. As of January 1, 2009, the amortization rates to be utilized under the income forecast method is 70% for all components.

In connection with the Merger, we recorded acquired intangible assets of $53.4 million, of which $52.5 million are amortizable over their useful lives ranging from 1 to 10 years. Amortization related to customer relationships, internally developed software and

covenants not to compete totaled $5.7 million and $5.1 million for the year ended December 31, 2008 and the period from February 14, 2007 to December 31, 2007, respectively.

Impairment of Intangible Asset

During the year ended December 31, 2008, we recorded an impairment charge of $0.2 million related to the customer relationship intangible asset that resulted from our October 2007 purchase of a small data fulfillment company in Canada. The impairment was necessary as a result of the loss of significant customer business and current-period and projected operating losses associated with the customer relationship intangible asset. The impairment was determined by comparing estimated future cash flows attributable to the customer relationship to the carrying value of the asset in accordance with SFAS No. 144. The resulting impairment reduced the customer relationship intangible asset to $0. Subsequently in 2009, we sold this data fulfillment company.

Goodwill and Indefinite Lived Intangibles

In late 2008 and subsequent to the annual assessment of the recoverability of goodwill and indefinite lived intangibles, we experienced a decline in cash resales largely due to a reduction in spending by oil and gas companies industry-wide resulting from the current economic downturn. We evaluated whether the recent decline in cash resales represented a significant decline in our underlying fair value. Based upon our analysis, we concluded that the decline in the fourth quarter of 2008 did not require us to perform an additional goodwill and indefinite lived intangibles impairment test because we do not believe the decline was caused by significant underperformance of the company relative to historical or projected future operating results or a significant change in the manner of our use of the acquired assets or the strategy for our overall business. We will, however, continue to monitor whether a continued decline in our cash resales or our failure to meet cash flow projections in the future represent triggering events that would require us to perform an interim goodwill and indefinite lived intangibles impairment test in subsequent periods. In the event such a test is required, we might be required to record a significant charge for the impairment of our goodwill and indefinite lived intangibles.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses were $36.3 million in 2008, $37.0 million in 2007 and $35.9 million in 2006. SG&A expense is made up of the following expense categories (in thousands):

	SUCCESSOR PERIOD		PREDECESSOR PERIOD	COMBINED[1]	PREDECESSOR PERIOD
	Year Ended Dec. 31, 2008	Feb. 14, 2007- Dec. 31, 2007	Jan. 1, 2007 - Feb. 13, 2007	Year Ended Dec. 31, 2007	Year Ended Dec. 31, 2006
Cash SG&A expenses	$ 29,557	$ 24,784	$ 3,165	$ 27,949	$ 33,196
Non-cash equity compensation expense	6,492	8,371	412	8,783	2,734
Non-cash rent expense	267	238	-	238	-
Total	$ 36,316	$ 33,393	$ 3,577	$ 36,970	$ 35,930

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

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

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

Cash SG&A expenses decreased to $27.9 million for the year ended December 31, 2007 from $33.2 million for the year ended December 31, 2006. This decrease of $5.2 million was primarily due to (1) a decrease of $3.0 million in performance based compensation expense associated with our incentive compensation plan; (2) a reduction in commission expense of $1.0 million due to lower revenues in 2007; (3) settlement of litigation resulting in a payment of $0.6 million to us; (4) partial collection of a previously reserved receivable from one of our former officers resulting in a payment to us of $0.3 million; and (5) a reduction of $0.8 million in professional fees and director fees related to evaluation of strategic alternatives. These decreases were partially offset by $1.1 million of professional fees related to strategic merger and acquisition activities incurred in the 2007 period.

The increase in non-cash equity compensation expense of $6.0 million between 2007 and 2006 was primarily due to the expense related to stock options granted to certain key employees and non-employee directors in the Successor Period.

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

Merger Expenses

Merger expenses included the following fees and expenses incurred in connection with the merger transaction for the periods indicated (in thousands):

	SUCCESSOR PERIOD		PREDECESSOR PERIOD	COMBINED[1]	PREDECESSOR PERIOD
	Year Ended Dec. 31, 2008	Feb. 14, 2007- Dec. 31, 2007	Jan. 1, 2007 - Feb. 13, 2007	Year Ended Dec. 31, 2007	Year Ended Dec. 31, 2006
Investment banking fees	$ -	$ -	$ 7,789	$ 7,789	$ -
Legal and advisory fees	-	498	629	1,127	1,449
Change in control payments	357	2,159	2,745	4,904	-
Early vesting of restricted stock (non-cash)	-	-	6,294	6,294	-
	$ 357	$ 2,657	$ 17,457	$ 20,114	$ 1,449

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

Other Income (Expense)

Interest expense was $41.2 million, $42.9 million and $24.2 million for the years ended December 31, 2008, 2007 and 2006, respectively. The $1.7 million decrease in interest expense from 2007 to 2008 was primarily due to the 2007 period including $4.0 million related to fees from the non-utilized acquisition financing bridge facility. This decrease was partially offset by higher interest expense resulting from our higher debt level subsequent to the Merger. The $18.7 million increase between 2006 and 2007 was due to interest expense on our 9.75% Senior Notes issued in connection with the Merger as well as $4.0 million related to fees from the non-utilized acquisition financing bridge facility. In addition, on February 14, 2007, $187.0 million of our 11.75% Senior Notes were paid, leaving only $2.0 million of such notes outstanding.

Interest income was $1.2 million, $1.7 million and $4.7 million for the years ended December 31, 2008, 2007 and 2006, respectively. The decrease between 2007 and 2008 was mainly due to lower rates of return on our cash investments during 2008. The decrease from 2006 to 2007 was primarily due to lower cash balances in the Successor Period due to the use of our cash in connection with the Merger.

In January of 2006, we sold certain seismic surveys located in Canada as required by an agreement entered into in 1993. We recorded a gain of $231,000 related to such sale for the year ended December 31, 2006.

During the three years ended December 31, 2008, we reported foreign currency transaction gains (losses) on U.S. denominated transactions of our Canadian subsidiaries totaling $(4.1) million, $3.1 million and $0.3 million, respectively.

Income Taxes

Tax benefit was $3.5 million, $10.6 million and $0.7 million for the years ended December 31, 2008, 2007 and, 2006, respectively. The 2008 benefit was comprised of (i) a benefit of $5.0 million related to our Canadian operations, (ii) an expense of $1.3 million related to principal and interest on uncertain tax positions and (iii) $0.2 million of Canadian withholding taxes. The Federal tax benefit of $20.6 million resulting from our U.S. operations was offset by a valuation allowance because it was more likely than not that the deferred tax asset would not be realized.

The 2007 benefit related to both our U.S. and Canadian operations. In the U.S., a deferred tax liability of $4.4 million was recorded in connection with the Merger due to the step-up in asset value related to the Merger. In the period from February 14, 2007 to December 31, 2007, a U.S. Federal tax benefit was recorded equivalent to the amount of deferred tax liability with the remainder of the benefit from our U.S. book loss being offset by a valuation allowance because it was more likely than not that the deferred tax asset would not be realized. In Canada, a tax benefit of $7.4 million was recognized on our Canadian operations in the period from February 14, 2007 to December 31, 2007. Additionally, we recorded other tax expense primarily related to state income tax and FIN 48 totaling approximately $0.7 million in the period from February 14, 2007 to December 31, 2007. Tax expense for the period from January 1, 2007 to February 13, 2007 primarily related to taxes on our Canadian operations and FIN 48. The Federal income tax expense recorded on our U.S. operations was offset by a reduction in our deferred tax asset valuation allowance resulting in no Federal tax expense in the U.S. for the period from January 1, 2007 to February 13, 2007.

The 2006 benefit was the net result of (1) the reversal of a reserve totaling $2.0 million on a U.S. tax position following the expiration of the statute; (2) a $0.5 million current U.S. Federal tax expense as a result of estimated alternative minimum tax due for 2006; (3) a $0.2 million current state tax expense; and (4) a $0.6 million expense associated with our Canadian operations. Additionally in 2006, the income tax expense recorded on our U.S. operations was offset by a reduction in our deferred tax asset valuation allowance, other than for the alternative minimum tax mentioned above, as we continued to provide a full valuation allowance because it was more likely than not that the deferred tax asset would not be realized.

Discontinued Operations

In 2006, we disposed of our remaining oil and gas properties. As a result, we recorded a loss from discontinued operations of $142,000 for the year ended December 31, 2006.

Liquidity and Capital Resources

As of December 31, 2008, we had $42.6 million in consolidated cash, cash equivalents and short-term investments. Other sources of liquidity include our credit facilities described below.

U.S. Credit Facility: On February 14, 2007, we entered into an amended and restated U.S. revolving credit facility which provides for up to $25.0 million, subject to borrowing base limitations. The facility expires on February 14, 2010. The borrowing base is determined from time to time based on the lesser of:

- $25.0 million,
- 75% of our trailing twelve months' U.S. cash margin (defined as cash resales and Solutions revenue, plus gain on sale of seismic data, less cash cost of sales and cash SG&A expenses, before depreciation and amortization expense), or
- the sum of (1) 85% of eligible U.S. short term accounts (defined as accounts that are not long term accounts and within 90 days of invoice date), plus (2) the lesser of (a) 50% of eligible U.S. 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 (b) $7.5 million, plus (3) $15.0 million.

The facility contains financial covenants, including a covenant requiring us to achieve and maintain a minimum level of cash margin (as defined in the agreement governing the facility) for our U.S. operations, and as of December 31, 2008, we were in compliance with all of such covenants. However, there can be no assurances that we will be able to continue to maintain compliance with such covenants during 2009. If we are not able to maintain compliance with these covenants, we will have to amend the facility agreement and/or obtain a waiver for such non-compliance; otherwise, we may not be able to access the facility to satisfy our liquidity needs. At December 31, 2008, there was no outstanding balance under the facility and there was $25.0 million of availability.

Canadian Credit Facility: Our wholly owned subsidiary, Olympic Seismic Ltd. ("Olympic"), has a revolving credit facility which allows it to borrow up to $5.0 million (Canadian), subject to an availability formula, by way of prime-based loans or letters of credit. Available borrowings under the facility are equivalent to a maximum of $5.0 million (Canadian), subject to a requirement that such borrowings may not exceed 75% of good accounts receivable (as defined in the agreement) of Olympic, less prior-ranking claims, if any, relating to inventory or accounts. As of December 31, 2008, no amounts were outstanding on this revolving line of credit and $5.0 million (Canadian) was available on the line of credit.

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

11.75% Senior Unsecured Notes: On July 2, 2004, we issued in a private placement $193.0 million aggregate principal amount of our 11.75% Senior Notes. As of December 31, 2008, $2.0 million of the 11.75% Senior Notes remain outstanding. Interest on these senior notes is payable in cash, semi-annually in arrears on January 15 and July 15.

Contractual Obligations. As of December 31, 2008, we had outstanding debt and lease obligations, with aggregate contractual cash obligations, including principal and interest, summarized as follows (in thousands):

	Payments due by period				
Contractual cash obligations	Total	2009	2010-2012	2013-2014	2015 and thereafter
Debt obligations (1)(2)	$ 617,523	$ 39,307	$ 119,686	$ 458,530	$ -
Capital lease obligations (2)	4,528	303	930	669	2,626
Operating lease obligations	4,163	1,089	2,836	238	-
Total contractual cash obligations	$ 626,214	$ 40,699	$ 123,452	$ 459,437	$ 2,626

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

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

Cash Flows from Operating Activities: Cash flows provided by operating activities from continuing operations were $88.8 million, $84.9 million, $5.6 million and $108.5 million for the year ended December 31, 2008, for the period February 14, 2007 to December 31, 2007 (Successor Period), for the period January 1, 2007 to February 13, 2007 (Predecessor Period) and for the year ended December 31, 2006, respectively. Operating cash flows for the year ended December 31, 2008 decreased $1.8 million from the combined period January 1, 2007 to December 31, 2007 primarily due to an increase in interest expense paid and a decrease in cash received from our customers during 2008. These uses of cash were partially offset by the 2007 period including the payment of fees and expenses totaling $13.2 million related to the Merger whereas 2008 only included the payment of $2.5 million of Merger related expenses. Operating cash flows for the combined period January 1, 2007 to December 31, 2007 decreased from the year ended December 31, 2006 primarily due to the payment of fees and expenses totaling approximately $13.2 million related to the Merger and an increase in interest expense paid of approximately $10.4 million.

Cash Flows from Investing Activities: Cash flows used in investing activities from continuing operations were $92.1 million, $59.7 million, $8.4 million and $77.7 million for the year ended December 31, 2008, for the period February 14, 2007 to December 31, 2007 (Successor Period), for the period January 1, 2007 to February 13, 2007 (Predecessor Period) and for the year ended December 31, 2006, respectively. Cash expenditures for seismic data were $90.7 million, $58.7 million, $8.4 million and $76.8 million for the year ended December 31, 2008, for the period February 14, 2007 to December 31, 2007 (Successor Period), for the period January 1, 2007 to February 13, 2007 (Predecessor Period) and for the year ended December 31, 2006, respectively. The increase in cash invested in seismic data for the year ended December 31, 2008 compared to the combined period January 1,

2007 to December 31, 2007 was primarily due to an increase in cash paid for new data acquisition projects partially offset by a decrease in cash purchases of seismic data. The decrease in cash invested in seismic data for the combined period January 1, 2007 to December 31, 2007 from the year ended December 31, 2006 was primarily due to a reduction in cash paid for new data acquisition and a reduction in cash purchases.

Cash Flows from Financing Activities: Cash flows used in financing activities were $0.1 million, $83.3 million, $0.4 million and $1.2 million for the year ended December 31, 2008, for the period February 14, 2007 to December 31, 2007 (Successor Period), for the period January 1, 2007 to February 13, 2007 (Predecessor Period) and for the year ended December 31, 2006. The period from February 14, 2007 to December 31, 2007 included (i) the issuance of $400.0 million of our 9.75% Senior Notes, (ii) a cash capital contribution of $153.5 million by ValueAct Capital in connection with the Merger and $0.2 million as a result of the issuance of additional shares of Holding's stock, (iii) acquisition of all of our outstanding common stock (other than shares owned by ValueAct Capital and management investors) in connection with the Merger for a total of $386.6 million, (iv) payment of $233.4 million on our 11.75% Senior Notes, including principal and certain fees and expenses associated with the tender offer, and (v) payment of $17.3 million of financing fees in connection with the Merger. In 2006, we paid tax withholding obligations of our employees totaling $1.2 million in exchange for shares of stock of equal value being withheld or returned to us from such employees.

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

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

Deferred Taxes

As of December 31, 2008, we had a net deferred tax liability of $8.3 million attributable to our Canadian operations. In the United States, we had a Federal deferred tax asset of $58.2 million, all of which was fully offset by a valuation allowance. The recognition of the U.S. Federal deferred tax asset will not occur until such time that it is more likely than not that some portion or all of the Federal deferred tax asset will be realized. As of December 31, 2008, it was more likely than not that all of the U.S. Federal deferred tax asset will not be realized. Additionally, in the United States, we had a state deferred tax asset of $0.2 million which was recognized as it is more likely than not that the state deferred tax asset will be realized.

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

Off-Balance Sheet Transactions

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

Capital Expenditures

During 2008, capital expenditures for seismic data and other property and equipment amounted to $109.7 million. Our capital expenditures for 2009 are presently estimated to be $80.0 million. Our 2008 actual and 2009 estimated capital expenditures are comprised of the following (in thousands):

	Year Ended Dec. 31, 2008	Estimate For Year Ending Dec. 31, 2009
New data acquisition	$ 81,356	$ 58,000
Non-monetary exchanges	23,559	20,000
Cash purchases and other property	4,795	2,000
Total Capital Expenditures	109,710	80,000
Less:		
Non-monetary exchanges	(23,559)	(20,000)
Changes in working capital	5,724	-
Cash investment per statement of cash flows	$ 91,875	$ 60,000

The capital expenditures discussed above are within the capital expenditure limitations imposed by our U.S. revolving credit facility.

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

	Year Ended Dec. 31, 2008	Estimate For Year Ending Dec. 31, 2009
Total Capital Expenditures	$ 109,710	$ 80,000
Less:		
Non-cash additions	(23,559)	(20,000)
Cash underwriting	(41,511)	(38,000)
Capital expenditures funded from operating cash flow	$ 44,640	$ 22,000

As of March 6, 2009, we had capital expenditure commitments related to data acquisition projects of approximately $60.4 million of which we have obtained approximately $35.4 million of cash underwriting and $3.8 million of underwriting from non-monetary exchanges.

Recent Accounting Pronouncements

In February 2008, the Financial Accounting Standards Board ("FASB") issued Staff Position ("FSP") FAS 157-2, "Effective Date of FASB Statement No. 157," which delayed the effective date of SFAS No. 157 for all non-financial assets and non-financial liabilities, except those that are measured at fair value on a recurring basis. Accordingly, as of December 31, 2008, we have not applied the provisions of SFAS No. 157 to our measurement of non-financial long-lived assets, to reporting units measured at fair value in a goodwill impairment test or non-financial assets acquired and liabilities assumed in a business combination. FSP FAS 157-2 establishes January 1, 2009 as the effective date of SFAS No. 157 with respect to these fair value measurements. We do not currently expect the application of the fair value framework established by SFAS No. 157 to non-financial assets and liabilities measured on a non-recurring basis to have a material impact on our consolidated financial statements. However, we will continue to assess the potential effects of SFAS No. 157 as additional guidance becomes available.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" (SFAS No. 141(R)), a replacement of SFAS No. 141, "Business Combinations." SFAS No. 141(R) modifies the accounting for business combinations under SFAS No. 141 and will apply to us prospectively for future business combinations with an acquisition date on or after January 1, 2009. SFAS No. 141(R) establishes principles and requirements for how the acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. Additionally, for already completed business combinations, SFAS No. 141(R) nullifies the Emerging Issues Task Force ("EITF") Issue No. 93-7, "Uncertainties Related to Income Taxes in a Purchase Business Combination," such that future changes in estimates of income tax uncertainties that existed at the time of, or arose in connection with past purchase business combinations, will no longer be accounted for as adjustments to goodwill, but instead will be accounted for as adjustments to current income.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

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

Interest Rate Risk

We may enter into various financial instruments, such as interest rate swaps or interest rate lock agreements, to manage the impact of changes in interest rates. Currently, we have no open interest rate swap or interest rate lock agreements. Therefore, our exposure to changes in interest rates primarily results from our short-term and long-term debt with both fixed and floating interest rates. As of December 31, 2008 and 2007, we did not have any debt outstanding with floating interest rates. The following table presents principal or notional amounts (stated in thousands) and related average interest rates by year of maturity for our debt obligations and their indicated fair market value at December 31, 2008:

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

The following table presents principal or notional amounts (stated in thousands) and related average interest rates by year of maturity for our debt obligations and their indicated fair market value at December 31, 2007:

	2008	2009	2010	2011	2012	There-after	Total	Fair Value
Debt:								
Fixed Rate	$ 44	$ 49	$ 54	$ 2,059	$ 65	$ 400,029	$ 402,300	$ 342,380
Average Interest Rate	9.76%	9.76%	9.76%	9.76%	9.75%	9.75%	9.76%	

Foreign Currency Exchange Rate Risk

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

Item 8. ***Financial Statements and Supplementary Data***

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

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

None.

Item 9A(T). ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures

As of December 31, 2008, our management carried out an evaluation, under the supervision and with the participation of our President and Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, our President and Chief Executive Officer along with our Chief Financial Officer concluded that our disclosure controls and procedures as of December 31, 2008 were designed to ensure, and were effective in ensuring, that our information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management, including our President and Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Management's Report on Internal Control Over Financial Reporting

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

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2008. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control - Integrated Framework.* Based on this assessment, management believes that, as of December 31, 2008, our internal control over financial reporting is effective based on those criteria. Our assessment also appears on page F-1.

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

Changes in Internal Controls Over Financial Reporting

There have been no changes in our internal controls over financial reporting during the quarter ended December 31, 2008 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Item 9B. ***Other Information***

None.

PART III

Item 10. ***Directors and Executive Officers of the Registrant***

Directors and Executive Officers

The following table sets forth the name, age as of March 6, 2009, and position of each person who is currently an executive officer or director of our company.

Name	Age	Position
Robert D. Monson	53	President, Chief Executive Officer and Director
Kevin P. Callaghan	56	Chief Operating Officer and Executive Vice President
William J. Restrepo	49	Chief Financial Officer, Executive Vice President and Secretary
Marcia H. Kendrick	48	Chief Accounting Officer, Senior Vice President, Assistant Secretary and Treasurer
David A. Richard	50	Senior Vice President
Randall A. Sides	42	President-Olympic Seismic Ltd.
Robert J. Simon	53	President-Seitel Data, Ltd.
Jay H. Golding	63	Director
John E. Jackson	50	Director
Peter H. Kamin	47	Director
Philip B. Livingston	51	Director
Gregory P. Spivy	39	Director

Robert D. Monson has been our President and Chief Executive Officer and one of our directors since December 15, 2004. He previously served as our Chief Financial Officer from May 10, 2004 until December 15, 2004 and served as Secretary from August 31, 2004 until December 15, 2004. Mr. Monson has over 24 years of experience in the oil and gas industry, including over nine years in the international seismic industry. Prior to joining Seitel, he served in various capacities with Schlumberger Limited ("Schlumberger"), a New York Stock Exchange, Inc. listed company, since 1985. In his last position with Schlumberger, Mr. Monson served as business segment chief financial officer for Schlumberger Well Services and the worldwide controller for Oilfield Technology Centers. Prior to this, he served as worldwide director of human resources for financial personnel of Schlumberger Limited. From 1998 to 2000, he served as chief financial officer of Schlumberger Oilfield Services-UK. From 1985 to 1998, he served as either treasurer or controller to other Schlumberger entities, including assignments in the New York headquarters and various international locations.

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

William J. Restrepo has been our Chief Financial Officer, Executive Vice President and Secretary since July 2005. From 1985 to 2005, Mr. Restrepo held financial and operational positions at Schlumberger, including Regional Vice President for Continental Europe and for the Arabian Gulf, Corporate Treasurer, and Chief Financial Officer for the pressure pumping and directional drilling business units, with international posts in Europe, South America and the Middle East. His last position at Schlumberger was Chief Financial Executive for the North and South America area. In September 2008, Mr. Restrepo became a director of Probe, Inc., a manufacturer of wireline logging equipment, and is the Chairman of its Finance and Audit Committee.

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

David A. Richard has been our Senior Vice President since June 2008. He is responsible for corporate business activities in both the United States and Canada. Prior to joining us, Mr. Richard was co-founder, president and CEO of FX Energy Ltd, a private junior oil and gas company, from 2005 to 2007. He was president and CEO of Kelman Technologies Inc., and oil and gas technology company which performs seismic data processing and data management services, from 1999 to 2004. Mr. Richard has been a director of Boyd Exploration Consultants Ltd., a seismic interpretation and field operations consulting company, since June 2006.

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

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

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

John E. Jackson has been one of our directors since August 2007. Mr. Jackson was named Chairman, Chief Executive Officer and President of Price Gregory Services, Inc., a pipeline-related infrastructure service provider in North America, in February 2008. He became a director of Hanover Compressor Company ("Hanover"), now known as Exterran Holdings, Inc., in July 2004. Mr. Jackson served as Hanover's President and Chief Executive Officer from October 2004 to August 2007 and as Chief Financial Officer from January 2002 to October 2004. Mr. Jackson has been a director of Encore Energy Partners GP LLC, the general partner of Encore Energy Partners, L.P., an oil and gas exploration and production partnership, since February 2008. He also serves on the board of a non-profit organization.

Peter H. Kamin has been one of our directors since March 2006 and Chairman of the Board since February 2007. Mr. Kamin is a founding member and Managing Partner of ValueAct Capital. Prior to founding ValueAct Capital in 2000, Mr. Kamin founded and managed Peak Investment L.P ("Peak") for eight years. Peak was a limited partnership, organized to invest in a select number of domestic public companies. Mr. Kamin is also a director of KAR Holdings, Inc.

Philip B. Livingston has been one of our directors since February 2007. Mr. Livingston was Senior Vice President and Chief Financial Officer of TouchTunes Music Corporation, a manufacturer and distributor of digital jukeboxes and music, from November 2007 to January 2009. Prior to joining TouchTunes, he was Vice Chairman of Approva Corporation, a provider of enterprise controls management software, from January 2005 to March 2006 and from October 2006 to November 2007. He was the Chief Financial Officer of Duff & Phelps LLC, a professional services firm, from March 2006 until September 2006. From March 2003 to January 2005, he was Chief Financial Officer and a member of the board of World Wrestling Entertainment, Inc., a media and entertainment company. From 1999 to 2003, he served as President and Chief Executive Officer of Financial Executives International, a membership organization for chief financial officers, controllers and treasurers. Mr. Livingston has served on the boards of Approva Corporation since 2003, BroadSoft Corporation since 2005, and Nexan Technologies, Inc. since 2007.

Gregory P. Spivy has been one of our directors since March 2006. Mr. Spivy is a Partner of ValueAct Capital. Prior to joining ValueAct Capital in September 2004, Mr. Spivy worked with Gryphon Investors, a private equity fund managing approximately $500 million, from 2002 to 2004. Mr. Spivy is also a director of MDS Inc., KAR Holdings, Inc. and MSD Performance, Inc., and is a former director of PRA International and MSC Software Corp.

Board Composition

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

Committees of the Board of Directors

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

We continue to have a standing audit committee, of which Mr. Livingston is the chairman and Mr. Golding is a member. The audit committee reviews and monitors our financial reporting, external audits, internal control functions and compliance with laws and regulations that could have a significant effect on our financial condition or results of operations. In addition, the audit committee has the responsibility to consider and appoint, and to review fee arrangements with, our independent registered public accounting firm. Messrs. Livingston and Golding each qualify as an audit committee financial expert, within the meaning of Item 407(d)(5) of Regulation S-K promulgated by the SEC.

Section 16(a) Beneficial Ownership Reporting Compliance

Our officers, directors and 10% beneficial owners are not subject to Section 16(a) of the Exchange Act as we did not have a class of equity securities registered pursuant to Section 12 of the Exchange Act during the year ended December 31, 2008.

Code of Ethics

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

Item 11. ***Executive Compensation***

Compensation Discussion and Analysis

Overview

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

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

Compensation Strategy

Prior to the Merger, individual executive performance was evaluated with a goal of setting compensation at levels that were believed to be comparable with executives in other companies of similar size and stage of development operating in our industry while taking into account our relative performance and our own strategic goals. Since the Merger, the Committee has continued this type of evaluation, with no particular weight given to any one factor. The Committee considers overall past compensation and incentives in determining the compensation of executive officers and assuring that the executives have appropriate incentives to achieve high levels of corporate performance. Although third-party compensation consultants have been retained in the past to advise with respect to our overall compensation program for all employees, we do not currently engage any consultant for compensation matters and it is expected that compensation for executives will be generally recommended to the Board by the Committee based on the experience of the members of the Committee.

In connection with the Merger, a special committee of the Board was engaged to evaluate strategic alternatives, including aspects of our executive compensation package in light of our need to retain certain executives after the Merger. In contemplation of the Merger, we sought to provide additional incentives and assurances to executives to remain with us through and after the Merger. For these reasons, the special committee implemented a retention bonus plan, as described in more detail below.

Following the Merger, the equity-based components of our executive incentive plans were eliminated for future years. In lieu of such future equity grants, all named executive officers received higher base salaries and were awarded options to purchase stock of Holdings following the Merger. In addition, Messrs. Monson, Callaghan and Restrepo entered into new employment agreements. The new employment agreements and option grant agreements entered into in 2007 are described in this Compensation Discussion and Analysis in order to provide a fuller picture of our executive compensation practices resulting from the Merger.

Compensation Elements

In connection with the Merger, we entered into new employment agreements with each of Messrs. Monson, Callaghan and Restrepo. These employment agreements were negotiated to ensure that each executive would be adequately compensated for his day-to-day work for us and our subsidiaries, to provide an opportunity for each executive to invest in Holdings following the Merger, and to provide income security to each executive in the event of his termination. Each employment agreement was effective upon the closing date of the Merger (February 14, 2007) and continued for an initial term of two years, subject to automatic extension for additional one year periods. These employment agreements have been extended to February 14, 2010.

Base Salaries

We believe that base salaries for named executive officers should adequately compensate them for their day-to-day work for us and should be competitive, when compared to other companies with whom we compete for executive talent. Prior to the Merger, base salaries for named executive officers were set as a result of a compensation study of peer companies. In connection with the Merger, base salaries for Messrs. Monson, Callaghan and Restrepo were negotiated in connection with their employment agreements and for other executive officers were adjusted upward to primarily compensate for loss of equity-based compensation post-Merger. The Committee has continued to evaluate salaries to insure that base salaries are competitive and that we are able to attract and retain talented executives.

Annual Bonuses

We pay bonuses to Messrs. Monson, Callaghan, Simon, Restrepo and Sides pursuant to the terms and conditions of an annual incentive plan approved by the Committee. Under this plan, company wide financial performance levels are pre-established and a named executive officer's bonus is based on our performance in relation to these pre-established levels. Bonuses are based on a percentage of the executive's base salary. If the target financial performance level is achieved, the executive is entitled to a "target bonus." If the maximum financial performance level is achieved or exceeded, the executive is eligible to earn up to the "maximum bonus." Any bonus earned up to the target is paid in cash; any bonus earned in excess of the target is paid in the form of equity in Holdings. The percentages payable under the "target bonus" and the "maximum bonus" are set forth in the table below.

Name	Target Bonus %	Maximum Bonus %
Mr. Monson	100%	158%
Mr. Callaghan	70%	110%
Mr. Simon	70%	110%
Mr. Restrepo	70%	110%
Mr. Sides	70%	110%

The annual bonuses payable to the named executive officers, except for Messrs. Simon and Sides, have been based on our achievement of certain established levels solely related to consolidated cash EBITDA. Mr. Simon's annual bonus is based on our

achievement of certain levels for consolidated cash EBITDA and "U.S." cash EBITDA, a component of consolidated cash EBITDA. Mr. Sides' annual bonus is based on our achievement of certain levels for consolidated cash EBITDA and "Canadian" cash EBITDA, a component of consolidated cash EBITDA. In determining the level of financial performance measures under the annual incentive plan, the Committee established a minimum threshold for cash EBITDA, a target level for cash EBITDA and a maximum level for cash EBITDA. Where the level achieved under the financial performance measures falls between the threshold level and target or target and maximum level, the bonus is determined by interpolation. The Committee believed that the cash EBITDA target was achievable; however, it presented a significant challenge for the named executive officers. The actual consolidated cash EBITDA attained for fiscal year 2008 was between the minimum threshold and the target level; the actual "U.S." cash EBITDA for fiscal year 2008 did not attain the minimum threshold; and the actual "Canadian" cash EBITDA for fiscal year 2008 reached the maximum threshold. Accordingly, the named executive officers were awarded a bonus based on the proportion of the achieved performance measure to the range between the minimum threshold and the target or the target and maximum performance measures, as applicable. The bonuses for fiscal year 2008 were paid in February 2009.

Retention Bonuses

In anticipation of the Merger, the special committee of the Board approved a retention bonus plan in order to ensure that we and our subsidiaries would continue to receive the full, undistracted attention and dedication of certain key employees, notwithstanding the possibility of the occurrence of the Merger.

The retention plan provided for cash bonuses to key employees, including the named executive officers, in two installments, the first of which was paid upon consummation of the Merger and the second becoming due on the first anniversary of the Merger if the employee remained employed by the Company or its subsidiaries until such date.

The retention plan provided for the following bonus payments to named executive officers:

Name	First Retention Bonus	Second Retention Bonus	Total
Mr. Monson	$758,000	$758,000	$1,516,000
Mr. Callaghan	$444,000	$444,000	$888,000
Mr. Simon	$349,500	$349,500	$699,000
Mr. Restrepo	$283,500	$283,500	$567,000
Mr. Sides	$137,000	$137,000	$274,000

Each named executive officer received the First Retention Bonus set forth in the table above on February 19, 2007 and received the Second Retention Bonus on February 15, 2008.

Equity-Based Compensation

In April 2008, Holdings adopted the Holdings Restricted Stock Plan, which is designed to provide incentives to present and future employees through the grant of restricted stock and restricted stock unit awards. In order to further align the interests of management with those of Holdings' stockholders, each named executive officer received a grant of restricted stock units in 2008 pursuant to the Holdings Restricted Stock Plan as follows:

Name	Restricted Stock Unit Grant

Mr. Monson	639
Mr. Callaghan	344
Mr. Simon	172
Mr. Restrepo	241
Mr. Sides	192

All restricted stock units were fully vested on the date of grant. The restricted stock units are convertible into common shares of Holdings within 30 days after the first to occur of the following: (i) termination of employment for any reason, (ii) death, (iii) disability, or (iv) change of control. See "Grants of Plan-Based Awards Table" below for more on the restricted stock units granted under the Holdings Restricted Stock Plan.

Other Benefits and Perquisites

All employees, including named executive officers, are eligible to participate in our health and welfare benefit programs and to participate in and receive matching contributions from us under our 401(k) plan. All employees are also entitled to reasonable reimbursement for health club membership dues.

For 2008, we provided named executive officers with perquisites and other personal benefits that we and the Committee believed to be reasonable and consistent with the goal of enabling us to attract and retain highly qualified employees for key positions. The Committee periodically reviews the levels of perquisites and other personal benefits provided to named executive officers.

Messrs. Monson, Callaghan, Simon and Restrepo were provided with company-paid life insurance. In addition, Messrs. Monson, Callaghan and Simon were entitled to and received reimbursement for reasonable social, athletic or country club membership dues. All named executive officers were entitled to reimbursement for the travel expense to bring a family guest to certain of our functions. Messrs. Simon and Sides each received reimbursement for family travel. Mr. Sides also receives certain living and automobile related allowances and "gross-ups" for the payment of Canadian taxes since he is a U.S. citizen residing in Canada in order to fulfill his current duties for Seitel. Each of Messrs. Simon and Sides' total reimbursement for perquisites and other personal benefits exceeded the threshold required to be reported in the Summary Compensation Table below. We believe the reimbursement that we provide for club membership dues is a valuable incentive to promote client relations in a social context and that named executive officers' family travel reimbursement helps promote a welcoming atmosphere at our functions.

Attributed costs of the personal benefits described above for the named executive officers for the fiscal year ended December 31, 2008, are included in the Summary Compensation Table.

Severance Arrangements

Each of the employment agreements of Messrs. Monson, Callaghan and Restrepo has certain change in control features. The following sets forth the severance payments (in addition to those benefits that the named executive officer may receive under broad-based employee benefit plans of the Company) that may be made upon the applicable employee's termination of employment:

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

For more on these arrangements, see "Payments Under Employment Agreements" below.

IRS Limits on Deductibility

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

Compensation Committee Report

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

The Board members serving as the compensation committee:

Peter H. Kamin

Gregory P. Spivy

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Stock Awards ($)(2)	Option Awards ($)(3)	Non-Equity Incentive Plan Compensation ($)(4)	All Other Compensation ($)(5)	Total Compensation ($)
Robert D. Monson,	2008	$ 630,000	$ 758,000	$ 164,862	$ 1,960,577	$ 196,793	$ 10,802	$ 3,721,034
President and Chief	2007	580,125	758,000	989,019	2,957,767	270,686	10,802	5,566,399
Executive Officer	2006	728,964(6)	-	473,302	-	975,240	11,021	2,188,527
Kevin P. Callaghan,	2008	468,000	444,000	88,752	653,526	102,333	10,802	1,767,413
Chief Operating	2007	435,794	444,000	699,278	985,922	140,847	10,802	2,716,643
Officer and Executive Vice President	2006	347,000	-	221,034	-	537,156	10,820	1,116,010
Robert J. Simon,	2008	346,000	349,500	44,376	457,450	37,828	23,024	1,258,178
President-Seitel	2007	324,581	349,500	527,398	690,119	136,402	29,957	2,057,957
Data, Ltd.	2006	273,000	-	161,028	-	422,604	23,009	879,641
William J. Restrepo,	2008	328,000	283,500	62,178	653,526	71,720	8,110	1,407,034
Chief Financial	2007	306,075	283,500	1,213,702	985,922	98,530	8,110	2,895,839
Officer and Executive Vice President	2006	252,000	-	353,962	-	325,080	7,864	938,906
Randall A. Sides, President - Olympic Seismic Ltd.(7)	2008	233,267	137,000	49,536	261,434	155,602	56,530	893,369

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

(2) Amounts reported in this column reflect the amount recognized by us in accordance with Statement of Financial Accounting Standards No. 123(R), "Share-Based Payments" for awards granted in and prior to 2008. For a discussion of valuation assumptions, see "Note J - Stock Based Compensation" to the Consolidated Financial Statements. See also the Stock Vested Table, which shows the corresponding number of shares vesting under each such restricted stock unit award.

(3) Amounts reported in this column reflect the amount recognized by us in accordance with SFAS No. 123(R) for options granted in or prior to 2008. For a discussion of valuation assumptions, see "Note J - Stock Based Compensation" to the Consolidated Financial Statements.

(4) Represents the performance-based cash bonus paid pursuant to the annual incentive plan.

(5) The following items (other than perquisites and other personal benefits) are included in "All Other Compensation" in 2008:

- 401(k) matching contributions - Messrs. Monson, Callaghan, Simon each received $10,250 and Mr. Restrepo received $7,750 in matching contributions to our 401(k) plans.

- Supplemental life insurance protection - Messrs. Monson, Callaghan, Simon and Restrepo were entitled to life insurance coverage which, when combined with the $50,000 of coverage that we provided to employees generally, equals the lesser of 100% of base salary or $250,000. Accordingly, named executive officers have the following supplemental life insurance protection: Mr. Monson-$200,000, Mr. Callaghan-$200,000, Mr. Simon-$200,000 and Mr. Restrepo-$200,000.

- Gross-up for the payment of taxes - Mr. Sides received $15,368 in benefits related to "gross-ups" for the payment of taxes in order to equalize the impact of higher Canadian taxes related to his Canadian wages.

With regard to perquisites and other personal benefits, only Mr. Simon and Mr. Sides exceeded the $10,000 threshold requiring these items to be included in "All Other Compensation" in 2008. Mr. Simon benefited from the reimbursement of club dues and family travel, thus those costs, plus the items identified above are included in the computation of his all other compensation for 2008. Mr. Sides benefited from the reimbursement of family travel and payment of $35,108 related to certain living and automobile related allowances. These items, in addition to the gross-up for the payment of taxes identified above, are included in his all other compensation for 2008.

(6) Includes a cash payment of $308,964 made in lieu of shares of restricted stock which could not be granted to Mr. Monson pursuant to the limitations of the Seitel, Inc. 2004 Stock Option Plan.

(7) This is the first year that Mr. Sides was a named executive officer and information for prior years is not required to be presented.

Grants of Plan-Based Awards Table

The following table summarizes grants during 2008 to the named executive officers under the Holdings Restricted Stock Plan:

		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards[1]			Estimated Possible Payouts Under Equity Incentive Plan Awards[2]			All other Stock Awards # of Shares or Units	Grant Date Fair Value of Stock and Option Awards ($)
Name	Grant Date	Threshold	Target	Maximum	Threshold	Target	Maximum		
Robert D. Monson	4/8/2008	$ -	$ 630,000	$ 630,000	$ -	$ -	$ 365,400	-	$ -
	4/8/2008(3)	-	-	-	-	-	-	639	164,862
Kevin P. Callaghan	4/8/2008	-	327,600	327,600	-	-	187,200	-	-
	4/8/2008(3)	-	-	-	-	-	-	344	88,752
Robert J. Simon	4/8/2008	-	242,200	242,200	-	-	138,400	-	-

	4/8/2008(3)	-	-	-	-	-	-	172	44,376
William J. Restrepo	4/8/2008	-	229,600	229,600	-	-	131,200	-	-
	4/8/2008(3)	-	-	-	-	-	-	241	62,178
Randall A. Sides	4/8/2008	-	163,287	163,287	-	-	93,307	-	-
	4/8/2008(3)	-	-	-	-	-	-	192	49,536

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(1) The target and maximum amounts in these columns have been provided in accordance with Item 402(d) of Regulation S-K and show the range of payouts targeted for fiscal 2008 performance under the annual incentive plan as discussed in further detail in "Compensation Discussion and Analysis." However, there are no future payouts as the bonus payments for fiscal 2008 performance have been made, as reflected in the Summary Compensation Table in the column entitled "Non-Equity Incentive Plan Compensation."

(2) As discussed in the "Compensation Discussion and Analysis" section, each named officer was eligible to earn a performance-based equity award for any percentage of the bonus in excess of the target percentage.

(3) The restricted stock units were fully vested immediately upon grant.

Outstanding Equity Awards at Fiscal Year End

The following table summarizes certain information regarding unvested stock and equity incentive plan awards outstanding as of December 31, 2008 for each of the named executive officers.

Name	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable[1]	Equity Incentive Plan Awards; Number of Securities Underlying Unexercised Unearned Options	Option Exercise Price ($)	Option Expiration Date
Robert D. Monson	8,196	24,591	-	$ 389.42	2/15/2017
Kevin P. Callaghan	2,732	8,197	-	389.42	2/15/2017
Robert J. Simon	1,912	5,738	-	389.42	2/15/2017
William J. Restrepo	2,732	8,197	-	389.42	2/15/2017
Randall A. Sides	1,093	3,279	-	389.42	2/15/2017

(1) The unexerciseable options vest in three equal increments on February 15, 2009, February 15, 2010 and February 15, 2011.

Option Exercises and Stock Vested

None of the named executive officers exercised options during 2008. In April 2008, fully vested restricted stock units were granted to the named executive officers and are shown in the table below.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Units Acquired on Vesting	Value Realized on Vesting
Robert D. Monson	-	$ -	639	$ 164,862
Kevin P. Callaghan	-	-	344	88,752
Robert J. Simon	-	-	172	44,376
William J. Restrepo	-	-	241	62,178
Randall A. Sides	-	-	192	49,536

Payments Under Employment Agreements

Effective upon consummation of the Merger, we negotiated new employment agreements with Messrs. Monson, Callaghan and Restrepo. These employment agreements provide for certain payments upon termination or a change in control as described below. In addition, each of our named executive officers received a grant of non-qualified stock options to acquire stock of Holdings, as described in further detail in the Compensation Discussion and Analysis section above.

Robert D. Monson

On January 30, 2007, the Company entered into a new employment agreement with Mr. Monson that was conditioned upon the consummation of the Merger. The agreement provides for Mr. Monson to continue as our President and Chief Executive Officer for an initial term of two years with a mechanism providing automatic one-year extensions. The agreement provides an initial annual base salary of $600,000, subject to increase by the Board or the Committee, and an annual cash bonus of up to 158% of his base salary under the Company's annual incentive plan. Under the agreement, Mr. Monson received options to purchase 3% of the outstanding Holdings common stock. The options vest 25% annually.

Upon a termination without cause, voluntarily or involuntarily, following a change in control, Mr. Monson would be entitled to receive three times his base salary and target bonus payable in a lump sum, all of his equity awards would immediately vest and he and his eligible dependents would continue to participate in group medical and dental plans for twelve months. Upon a termination without cause, or resignation by Mr. Monson for good reason prior to a change in control, he would receive two times his base salary plus target bonus payable in a lump sum, all of his equity awards would immediately vest and he and his eligible dependents would continue to participate in group medical and dental plans for twelve months. If Mr. Monson's employment terminates for any reason other than for cause or voluntary resignation, he would receive his unpaid cash bonus, if any, earned and accrued with respect to the preceding year. Mr. Monson is also subject to non-competition and non-solicitation covenants for one year after termination.

In the event that payments and benefits payable upon a change in control subject Mr. Monson to a 20% excise tax under section 4999 of the Internal Revenue Code, Mr. Monson would receive a "gross-up" payment so that he receives the same amount after-taxes that he would have received had the excise tax not applied.

Kevin P. Callaghan

On January 30, 2007, the Company entered into a new employment agreement with Mr. Callaghan that was conditioned upon the consummation of the Merger. The agreement provides for Mr. Callaghan to continue as our Chief Operating Officer for an initial term of two years with a mechanism providing automatic one-year extensions. The agreement provides an initial annual base salary of $446,000, subject to increase by the Board or the Committee, and an annual cash bonus of up to 110% of his base salary under the Company's annual incentive plan. Under his new employment agreement, Mr. Callaghan received options to purchase 1% of the outstanding Holdings common stock. The options vest 25% annually.

Upon a termination without cause, voluntarily or involuntarily, following a change in control, Mr. Callaghan would be entitled to receive two times his base salary payable in a lump sum, all of his equity awards would immediately vest and he and his eligible dependents would continue to participate in group medical and dental plans for twelve months. Upon a termination without cause, or resignation by Mr. Callaghan for good reason prior to a change in control, he would receive two times his base salary payable in a lump sum, all of his equity awards would immediately vest and he and his eligible dependents would continue to participate in group medical and dental plans for twelve months. If Mr. Callaghan's employment terminates for any reason other than for cause or voluntary resignation, he would receive his unpaid cash bonus, if any, earned and accrued with respect to the preceding year. Mr. Callaghan is also subject to non-competition and non-solicitation covenants for one year after termination.

William J. Restrepo

On January 30, 2007, the Company entered into a new employment agreement with Mr. Restrepo that was conditioned upon the consummation of the Merger. The agreement provides for Mr. Restrepo to continue as our Chief Financial Officer for an initial term of two years with a mechanism providing automatic one-year extensions. The agreement provides an initial annual base salary of $312,000, subject to increase by the Board or the Committee, and an annual cash bonus of up to 110% of his base salary under the Company's annual incentive plan. Under his new employment agreement, Mr. Restrepo received options to purchase 1% of the outstanding Holdings common stock. The options vest 25% annually.

Upon a termination without cause, voluntarily or involuntarily, following a change in control, Mr. Restrepo would be entitled to receive two times his base salary payable in a lump sum, all of his equity awards would immediately vest and he and his eligible dependents would continue to participate in group medical and dental plans for twelve months. Upon a termination without cause, or resignation by Mr. Restrepo for good reason, prior to a change in control, he would receive two times his base salary payable in a lump sum, all of his equity awards would immediately vest and he and his eligible dependents would continue to participate in group medical and dental plans for twelve months. If Mr. Restrepo's employment terminates for any reason other than for cause or voluntary resignation, he would receive his unpaid cash bonus, if any, earned and accrued with respect to the preceding year. Mr. Restrepo is also subject to non-competition and non-solicitation covenants for one year after termination.

The following table sets forth the payments to which Messrs. Monson, Callaghan and Restrepo would be entitled if their employment was terminated for the reasons set forth in the table as of December 31, 2008:

Mr. Monson	Unpaid Non-Equity Incentive Compensation	Severance	Medical and Dental Benefits[1]	Restricted Stock Units Converted into Common Shares[2]	Total[4]
Termination without Cause or for Good Reason	$ 196,793	$ 2,520,000	$ 13,209	$ 238,130	$ 2,968,132
Termination following a Change in Control	196,793	3,780,000	13,209	238,130	4,228,132
Death	196,793	-	-	238,130	434,923[5]
Disability	196,793	826,793[3]	-	238,130	1,261,716

Mr. Callaghan	Unpaid Non-Equity Incentive Compensation	Severance	Medical and Dental Benefits[1]	Restricted Stock Units Converted into Common Shares[2]	Total[4]
Termination without Cause or for Good Reason	$ 102,333	$ 936,000	$ 10,127	$ 128,195	$ 1,176,655
Termination following a Change in Control	102,333	936,000	10,127	128,195	1,176,655
Death	102,333	-	-	128,195	230,528[5]
Disability	102,333	570,333[3]	-	128,195	800,861

Mr. Restrepo	Unpaid Non-Equity Incentive Compensation	Severance	Medical and Dental Benefits[1]	Restricted Stock Units Converted into Common Shares[2]	Total[4]
Termination without Cause or for Good Reason	$ 71,720	$ 656,000	$ 13,209	$ 89,811	$ 830,740
Termination following a Change in Control	71,720	656,000	13,209	89,811	830,740
Death	71,720	-	-	89,811	161,531[5]
Disability	71,720	399,720[3]	-	89,811	561,251

(1) For purposes of calculating the value of medical and dental benefits that may be received upon termination of employment, we have provided the Company's cost of the current coverage elected by the named executive officer, less the employee's

required contribution for such coverage.

(2) Within 30 days of termination, death or disability, the restricted stock units are convertible into common shares of Holdings.

(3) For purposes of calculating the payments due upon termination for reason of disability, we have provided the named executive officer's 2008 base salary and 2008 actual cash bonus. The actual amount to be paid would be determined based on his base salary and cash bonus that would have been payable through one year from the termination date reduced by disability insurance payments, if any.

(4) Upon termination, death or disability, any unvested stock options would immediately vest. However, the per share value of Holdings' common stock was lower than the exercise price of the options resulting in no value related to the vesting of outstanding options at December 31, 2008.

(5) Payments would also include the life insurance benefit described above.

Change of Control Payments Made in 2008

In connection with the consummation of the Merger, the Company underwent a change of control for purposes of triggering payments and other obligations under agreements in place prior to the consummation of the Merger. Set forth in the table below are the amounts that each named executive officer received in 2008 as a result of the Merger.

Name	Retention Bonus Paid in 2008
Robert D. Monson	$ 758,000
Kevin P. Callaghan	444,000
Robert J. Simon	349,500
William J. Restrepo	283,500
Randall A. Sides	137,000

Director Compensation

The Company uses a combination of cash and stock-based compensation to attract and retain qualified candidates to serve on the Board. The Company sets director compensation at a level that reflects the amount of time and skill required of directors in performing their duties to the Company and to its shareholders. Directors who are employees receive no additional compensation for serving on the Board. Additionally, ValueAct Capital representatives receive no additional compensation for serving on the Board.

Director Compensation Table

In 2008, we provided the following compensation to directors who were not employees:

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)(1)	Non-Equity Incentive Plan Compen-sation ($)	Pension ($)	All Other Compen-sation ($)	Total Compensation ($)
Jay H. Golding	$ 182,729	-	$ 520,224	-	-	-	$ 702,953
John E. Jackson	75,000	-	52,869	-	-	-	127,869
Philip B. Livingston	100,000	-	42,217	-	-	-	142,217

(1) The amounts shown are the dollar amounts recognized as expense for financial reporting purposes under SFAS 123(R). For a discussion of valuation assumptions, see Note J - Stock Based Compensation to the Consolidated Financial Statements. The table below sets forth the grant date, expiration date, number of shares and exercise price for outstanding options held by directors as of December 31, 2008.

Director Compensation - Outstanding Options

Name	Date of Grant	Number of Options Outstanding	Exercise Price ($)	Expiration Date
Jay H. Golding	4/24/2007	641	$ 389.42	4/24/2017
Jay H. Golding	6/30/2008	9,220	406.69	6/30/2018
John E. Jackson	8/01/2007	641	389.42	8/01/2017
Philip B. Livingston	2/16/2007	706	389.42	2/16/2017

Members of the Board in fiscal 2008 received an annual cash retainer of $75,000 for serving on the Board. Mr. Golding's annual retainer was increased to $250,000 upon his being named Vice-Chairman in May 2008. In addition, the chairman of the Audit Committee received an annual chairmanship retainer of $25,000.

Effective April 1, 2009, each of the outside director's annual retainer will be reduced to $25,000 with no additional annual chairmanship retainer.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

Equity Compensation Plans

The table below provides information relating to Holdings' equity compensation plans as of December 31, 2008.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under compensation plans (excluding securities reflected in first column)
Equity compensation approved by security holders	105,233	$383.55	23,883[(1)]
Equity compensation not approved by security holders	-	-	-
Total	105,233	$383.55	23,883

(1) Of these securities, 1,224 could be issued as stock options under the Holdings Stock Option Plan and 22,659 could be issued as restricted stock or restricted stock units under the Holdings Restricted Stock Plan.

In connection with the Merger, the Holdings Stock Option Plan was adopted for the benefit of our key employees and non-employee directors. During 2008, we granted 14,145 total non-qualified stock options with an exercise price of $406.69 per share under the Holdings Stock Option Plan. The options vest 25 percent on each of the first, second, third and fourth anniversaries of each grant date. The options will expire ten years from the grant date.

In April 2008, Holdings adopted the Holdings Restricted Stock Plan which is designed to provide incentives to our present and future employees through the grant of restricted stock and restricted stock unit awards. The Holdings Restricted Stock Plan authorizes the issuance of up to 25,000 shares of Holdings' common stock pursuant to such grants. During 2008, we granted 2,341 restricted stock units of which 2,213 units remained outstanding at December 31, 2008.

The securities issued in the transactions described above were deemed exempt from registration under the Securities Act in reliance upon Section 4(2) or Rule 701 of the Securities Act as transactions by an issuer not involving a public offering, or transactions pursuant to compensatory benefit plans and contracts relating to compensation. The employees and non-employee directors received the securities described above in exchange for the performance of services by them for us.

Security Ownership of Certain Beneficial Owners and Management

We are a wholly-owned subsidiary of Holdings and all of the capital stock of Holdings is owned by an investor group that includes ValueAct Capital, our management investors and our outside directors. The following table sets forth certain information regarding the beneficial ownership as of March 6, 2009 by (i) each person or entity who owns more than 5% of the outstanding securities of Holdings, (ii) each member of the Board and each of our named executive officers and (iii) all members of the Board and all of our executive officers as a group. To our knowledge, each of such stockholders has sole voting and investment power as to the stock shown unless otherwise noted. Beneficial ownership of the securities listed in the table has been determined in accordance with the applicable rules and regulation promulgated under the Exchange Act.

	Shares	Options[1]	Total	Percentage[2]
Greater than 5% Stockholders:				
ValueAct Capital Master Fund, L.P.	995,430(3)	-	995,430	99.5%
Named Executive Officers and Directors:				
Robert D. Monson	1,115	16,393	17,508	1.7%
Kevin P. Callaghan	672	5,464	6,136	*
William J. Restrepo	584	5,464	6,048	*
Robert J. Simon	458	3,825	4,283	*
Randall A. Sides	176	2,186	2,362	*
Jay H. Golding	641(4)	320	961	*
Philip B. Livingston	462(5)	353	815	*
John E. Jackson	513	160	673	*
Peter H. Kamin	-	-	-	-
Gregory P. Spivy	-	-	-	-
All executive officers and directors as a group (12 persons)	4,805	36,351	41,156	3.97% (6)

* Indicates less than 1%.

(1) Pursuant to Rule 13d-3 under the Exchange Act, a person has beneficial ownership of any securities as to which such person, directly or indirectly, through any contract, arrangement, undertaking, relationship or otherwise has or shares voting power and/or investment power and as to which such person has the right to acquire such voting and/or investment power within 60 days of March 6, 2009.

(2) Based on 1,000,375 outstanding shares as of March 6, 2009.

(3)

A total of 995,430 shares are owned directly by ValueAct Capital and may be deemed to be beneficially owned by (i) VA Partners I, LLC as General Partner of ValueAct Capital, (ii) ValueAct Capital Management, L.P. as the manager of ValueAct Capital, (iii) ValueAct Capital Management, LLC as General Partner of ValueAct Capital Management, L.P., (iv) ValueAct Holdings, L.P. as the sole owner of the limited partnership interests of ValueAct Capital Management, L.P. and the membership interests of ValueAct Capital Management, LLC and as the majority owner of the membership interests of VA Partners I, LLC and (v) ValueAct Holdings GP, LLC as General Partner of ValueAct Holdings, L.P. Jeffrey W. Ubben, George F. Hamel, Jr. and G. Mason Morfit are members of the Management Board of ValueAct Holdings GP, LLC and disclaim beneficial ownership of these shares except to the extent of their pecuniary interest therein.

(4) Shares held by Golding Brothers 1996 Partners, Ltd. Mr. Golding owns a 100% interest in the general partner of Golding Brothers 1996 Partners, Ltd. The limited partnership interests are 99% owned in trust for the benefit of lineal descendants of Mr. Golding with the remaining 1% owned by the general partner.

(5) Shares held by UBS Financial Services, Inc. as IRA custodian for Philip Livingston.

(6) Includes options to purchase an aggregate of 36,351 shares of common stock that are currently exercisable or exercisable within 60 days of March 6, 2009.

Item 13. *Certain Relationships and Related Transactions*

Securities Holders Agreement

In connection with the Merger, Holdings, ValueAct Capital and each of the management investors entered into a Securities Holders Agreement, which contains certain agreements described below with respect to the capital stock and corporate governance of Holdings.

Governance Provisions

The Securities Holders Agreement provides that the board of directors of Holdings (the "Holdings Board") shall initially be composed of Robert D. Monson, Peter H. Kamin, Gregory P. Spivy and Jeffrey W. Ubben. Thereafter, each stockholder and permitted transferee agrees that it shall take, at any time and from time to time, all action necessary (including voting the common stock entitled to vote owned by him, her or it, calling special meetings of stockholders and executing and delivering written consents) to ensure that the Holdings Board is composed of such number of directors as determined by ValueAct Capital. In the event that ValueAct Capital, together with its respective affiliates and permitted transferees, owns in the aggregate less than 50% of the outstanding common stock, the rights of ValueAct Capital to designate all of the directors of Holdings shall be modified to provide that so long as ValueAct Capital, its affiliates and permitted transferees continue to own securities of Holdings, ValueAct Capital shall have the right to designate the percentage of directors of the Holdings Board equal to the number of securities collectively owned by ValueAct Capital, its affiliates and permitted transferees divided by the aggregate number of issued and outstanding shares of common stock of Holdings. In the event this percentage would give ValueAct Capital the right to designate a fraction of a director of Holdings, such fractional right shall be deemed the right to designate one additional director of Holdings. ValueAct Capital may request that any director of Holdings be removed, with or without cause, by written notice to the other stockholders, and, in any such event, each stockholder and permitted transferee shall promptly consent in writing or vote or cause to be voted all shares of common stock of Holdings entitled to vote thereon now or hereafter owned or controlled by it for the removal of such person as a director.

If requested by ValueAct Capital, Holdings shall cause the board of directors of any of our direct or indirect subsidiaries to be identical to the Holdings Board, except in the case of any foreign subsidiaries which may have a board of directors containing additional members in order to comply with applicable foreign laws. No stockholder or permitted transferee shall consent in writing or vote or cause to be voted any shares of Holdings common stock currently or in the future owned or controlled by it in favor of any amendment, repeal, modification, alteration or rescission of, or the adoption of any provision in the certificate of incorporation or bylaws of Holdings inconsistent with certain provisions of the Securities Holders Agreement unless ValueAct Capital consents in writing thereto.

Approved sale

So long as Holdings has not consummated a public offering of its common stock, if the holder(s) of the majority of the shares of common stock of Holdings then outstanding approve the sale of Holdings, whether by merger, consolidation, sale of outstanding capital stock, sale of all or substantially all of its assets or otherwise, each stockholder and permitted transferee will consent to, vote for and raise no objections against, and will waive dissenters and appraisal rights (if any) with respect to, such approved sale, and, as applicable, will sell, exchange, redeem, agree to cancel or otherwise dispose of its securities, options, warrants or other rights

relating to Holdings on the terms and conditions approved by the holder(s) of the majority of the shares of common stock of Holdings then outstanding.

Call and Put Options

If a management investor of Holdings is no longer an employee or director, as applicable, of Holdings or any of its subsidiaries for any reason, all of the securities held by that management investor (whether held directly by the management investor or by one or more of his or her affiliates or permitted transferees, other than Holdings, ValueAct Capital or a ValueAct Capital Affiliate), will be subject to repurchase by ValueAct Capital and Holdings, at their option, pursuant to certain terms and conditions set forth in the Securities Holders Agreement. If the repurchase option is not exercised with regard to all applicable securities consisting of common stock or other shares of capital stock of Holdings following a termination, then all, but not less than all, such remaining securities consisting of common stock or other shares of capital stock of Holdings held by such management investor will be subject to repurchase by ValueAct Capital, at the option of such holder (which option may only be exercised with respect to all such securities held by the holder), pursuant to certain terms and conditions set forth in the Securities Holders Agreement.

Tag-along rights

ValueAct Capital, certain of its partners, associates, relatives, heirs and any trusts or other entities in which ValueAct Capital or such of its partners, associates, relatives or heirs are the sole beneficiaries, grantors or owners (collectively, the "ValueAct Capital Group") shall not sell or otherwise effect the transfer of any common stock or other securities of Holdings, in either one or a series of transactions, to a third-party other than a permitted transferee or to Holdings unless our other stockholders at such time are offered an opportunity to participate ratably in such transaction on the same terms as are to be received by the selling member of the ValueAct Capital Group.

Corporate Opportunity

To the fullest extent permitted by any applicable law, the doctrine of corporate opportunity, or any other analogous doctrine, shall not apply with respect to ValueAct Capital or any affiliate or representative thereof, including any directors of Holdings designated by such persons with respect to their relationship with Holdings and its subsidiaries. ValueAct Capital or any representative thereof shall have the right to engage in business activities, whether or not in competition with Holdings, any of its subsidiaries or their respective business activities, without consulting any other stockholder, and ValueAct Capital shall not have any obligation to any other stockholder with respect to any opportunity to acquire property or make investments at any time.

Transfer Restrictions

Generally, no stockholder or permitted transferee other than ValueAct Capital may transfer, other than in connection with a redemption or purchase by ValueAct Capital or Holdings, shares of common stock or securities of Holdings unless such transfer is to a person approved in advance in writing by the holder(s) of the majority of the shares of common stock of Holdings then outstanding, and such transfer complies with the notice and other covenants and representations requirements contained in the Securities Holders Agreement. However, stockholders may transfer their common stock to certain enumerated permitted transferees or to ValueAct Capital or an affiliate thereof or Holdings.

Registration Rights Agreement

In connection with the Merger, Holdings, ValueAct Capital and each of the management investors entered into a Registration Rights Agreement, which became effective upon consummation of the Merger. Pursuant to the Registration Rights Agreement, if at any time after an initial public offering of Holdings common stock, Holdings proposes to register any offer or sale of the common stock of Holdings under the Securities Act (subject to certain exceptions), Holdings shall give at least 30 days prior written notice to all holders of registrable securities. Upon written request by holders within 20 days of such notice, Holdings shall use its best efforts to effect the registration under the Securities Act of the offer and sale of all registrable securities which Holdings has been so requested to register by such security holders, to the extent required to permit the public distribution of such registrable securities subject to such requests; provided, however, that (i) if, any time after giving written notice of its intention to register the offer and sale of shares of common stock and prior to the effective date of the registration statement filed in connection with such registration, Holdings shall determine for any reason not to register the common stock of Holdings, Holdings shall give written notice of such determination to each holder of registrable securities and, thereupon, shall be relieved of its obligation to register any offer and sale of registrable securities in connection with such registration; (ii) if a registration undertaken shall involve an underwritten offering, any holder of registrable securities requesting to be included in such registration may elect, in writing at least

20 days prior to the effective date of the registration statement filed in connection with such registration, not to register the offer and sale of such holder's registrable securities in connection with such registration; and (iii) if, at any time after a period of 180 days or a shorter period as specified in the Registration Rights Agreement, the sale of the securities has not been completed, Holdings may withdraw from the registration on a pro rata basis (based on the number of registrable securities requested by each holder of registrable securities to be subject to such registration) of the offer and sale of the registrable securities of which Holdings has been requested to register and which have not been sold.

Exchange Agreement

In connection with the Merger, Holdings and each of the management investors entered into an Exchange Agreement whereby the management investors agreed to invest in Holdings by contributing shares of our common stock to Holdings in exchange for equity interests in Holdings immediately before the completion of the Merger. The Exchange Agreement conditioned each current and future management investor's respective investment in Holdings on that particular management investor's continued employment with us immediately prior to the completion of the Merger. The equity investment by the management investors in Holdings represents, in the aggregate, less than 1% of the outstanding voting stock of Holdings immediately following the Merger.

Employment Agreements

For a description of the terms of our employment agreements with Messrs. Monson, Restrepo and Callaghan, see "Item 11. Executive Compensation - Payments Under Employment Agreements."

Advisory Agreement

In anticipation of the consummation of the Merger, Acquisition Corp. entered into an Advisory Agreement on January 30, 2007 with Holdings and ValueAct Capital, pursuant to which ValueAct Capital and Holdings may provide financial, advisory and consulting services to us following the consummation of the Merger. Following the consummation of the Merger, we, as the surviving corporation, succeeded to all liabilities and obligations of Acquisition Corp., including under the Advisory Agreement. There are no minimum levels of service required to be provided pursuant to the Advisory Agreement. The services that may be provided include executive and management services, support and analysis of financing alternatives and assistance with various finance functions. In exchange for these services, Holdings and ValueAct Capital will be reimbursed for all of their reasonable out-of-pocket expenses, including their expenses related to the Merger and related transactions. Neither Holdings or ValueAct Capital is liable for any losses, liabilities or damages under the Advisory Agreement unless resulting from their gross negligence, willful misconduct or bad faith.

The Advisory Agreement has an initial term of ten years and automatically renews for successive one-year terms, subject to termination by either party upon written notice 90 days prior to the expiration of the initial term or any extension thereof. The Advisory Agreement includes customary indemnification provisions in favor of ValueAct Capital. We believe that the terms of the Advisory Agreement are comparable to the terms typically contained in advisory agreements for similar services performed by financial sponsors for their portfolio companies.

Seitel reimbursed ValueAct Capital approximately $1.1 million in the period from February 14, 2007 to December 31, 2007 for expenses incurred and paid by ValueAct Capital in connection with the Merger. This amount due to ValueAct Capital was recorded as a purchase price adjustment. There were no amounts payable to ValueAct Capital as of December 31, 2008 or 2007.

Other Related Party Transactions

Holdings, our parent, does not maintain a cash account. Consequently, we make payments, as needed, on Holdings' behalf for corporate expenditures such as taxes and share repurchases for employees that have left our employment and who held equity instruments in Holdings. In 2008, we made payments of approximately $136,000 on behalf of Holdings. The balance due from Holdings as of December 31, 2008 and 2007 was $136,000 and $0, respectively, and are included in "Notes and Other Receivables" on the consolidated balance sheets.

Item 14. *Principal Accountant Fees and Services*

BKD, LLP ("BKD") has been our independent auditor since October 2004. The Audit Committee has adopted a policy regarding the pre-approval of audit and permitted non-audit services to be performed by our independent registered public accounting firm. The Audit Committee will, on an annual basis, consider and approve the provision of audit and non-audit services by BKD. Thereafter, the Audit Committee will, as necessary, consider and, if appropriate, approve the provision of additional audit and non-audit services which are not encompassed by the Audit Committee's annual pre-approval and are not prohibited by law. The Audit Committee may delegate the authority to pre-approve, on a case-by-case basis, non-audit services to be performed by BKD which are not encompassed by the Audit Committee's pre-approval and not prohibited by law. A member with delegated authority must report back to the Audit Committee at the first Audit Committee meeting following any such pre-approvals.

The following table presents fees and expenses billed by BKD for the fiscal years ended December 31, 2008 and 2007, all of which were preapproved by the Audit Committee in compliance with its policy.

	2008	2007
Audit Fees[1]	$ 503,194	$ 621,029
Audit-Related Fees[2]	-	76,586
Tax Fees	-	-
All Other Fees	-	-
Total	$ 503,194	$ 697,615

(1) Includes fees billed for professional services rendered for (i) the audit of our consolidated financial statements included in our annual report on Form 10-K, (ii) reviews of the financial statements included in our quarterly reports on Form 10-Q, and (iii) consultation on accounting or disclosure treatment of various transactions in accordance with regulatory interpretations.

(2) Includes fees billed for professional services rendered in connection with registration statements, debt offerings and due diligence related to the Merger.

Part IV

Item 15. ***Exhibits, Financial Statement Schedules and Reports on Form 8-K***

(a) Documents files as part of this Report.

Page

(1) Financial Statements

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(3) Exhibits:

2.1 Agreement and Plan of Merger by and among Seitel Holdings, LLC (now known as Seitel Holdings, Inc.), Seitel Acquisition Corp. and Seitel, Inc., dated October 31, 2006 (incorporated by reference from Exhibit 2.1 to the Seitel, Inc. current report on Form 8-K, as filed with the SEC on November 2, 2006) (Seitel, Inc. agrees to furnish supplementally a copy of any omitted schedule to the SEC upon request).

3.1 Certificate of Incorporation of Seitel, Inc. (incorporated by reference from Exhibit 3.1 to the Registration Statement on Form S-4, No. 333-144844, as filed with the SEC on July 25, 2007).

3.2 Bylaws of Seitel, Inc. (incorporated by reference from Exhibit 3.2 to the Registration Statement on Form S-4, No. 333-144844, as filed with the SEC on July 25, 2007).

4.1 Indenture governing 11.75% Senior Subordinated Notes due 2011 by and among Seitel, Inc., the Guarantors named therein and LaSalle Bank National Association, as Trustee, dated July 2, 2004 (incorporated by reference from Exhibit 4.4 to the Seitel, Inc. Post Effective Amendment No. 1 to the Seitel, Inc. Registration Statement on Form S-1, No. 333-113446, as filed with the SEC on July 2, 2004).

4.2 Form of 11.75% Senior Subordinated Notes due 2011 (included in Exhibit 4.1).

4.3 Supplemental Indenture by and among Seitel, Inc., the Guarantors named therein and UBS Securities LLC and Jeffries & Company, Inc., as Initial Purchasers, dated July 2, 2004 (incorporated by reference from Exhibit 4.5 to the Seitel, Inc. Post Effective Amendment No. 1 to the Seitel, Inc. Registration Statement on Form S-1, No. 333-113446, as filed with the SEC on July 2, 2004).

4.4 Indenture governing 9 3/4% Senior Notes due 2014 by and among Seitel, Inc., the Guarantors named therein and LaSalle Bank National Association, as Trustee, dated February 14, 2007 (incorporated by reference from Exhibit 4.6 to the Registration Statement on Form S-4, No. 333-144844, as filed with the SEC on July 25, 2007).

4.5 Form of 9 3/4% Senior Notes due 2014 (included in Exhibit 4.4) (incorporated by reference from Exhibit 4.7 to the Registration Statement on Form S-4, No. 333-144844, as filed with the SEC on July 25, 2007).

4.6 Supplemental Indenture by and among Seitel, Inc., the Guarantors named therein and LaSalle Bank National Association, as Trustee, dated January 31, 2007 (incorporated by reference from Exhibit 4.1 to the Seitel, Inc. current report on Form 8-K, as filed with the SEC on February 2, 2007).

10.1 Support Agreement by and among Seitel, Inc., Seitel Holdings, Inc. and ValueAct Capital Master Fund, L.P., dated October 31, 2006 (incorporated by reference from Exhibit 2.2 to the Seitel, Inc. current report on Form 8-K, as filed with the SEC of November 2, 2006).

10.2 Amended and Restated Loan and Security Agreement by and among Seitel, Inc. and each of its subsidiaries named therein, as borrowers, and Wells Fargo Foothill, Inc., as lender, dated February 14, 2007 (incorporated by reference from Exhibit 10.2 to the Registration Statement on Form S-4, No. 333-144844, as filed with the SEC on July 25, 2007).

10.3* First Amendment to Amended and Restated Loan and Security Agreement, dated as of December 24, 2008, by and between Seitel, Inc. and each of its subsidiaries named therein, as borrowers, and Wells Fargo Foothill, Inc., as lender.

10.4* Second Amendment to Amended and Restated Loan and Security Agreement, dated as of February 20, 2009, by and between Seitel, Inc. and each of its subsidiaries named therein, as borrowers, and Wells Fargo Foothill, Inc., as lender.

10.5 Advisory Agreement by and among Seitel Acquisition Corp. (now known as Seitel, Inc.), Seitel Holdings, LLC (now known as Seitel Holdings, Inc.) and ValueAct Capital Master Fund, L.P., dated January 30, 2007 (incorporated by reference from Exhibit 10.3 to the Registration Statement on Form S-4, No. 333-144844, as filed with the SEC on July 25, 2007).

10.6 Securities Holders Agreement by and among Seitel Holdings LLC (now known as Seitel Holdings, Inc.), ValueAct Capital Master Fund, L.P. and the Management Investors named therein, dated January 8, 2007 (incorporated by reference from Exhibit 10.5 to the Registration Statement on Form S-4, No. 333-144844, as filed with the SEC on July 25, 2007).

10.7	Registration Rights Agreement by and among Seitel Holdings LLC (now known as Seitel Holdings, Inc.), ValueAct Capital Master Fund, L.P. and the Management Investors named therein, dated January 8, 2007 (incorporated by reference from Exhibit 10.6 to the Registration Statement on Form S-4, No. 333-144844, as filed with the SEC on July 25, 2007).
10.8	Joinder to Securities Holders Agreement and Registration Rights Agreement of Philip B. Livingston, dated February 16, 2007 (incorporated by reference from Exhibit 10.9 to the Registration Statement on Form S-4, No. 333-144844, as filed with the SEC on July 25, 2007).
10.9	Joinder to Securities Holders Agreement and Registration Rights Agreement of Jay H. Golding, dated May 24, 2007 (incorporated by reference from Exhibit 10.10 to the Registration Statement on Form S-4, No. 333-144844, as filed with the SEC on July 25, 2007).
10.10	Joinder to Securities Holders Agreement and Registration Rights Agreement of John E. Jackson, dated August 1, 2007 (incorporated by reference from Exhibit 10.12 to the annual report on Form 10-K for the year ended December 31, 2007, as filed with the SEC on March 31, 2008).
10.11†	Seitel Holdings, Inc. 2007 Non-Qualified Stock Option Plan, effective February 14, 2007, as amended as of June 30, 2008 (incorporated by reference from Exhibit 10.3 to the quarterly report on Form 10-Q for the quarter ended June 30, 2008, as filed with the SEC on August 13, 2008).
10.12†	Form of Stock Option Agreement (incorporated by reference from Exhibit 10.12 to the Registration Statement on Form S-4, No. 333-144844, as filed with the SEC on July 25, 2007).
10.13†	Seitel Holdings, Inc. 2008 Restricted Stock and Restricted Stock Unit Plan, effective April 8, 2008 (incorporated by reference from Exhibit 10.1 to the quarterly report on Form 10-Q for the quarter ended June 30, 2008, as filed with the SEC on August 13, 2008).
10.14†	Form of Seitel Holdings, Inc. Restricted Stock Unit Award Agreement (incorporated by reference from Exhibit 10.2 to the quarterly report on Form 10-Q for the quarter ended June 30, 2008, as filed with the SEC on August 13, 2008).
10.15†	Employment Agreement by and between Seitel, Inc. and Robert D. Monson, dated January 30, 2007 (incorporated by reference from Exhibit 10.13 to the Registration Statement on Form S-4, No. 333-144844, as filed with the SEC on July 25, 2007).
10.16†	Employment Agreement by and between Seitel, Inc. and William J. Restrepo, dated January 30, 2007 (incorporated by reference from Exhibit 10.14 to the Registration Statement on Form S-4, No. 333-144844, as filed with the SEC on July 25, 2007).
10.17†	Employment Agreement by and between Seitel, Inc. and Kevin P. Callaghan, dated January 30, 2007 (incorporated by reference from Exhibit 10.15 to the Registration Statement on Form S-4, No. 333-144844, as filed with the SEC on July 25, 2007).
21.1*	Subsidiaries of Seitel, Inc.
31.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 302 Of The Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 302 Of The Sarbanes-Oxley Act of 2002
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 Of The Sarbanes-Oxley Act of 2002
32.2**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 Of The Sarbanes-Oxley Act of 2002

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† Management contract, compensation plan or arrangement.

* Filed herewith.

** Furnished, not filed, pursuant to Item 601(b)(32) of Regulation S-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, the Registrant has duly caused this report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

SEITEL, INC.

By: /s/ Robert D. Monson
Robert D. Monson
Chief Executive Officer and President

Date: March 16, 2009

Pursuant to the requirements of the Securities Act of 1934, this Report on Form 10-K has been signed below by the following persons on behalf of the Registrant in the capacities and on the date indicated.

Signature	Title	Date
/s/ Peter H. Kamin Peter H. Kamin	Chairman of the Board of Directors	March 16, 2009
/s/ Robert D. Monson Robert D. Monson	Chief Executive Officer, President and Director (Principal Executive Officer)	March 16, 2009
/s/ William J. Restrepo William J. Restrepo	Chief Financial Officer (Principal Financial Officer)	March 16, 2009
/s/ Gregory P. Spivy Gregory P. Spivy	Director	March 16, 2009
/s/ Philip B. Livingston Philip B. Livingston	Director	March 16, 2009
/s/ Jay H. Golding Jay H. Golding	Director	March 16, 2009
/s/ John E. Jackson John E. Jackson	Director	March 16, 2009
/s/		