SEITEL INC
Form 10-K
February 16, 2018
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission File Number: 001-10165

SEITEL, INC.
(Exact name of registrant as specified in its charter)

Delaware	76-0025431
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
10811 S. Westview Circle Drive, Building C, Suite 100 Houston, Texas	77043
(Address of principal executive offices)	(Zip Code)

(Registrant's telephone number, including area code) (713) 881-8900
Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer (as defined in Rule 405 of the Securities Act).
Yes ¨ No ý
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 ý No ¨
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 ¨ No ý
(Explanatory Note: The registrant is a voluntary filer and is therefore not subject to the filing requirements of the Securities Exchange Act of 1934. However, during the preceding 12 months, the registrant has filed all reports that it would have been required to file by Section 13 or 15(d) of the Securities Exchange Act of 1934 if the registrant was subject to the filing requirements of the Securities Exchange Act of 1934 during such timeframe.)
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ý No ¨

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

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

Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer ý (Do not check if a smaller reporting company)

Smaller reporting company ¨ Emerging growth company ¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

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

Yes ¨ No ý

The equity interests in the registrant are not held publicly. On February 12, 2018, there were a total of 100 shares of common stock, par value $0.001 per share, outstanding.

Table of Contents

TABLE OF CONTENTS

PART I		
Item 1	Business	3
Item 1A.	Risk Factors	12
Item 1B.	Unresolved Staff Comments	20
Item 2.	Properties	20
Item 3.	Legal Proceedings	21
Item 4.	Mine Safety Disclosures	21
PART II		
Item 5.	Market for Registrant's Common Equity, Securities Related Stockholder Matters and Issuer Purchases of Equity	21
Item 6.	Selected Financial Data	21
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	22
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	33
Item 8.	Financial Statements and Supplementary Data	34
Item 9.	Change in and Disagreements with Accountants on Accounting and Financial Disclosure	34
Item 9A.	Controls and Procedures	34
Item 9B.	Other Information	34
PART III		
Item 10.	Directors, Executive Officers and Corporate Governance	34
Item 11.	Executive Compensation	34
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	35
Item 13.	Certain Relationships and Related Transactions and Director Independence	35
Item 14.	Principal Accountant Fees and Services	35
PART IV		
Item 15.	Exhibits, Financial Statement Schedules	35

Table of Contents

CAUTIONARY STATEMENT 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 (the "Securities Act"), 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, among others. 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 "believe", "expect", "anticipate", "estimate", "project", "propose", "plan", "target", "foresee", "should", "intend", "may", "will", "would" and similar expressions are intended to identify forward-looking statements. Forward-looking statements are not guarantees of future performance, but represent our present belief, based on our current expectations and assumptions, with respect to future events and their potential effect on us. 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. Such risks and uncertainties include, without limitation, actual customer demand for our seismic data and related services, the timing and extent of changes in commodity prices for natural gas, crude oil and condensate and natural gas liquids, conditions in the capital markets during the periods covered by the forward-looking statements, the effect of economic conditions, our ability to obtain financing on satisfactory terms if internally generated cash flows are insufficient to fund our capital needs, the impact on our financial condition as a result of our debt and our debt service, our ability to obtain and maintain normal terms with our vendors and service providers, our ability to maintain contracts that are critical to our operations, changes in the oil and gas industry or the economy generally and changes in the capital expenditure budgets of our customers. Also note that we provide a cautionary discussion of risks and uncertainties under the captions "Item 1A. Risk Factors," "Item 7. 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 Annual Report speak only as of the date hereof and readers are cautioned not to place undue reliance or project future results based on such forward-looking statements or present or prior earnings levels. Except as required by applicable law, we disclaim any duty to update or revise any forward-looking statements, whether as a result of new information, future events or any other reason. All forward-looking statements attributable to Seitel, Inc. or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements contained or referred to herein, in this Annual Report and in our future periodic reports and registration statements filed with the Securities and Exchange Commission ("SEC").

PART I

Item 1. Business

General

We are a leading provider of onshore seismic data to the oil and gas industry in North America. We own an extensive library of onshore and offshore geological data that we have accumulated since our inception in 1982. We believe our data library is one of the largest onshore three-dimensional ("3D") databases available for licensing in North America and includes leading positions in oil, liquids-rich and natural gas unconventional plays as well as conventional areas. As of February 2018, we own approximately 46,900 square miles of onshore 3D data, consisting of 32,800 square miles in the United States (70%) and 14,100 square miles in Canada (30%). We have a leading market position in key geographies in the North American unconventional onshore oil and gas plays where exploration and production ("E&P") companies have been focusing their efforts in recent years. Approximately 56% of our onshore 3D library is comprised of data located in unconventional plays. We have expanded our data library coverage into Mexico through the reprocessing of existing two-dimensional ("2D") data which can be licensed to E&P companies. We have approximately 17,300 linear miles (9,200 net linear miles to our revenue interest) of reprocessed 2D Mexico data available for licensing, of which we have completed the processing for approximately 9,200 linear miles (4,600 net)

with the remaining approximately 8,100 linear miles (4,600 net) in progress.

Our business model is to acquire data selectively in geological formations that we believe will support drilling from a variety of oil and gas producers over an extended period of time. We design and manage new surveys and license them to initial clients which typically fund a significant portion (55% to 75%) of the total cost of each survey (referred to as “client underwriting”). Seitel typically owns 100% of the acquired data and licenses the data to additional parties on a non-exclusive basis (referred to as “resales”). Such resales are unlimited in both time and amount and require minimal incremental cash costs. Since embarking on our investment in unconventional data in 2008, we have achieved, on a historical basis, a payback period on these

Table of Contents

investments of about three to four years on average despite some slowdown in returns during the recent industry downturn. Our long-lived, diverse data library built over three decades continues to provide value to our customers, with 37% of our 2017 3D onshore resale revenue coming from data over five years old.

We believe that we have low fixed costs and a highly flexible operating model, as we do not own any seismic survey equipment or directly employ field personnel. Instead, we outsource those functions by contracting with third-party specialists, as required, in various facets of the data acquisition process in order to complete surveys to expand our data library. We also use sales commissions to create incentives for our sales force while matching our costs to our achieved sales. We believe this business model provides enhanced flexibility, allowing us to optimize our level of investment for the market environment and resulting in substantially lower cash flow volatility by enabling us to respond quickly to changes in demand and shifts in client geographic focus.

We serve a market which includes over 1,500 companies in the oil and gas industry. Our customers include independent oil and gas companies, major integrated oil and gas companies and national oil companies, as well as small and mid-cap E&P companies and private prospect generating individuals. The importance of geological data in the exploration and development process drives demand for data in our library. Specifically, our customers use seismic data to identify geographical areas where subsurface conditions are favorable for oil and gas exploration and to optimize development and production of oil and gas reserves. Seismic data provides valuable insight for operators including a target zone's thickness, as well as faulting pattern complexity, helping with the design of horizontal drilling programs and minimizing the potential for uneconomic wells.

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 locations. 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.

From 2015 through 2017, approximately 98% of our revenues were generated from customers underwriting data acquisitions and revenue from 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 L to Consolidated Financial Statements for information about our revenue by geographical area.

We are a private company controlled by ValueAct Capital Master Fund, L.P. and funds managed by affiliates of Centerbridge Partners, L.P. We are incorporated under the laws of the State of Delaware. Our principal executive offices are in Houston, Texas.

Description of Operations

Seismic Data

E&P companies consider seismic data an important tool in finding and exploiting hydrocarbons. E&P companies use seismic data in oil and gas exploration and development efforts to increase the probability of drilling success, to better delineate existing oil and gas fields and to augment their reservoir completion and management techniques. In unconventional plays, E&P companies use seismic data as a development tool to better identify efficient drilling plans and maximize production by identifying and understanding a series of critical characteristics of the targeted resource. The cost of seismic data represents a small portion of the total cost of most projects, but provides substantial benefits to operators. 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 as well as the target zone’s thickness and faulting pattern complexity. 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 library investment over a maximum period of four years, much of our seismic data has continued to generate licensing revenue past the 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 or updated knowledge of the Earth model.

Management believes the level of resales from various vintages of our seismic data is useful in assessing the resiliency and value of our seismic data library. Management considers estimated longevity of and foreseeable demand for data in determining

Table of Contents

whether to undertake new data acquisition projects. For the year ended December 31, 2017, resale revenue from 3D onshore data was recognized from net historical investments made in the indicated periods (in thousands):

	Resale Revenue	Percentage	Net Investment [1]	Percentage
Investments prior to 2013	$21,744	37 %	$ 665,099	81 %
Investments 2013 through 2017	36,701	63 %	153,083	19 %
Total 3D onshore	$58,445	100 %	$ 818,182	100 %

(1) The net book value of our 3D onshore data included in the table above was $65.8 million at December 31, 2017. However, we believe that the presentation of historical net investment, a non-GAAP measure that reflects total data cost less client underwriting before fair value adjustments resulting from the 2007 merger between Seitel Acquisition Corp. with and into Seitel, Inc. (the "Merger"), is important as it reflects our capital investment in our seismic data library net of the portion underwritten by our customers. The GAAP measure to which historical net investment is most directly comparable is net book value. For a reconciliation of historical net investment to net book value, see "Reconciliation of Historical Net Investment to Net Book Value" below.

The following presents a reconciliation of resale revenue for 3D onshore data to total revenue for the year ended December 31, 2017 (in thousands):

Total resale revenue – 3D onshore	$58,445
Other revenue components:	
Other resale revenue (principally 2D and offshore)	6,947
Acquisition underwriting revenue	22,766
Solutions and other revenue	2,092
Total revenue	$90,250

Reconciliation of Historical Net Investment to Net Book Value

The following presents a reconciliation of historical net investment for 3D onshore data (a non-GAAP financial measure) to net book value of our seismic data library at December 31, 2017 (the most directly comparable GAAP financial measure) (in thousands):

Historical net investment in seismic data – 3D onshore	$818,182
Add:	
Acquisition underwriting revenue – 3D onshore	962,857
Other seismic data investment (principally 2D and offshore)	386,616
Foreign currency translation	25,433
Seismic projects in progress	19,595
Fair value adjustment resulting from the Merger	275,235
Less:	
Historical impairment charges	(112,923)
Accumulated amortization (including historical amounts pre-Merger)	(2,300,453)
Net book value	$74,542

Data Library Overview

We believe our data library is one of the largest onshore 3D databases available for licensing in North America. We have built our onshore 3D library over more than 20 years with approximately $1.9 billion in gross investments and we view our library as an asset that would be time- and cost-prohibitive for others to replicate. Approximately 56% of our onshore 3D library is comprised of data located in unconventional plays. We believe we are well positioned due to the geographic diversity of our data library, including data in oil-focused and liquids-rich plays such as the Eagle Ford/Woodbine, Permian, Niobrara/Bakken, Anadarko Basin, Montney and Duvernay and in natural gas-focused plays such as the Haynesville, Louisiana Cotton Valley, Utica/Marcellus and Horn River, with over 26,000 miles of data in unconventional areas.

Our library also consists of data targeted at conventional plays in both the U.S. and Canada. We also own a library of 3D offshore data covering parts of the shelf and certain deep water areas in the Western and Central U.S. Gulf of Mexico. In addition, we own or manage approximately 1.1 million linear miles of 2D data concentrated primarily in North America, both onshore and offshore.

Table of Contents

We have expanded our data library coverage into Mexico by reprocessing existing onshore 2D data owned by the Mexican government and we have the right to license the reprocessed data to E&P companies.

The following table describes our 3D seismic data library as of February 12, 2018:

	Completed Surveys			Surveys in Progress
3D Data Library	Square Miles [1]	Percentage of Subtotal		Square Miles [1]
Eagle Ford/Woodbine	7,650	23	%	—
Niobrara/Bakken	2,850	9	%	270
Utica/Marcellus	1,500	5	%	—
Haynesville	1,200	4	%	—
Permian	2,300 [2]	7	%	—
Anadarko Basin	800	2	%	—
Louisiana Cotton Valley	650	2	%	—
Conventional 3D	15,850	48	%	—
Total U.S. Onshore	32,800	100	%	270
Duvernay	4,100	29	%	30
Montney	4,000	28	%	—
Horn River	1,050	7	%	—
Conventional 3D	4,950	36	%	—
Total Canada	14,100	100	%	30
Total 3D Onshore	46,900	82	%	300
U.S. Offshore	10,500	18	%	—
Worldwide Total	57,400	100	%	300

(1)Square miles reflect mileage net to our revenue interest.
(2)We also broker approximately 3,200 square miles of data in the Permian on behalf of certain E&P companies.

Our data library is a highly valuable asset that has historically generated strong returns on capital. The technical and informational usefulness of our data has generally not declined over time. Demand for data is driven by the level and location of customer exploration and development activity and not the age of the data. Because of our positioning in favorable geographies and the long life of the data, we believe there is significant built-in potential for repeat licensing of data at little or no marginal cost. The existing library is highly defensible as the customer’s cost of licensing data is typically much lower than the cost of creating a new survey. We believe there is little incentive for competitors to survey areas where we already have data.
Onshore U.S. and Canada: Since 2008, our capital investment in both the U.S. and Canada has been focused on unconventional plays, initially in the shale gas areas and, since 2011, shifting towards oil-focused and liquids-rich objectives. These changes in focus are made in accordance with the activity of our clients and our ability to shift with them is an important component of our growth strategy.

The U.S. onshore 3D conventional sector of our seismic data library is mainly comprised of our Gulf Coast Texas and southern Louisiana/Mississippi components, which we began accumulating in 1993. We also have relatively small amounts of 3D seismic data in other areas, such as Alabama, California, Michigan and Northern Louisiana as well as an extensive 2D data library that continues to contribute to our licensing sales.

Table of Contents

The Canadian onshore 3D conventional sector of our seismic data library is mainly comprised of data within the Western Canadian Basin, which we began accumulating in 1998. We also have an extensive 2D data library that continues to contribute to our licensing sales.

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 accumulated the majority of our U.S. Gulf of Mexico offshore 3D data from 1993 to 2000 and have not made any substantial additions to our offshore data library since that time.

Mexico: We are building our Mexico data library initially by reprocessing existing 2D data owned by the Mexican government and we have the right to license the reprocessed data to E&P companies. As of February 12, 2018, we have completed the reprocessing of approximately 9,200 2D linear miles (4,600 linear miles net to our revenue interest) in four areas and have been granted approvals for and are currently reprocessing four additional areas totaling approximately 8,100 linear miles (4,600 net linear miles). The net linear miles represent our net 50% revenue interest in certain areas after taking into consideration an alliance agreement entered into in 2017.

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) obtaining ownership of existing data through non-monetary exchanges and (4) creating new value-added products from data existing within our library.

Underwritten Data Acquisitions: We design and manage new seismic surveys that are 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 may occasionally have a limited exclusivity period. We consider the contracts executed up to the time we make a firm commitment to create the new seismic survey as underwriting or pre-funding. Any subsequent licensing of the data while the survey is in progress or once it is completed is considered a resale license. All of our new data acquisition activity during 2017 occurred in unconventional plays, primarily the EagleFord/Woodbine, Permian and Louisiana Cotton Valley in the U.S. and both Montney and Duvernay in Western Canada. All field work on these projects is outsourced to subcontractors. A significant percentage of the data processing for our U.S. and Canadian projects is processed by our internal data processing group located in Houston. 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 data for cash from oil and gas companies, other seismic companies or financial investors in seismic data when opportunities arise that meet our investment criteria.

Non-Monetary Exchanges: We grant a non-exclusive license to selected data from our library, provide reproduction services or provide data processing services (or some combination of those items) to our customers in exchange for ownership of seismic data from that customer. The data that we receive is distinct from the data that is licensed to our customer. These transactions will tend to be for individual surveys or groups of surveys, rather than whole libraries. Occasionally, we also use non-monetary exchanges in conjunction with data acquisitions and cash purchases. In addition, we may receive advanced data processing services on certain existing data in exchange for a nonexclusive 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 these 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 5D Interpolation, Pre-Stack Depth Migration volumes, Amplitude Versus Offset volumes, Complex Attribute volumes and Rock Property volumes. The cost of these products may be underwritten by one or more customers in exchange for a license or licenses to use the resulting data or we may determine to fund the cost of certain of these products based on anticipated demand by our clients. These data products are licensed to the industry on a non-exclusive basis. Work on these projects may be

performed by our internal data processing groups, 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.

Table of Contents

Competitive Strengths

We believe we have the following competitive strengths:

Large and Diverse Data Library with Leading Market Position in Key Oil and Gas Producing Regions: We believe we have one of the largest onshore 3D seismic data libraries available for licensing in North America. Our data covers a diverse range of oil and gas producing regions in the United States and Canada and we believe it provides us with leading positions in oil, liquids-rich and natural gas unconventional plays as well as conventional areas. As of February 2018, we have over 26,000 square miles of unconventional 3D data. As industry activity dictates, we will focus on further development of existing plays where our clients are active. Our competitive advantage is driven by our ability to:

- successfully bid for new seismic surveys that are in our areas of focus as a result of our knowledge of data return characteristics for similar data in our existing library;
- creatively market our data library with an innovative strategy, which includes tailoring licenses to meet our clients' needs;
- generate client trust by delivering surveys on time that meet oil and gas client requirements particularly those clients that are early participants; and
- retain and grow valuable client relationships.

With one of the largest onshore seismic data libraries in the active North American oil and natural gas basins, we have an established competitive position. Since 1994, we have invested more than $2.1 billion to build our data library, with a gross investment of approximately $1.9 billion, $0.8 billion net of underwriting, in onshore 3D data. We believe that the current replacement cost of our seismic library significantly exceeds our original investment, and that our broad geographic coverage and strong presence in the active North American onshore oil and gas basins coupled with our domain expertise creates significant barriers to replication and a defensible market position. We believe competitors will generally not shoot over areas already in our library because it is not economically viable to do so.

Multiple Revenue Opportunities Lead to Strong Returns on New and Existing Data: We derive revenue from the non-exclusive licensing of our data. Importantly, data within our library can be licensed on a non-exclusive basis multiple times over a span of many years with minimal incremental costs, if any. Several factors contribute to the licensing of individual surveys multiple times which drives high returns on our investments over time. An area captured by a 3D survey may have multiple mineral holders within a particular stratigraphic layer as well as vertically across layers. Also, new oil and gas field discoveries, new drilling technologies and pipeline and oil and gas infrastructure expansion can cause renewed activity in a previously assessed surrounding area. In addition, due to the capital intensive nature of developing unconventional plays, many oil and gas companies seek partners to share in the cost of development and these partners will often need access to the same data, which will require them to purchase licenses for their own use. Furthermore, as a result of the restrictions on transfer contained in our license agreements, merger and acquisition activity often requires re-licensing of data following a change in field ownership. Moreover, prospective developers and investors without mineral rights may seek our data.

We have proven our ability to license onshore data for extended periods after its creation. For the year ended December 31, 2017, 37% of total resale revenue for 3D onshore data came from data acquired before 2013.

Ability to Adjust Quickly to Oil and Gas Industry Cycles: Our variable operating structure allows us to curtail overhead costs quickly during cyclical downturns in the oil and gas industry because we maintain a flexible, low cost structure with an efficient base of assets and employees. Our employee compensation structure is commission-based and bonus-centric and, unlike the majority of seismic companies, we do not own or operate seismic acquisition equipment or employ seismic acquisition crews, but instead engage, as required, third-party contractors with qualified equipment to shoot new data, which keeps our fixed operating expenses low. We believe this, in addition to the majority of our capital expenditures being discretionary, minimizes our ongoing capital requirements and results in substantially less volatility in cash flows by enabling us to respond quickly to changes in demand, and reduce capital expenditures when necessary. In addition, the creation of new surveys provides cost-effective growth opportunities

because we impose strict capital investment thresholds with targeted underwriting levels averaging 60% to 70% and typically do not start work on new acquisition programs without an underwriting commitment. Additionally, we may seek higher levels of underwriting in order to minimize our cash investment while still adding new data to our library. For 2017, we achieved 92% average underwriting for new seismic acquisition projects. In 2016, underwriting revenue exceeded new seismic acquisition costs, resulting in an overall underwriting level of 113%. Average underwriting levels were 63% in 2015.

Seismic Data Has an Attractive Value Proposition Among Our Blue Chip Customer Base: Our data is key to oil and gas exploration and development activity. Understanding geological structure maximizes production and returns on client investments; however, seismic data purchases represent a small fraction of total drilling and completion costs. We serve a

Table of Contents

market that includes over 1,500 companies in the oil and gas industry. Our customer base ranges from some of the largest independent oil companies in the world to small, single-basin E&P companies and also includes global oil and gas companies, typically with very little customer concentration.

We believe that the quality of our data, the breadth of its coverage in the major active onshore basins in North America and our longstanding commitment to client service enables us to attract top-tier clients and maintain and grow existing client relationships. These relationships also create access to additional data surveys and sales opportunities.

Experienced Management Team: Our executive management team is comprised of individuals with an average of over 25 years of relevant experience. Robert Monson, our CEO and President, has more than 30 years of industry experience, while Marcia Kendrick, our CFO, joined us in 1993 and has over 25 years of industry experience. Richard Kelvin, our CTO and President of Seitel Canada Ltd. and Randy Sides, our President of Seitel Data, Ltd., both also have over 25 years of industry experience. Our expertise is in the selection, design and management of seismic surveys. We also employ an experienced sales and marketing group.

Corporate Strategy

Underwritten Data Acquisitions: We add data to our library primarily by contracting with third-party specialist service providers to create new subsurface geological data, which we design and own. Typically, one or more customers will underwrite or fund a significant portion of the direct cost of a seismic survey in exchange for a license or licenses to use the resulting data. The relatively high level of underwritten acquisition costs, typically 55% to 75% of the cost of the survey, lowers our initial capital requirements and enhances our return on investment. We maintain a disciplined return on investment approach to capital expenditures. We only intend to pursue new acquisition projects if we believe that conditions exist for repeated licensing of the same data over an extended period of time. We typically seek significant underwriting commitments before undertaking new acquisition projects as underwriting levels are generally a predictor of long-term demand for seismic data. We target an average of 60% to 70% underwriting level for all new seismic acquisition projects on an aggregate basis and may target higher underwriting levels in periods of industry downturn. We achieved 92% average underwriting levels for 2017 and achieved 113% and 63% average underwriting for new seismic acquisition projects in 2016 and 2015, respectively. Additionally, when acquiring 3D surveys, we consider the proximity to 3D surveys already in the library. We believe that there is greater value in contiguous data, or reasonably close concentrations of surveys in a single area. We typically own 100% of the acquired data and license the data to additional parties on a non-exclusive basis. Such resales are unlimited in both time and amount and require minimal incremental cash costs, if any. Our long-lived, diverse data library built over three decades continues to provide value to our customers, with 37% of our 2017 3D onshore resale revenue coming from data over five years old.

Provide Value to Customers through Deep Industry Knowledge and Technical Expertise: As a provider of multi-client data services, we deliver value to our clients through several aspects of our business. Our extensive expertise and local intelligence in designing and managing surveys is not generally available to our client base. We also create value-added products from the data in our library, primarily by applying complex imaging technology, such as complex depth imaging. These value-added products enhance the useful information that can be extracted from a given data set. As a large onshore data library owner, we have an existing data “footprint,” often providing further cost efficiencies and higher-quality data for new surveys. Clients are disposed to underwrite our surveys as the cost to license multi-client data is significantly less than the cost to commission a proprietary survey. Finally, our clients maintain anonymity both within the local community and amongst competitors through contracting with Seitel.

Expand Library in a Disciplined and Cost-effective Manner: The substantial majority of our library additions come from new seismic data creation. We also grow our data library through cash purchases of existing seismic data, non-monetary data exchanges and new value-added products created from existing data. We focus our data acquisition efforts on oil and natural gas producing areas that we believe are well suited to benefit from current and emerging trends in the E&P industry. The decision to make capital investments is weighed against the estimated length of the payback period and projected return on capital. We believe ample opportunities exist to grow our library in existing

plays and, as oil and gas industry activity dictates, to expand into emerging areas. We use proprietary information tools and apply our management expertise to select among our pipeline of new survey opportunities. We typically pursue a new acquisition project only if it has a significant underwriting commitment from our customers and if we believe that conditions exist for repeated licensing of the data over an extended period of time. We are thorough in our evaluation of survey opportunities and are selective in adding prospective surveys to our pipeline and therefore not all surveys will meet our return requirements.

Leverage Internal Geophysical and Operations Management Expertise while Outsourcing Lower Margin Services: Our strong geophysical, technical and field operating management expertise is essential in maintaining our leadership through our

Table of Contents

ability to design surveys with attractive return potential and to manage their creation. We will continue to outsource the non-core, fixed-cost intensive services, including surveying, permitting and data capture involving field equipment and crews. This strategy enables us to select vendors that we believe offer the best price, equipment and skill sets for a particular environment, geographical location or geophysical objective and provides us with access to state-of-the-art equipment and emerging technologies. We believe this operating model also gives us the flexibility to control costs to respond appropriately to changing market conditions.

Maintain a Strong Balance Sheet and Ample Liquidity: We believe a strong balance sheet and ample liquidity are critical elements to managing the business through industry cycles. We intend to fund data acquisitions with the cash flow generated from operations.

Industry Overview

Overview of Seismic Data: E&P companies consider seismic data an important tool in finding and exploiting hydrocarbons. E&P companies use seismic data in oil and gas exploration and development efforts to increase the probability of drilling success, to better delineate existing oil and gas fields and to augment their reservoir completion and management techniques. Historically, seismic data was tied to exploration capital expenditures, which are significantly more volatile, as E&P companies used seismic data to increase the success rate of discovering hydrocarbon deposits. With the shift to unconventional plays, E&P companies use seismic data in those plays as a development tool to better identify efficient drilling plans and maximize production by identifying and understanding a series of critical characteristics of the targeted resource. The cost of seismic data represents a small portion of the total cost of drilling and completion for most projects, but provides substantial benefits to operators, including minimizing potential for uneconomic wells.

Drivers of Ongoing Demand for Seismic Data: There are many drivers that cause seismic data to be licensed repeatedly by different customers over a long time period, including fractured mineral positions, stratified mineral interests, partnerships, lease and option turnover, correlation to well analogs, commodity pricing, improvements in data processing techniques and developments in drilling and production technology.

Merger and acquisition activity, including the formation of joint ventures, may also generate increased licensing revenues for seismic data providers. Licenses to seismic data are generally structured such that they do not transfer in the case of a change of control and do not include access to or use by partners. Both circumstances require additional payments for new licenses.

North American Oil and Gas Markets: The emergence of shale and other unconventional plays has led to significant increases in production of oil and natural gas in North America. Oil prices decreased significantly in 2015 and 2016 due to high production and high global inventories which resulted in reduced capital expenditures by E&P companies. OPEC and non-OPEC producers cut oil production in 2017 which led to rising and stabilizing oil prices in the second half of 2017. Due to the increase in crude oil prices, 2017 was the first year of North America E&P spending recovery with capital expenditures increasing an estimated 35% to 47%. The recovery is expected to continue in 2018; however, the pace of North America spending is expected to moderate with E&P capital expenditures forecast to increase 14% to 21% in 2018. Recent E&P surveys indicate that cash flow remains the leading determinant of budget decisions in 2018. The U.S. Energy Information Administration (“EIA”) expects crude oil prices to continue to show improvement. In its January 2018 report, the EIA predicts the price of West Texas Intermediate crude oil to average $55.33 per barrel in 2018 and $57.43 per barrel in 2019 as compared to the average of $50.79 in 2017. In this same report, the EIA predicts natural gas spot prices to remain fairly constant with an average of $2.88 per million British thermal units (MMBtu) in 2018 and $2.92 per MMBtu in 2019 as compared to the average of $2.99 per MMBtu in 2017. Higher oil prices provide more latitude for E&P companies to spend more and stay within cash flows.

Importance of Seismic Data: We believe the use of 3D seismic data will continue to be an important part of oil and gas companies’ exploration and development projects as they are continually looking to reduce drilling risk, decrease oil and natural gas finding costs and increase the efficiencies of reservoir location, delineation, completion and management. In addition, we believe that seismic data is a key component of oil and gas production activity in the unconventional plays. Seismic data can provide a wealth of insight into the targeted resource, including areal extent,

depth, thickness, faulting patterns and a number of complex rock properties. Such insights enhance our customers' ability to design efficient and productive horizontal drilling and fracking programs. Understanding these unique features is critical for our customers as they develop their horizontal drilling plans, which can result in lateral drilling that reaches over one mile in each direction.

Licenses and Marketing

We actively market data from our library to customers under non-exclusive license agreements using a well-developed marketing strategy combined with strong geophysical expertise. Our licenses are generally non-assignable and typically provide

Table of Contents

that in the event of a change of control of a customer-licensee, the surviving entity 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 and create innovative methods of contracting opportunities by monitoring petroleum industry exploration and development activities through close interaction with E&P companies on a daily basis.

Licenses generally are granted for cash, payable within 30 days of invoice, although we occasionally 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 at the same time.

Backlog

At February 12, 2018, we had gross capital expenditure commitments related to data creation projects of approximately $10.9 million. We anticipate that the majority of this backlog will be recognized over the next 12 months. This is compared to gross capital expenditure commitments at February 13, 2017 of $17.4 million.

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 locations. 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 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 include independent oil and gas companies, major integrated oil and gas companies and national oil companies, as well as small and mid-cap E&P companies and private prospect generating individuals. During the year ended December 31, 2017, two customers accounted for more than 10% of our total revenue, totaling approximately $10.2 million (11.3%) and $9.1 million (10.1%). One customer accounted for more than 10% of our total revenue during the year ended December 31, 2016, totaling approximately $15.4 million (16.3%). During the year ended December 31, 2015, two customers accounted for more than 10% of our total revenue, totaling approximately $14.5 million (14.5%) and $12.5 million (12.5%) . We believe that the quality of our data, the breadth of its coverage in the major active North American basins and our longstanding commitment to client service enables us to attract top-tier clients. Because we do not acquire data speculatively, strategic relationships with our customers have been and will continue to be critical to our growth. We do not believe that the loss of any single customer would have a material adverse impact on our business, cash flows or results of operations.

Competition

The creation and licensing of seismic data is competitive. Customers consider several factors, including location of data, price, technological expertise and reputation for quality and dependability, when choosing a service provider. There are a number of geophysical companies that create, market and license seismic data and maintain 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: CGG; Geokinetics, Inc.; Geophysical Pursuit, Inc.; FairfieldNodal; Pulse Seismic Inc.; Seismic Exchange, Inc.; TGS Nopec; Vector Seismic Data Processing, Inc., a subsidiary of Schlumberger Limited; and WesternGeco. Many of our competitors have substantially larger revenues and resources than we do.

Regulations

Our business involves the licensing of primarily onshore seismic data and other related products and services in North America to E&P companies and is impacted by federal, provincial, state, and local laws and regulations in the United States, Canada and Mexico governing us, our third-party contractors and/or our E&P customers and relating to worker health and safety and protection of the environment. These regulations impose numerous obligations applicable to our operations including

Table of Contents

permitting of regulated activities and limiting or prohibiting performance of seismic activities in environmentally sensitive or protected areas. These laws and regulations are also subject to change over time as a result of political, economic or social climate. Moreover, existing environmental laws may be amended and new environmental laws may be adopted in the future that impose more stringent requirements on the operations of our customers. The imposition of such stringent requirements may increase those customers' operating costs or delay or curtail their pursuit of exploration, development or production activities, any one or more of which developments could reduce demand for our seismic data and related services and have a material adverse effect on our revenues and results of operations.

Historically, our compliance costs with applicable environmental and worker health and safety laws and regulations have not had a material adverse effect on our financial position, cash flow and results of operations; however, there can be no assurance that such costs will not be material in the future as these laws and regulations are subject to amendment or reinterpretation. See the Risk Factor "We, our third-party contractors and/or our E&P customers are subject to a variety of environmental and occupational safety and health laws and regulations, which may result in increased costs and significant liabilities" under Item 1A of this Form 10-K for further discussions on hydraulic fracturing, ozone standards, climate change, and other regulations relating to environmental protection or worker safety.

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 or when the data becomes available for delivery. 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 $750,000 per transaction, occasionally a single data license transaction from our library, including those resulting from the merger and acquisition or property sales activity of our oil and gas customers, may be substantially larger. Such large license transactions, the completion and delivery of data 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, 2017, we and our subsidiaries had 82 full-time employees, including four executive officers, 15 marketing staff and 28 technical 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 and is subject to confidentiality agreements with our employees and customers. We believe that our seismic data library is also protected by common law copyright.

Available Information

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

The public may read and copy any materials filed by us with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549 and may obtain information on the operation of the Public Reference Room by

calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at http://www.sec.gov.

Item 1A. Risk Factors

The risks described below could materially and adversely affect our business and financial condition, as well as results of operations and the actual outcome of matters as to which forward-looking statements are made in this Form 10-K. The risk

Table of Contents

factors described below are not the only risks we face. Our business, financial condition and results of operations may also be affected by additional factors that are not currently known to us or that we currently consider immaterial or that are not specific to us, such as general economic conditions.

You should refer to the explanation of the qualifications and limitations on forward-looking statements included under "Cautionary Statement Regarding Forward-Looking Information" of this Form 10-K. All forward-looking statements made by us are qualified by the risk factors described below.

RISKS RELATED TO OUR BUSINESS

Our industry and the oil and gas industry are cyclical and our business could be adversely affected by the fluctuating level of capital expenditures by oil and gas companies, the level and volatility of oil and natural gas prices and global supply and demand dynamics.

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 long-term 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:

- the level of supply and demand, the expectations regarding future supply and demand, and the actual levels of production of oil and natural gas;
- the level of prices, and expectations regarding future prices, for oil and natural gas;
- the ability or willingness of the Organization of Petroleum Exporting Countries (OPEC) to increase or decrease production levels for oil;
- oil and gas production levels by non-OPEC countries;
- worldwide political, military and economic conditions, including social and political unrest in Africa and the Middle East and domestic and foreign governmental regulations and actions (including export restrictions, sanctions, taxes, repatriations and nationalizations);
- geopolitical uncertainty in the United States and abroad;
- technological advances affecting energy exploration, development, production and consumption;
- price, availability and government subsidies for alternative fuels;
- weather, including seasonal patterns that affect regional energy demand as well as severe weather events that can disrupt supply;
- the ability of E&P companies to raise equity capital and debt financing or otherwise generate funds for exploration, development and production operations;
- the cost of exploring for, developing and producing oil and natural gas;
- the level of oil and natural gas reserves;
- the rate of discovery of new oil and gas reserves and the decline of existing oil and gas reserves; and
- the enactment and implementation of government policies, including environmental regulations and tax policies, regarding the exploration, production and development of oil and natural gas reserves and the use of fossil fuels and alternative energy sources.

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 again in the future. Low oil and natural gas prices and demand have resulted in decreased exploration and development spending by oil and gas companies, which could, in turn, impact our seismic data business. Additionally, increases in oil and gas prices may not always result in increased demand for our products and services or otherwise have a positive effect on our results of operations or financial condition. Our customers may

adjust their exploration and development spending levels very quickly in response to any material change in oil and natural gas prices. Continued political instability (especially in the Middle East and other oil-producing regions) may lead to further significant fluctuations in demand and pricing for oil and gas or seismic data. Any future decline in oil and natural gas prices, a downturn in the oil and gas or seismic data industries, or sustained periods of reduced capital expenditures by oil and gas companies as a result of factors which are beyond our control, could have a material adverse effect on our results of operations and cash flow.

We, our third-party contractors and/or our E&P customers are subject to a variety of environmental and occupational safety and health laws and regulations, which may result in increased costs and significant liabilities.

Our business involves the licensing of primarily onshore seismic data and other related products and services in North America to E&P companies and is subject to a variety of stringent governmental laws and regulations in the United States, Canada and

Table of Contents

Mexico governing us, our third-party contractors and/or our E&P customers and relating to worker health and safety and protection of the environment. Certain of these laws and regulations may impose joint and several, strict liability for environmental liabilities, and failure to comply with these legal requirements may result in the assessment of administrative, civil and criminal penalties, imposition of remedial or corrective obligations, occurrence of delays in the permitting or performance of projects, and the issuance of injunctive relief in affected areas. We anticipate that the trend of more expansive and stricter environmental laws and regulations will continue in the future. Such developments may have an impact on our business directly or indirectly by increasing our E&P customers' operating costs or delaying or curtailing their pursuit of exploration, development or production activities, any one or more of which developments could reduce demand for our seismic data and related services and have a material adverse effect on our revenues and results of operations.

In the United States, regulatory initiatives relating to air emissions include, for example, issuance by the U.S. Environmental Protection Agency ("EPA") of a final rule under the Clean Air Act in October 2015 that lowered the National Ambient Air Quality Standards for ground-level ozone to 70 parts per billion. Pursuant to this final rule, the EPA is expected to issue non-attainment designations for geographic areas of the country in the first half of 2018, and states are also expected to implement their own rules, which could be more stringent than federal requirements.

Climate change continues to attract considerable public, governmental and scientific attention, and numerous proposals have been made and are likely to continue to be made at the international, national, regional and state levels of government to monitor and limit emissions of greenhouse gases ("GHGs") by means of cap-and-trade programs, carbon taxes, GHG reporting and tracking programs, and regulations that directly limit GHG emissions from certain sources. While no comprehensive climate change legislation has been implemented to date at the federal level in the United States, the EPA has determined that emissions of GHGs present an endangerment to public health and the environment and has proposed or adopted various regulations under existing provisions of the Clean Air Act that, among other things, require certain construction and operating permit reviews with respect to GHG, monitoring and reporting of GHG emissions from specified sources in the United States on an annual basis from certain oil and natural gas production facilities, and direct regulation of emissions of methane, a GHG, from certain oil and natural gas operations.

With respect to hydraulic fracturing in the United States, we do not conduct such activities but many of our E&P customers conduct fracturing. The hydraulic fracturing process is typically regulated by state oil and natural gas commissions or similar agencies, but several federal agencies have asserted regulatory authority over certain aspects of the process, including the EPA and Bureau of Land Management, which E&P customers must comply. Additionally, in December 2016, the EPA released its final report on the potential impacts of hydraulic fracturing on drinking water resources, concluding that "water cycle" activities associated with hydraulic fracturing may impact drinking water resources under some circumstances. Moreover, a number of states have adopted, and other states are considering adopting, legal requirements that could impose more stringent requirements on hydraulic fracturing activities. Local government also may seek to adopt ordinances within their jurisdictions regulating the time, place and manner of drilling activities in general or hydraulic fracturing activities in particular.

Regarding worker health and safety in the United States, we, our third-party contractors and/or our E&P clients are subject to a number of federal and state laws and regulations, including the federal Occupational Safety and Health Act and comparable state statutes, whose purpose is to protect the health and safety of workers.

The adoption and implementation of legal requirements in the United States, whether at federal, state or local levels, that govern the emission, discharge or disposal of pollutants or that restrict or control regulated activities such as hydraulic fracturing, could require us, our third-party contractors and/or our E&P customers to incur increased costs, or delay or curtail our customers pursuit of exploration, development or production activities, which developments could reduce demand for our seismic data and related services and have a material adverse effect on our revenues and results of operations.

Similar legal requirements or controls exist in Canada and Mexico that govern aspects of environmental protection and worker health and safety, to which we, our third-party contractors and/or our E&P customers must comply.

Compliance with such legal requirements and controls may also result in us, our third-party contractors and/or our E&P customers incurring increased costs, or delaying or curtailing our customers pursuit of exploration, development or production activities, which developments could reduce demand for our seismic data and related services and have a material adverse effect on our revenues and results of operations.

Economic conditions could adversely affect demand for our seismic data and related services and could increase our credit risk of customer non-payment.

Prices for oil and natural gas fluctuate widely. Prolonged or substantial declines in crude oil and/or natural gas prices could result in many oil and gas companies significantly reducing their levels of capital spending, and such reduction could intensify which could result in reduced demand for our seismic data and related services as our customers' operating cash flow decreases and the borrowing bases under their oil and gas reserve-based credit facilities are reduced. Prolonged or substantial declines in

Table of Contents

commodity prices could also result in decreases in our customers' liquidity and capital resources, which could increase our credit risk of non-payment from such customers.

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 invest additional capital in acquiring and processing new seismic data to expand our data library. A significant portion of these costs is 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 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 on acceptable terms or at all, we may be forced to finance our operations with only internally generated funds, and if we are unable to generate sufficient funds internally, we may be unable to execute our business strategies.

Our working capital needs are difficult to forecast and may vary significantly, which could require us to seek financing that we may not be able to obtain on satisfactory terms, or at all.

Our working capital needs are difficult to predict with certainty as they fluctuate from quarter to quarter based on the level of activity of our business. This difficulty is due primarily to the timing of our projects, our customers' budgetary cycles and our receipt of payment. We may therefore be subject to significant and rapid increases in our working capital needs that could require us to seek financing sources. Restrictions in our debt agreement may impair our ability to obtain other sources of financing, and access to sources of financing may not be available on terms acceptable to us, or at all.

We have invested, and expect to continue to invest, significant amounts of money in acquiring and processing seismic data for our seismic data library without knowing precisely how much of this seismic data we will be able to license or when and at what price we will be able to license such data.

We invest significant amounts of money in acquiring and processing seismic data for our seismic data library, albeit at a reduced level in low commodity price environments. By making such investments, we are exposed to the following risks:

- We may not fully recover our costs of acquiring and processing seismic data through future licensing of data that we own. The amounts of these data sales are uncertain and depend on a variety of factors, many of which are beyond our control.
- The timing of these sales is unpredictable and can vary greatly from quarter to quarter. The costs of each survey are capitalized and then amortized over the expected book life of the data. This amortization will affect our earnings and when combined with the sporadic nature of sales, will result in increased earnings volatility.
- Regulatory changes that affect companies' ability to drill, either generally or in a specific location where we have acquired seismic data, could materially adversely affect the value of the seismic data contained in our library. In addition, technology changes could also make existing data sets less desirable or obsolete.
- The value of our data could be significantly adversely affected if any material adverse change occurs in the general prospects for oil and gas exploration, development and production activities.
- The cost estimates upon which we base our pre-commitments of funding could be incorrect, which could result in losses that have a material adverse effect on our financial condition and results of operations.
- Underwriting commitments of funding are subject to the creditworthiness of our customers. In the event that a customer refuses or is unable to pay its commitment, we could lose a material amount of money.

The cyclical nature of the oil and gas industry can have a significant effect on our revenues and profitability. Historically, oil and natural gas prices, as well as the level of exploration and developmental activity, have fluctuated significantly. These fluctuations have in the past, and may in the future, adversely affect our business. We are unable to predict future oil and natural gas prices or the level of oil and gas industry activity. Prolonged periods of low commodity prices depress development activity, adversely affecting the demand for our products and services and our financial condition and results of operations.

We rely on developing and acquiring proprietary data, and if we are unable to maintain its confidentiality, we could be materially negatively affected.

Our customer data license agreements and acquisition agreements identify our proprietary, confidential information and require that such information is restricted to the licensee and must be kept confidential. However, we cannot ensure that unauthorized

Table of Contents

use, misappropriation or disclosure will not occur. The rise in bankruptcy filings since 2016 by some of our customers places our data license agreements at risk of unauthorized assumption and/or assignment. If we are unable to prevent the assumption and/or assignment or otherwise maintain the confidentiality of our proprietary, confidential information, we could be materially negatively affected.

Our business could be negatively affected by security threats, including cybersecurity threats, and other disruptions.

We face various security threats, including cybersecurity threats, to gain unauthorized access to sensitive information or to render data or systems unusable. While we have redundant security systems in place to protect our sensitive data, the potential for such security threats subjects our operations to increased risks that could have a material adverse effect on our business. Designing and implementing procedures and controls to monitor and mitigate security threats and to increase security for our information and infrastructure is capital intensive, and there can be no assurance that such procedures and controls will be sufficient to prevent security breaches from occurring. If any of these security breaches were to occur, they could lead to losses of sensitive information, critical infrastructure or capabilities essential to our operations and could have a material adverse effect on our reputation, financial position, results of operations or cash flows. Cybersecurity attacks in particular are becoming more sophisticated and include, but are not limited to, malicious software, attempts to gain unauthorized access to data, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information and corruption of data. These events could damage our reputation and lead to financial losses from remedial actions, loss of business or potential liability for asserted claims.

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, is underwritten by our customers. Historically, we have targeted an average of 60% to 70% underwriting levels for new seismic acquisition projects on an aggregate basis. In low commodity price environments, we may target higher underwriting levels, which may increase the risk that our customers fail to fulfill their obligations to reimburse us. On occasion, when our underwriting customer owns other appealing seismic data that we want to obtain, we may decide to take ownership in this data to cover a portion 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.

We rely on third-party contractors to shoot new data.

We do not employ seismic crews or own any seismic survey equipment but contract, as needed, multiple third-party contractors with qualified equipment, personnel and expertise to shoot new data. Any failure, however, by these third-party contractors to meet the requisite industry quality, safety and environmental standards could result in our liability to third parties and have a material adverse effect on our business, reputation, financial condition and results of operations. Moreover, if we fail to retain our third-party contractors or obtain replacements on favorable terms or at all, our business and operating results may be materially and adversely affected.

We may be held liable for the actions of third-party contractors.

We often engage a number of third-party contractors to perform specific services and provide products and qualified personnel in connection with our operations. There can be no assurance that we will not be held liable for the actions or inactions of these contractors. In addition, contractors may cause damage or injury to our personnel and property or third-party personnel or property, which may not be fully covered by insurance.

Competition for the acquisition of new seismic data is intense.

There are a number of geophysical services companies that create, market and license seismic data and maintain seismic libraries. Competition for acquisition of new seismic data among geophysical service providers in the United States and Canada 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 the limited opportunities to acquire 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, but are not limited to, (1) timing of the receipt and

Table of Contents

commencement of contracts for data acquisition, (2) our customers' budgetary cycles and their effect on the demand for geophysical products and services, (3) seasonal factors, (4) weather conditions, (5) the timing of cash resales and selections of significant geophysical data from our data library, which are not typically made in a linear or consistent pattern and (6) technological or regulatory changes. These revenue fluctuations could produce unexpected adverse operating results in any period.

There are risks and uncertainties associated with our operations in Mexico.

Historically, Mexico has been subject to political and social instability, and our operations in Mexico may expose us to various levels of foreign political, economic and other risks and uncertainties. These risks and uncertainties include, but are not limited to, terrorism, hostage taking, military repression, extreme fluctuations in currency exchange rates, high rates of inflation, labor unrest, the risk of war or civil unrest, expropriation and nationalization, renegotiation or nullification of existing concessions,
licenses, permits, approvals and contracts, changes in taxation policies, restrictions on foreign exchange and repatriation, changing political conditions and currency controls. Furthermore, change and uncertainty in Mexico could lead to changes in
existing governmental laws and regulations affecting oil and gas exploration and production, which could adversely impact demand for our seismic data. Shifts in political conditions may increase the cost of conducting our business in Mexico.

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

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

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

We perform an annual assessment of the recoverability of goodwill. Additionally, we assess goodwill for impairment whenever events or changes in circumstances indicate that such carrying values may not be recoverable. If required to perform a goodwill impairment test, 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 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 is derived from our Canadian activities and operations. As a result, we translate the results of our Canadian operations and financial condition into U.S. dollars. Therefore, our reported results of operations and financial condition are subject to changes in the exchange rate between the two currencies. Fluctuations in foreign

currency exchange rates could affect our revenue, expenses and operating margins. Assets and liabilities of our 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 our 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 accumulated other comprehensive income in stockholder's equity. Realized gains and losses on translation of our Canadian operations into U.S. dollars are included in results of operations. 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 our ability to attract and retain highly skilled geophysical professionals and other technical personnel. Failure to continue attracting and retaining 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.

Our success also depends to a significant extent upon the abilities and efforts of members of our senior executive management, the loss of whom could adversely affect our business. Senior executives, which include our Chief Executive Officer and President, Chief Financial Officer, Chief Technology Officer and President of Seitel Canada Ltd., and President of Seitel Data,

Table of Contents

Ltd. 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. Any inability to attract and retain key management personnel could have a material adverse effect on our ability to manage our business properly.

We are subject to certain types of claims in the ordinary course of business.

We may become involved in, named as a party to, or be the subject of, various legal matters, including regulatory proceedings, and litigation asserting claims for personal injury, property damage, trespass, and contract disputes. The outcome of pending or future proceedings cannot be predicted with certainty and may be determined adversely to us and as a result, could have a material adverse effect on our assets, liabilities, business, financial condition, results of operations, cash flows and future prospects.

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 demand for our products and services are subject to various laws and regulations administered by federal, provincial, state and local governmental authorities and agencies in the United States, Canada and Mexico. We may incur significant costs and delays in order to attain or maintain compliance with these legal requirements. These laws and regulations may impose numerous obligations that are applicable to our operations including:

- the acquisition of permits before commencing regulated activities;
- the limitation or prohibition of seismic activities in environmentally sensitive or protected areas such as wetlands or wilderness areas; and
- the application of specific health and safety criteria addressing worker protection.

Further, failure to comply with laws, regulations, permits, and First Nations and Native Americans protocol may result in the assessment of administrative, civil and criminal penalties, the imposition of remedial obligations and the issuance of injunctions limiting or preventing some or all of our operations. In the oil and gas industry more generally, protracted approval processes, including consultations with First Nations in Canada and Native Americans in the U.S., for proposed projects could dampen investment in new projects, and thereby negatively impact demand for our products and services.

Additionally, these laws, regulations and government policies may change as a result of changing political, economic or social climate. Such changes may alter the environment in which we do business as well as the demand for our products and services and, therefore, may impact the results of our operations or increase our liabilities. More stringent new and future laws, regulations and policies concerning hydraulic fracturing activities, emissions of greenhouse gases and the use of renewable energy sources rather than fossil fuels could negatively impact the operations of our customers. Further, future changes in these and other laws and regulations or the imposition of additional regulations that have a negative financial impact on E&P operators, some of which are our customers, could result in decreased demand for our products and services. Moreover, complying with more stringent regulations could cause an increase in our operating expenses, 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. New and enhanced products and services introduced by one of our competitors may gain market acceptance and, if not available to us, may adversely affect our business.

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

Our Chief Executive Officer and President and our Chief Financial Officer evaluate, on a quarterly basis, our internal controls over 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 confirm

that appropriate corrective action, including process improvements, are being undertaken. The overall goals of these various evaluation activities are to monitor our internal controls over financial reporting, to monitor our disclosure controls and procedures, and to make modifications as necessary. Our intent in this regard is that our internal controls over 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 over financial reporting

Table of Contents

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 regarding 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. In light 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 our business.

Tax authorities may reassess our tax calculations, or may change their administrative policies to our detriment. There can be no assurance that the relevant tax authorities will agree with how we calculate our income for tax purposes or that such tax authorities will not change their administrative practices to our detriment.

RISKS RELATED TO OUR INDEBTEDNESS

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

As of December 31, 2017, we had approximately $251.4 million of total outstanding indebtedness, including $1.4 million of capital leases. Our 2018 consolidated annual debt service requirements are expected to aggregate approximately $24.1 million. We may also incur additional indebtedness in the future.

Our 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 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 restrictive covenants in our debt instruments which, among other things, limit our ability to incur debt and sell assets, could result in an event of default which, if not cured or waived, could have a material adverse effect on our business or prospects.

Our 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.

The indenture governing our $250.0 million aggregate principal amount of 9½% senior notes due 2019 (“the 9½% Senior Notes”) contains 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.

The indenture governing our 9½% Senior Notes imposes, 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

Table of Contents

- effect mergers or consolidations.

The restrictions contained in the indenture governing our 9½% 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 could result in a default under the indenture governing our 9½% Senior Notes. If an event of default occurs, the lenders could elect to:

- declare all borrowings outstanding, together with accrued and unpaid interest, to be immediately due and payable; or
- require us to apply all of our available cash to repay the borrowings.

If we were unable to repay or otherwise refinance these borrowings when due, we cannot assure that sufficient assets will remain to repay the 9½% Senior Notes.

We may be unable to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness.

It is likely that we will need to refinance at least a portion of our outstanding debt as it matures. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous borrowing covenants, which could further restrict our business operations. If we are unable to refinance or extend principal payments due at maturity or pay them with proceeds of other capital transactions, then our cash flow may not be sufficient to repay all such maturing debt. Further, if prevailing interest rates or other factors at the time of refinancing (such as the reluctance of lenders to participate in such refinancing) result in higher interest rates upon refinancing, then the interest expense relating to that refinanced indebtedness would increase.

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, warehouse space and storage. We maintain domestic marketing offices in Austin and Dallas, Texas; Denver, Colorado; New Orleans, Louisiana and Oklahoma City, Oklahoma. 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
Austin, Texas	450	Marketing	Leased
Dallas, Texas	194	Marketing	Leased
Denver, Colorado	1,506	Marketing	Leased
New Orleans, Louisiana	364	Marketing	Leased
Oklahoma City, Oklahoma	234	Marketing	Leased
Calgary, Alberta, Canada	14,909	Administrative; Financial; Marketing; Operations	Leased

Calgary, Alberta, Canada	42,985	Warehouse	Leased

20

Table of Contents

Item 3. Legal Proceedings

From time to time, we are involved in ordinary, routine claims and lawsuits incidental to our business. In the opinion of management, uninsured losses, if any, resulting from the ultimate resolution of these matters should not be material to our financial position, results of operations or cash flows. 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, 2017, we have recorded the estimated amount of potential exposure we may have with respect to litigation and claims. Such amounts are not material to the financial statements.

Item 4. Mine Safety Disclosures

Not applicable.

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, 2017, there was one holder of record of our 100 shares of common stock, $0.001 par value per share.

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 9½% 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 Financial Data

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

	Year Ended December 31,				
(in thousands)	2017	2016	2015	2014	2013
Statement of Operations Data:					
Revenue	$90,250	$94,546	$100,252	$198,037	$202,874
Expenses and costs:					
Depreciation and amortization	77,482	75,078	80,923	121,023	121,598
Cost of sales	96	76	195	304	475
Selling, general and administrative	20,291	24,119	22,184	29,799	25,971
	97,869	99,273	103,302	151,126	148,044
Income (loss) from operations	(7,619)	(4,727)	(3,050)	46,911	54,830
Interest expense, net	(24,652)	(24,967)	(25,390)	(25,029)	(27,851)
Foreign currency exchange gains (losses)	8	109	(1,650)	(1,974)	(2,222)
Loss on early extinguishment of debt	—	—	—	—	(1,504)
Other income	97	1,765	5	63	488
Income (loss) before income taxes	(32,166)	(27,820)	(30,085)	19,971	23,741
Provision (benefit) for income taxes	(685)	(3,396)	79,905	10,293	(89,940)
Net income (loss)	$(31,481)	$(24,424)	$(109,990)	$9,678	$113,681

21

Table of Contents

	As of December 31,				
(in thousands, except shares)	2017	2016	2015	2014	2013
Balance Sheet Data:					
Cash and cash equivalents	$70,581	$55,997	$52,675	$59,175	$31,353
Seismic data library, net	74,542	115,922	161,363	165,079	195,778
Total assets [1]	364,048	385,171	421,487	574,400	589,207
Total debt [1]	249,505	248,367	247,357	246,863	246,370
Stockholder's equity	77,114	101,059	122,216	253,089	254,956
Common shares outstanding	100	100	100	100	100

(1) Total assets and total debt for fiscal year-end 2015, 2014 and 2013 have been restated to reflect the adoption of Financial Accounting Standards Board Accounting Standards Update No. 2015-03 effective January 1, 2016. The new standard changed the presentation of debt issuance costs from an asset to a direct deduction from the related liability.

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 consolidated financial statements included elsewhere in this document.

Overview

General

Our products and services are used by E&P companies in oil and gas exploration and development efforts to increase the probability of drilling success, to better delineate existing oil and gas fields and to augment their reservoir completion and management techniques. In unconventional plays, E&P companies use seismic data as a development tool to better identify efficient drilling plans and maximize production by identifying and understanding a series of critical characteristics of the targeted resource. We own an extensive library of onshore and offshore seismic data that we offer for license to E&P companies. We believe that our library of onshore seismic data is one of the largest available for licensing in North America. 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 our clients. By participating in underwritten, non-exclusive surveys or purchasing licenses to existing data, E&P 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. Our offshore seismic data is primarily located in the shallow waters of the U.S. Gulf of Mexico and generates a small percentage of our revenue. As a result of the energy reform in Mexico, we began to expand our data library coverage into Mexico in 2015.

2018 is expected to be the second year of recovery in upstream capital spending due to improved commodity prices. Improved fundamentals have fostered steady price growth of crude oil in the second half of 2017 and into early 2018. E&P companies maintain cautious optimism for commodity prices and remain judicious with capital spending. We remain cautiously optimistic that we will see improvements in seismic spending from our E&P clients in 2018. We do, however, believe that seismic spending will continue to fluctuate quarter to quarter as E&P companies continue to closely evaluate spending levels. We believe our asset-light business model, variable cost structure and streamlined support structure allow us to respond to changes, both positive and negative, in the industry environment.

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 E&P companies and, in the case of new data creation, the willingness of these

companies to forgo ownership in the seismic data. Capital expenditures by E&P companies depend upon several factors, including actual and forecasted oil and natural gas commodity prices, prospect availability and the companies' own short-term and long-term strategic plans. These capital expenditures may also be affected by worldwide economic or industry-wide conditions.

Merger and Acquisition/Joint Venture Activity: Merger and acquisition activity continues to occur within our client base. This activity could have a negative impact on seismic companies that operate in markets with a limited number of participating

Table of Contents

clients. However, we believe that, over time, this activity could have a positive impact on our business as it should generate resale licensing revenue, 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.

Exploiting unconventional plays is a capital intensive endeavor and many technically proficient E&P companies remain capital constrained. These companies find themselves needing to sell their positions to, or create partnerships with, large well-capitalized companies in order to develop their recoverable resource base. Generally, contracts with our customers for the license of data do not permit sharing of the data among partners. As a result, these joint venture partners or new owners will often need to purchase a license to our seismic data for their own use.

North America Drilling Activity: The North American land rig count improved in 2017, averaging slightly over 1,000 rigs compared to 2016's average of approximately 600 rigs. As of February 2, 2018, the North American land rig count was 1,270. The rig count is forecast to steadily increase throughout 2018 with continued strong directional drilling activity.

Availability of Capital for Our Customers: Lower oil prices since the beginning of 2015 have caused a reduction in cash flows for our customers. Many E&P companies rely on revolving credit to finance their day-to-day operations. These credit facilities have borrowing bases that are tied to the net present value of their reserves. Lower oil prices have decreased the value of those reserves and, as a result, the borrowing bases under such facilities have been reduced. Reductions in cash flows resulting from lower commodity prices, along with the reduced availability of credit and increased costs of borrowing, could have a material impact on the ability of such companies to obtain funding necessary to purchase our seismic data.

Government Regulation: Our operations and the operations of our third-party contractors 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 and require our third-party contractors to do the same. Modification of existing laws or regulations and the adoption of new laws or regulations impacting exploration or production activities by oil and gas companies may have a material effect on our business operations.

Key Performance Measures

Management considers, among others, the following performance and financial measures in evaluating and managing our operating performance and financial condition. Some of these measures are not calculated in accordance with United States generally accepted accounting principles, or GAAP. Generally, a non-GAAP 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 GAAP. These non-GAAP measures are intended to supplement the presentation of our financial results that are prepared in accordance with GAAP and should not be considered substitutes for GAAP financial measures.

Cash Resales

Cash resales represent new contracts for data licenses from our library, including data currently in progress, payable in cash. We believe cash resales are an important measure of our operating performance and are useful in assessing overall industry and client activity. Cash resales are likely to fluctuate quarter to quarter as they do not require the longer planning and lead times necessary for new data creation.

Cash resales for the three years ended December 31, 2017 were as follows (in thousands):

	Year Ended December 31,		
	2017	2016	2015
Cash resales	$59,746	$59,404	$44,350

Cash EBITDA

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

Table of Contents

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

	Year Ended December 31,		
	2017	2016	2015
Cash EBITDA	$41,541	$39,362	$25,263
Add (subtract) other components not included in cash EBITDA:			
Cash acquisition underwriting revenue	22,487	21,329	42,566
Revenue recognition adjustments from contracts payable in cash	4,396	8,413	4,107
Severance and other non-routine costs	(171)	(1,984)	(663)
Interest expense, net	(24,652)	(24,967)	(25,390)
Amortization of deferred financing costs	1,285	1,224	1,200
Increase (decrease) in allowance for doubtful accounts	—	(20)	4
Other cash operating income	1	14	5
Current income tax expense	(2,943)	(561)	(193)
Changes in operating working capital	(1,590)	(12,267)	25,737
Net cash provided by operating activities	$40,354	$30,543	$72,636

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 through non-monetary exchanges and (4) creating new value-added products from existing data within our library. For the years ended December 31, 2017, 2016 and 2015, we completed the addition of approximately 2,500 square miles, 1,500 square miles and 1,250 square miles, respectively, of seismic data to our library. As of February 12, 2018, we completed an additional 100 square miles and had 300 square miles of seismic data in progress.

Critical Accounting Policies

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

We prepare our consolidated 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 consolidated 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 A and B 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. Contracts signed up to the time we make a firm commitment to create the new seismic survey are considered acquisition underwriting. Acquisition underwriting revenue is recognized throughout the new survey creation period using the proportional performance method based upon costs incurred and work performed to date as a percentage of total estimated costs and work required. Management believes that this method is the most reliable and representative measure of progress for our new survey creation projects. The customers paying for the initial licenses to the data created from a new survey 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 licensing of data once it is available for delivery. Revenue from the non-exclusive licensing of seismic data is recognized when the following criteria are met:

- we have an agreement with the customer that is validated by a signed contract;
- the sales price is fixed and determinable;

Table of Contents

•collection is reasonably assured;
•the customer has selected the specific data or the contract has expired without full selection;
•the data is currently available for delivery; and
•the license term has begun.

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

For licenses that have been invoiced for which payment is due or has been received, but that have not met the aforementioned criteria, revenue is deferred along with the related direct costs (primarily consisting of 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 (i) a non-exclusive license to selected seismic data from our library, (ii) as partial consideration for the underwriting of new data acquisition or (iii) reproduction or data processing services. These transactions 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 policies on revenue from data licenses or data acquisition or as services are provided, as applicable. These transactions are valued at the fair value of the data received by us or the fair value of the license granted or services provided to the customer, 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 each survey in our seismic data library using the greater of the amortization that would result from the application of the income forecast method to each survey's revenue (subject to a minimum amortization rate) or a straight-line basis over four years commencing at the time such survey is completed and available for licensing to customers on a non-exclusive basis. 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.

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 most recent estimate of total revenue for such library component, we revise the amortization rate attributable to future revenue from each survey in such component. The Company applies a minimum amortization rate of 70%.

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.

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

Table of Contents

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.

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.

Goodwill

Goodwill is not amortized but is assessed, at least annually, for impairment at the reporting unit level. We conduct an annual assessment of the recoverability of goodwill as of October 1 of each year. We first assess qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. If the qualitative assessment indicates that it is more likely than not that the fair value of the reporting unit is less than its carrying amount or we elect not to perform a qualitative assessment, the quantitative assessment or two-step goodwill test is performed. The two-step goodwill impairment test is also performed whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Use of Estimates and Assumptions

In preparing our consolidated 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 consolidated 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, goodwill and realizability of our deferred tax assets.

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 could impact our results of 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. We apply a minimum income forecast amortization rate of 70% and the effect of decreasing future sales by either 10% or 20%, with all other factors remaining constant, would not increase amortization rates from 70% as of January 1, 2018.

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 policies on revenue recognition. These transactions are valued at the fair value of the data received by us or licenses or services granted by us, whichever is more readily determinable. 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.

If necessary, the two-step impairment test is performed to identify potential goodwill impairment and measure the amount of a goodwill impairment loss to be recognized. The two-step impairment test involves a comparison of the fair value of a reporting unit with its carrying amount, including goodwill to identify if a goodwill impairment exists. 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.

In evaluating our ability to recover our deferred tax assets, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies and results of recent operations. The assumptions about future taxable income require significant judgment and are consistent with the plans and estimates management is using to manage the underlying business. If the projected future taxable income changes materially, we may be required to reassess the amount of valuation allowance recorded against our deferred tax assets.

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.

Table of Contents

Results of Operations

Revenue

The following table summarizes the components of our revenue for the years ended December 31, 2017, 2016 and 2015 (in thousands):

	Year Ended December 31,		
	2017	2016	2015
Acquisition underwriting revenue:			
Cash underwriting	$22,487	$21,329	$42,566
Underwriting from non-monetary exchanges	279	129	168
Total acquisition underwriting revenue	22,766	21,458	42,734
Resale licensing revenue:			
Cash resales	59,746	59,404	44,350
Non-monetary exchanges	2,075	1,840	9,300
Revenue recognition adjustments	3,571	9,752	1,554
Total resale licensing revenue	65,392	70,996	55,204
Total seismic revenue	88,158	92,454	97,938
Solutions and other	2,092	2,092	2,314
Total revenue	$90,250	$94,546	$100,252

Total revenue for the year ended December 31, 2017 was $90.3 million compared to $94.5 million for the year ended December 31, 2016. The decrease in total revenue was mainly due to a reduction in resale licensing revenue. Acquisition underwriting revenue was $22.8 million in 2017 compared to $21.5 million in 2016. We continued to be judicious in committing to new data acquisition projects in 2017 resulting in only a slight increase in acquisition underwriting revenue. Our new data acquisition activity in 2017 primarily occurred in the EagleFord/Woodbine, Permian and Louisiana Cotton Valley areas in the U.S and in the Montney and Duvernay areas in Canada. Total resale licensing revenue was $65.4 million in 2017 compared to $71.0 million in 2016. Cash resales were slightly higher in 2017 at $59.7 million in 2017 compared to $59.4 million in 2016. Although cash resales were about the same year over year, we saw a more consistent spending pattern quarter to quarter by E&P companies in licensing seismic data from our library in 2017 with cash resales not heavily weighted to the fourth quarter as we experienced in 2016. It is difficult to predict the quarter to quarter level of cash resales and, therefore, we believe cash resales may not follow a predictable pattern but may fluctuate quarter to quarter. Revenue recognition adjustments are non-cash adjustments to revenue and reflect the net amount of (i) revenue deferred as a result of all of the revenue recognition criteria not being met and (ii) the subsequent revenue recognition once the criteria are met. The decrease of $6.2 million in revenue recognition adjustments from 2016 to 2017 primarily resulted from a decrease in selections of data from library card contracts and a decrease in revenue recognized on previously deferred licensing contracts, partially offset by lower deferrals associated with new licensing contracts. Solutions and other revenue was $2.1 million in both 2017 and 2016.

Total revenue for the year ended December 31, 2016 was $94.5 million compared to $100.3 million for the year ended December 31, 2015. The decrease in total revenue was mainly due to a reduction in acquisition underwriting revenue partially offset by an increase in resale licensing revenue. Acquisition underwriting revenue was $21.5 million in 2016 compared to $42.7 million in 2015. The decrease in acquisition underwriting revenue was primarily attributable to a planned reduction in new data acquisition projects as a result of the prolonged downturn in the energy industry. Our new data acquisition activity in 2016 primarily occurred in the Louisiana Cotton Valley and Permian unconventional plays in the U.S. Total resale licensing revenue was $71.0 million in 2016 compared to $55.2 million in 2015. Cash resales increased from $44.4 million in 2015 to $59.4 million in 2016. Cash resales showed year over year improvement in the last three quarters of 2016, with particular strength in the fourth quarter, as client spending increased as crude oil prices recovered from the lows experienced in the first quarter of 2016. Non-monetary exchanges fluctuate year to year depending upon data available for trade. We had one large non-monetary exchange in

2015 causing the significant decrease from 2015 to 2016. The increase of $8.2 million in revenue recognition adjustments from 2015 to 2016 was primarily due to lower deferrals associated with new licensing contracts and an increase in revenue recognized on previously deferred direct licensing contracts, slightly offset by a decrease in selections of data from library card contracts. Solutions and other revenue was $2.1 million in 2016 compared to $2.3 million in 2015.

At December 31, 2017, we had a deferred revenue balance of $13.1 million compared to the December 31, 2016 balance of $15.9 million. The deferred revenue balance was related to (i) deferred revenue on data acquisition projects, (ii) data licensing contracts where selection of specific data had not yet occurred, (iii) data licensing contracts with data products not yet available

Table of Contents

and (iv) data licensing contracts where any other revenue recognition criteria has not yet been met. The deferred revenue will be recognized as work progresses on the data acquisition contracts, when selection of specific data is made by the customer, upon expiration of the data selection period specified in the data licensing contracts, as the data products become available or as all of the revenue recognition criteria are met. Deferred revenue will be recognized no later than the following, based on the expiration of the selection period or our estimate of progress on acquisition projects and the availability of data products, although some revenue may be recognized earlier (in thousands):

2018	$10,917
2019	100
2020 and thereafter	2,078

Depreciation and Amortization

The table below sets forth the components of depreciation and amortization and presents seismic data amortization as a percentage of total seismic revenue for the years ended December 31, 2017, 2016 and 2015 (dollars in thousands):

	Year Ended December 31,			Percentage of Revenue		
	2017	2016	2015	2017	2016	2015
Amortization of seismic data:						
Income forecast	$37,603	$28,746	$44,976	43%	31%	46%
Straight-line	38,852	41,441	30,916	44%	45%	32%
Total amortization of seismic data	76,455	70,187	75,892	87%	76%	78%
Depreciation of property and equipment	507	735	850			
Amortization of acquired intangibles	520	4,156	4,181			
Total	$77,482	$75,078	$80,923			

Total seismic data library amortization amounted to $76.5 million, $70.2 million and $75.9 million in 2017, 2016 and 2015, 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 percentage of income forecast amortization to total seismic revenue was 43% for the year ended December 31, 2017, 31% for the year ended December 31, 2016, and 46% for the year ended December 31, 2015. In all three years, we recognized resale revenue from data whose costs were fully amortized. In 2017, 53% of resales did not require amortization, as compared to 72% in 2016 and 60% in 2015. Additionally, all acquisition revenue attracts amortization; thus, the decrease in the level of acquisition revenue from 2015 to 2016 impacted the overall percentage of income forecast amortization. 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 is completed and becomes available for licensing. The amount of straight-line amortization will vary between periods due to the distribution of revenue among the various surveys.

For each of the years ended December 31, 2017, 2016 and 2015, the 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, 2018, the amortization rate to be utilized under the income forecast method is 70% for all components.

Selling, General and Administrative Expenses

Selling, general and administrative (“SG&A”) expenses were $20.3 million in 2017, $24.1 million in 2016 and $22.2 million in 2015. SG&A expenses are made up of the following cash and non-cash expenses (in thousands):

	Year Ended December 31,		
	2017	2016	2015

Cash SG&A expenses	$20,281	$24,042	$21,856
Non-cash compensation expense	10	77	328
Total	$20,291	$24,119	$22,184

Table of Contents

Cash SG&A expenses decreased $3.8 million from 2016 to 2017 primarily due to a $2.6 million decrease in variable compensation, consisting of commissions and annual incentive compensation, a $1.8 million decrease in severance and other non-routine costs and a $0.5 million decrease in professional fees offset by a $1.1 million increase in long-term incentive plan expenses. The decrease in annual incentive compensation was due to our Cash EBITDA results, although comparable with the prior year, not achieving the full target goals established at the beginning of the fiscal year for 2017. Regarding the reduction in severance and other non-routine costs, 2017 included minimal termination benefits, whereas 2016 included $1.6 million in termination benefits related to layoffs in 2016. Professional fees decreased in 2017 primarily resulting from an overall reduction in legal fees associated with client bankruptcies. Effective January 1, 2017, we implemented an executive retention plan that is being expensed evenly over a period of two years. This expense for 2017 represented a $1.1 million increase over 2016 as there was no such comparable plan in place during 2016.

Cash SG&A expenses increased $2.2 million from 2015 to 2016 primarily due to a $0.9 million increase in routine overhead costs and a $1.3 million increase in non-routine costs. The increase in routine overhead costs mainly consisted of an increase of $3.9 million in variable compensation, consisting of commissions and annual incentive compensation, and an increase of $0.7 million in professional fees partially offset by savings of $2.8 million in salaries and benefits from headcount reductions and $0.9 million in various other cost savings. The majority of the increase in variable compensation in 2016 compared to 2015 was due to annual incentive compensation being earned in 2016 as our Cash EBITDA results exceeded the target goals established for 2016; no annual incentive compensation was recorded in 2015. The increase in professional fees mainly resulted from legal fees incurred in successfully protecting our contract and intellectual property rights in connection with a number of bankruptcy proceedings filed by our clients. Our savings in salaries and benefits resulted from an approximate 40% reduction in headcount since the beginning of 2015 through attrition and layoffs. The overall increase in non-routine costs was primarily due to an increase in termination benefits related to layoffs in 2016.

Other Income (Expense)

During the years ended December 31, 2017, 2016 and 2015, we reported foreign currency transaction gains (losses) on U.S. denominated transactions of our foreign subsidiaries totaling $8,000, $0.1 million and $(1.7) million, respectively.

We recorded $1.8 million in other income during the year ended December 31, 2016 primarily related to gains associated with the extinguishment of liabilities. The gains were the result of the legal cancellation or expiration of our existing liabilities related to contingent payments on certain seismic data assets.

Income Tax Expense (Benefit)

Income tax expense (benefit) was $(0.7) million, $(3.4) million and $79.9 million for the years ended December 31, 2017, 2016 and 2015, respectively, and was comprised of the following (in thousands):

	Year Ended December 31,		
	2017	2016	2015
U.S federal taxes	$(13,535)	$(8,582)	$(6,944)
U.S. state taxes	623	8	40
Change in U.S. federal and state valuation allowance on deferred tax assets	12,988	8,617	88,737
Impact of U.S. tax reform	(2,366)	—	—
Canadian federal and provincial taxes	1,933	(803)[1]	(2,004)
Canadian research and development tax credits	—	—	(346)
Mexico federal taxes	13	117	—
Change in unrecognized tax positions	(341)	(2,780)	422
Other	—	27	—
Total tax expense (benefit)	$(685)	$(3,396)	$79,905

(1)2016 amount is net of change in valuation allowance of $24.

The income tax benefit of $0.7 million in 2017 was mainly comprised of a $2.4 million benefit associated with our preliminary estimate of the net impact of the U.S. tax reform enacted in 2017 and a $0.3 million benefit related to our uncertain tax positions due to the lapse of statute of limitations during 2017 offset by $1.9 million expense related to our Canadian operations. The federal tax benefit of $13.5 million resulting from our U.S. operations was offset by a valuation allowance because it was more likely than not that the deferred tax assets would not be realized. The $0.6 million of U.S. state tax expense

Table of Contents

was almost fully offset by a valuation allowance as it was also more likely than not that the deferred tax assets would not be realized.

The income tax benefit of $3.4 million in 2016 was mainly comprised of a $2.8 million benefit related to uncertain tax positions resulting from settlement of our outstanding appeal with Canada Revenue Agency, remeasurement of our remaining uncertain tax positions and lapse of statute of limitations on certain positions during the year. Additionally, tax benefits of $0.8 million related to our Canadian operations were offset slightly by $0.1 million of tax expense related to our operations in Mexico. The federal tax benefit of $8.6 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.

We are currently evaluating the provisions of U.S tax reform enacted in December 2017, which among other things, lowered the corporate income tax rate from 35% to 21% and moved the country towards a territorial tax system with a one-time mandatory tax on previously deferred foreign earnings of foreign subsidiaries. In the fourth quarter of 2017, we recorded a total benefit to income taxes of $2.4 million related to our preliminary assessment of the net effects of tax reform. As we do not have all the necessary information to analyze all income tax effects of tax reform, this is a provisional amount which we believe represents a reasonable estimate of the accounting implications of this tax reform. We will continue to evaluate tax reform and adjust the provisional amounts as additional information is obtained. The ultimate impact of tax reform may differ from our provisional amounts due to changes in our interpretations and assumptions, as well as additional regulatory guidance that may be issued. We expect to complete our detailed analysis no later than the fourth quarter of 2018. For further information, see Note D to Consolidated Financial Statements.

Net Loss

Net loss was $31.5 million in 2017 compared to $24.4 million in 2016. The $7.1 million increase in loss was primarily due to a decrease in total revenues and a decrease in income tax benefits.

Net loss was $24.4 million in 2016 compared to $110.0 million in 2015. The $85.6 million decrease in loss was primarily attributable to $88.7 million in tax expense recorded in 2015 in order to provide a valuation allowance on our U.S. federal and state deferred tax assets.

Liquidity and Capital Resources

As of December 31, 2017, we had $70.6 million in consolidated cash, cash equivalents and short-term investments, including $0.6 million of restricted cash. Our Canadian and Mexican subsidiaries regularly hold cash that is used to reinvest in their operations. If we decide at a later date to repatriate those funds to the U.S., we may be required to provide taxes on certain of those funds based on applicable U.S. tax rates net of foreign taxes. Cash held by our foreign subsidiaries fluctuates throughout the year and at December 31, 2017, was approximately $26.9 million in Canada and $0.3 million in Mexico.

Our primary sources of liquidity are cash on hand and cash generated from operations. A summary of our 9½% Senior Notes is included below; for additional information regarding the 9½% Senior Notes, See “Note E - Debt” in the Notes to Consolidated Financial Statements herein.

9½% Senior Unsecured Notes: On March 20, 2013, we issued in a private placement $250.0 million aggregate principal amount of our 9½% Senior Notes. Interest is payable in cash, semi-annually on April 15 and October 15 of each year. The notes mature on April 15, 2019. To the best of our knowledge, we are in compliance with all covenants contained in the indenture governing our 9½% Senior Notes at December 31, 2017.

We may from time to time, as part of various financing and investing strategies, purchase our outstanding indebtedness. These purchases, if any, could have a material positive or negative impact on our liquidity available to repay outstanding debt obligations or on our consolidated results of operations.

Table of Contents

Contractual Obligations: The following table summarizes our future contractual obligations as of December 31, 2017 (in thousands):

		Payments due by period			
Contractual cash obligations	Total	2018	2019-2021	2022-2023	2024 and thereafter
Debt obligations [1] [2]	$285,625	$23,750	$261,875	$ —	$ —
Capital lease obligations [2]	1,563	361	1,082	120	—
Operating lease obligations	1,847	622	1,040	185	—
Total contractual cash obligations	$289,035	$24,733	$263,997	$ 305	$ —

(1)Debt obligations include the face amount of our 9½% Senior Notes totaling $250.0 million.
(2)Amounts include interest related to debt and capital lease obligations.

Cash Flows from Operating Activities: Cash flows provided by operating activities were $40.4 million, $30.5 million and $72.6 million for the years ended December 31, 2017, 2016 and 2015, respectively. Operating cash flows for 2017 increased from 2016 primarily due to 2017 including higher collections due to increased cash resale activity beginning in the fourth quarter of 2016, partially offset by payments of 2016 annual incentive compensation made in 2017 and lower collections of acquisition underwriting revenue as a result of invoice timing. In addition, the 2016 period included receipt of income tax refunds whereas the 2017 period included income tax payments. Operating cash flows for 2016 decreased from 2015 primarily due to 2015 including significant collections from fourth quarter 2014 cash resale activity and lower acquisition underwriting revenue in 2016.

Cash Flows from Investing Activities: Cash flows used in investing activities were $26.5 million, $27.0 million and $77.7 million for the years ended December 31, 2017, 2016 and 2015, respectively. Cash expenditures for seismic data were $26.2 million, $26.7 million and $77.3 million for the years ended December 31, 2017, 2016 and 2015, respectively. The decrease in cash invested in seismic data for 2016 compared to 2015 was primarily due to a planned reduction in our capital expenditures as a result of the downturn in the industry environment.

Cash Flows from Financing Activities: Cash flows used in financing activities were $0.2 million for each of the years ended December 31, 2017, 2016 and 2015, respectively.

Anticipated Liquidity: Our ability to cover our operating and capital expenses, make required debt service payments on our 9½% Senior Notes, incur additional indebtedness and comply with our various debt covenants will depend primarily on our ability to generate sufficient operating cash flows. Over the next 12 months, we expect to obtain the funds necessary to pay our operating, capital and other expenses, as well as interest on our 9½% Senior Notes and principal and interest on our other indebtedness, from our operating cash flows and cash and cash equivalents on hand. 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. To the extent our operating cash flows and cash on hand are not sufficient to cover our anticipated expenditures, we could seek to obtain additional financing. However, there can be no assurance that we would be able to obtain any such financing on satisfactory terms or at all. If necessary, we could choose to further 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, 2017, we had a net deferred tax liability of $1.4 million attributable to our Canadian operations. In the United States, we had a federal deferred tax asset of $60.2 million, which was fully offset by a valuation allowance, and a state deferred tax asset of $0.9 million which was almost fully offset by a valuation allowance. We

continue to provide a full valuation allowance against our U.S. federal tax assets and the majority of our state deferred tax assets as we believe it is more likely than not that all or some portion of these deferred tax assets will not be realized. The most significant piece of negative evidence considered in making this assessment was the pretax book losses for fiscal years 2015, 2016 and 2017 which continued to result in a cumulative pretax book loss as of December 31, 2017. Available positive evidence considered did not outweigh this negative evidence as of December 31, 2017. The remaining state deferred tax asset of $51,000 was recognized as it is more likely than not that the state deferred tax asset will be realized. Additionally, we had a deferred tax asset of $0.2

Table of Contents

million related to our operations in Mexico that was recognized as of December 31, 2017 as our Mexican operations have generated cumulative pretax book income as of December 31, 2017; therefore, it is more likely than not that the deferred tax asset will be realized.

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 2017, capital expenditures for seismic data and other property and equipment amounted to $34.6 million on a gross basis and $10.1 million on a net cash basis. Our 2017 capital expenditures are comprised of the following (in thousands):

	Year Ended December 31, 2017
New data acquisition	$ 24,811
Cash purchases and data processing	7,217
Non-monetary exchanges	2,064
Property and equipment	534
Total capital expenditures	34,626
Less: Non-monetary exchanges	(2,064)
Changes in working capital	(5,858)
Cash investment per statement of cash flows	$ 26,704

Net cash capital expenditures represent total capital expenditures less cash underwriting revenue from our clients and non-cash additions to the seismic data library. We believe this measure is important as it reflects the amount of capital expenditures funded from our operating cash flow. The following table shows how our net cash capital expenditures (a non-GAAP financial measure) are derived from total capital expenditures, the most directly comparable GAAP financial measure (in thousands):

	Year Ended December 31, 2017
Total capital expenditures	$ 34,626
Less: Non-monetary exchanges	(2,064)
Cash underwriting	(22,487)
Net cash capital expenditures	$ 10,075

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, “Revenue from Contracts with Customers (Topic 606)”. Several additional ASUs were then issued providing further guidance regarding the adoption of and additional amendments to the new revenue recognition standard. The guidance in these ASUs established a single comprehensive model of accounting for revenue arising from contracts with customers that will supersede most of the existing revenue recognition guidance, including industry-specific guidance. The core principle of the guidance is that an entity recognizes revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard will also significantly expand disclosure requirements concerning revenues for most entities. We are required to adopt the guidance set forth by these ASUs on January 1,

2018. Entities have the option of using either a full retrospective or modified retrospective approach to adopt the new guidance.

We have completed our review of our different types of customer contracts and have compared our current revenue recognition policies to the provisions of the new standard for each of our revenue categories, noting no change with regard to our accounting for revenue from data acquisition, revenue from non-monetary exchanges and revenue from Solutions and other. With regard to revenue from non-exclusive data licenses (resale licensing revenue), no changes from our current accounting policies were identified other than with regard to new licenses of data while a survey is in the process of being created, in which the resale licensing customer is granted the same legally enforceable rights and access to and use of the results of the acquisition work performed as the original acquisition underwriting clients. Currently, we recognize revenue on these resale

Table of Contents

licenses when the data is available for delivery; however, upon application of the new guidance, we will recognize revenue during the remaining survey creation period. This will result in revenue being recognized earlier than under our current policy. We adopted the new standard effective January 1, 2018 utilizing the modified retrospective approach, recognizing approximately $0.2 million that was in deferred revenue as of December 31, 2017 to retained earnings. We completed our review of the disclosure requirements under the new standard and our current disclosures will be expanded beginning with our March 31, 2018 Form 10-Q.

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842)” with the objective of increasing transparency and comparability among organizations by requiring lessees to recognize assets and liabilities on the balance sheet for the present value of the rights and obligations created by all leases with terms of more than 12 months. The ASU will also require disclosures designed to give financial statement users information on the amount, timing and uncertainty of cash flows arising from leases. The amendments in this ASU are to be applied using a modified retrospective approach and will be effective for us as of January 1, 2019, but early adoption is permitted. We are currently evaluating the impact of adopting this new standard on our consolidated financial statements as of January 1, 2019 and believe that the most significant change will be to our balance sheet as our asset and liability balances will increase for operating leases that are currently off-balance sheet.

In January 2017, the FASB issued ASU No. 2017-04, “Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment” in order to simplify the measurement of goodwill impairment by eliminating Step 2 from the goodwill impairment test. Currently, Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit’s goodwill with the carrying amount of that goodwill. In computing the implied fair value of goodwill under Step 2, an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities following the same procedure that would be required for purchase price allocation in a business combination. Under the amendments in this ASU, a goodwill impairment loss will be measured using the difference between the carrying amount and the fair value of the reporting unit limited to the total carrying amount of that reporting unit’s goodwill. The guidance in this ASU also eliminates the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment. However, entities must disclose the amount of goodwill allocated to each reporting unit with a zero or negative carrying amount. The amendments in this ASU are to be applied on a prospective basis and will be effective for us as of January 1, 2020, but early adoption is permitted for any impairment tests performed after January 1, 2017. We are currently evaluating the impact of adopting this new standard but do not expect that it will have a material effect on our consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk, including adverse changes in foreign currency exchange rates as discussed below. Historically, we have not entered into financial instruments to mitigate these risks. We do not enter into derivative or other financial instruments for speculative or trading purposes.

Hypothetical changes in foreign currency exchange rates chosen for the estimated sensitivity analysis are considered to be reasonable near-term changes generally based on consideration of past fluctuations in foreign currency exchange rates. However, since it is not possible to accurately predict future changes in foreign currency exchange rates, these hypothetical changes may not necessarily be an indicator of probable future fluctuations.

The following information about our market-sensitive financial instruments constitutes a “forward-looking statement.”

Interest Rate Risk

Our exposure to changes in interest rates primarily results from our long-term debt with fixed interest rates. 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. As of December 31, 2017 and 2016, we did not have any debt outstanding with floating interest rates.

Foreign Currency Exchange Rate Risk

Our Canadian subsidiary conducts business in the Canadian dollar and is 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.
Additionally, certain intercompany balances between our U.S. and Canadian subsidiaries are denominated in U.S. dollars. Since this is not the functional currency of our Canadian subsidiary, the changes in these balances are translated in our Consolidated Statements of Operations. As a result, we are exposed to foreign exchange risk as it relates to these intercompany balances. A sensitivity analysis on the intercompany balance as of December 31, 2017 indicates that if the U.S. dollar strengthened or

Table of Contents

weakened 4% (determined using an average of the last three years' change in historical exchange rates) against the Canadian dollar, the effect upon our Consolidated Statements of Operations would be approximately $0.7 million.

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 and are incorporated herein by reference.

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of December 31, 2017, our management carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and President 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. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that 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 is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures. Based upon that evaluation, our Chief Executive Officer and President along with our Chief Financial Officer concluded that our disclosure controls and procedures as of December 31, 2017 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 Chief Executive Officer and President and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Management's Annual Report on Internal Control over Financial Reporting

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

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2017. 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 (2013 Framework). Based on this assessment and such criteria, management believes that, as of December 31, 2017, our internal control over financial reporting was effective.

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 Section 404(c) of the Sarbanes-Oxley Act of 2002, as amended, that provides an exemption to issuers that are non-accelerated filers.

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, 2017 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Item 9B. Other Information
None.
PART III

Item 10. Directors, Executive Officers and Corporate Governance
Not later than 120 days after December 31, 2017, we will amend this Annual Report on Form 10-K to include the information required by this item.

Table of Contents

Item 11. Executive Compensation
Not later than 120 days after December 31, 2017, we will amend this Annual Report on Form 10-K to include the information required by this item.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters
Not later than 120 days after December 31, 2017, we will amend this Annual Report on Form 10-K to include the information required by this item.

Item 13. Certain Relationships and Related Transactions and Director Independence
Not later than 120 days after December 31, 2017, we will amend this Annual Report on Form 10-K to include the information required by this item.

Item 14. Principal Accountant Fees and Services
Not later than 120 days after December 31, 2017, we will amend this Annual Report on Form 10-K to include the information required by this item.
PART IV

Item 15. Exhibits, Financial Statement Schedules
(a) Documents filed as part of this Report.

	Page
(1) Financial Statements	
Management's Report on Internal Control Over Financial Reporting	39
Report of Independent Registered Public Accounting Firm	40
Consolidated Balance Sheets	41
Consolidated Statements of Operations	42
Consolidated Statements of Comprehensive Loss	43
Consolidated Statements of Stockholder's Equity	44
Consolidated Statements of Cash Flows	45
Notes to Consolidated Financial Statements	46
(2) Schedule II - Valuation and Qualifying Accounts	78

(3) Exhibits:
See exhibits listed under Part (b) below.
(b) Exhibits:

Exhibit No.	Description
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 dated as of March 20, 2013, by and among Seitel, Inc., the Guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee (incorporated by reference from Exhibit 4.1 to the Seitel, Inc. current report on Form 8-K, as filed with the SEC on March 21, 2013).

4.2	Form of 9½% Senior Note due 2019 (incorporated by reference from Exhibit 4.2 to the Seitel, Inc. current report on Form 8-K, as filed with the SEC on March 21, 2013).
4.3	Registration Rights Agreement, dated as of March 20, 2013, by and among Seitel, Inc., the Guarantors party thereto, and Deutsche Bank Securities Inc. and J.P. Morgan Securities LLC, as Initial Purchasers (incorporated by reference from Exhibit 4.3 to the Seitel, Inc. current report on Form 8-K, as filed with the SEC on March 21, 2013).

Table of Contents

10.1		Amended and Restated Advisory Agreement, dated May 23, 2011, by and among Seitel, Inc., Seitel Holdings, Inc., ValueAct Capital Management L.P., and Centerbridge Advisors II, L.L.C. (incorporated by reference from Exhibit 10.1 to the Seitel, Inc. current report on Form 8-K, as filed with the SEC on May 25, 2011).
10.2		Amended and Restated Securities Holders Agreement, dated May 23, 2011, by and among Seitel Holdings, Inc., ValueAct Capital Master Fund, L.P., Centerbridge Capital Partners II, L.P., Centerbridge Capital Partners SBS II, L.P. and each of the Management Investors named therein (incorporated by reference from Exhibit 10.2 to the Seitel, Inc. current report on Form 8-K, as filed with the SEC on May 25, 2011).
10.3		Amended and Restated Registration Rights Agreement, dated May 23, 2011 by and among Seitel Holdings, Inc., ValueAct Capital Master Fund, L.P., Centerbridge Capital Partners II, L.P., Centerbridge Capital Partners SBS II, L.P. and each of the Management Investors named therein (incorporated by reference from Exhibit 10.3 to the Seitel, Inc. current report on Form 8-K, as filed with the SEC on May 25, 2011).
10.4	†	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).
10.5	†	Amendment to the 2007 Non-Qualified Stock Option Plan of Seitel Holdings, Inc., dated May 23, 2011 (incorporated by reference from Exhibit 10.7 to the quarterly report on Form 10-Q for the quarter ended June 30, 2011, as filed with the SEC on August 12, 2011).
10.6	†	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).
10.7	†	Form of Stock Option Agreement (incorporated by reference from Exhibit 10.1 to the quarterly report on Form 10-Q for the quarter ended June 30, 2010, as filed with the SEC on August 9, 2010).
10.8	†	Seitel Holdings, Inc. Amended and Restated 2008 Restricted Stock and Restricted Stock Unit Plan, dated July 24, 2012 (incorporated by reference from Exhibit 10.1 to the Seitel, Inc. current report on Form 8-K, as filed with the SEC on July 25, 2012).
10.9	†	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).
10.10	†	Seitel Holdings, Inc. 2012 Non-Qualified Stock Option Plan, dated May 1, 2012 (incorporated by reference from Exhibit 10.1 to the Seitel, Inc. current report on Form 8-K, as filed with the SEC on May 7, 2012).
10.11	†	Amendment to the 2012 Non-Qualified Stock Option Plan of Seitel Holdings, Inc., dated May 30, 2012 (incorporated by reference from Exhibit 10.2 to the quarterly report on Form 10-Q for the quarter ended June 30, 2012, as filed with the SEC on August 13, 2012).
10.12	†	Form of Seitel Holdings, Inc. Stock Option Agreement for the 2012 Plan for Management Employees (incorporated by reference from Exhibit 10.2 to the Seitel, Inc. current report on Form 8-K, as filed with the SEC on May 7, 2012).
10.13	†	Form of Seitel Holdings, Inc. Stock Option Agreement for the 2012 Plan for Employees (incorporated by reference from Exhibit 10.3 to the Seitel, Inc. current report on Form 8-K, as filed with the SEC on May 7, 2012).
10.14	†	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).
10.15	†	First Amendment to Employment Agreement by and between Seitel, Inc. and Robert D. Monson, dated June 2, 2009 (incorporated by reference from Exhibit 10.22 to the annual report on Form 10-K for the year ended December 31, 2013, as filed with the SEC on February 21, 2014).
10.16	†	Second Amendment to Employment Agreement by and between Seitel, Inc. and Robert D. Monson, dated January 25, 2010 (incorporated by reference from Exhibit 10.23 to the annual report on Form 10-K for the year ended December 31, 2013, as filed with the SEC on February 21, 2014).

10.17	†	Employment Agreement by and between Seitel, Inc. and Kevin P. Callaghan entered into June 9, 2016 and effective July 1, 2016 (incorporated by reference from Exhibit 10.1 to the Seitel, Inc. current report on Form 8-K, as filed with the SEC on June 13, 2016).
10.18	†	Employment Agreement by and between Seitel, Inc. and Marcia Kendrick, dated February 15, 2012 (incorporated by reference from Exhibit 10.1 to the Seitel, Inc. current report on Form 8-K, as filed with the SEC on February 17, 2012).
10.19	†	Employment Agreement by and between Seitel, Inc. and Randall Sides, dated February 15, 2012 (incorporated by reference from Exhibit 10.2 to the Seitel, Inc. current report on Form 8-K, as filed with the SEC on February 17, 2012).
10.20	†	Employment Agreement between Seitel, Inc. and Richard Kelvin, dated August 1, 2014 (incorporated by reference from Exhibit 10.1 to the Seitel, Inc. current report on Form 8-K, as filed with the SEC on August 7, 2014).

Table of Contents

10.21	†	First Amendment to Employment Agreement between Richard Kelvin and Seitel, Inc., dated August 18, 2016 (incorporated by reference from Exhibit 10.1 to the Seitel, Inc. current report on Form 8-K, as filed with the SEC on August 18, 2016).
10.22	†	Seitel, Inc. Executive Retention Bonus Program for Key Employees, effective January 1, 2017 (incorporated by reference from Exhibit 10.26 to the annual report on Form 10-K for the year ended December 31, 2016, as filed with the SEC on February 16, 2017).
12.1	*	Computation of Ratio of Earnings to Fixed Charges
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.
101.INS	*	XBRL Instance Document.
101.SCH	*	XBRL Taxonomy Extension Schema Document.
101.CAL	*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	*	XBRL Taxonomy Extension Presentation Linkbase Document.

†Management contract, compensation plan or arrangement.
*Filed herewith.
**Furnished, not filed.

Table of Contents

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
(Duly Authorized Officer and Principal Executive Officer)

Date: February 15, 2018

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/ Ryan M. Birtwell Ryan M. Birtwell	Chairman of the Board of Directors	February 15, 2018
/s/ Robert D. Monson Robert D. Monson	Chief Executive Officer, President and Director (Principal Executive Officer)	February 15, 2018
/s/ Marcia H. Kendrick Marcia H. Kendrick	Chief Financial Officer (Principal Financial Officer)	February 15, 2018
/s/ Alexander L. Baum Alexander L. Baum	Director	February 15, 2018

/s/ Allison A. Bennington Allison A. Bennington	Director	February 15, 2018
/s/ Dalton J. Boutte Dalton J. Boutte	Director	February 15, 2018
/s/ Kevin P. Callaghan Kevin P. Callaghan	Senior Advisor to the Chief Executive Officer and Director	February 15, 2018
/s/ Kyle N. Cruz Kyle N. Cruz	Director	February 15, 2018
/s/ Jay H. Golding Jay H. Golding	Director	February 15, 2018
/s/ John E. Jackson John E. Jackson	Director	February 15, 2018
/s/ Ash Upadhyaya Ash Upadhyaya	Director	February 15, 2018

Table of Contents

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The accompanying consolidated financial statements of Seitel, Inc. and its subsidiaries ("Seitel") were prepared by management, which is responsible for their integrity, objectivity and fair presentation. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America and, accordingly, include some amounts that are based on the best estimates and judgments of management.

Seitel's management is also responsible for establishing and maintaining effective internal control over financial reporting. The system of internal control of Seitel is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America. This system consists of 1) entity level controls, including written policies and guidelines relating to the ethical conduct of business affairs, 2) general computer controls and 3) process controls over initiating, authorizing, recording, processing and reporting transactions. 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.

The adequacy of financial controls of Seitel and the accounting principles employed in financial reporting by Seitel are under the general oversight of the Audit Committee of the Board of Directors. No member of this committee is an officer or employee of Seitel. Seitel's independent registered public accounting firm has full, free, separate and direct access to the Audit Committee and meets with the committee from time to time to discuss accounting, auditing and financial reporting matters.

Seitel's management assessed the effectiveness of Seitel's internal control over financial reporting as of December 31, 2017. In making this assessment, management used the criteria set forth in Internal Control—Integrated Framework (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). These criteria cover the control environment, risk assessment process, control activities, information and communication systems, and monitoring activities. Based on this assessment, management believes that, as of December 31, 2017, Seitel's internal control over financial reporting is effective based on those criteria.

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

/s/ Marcia H. Kendrick
Marcia H. Kendrick
Chief Financial Officer

Houston, Texas
February 15, 2018

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
To the Stockholder, Board of Directors and Audit Committee
Seitel, Inc.
Houston, Texas

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Seitel, Inc. and Subsidiaries (the “Company”) as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive loss, stockholder’s equity and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes and schedule (collectively referred to as the “financial statements”). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits.

We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ BKD, LLP
We have served as the Company’s auditor since 2004.
Houston, Texas
February 15, 2018

Table of Contents

SEITEL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	December 31,	
	2017	2016
ASSETS		
Cash and cash equivalents	$70,581	$55,997
Receivables		
Trade, less allowance for doubtful accounts of $176 and $223, respectively	23,330	24,481
Notes and other	2,617	436
Due from Seitel Holdings, Inc. (Note J)	1,191	1,177
Seismic data library (Note B)	1,349,350	1,292,750
Less: Accumulated amortization	(1,274,808)	(1,176,828)
Net seismic data library	74,542	115,922
Property and equipment	18,945	18,187
Less: Accumulated depreciation and amortization	(17,346)	(16,478)
Net property and equipment	1,599	1,709
Prepaid expenses, deferred charges and other	1,842	1,762
Intangible assets, net (Note C)	900	1,418
Goodwill (Note C)	187,243	182,012
Deferred income taxes (Note D)	203	257
TOTAL ASSETS	$364,048	$385,171
LIABILITIES AND STOCKHOLDER'S EQUITY		
LIABILITIES		
Accounts payable	$6,649	$2,357
Accrued liabilities	10,680	10,286
Employee compensation payable	2,869	4,364
Income taxes payable	2,777	620
Senior Notes (Note E)	248,142	246,857
Obligations under capital leases (Note F)	1,363	1,510
Deferred revenue (Note A)	13,095	15,904
Deferred income taxes (Note D)	1,359	2,214
TOTAL LIABILITIES	286,934	284,112
COMMITMENTS AND CONTINGENCIES (Note G)		
STOCKHOLDER'S EQUITY		
Common stock, par value $.001 per share; 100 shares authorized, issued and outstanding	—	—
Additional paid-in capital	400,592	400,582
Retained deficit	(314,671)	(283,190)
Accumulated other comprehensive loss	(8,807)	(16,333)
TOTAL STOCKHOLDER'S EQUITY	77,114	101,059
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$364,048	$385,171

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

SEITEL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands)

	Year Ended December 31,		
	2017	2016	2015
REVENUE	$90,250	$94,546	$100,252
EXPENSES:			
Depreciation and amortization	77,482	75,078	80,923
Cost of sales	96	76	195
Selling, general and administrative	20,291	24,119	22,184
	97,869	99,273	103,302
LOSS FROM OPERATIONS	(7,619)	(4,727)	(3,050)
Interest expense	(25,164)	(25,337)	(25,430)
Interest income	512	370	40
Foreign currency exchange gains (losses)	8	109	(1,650)
Other income	97	1,765	5
Loss before income taxes	(32,166)	(27,820)	(30,085)
Provision (benefit) for income taxes	(685)	(3,396)	79,905
NET LOSS	$(31,481)	$(24,424)	$(109,990)

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

SEITEL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)

	Year Ended December 31,		
	2017	2016	2015
Net loss	$(31,481)	$(24,424)	$(109,990)
Foreign currency translation adjustments	7,526	3,190	(21,211)
Comprehensive loss	$(23,955)	$(21,234)	$(131,201)

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

SEITEL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY
(In thousands, except share amounts)

	Common Stock Shares	Amount	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Income (Loss)
Balance, December 31, 2014	100	$ —	$ 400,177	$ (148,776)	$ 1,688
Amortization of stock-based compensation costs	—	—	328	—	—
Net loss	—	—	—	(109,990)	—
Foreign currency translation adjustments	—	—	—	—	(21,211)
Balance, December 31, 2015	100	—	400,505	(258,766)	(19,523)
Amortization of stock-based compensation costs	—	—	77	—	—
Net loss	—	—	—	(24,424)	—
Foreign currency translation adjustments	—	—	—	—	3,190
Balance, December 31, 2016	100	—	400,582	(283,190)	(16,333)
Amortization of stock-based compensation costs	—	—	10	—	—
Net loss	—	—	—	(31,481)	—
Foreign currency translation adjustments	—	—	—	—	7,526
Balance, December 31, 2017	100	$ —	$ 400,592	$ (314,671)	$ (8,807)

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

SEITEL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2017	2016	2015
Cash flows from operating activities:			
Reconciliation of net loss to net cash provided by operating activities:			
Net loss	$(31,481)	$(24,424)	$(109,990)
Depreciation and amortization	77,482	75,078	80,923
Deferred income tax provision (benefit)	(3,628)	(3,957)	79,712
Foreign currency exchange losses (gains)	(8)	(109)	1,650
Amortization of deferred financing costs	1,285	1,224	1,200
Amortization of stock-based compensation	10	77	328
Increase (decrease) in allowance for doubtful accounts	—	(20)	4
Gain on sale of seismic data and property and equipment	(96)	(7)	—
Non-cash other income	—	(1,744)	—
Non-cash revenue	(1,620)	(3,308)	(6,928)
Decrease (increase) in receivables	1,686	(8,827)	37,490
Decrease in other assets	175	416	692
Decrease in deferred revenue	(3,353)	(9,378)	(10,539)
Increase (decrease) in accounts payable and other liabilities	(98)	5,522	(1,906)
Net cash provided by operating activities	40,354	30,543	72,636
Cash flows from investing activities:			
Cash invested in seismic data	(26,170)	(26,662)	(77,281)
Cash paid to acquire property and equipment	(534)	(304)	(432)
Cash from sale of seismic data and property and equipment	182	18	—
Advances to Seitel Holdings, Inc.	(14)	(21)	(13)
Net cash used in investing activities	(26,536)	(26,969)	(77,726)
Cash flows from financing activities:			
Principal payments on capital lease obligations	(244)	(205)	(218)
Net cash used in financing activities	(244)	(205)	(218)
Effect of exchange rate changes	1,010	(47)	(1,192)
Net increase (decrease) in cash and cash equivalents	14,584	3,322	(6,500)
Cash and cash equivalents at beginning of period	55,997	52,675	59,175
Cash and cash equivalents at end of period	$70,581	$55,997	$52,675
Supplemental disclosure of cash flow information:			
Cash paid (received) during the period for:			
Interest	$23,879	$24,113	$24,230
Income taxes, net of refunds received	$847	$(3,630)	$(665)
Supplemental schedule of non-cash investing and financing activities:			
Additions to seismic data library	$2,064	$2,640	$9,311

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

SEITEL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017

NOTE A-BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization: On February 14, 2007, Seitel Acquisition Corp. (“Acquisition Corp.”) was merged with and into Seitel, Inc. (the "Company"), pursuant to a merger agreement between the Company, Acquisition Corp. and Seitel Holdings, Inc. (“Holdings”) dated October 31, 2006 (the “Merger”). Pursuant to the merger agreement, the Company continued as the surviving corporation and became a privately owned corporation and wholly-owned subsidiary of Holdings. Holdings is an investment entity in which ValueAct Capital Master Fund, L.P. owns a majority interest. In May 2011, Centerbridge Capital Partners II, L.P. and Centerbridge Capital Partners SBS II, L.P. purchased a minority interest in Holdings.

Nature of Operations: The Company owns an extensive library of proprietary onshore and offshore seismic data that it offers for license to exploration and production (“E&P”) companies. The Company’s library includes a vast amount of seismic data across both unconventional plays and conventional oil and gas basins. The Company has leading seismic market positions in key North American unconventional plays, including the Eagle Ford/Woodbine, Permian, Utica/Marcellus, Niobrara/Bakken and Haynesville in the United States and Montney, Duvernay and Horn River in Canada. Additionally, the Company expanded its data library coverage into Mexico in 2015 through the reprocessing of existing two-dimensional (“2D”) data which can be licensed to E&P companies. The majority of the Company’s conventional seismic data covers onshore regions within North America with the remainder covering offshore United States. To support its seismic data licensing business and its clients, the Company maintains warehouse and electronic storage facilities in Houston, Texas and Calgary, Alberta, Canada and offers, through its Seitel Solutions business unit (“Solutions”), the ability to access and interact, via a standard web browser and the Internet, with the seismic data library owned and marketed by the Company.

Basis of Presentation: The accompanying consolidated financial statements include the accounts of the Company and the accounts of its wholly-owned subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

The Company presents its consolidated balance sheets on an unclassified basis. The portion of seismic data library costs to be amortized during the next year cannot be classified as a current asset due to Securities and Exchange Commission (“SEC”) guidance. Classification of all of these costs as noncurrent would be misleading to the reader because it would not indicate the level of assets expected to be converted into cash in the next year.

Use of Estimates and Assumptions: The preparation of the Company’s financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions 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 the Company’s 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 the Company must exercise significant judgment.

The most difficult, subjective and complex estimates and assumptions that deal with the greatest amount of uncertainty are related to the Company’s accounting for its seismic data library, goodwill and realizability of its deferred tax assets.

The Company’s accounting for its seismic data library requires it 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 the Company’s estimates or underlying assumptions may impact the Company’s results of 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.

In a portion of its seismic data library activities, the Company engages in certain non-monetary exchanges and records a data library asset for the seismic data received and recognizes revenue on the transaction in accordance with its policies on revenue recognition. These transactions are valued at the fair value of the data received by the Company or licenses or services granted by the Company, whichever is more readily determinable. The Company's estimate of the value of these transactions is highly subjective and based, in large part, on data sales transactions between the Company and a limited number of customers over a limited time period.

Table of Contents

SEITEL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

When required to perform the two-step goodwill impairment test, the Company estimates the fair value of the reporting unit using discounted cash flow analysis which requires significant judgments and estimates about the future performance of the Company. If these projected cash flows change materially, the Company may be required to record impairment losses relative to goodwill.

In evaluating the Company's ability to recover its deferred tax assets, the Company considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies and results of recent operations. The assumptions about future taxable income require significant judgment and are consistent with the plans and estimates management is using to manage the underlying business. If the projected future taxable income changes materially, the Company may be required to reassess the amount of valuation allowance recorded against its deferred tax assets.

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

Revenue Recognition:

Revenue from Data Acquisition

The Company generates revenue when it creates a new seismic survey that is initially licensed by one or more of its customers to use the resulting data. The payments for the initial licenses are referred to as acquisition underwriting or prefunding. Customers make periodic payments throughout the new survey creation period, which generally correspond to costs incurred and work performed. These payments are non-refundable. Contracts signed up to the time the Company makes a firm commitment to create the new seismic survey are considered acquisition underwriting. Any subsequent license of the data while the survey is in progress or once it is completed is considered a resale license (see "Revenue from Non-Exclusive Data Licenses").

Acquisition underwriting revenue is recognized throughout the new survey 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 new survey creation projects. On average, the duration of the new survey creation process is approximately 12 to 18 months. Under the contracts related to the new survey, the Company creates new seismic data designed in conjunction with its customers and specifically suited to the geology of the area using the most appropriate technology available.

The Company outsources the substantial majority of the work required to complete data acquisition projects to third-party contractors. The Company's payments to these third-party contractors comprise the substantial majority of the total estimated costs of the projects and are paid throughout the new survey creation period. A typical survey includes specific activities required to complete the survey creation, each of which has value to the customers. Typical activities, that often occur concurrently, include:

- permitting for land access, mineral rights, and regulatory approval;
- surveying;
- drilling for the placement of energy sources;
- recording the data in the field; and
- processing the data.

The customers paying for the initial licenses to the data created from a new survey receive legally enforceable rights to any resulting product of each activity described above. The customers also receive access to and use of the newly acquired, processed data.

The customers' access to and use of the results of the work performed and of the newly acquired, processed data is governed by a master license agreement, which is a separate agreement from the acquisition contract. The Company's acquisition contracts require the customer either to have a master license agreement in place or to execute one at the time the acquisition contract is signed. The Company typically maintains sole ownership of the newly acquired data, which is added to its library, and is free to license the data to other customers.

Table of Contents

SEITEL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Revenue from Non-Exclusive Data Licenses

The Company recognizes a substantial portion of its revenue from licensing of data once it is available for delivery. This revenue is sometimes referred to as resale licensing revenue, late sales or shelf sales.

These sales fall under the following four basic forms of non-exclusive license contracts, each of which is subject to the terms and conditions contained in a customer's master license agreement.

- Specific license contract—The customer licenses and selects specific data from the data library, including data currently in progress, at the time the contract is entered into and holds this license for a long-term period.

- Library card license contract—The customer initially receives only the right to access a certain amount of data. The customer selects which data to access and hold long-term under its license agreement. The length of the selection period under a library card contract is limited in time and varies from customer to customer.

- Review and possession license contract—The customer receives the right to review a certain quantity of data for a limited period of time. During the review period, the customer may select specific data from that available for review to hold long-term under its license agreement. Any data not selected for long-term licensing must be returned to the Company at the end of the review period.

- Review only license contract—The customer obtains rights to review a certain quantity of data for a limited period of time, but does not obtain the right to select specific data to hold long-term.

The Company's non-exclusive license contracts specify the following:

- that all customers must also have in place or execute a master license agreement that governs the use of all data received under each non-exclusive license contract;
- the specific payment terms, generally ranging from 30 days to 12 months, and that such payments are non-cancelable and non-refundable;
- the actual data that is accessible to the customer; and
- that the data is licensed in its present form, as is, where is, and that the Company is under no obligation to make any enhancements, modifications or additions to the data unless specific terms to the contrary are included.

Revenue from the non-exclusive licensing of seismic data is recognized when the following criteria are met:

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

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

For licenses that have been invoiced for which payment is due or has been received, but that have not met the aforementioned criteria, revenue is deferred along with the related direct costs (primarily consisting of 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, the Company will take ownership of a customer's seismic data or revenue interest (collectively referred to as "data") in exchange for a non-exclusive license to selected seismic data from the Company's library or, in some cases, reproduction or data processing services. In connection with specific data acquisition contracts, the Company may choose to receive both cash and ownership of seismic data from the customer as consideration for the underwriting of new data acquisition. In addition, the Company may receive advanced data processing services from a customer on selected existing data

Table of Contents

SEITEL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

in exchange for a non-exclusive license to selected data from the Company's library. These transactions are referred to as non-monetary exchanges. A non-monetary exchange for data always complies with the following criteria:

- the data licensed to a customer is always distinct from the data received from that customer;
- the customer forfeits ownership of the data received by the Company; and
- the Company retains ownership in the data licensed.

In non-monetary exchange transactions, the Company records a data library asset for the seismic data received or processed at the time the contract is entered into or the data is completed, as applicable, and recognizes revenue on the transaction in equal value in accordance with its policy on revenue from data licenses or data acquisition, or as services are provided by Solutions, as applicable. The data license to the customer is in the form of one of the four basic forms of contracts discussed above. These transactions are valued at the fair value of the data received by the Company or the fair value of the license granted or services provided to the customer, whichever is more readily determinable.

Fair value of the data exchanged is determined using a multi-step process as follows:

- First, the Company considers the value of the data or services received from the customer. In determining the value of the data received, the Company considers the age, quality, current demand and future marketability of the data and, in the case of 3D seismic data, the cost that would be required to create the data. In addition, the Company applies a limitation on the value it assigns per square mile on the data received. In determining the value of the services received, the Company considers the cost of such similar services that it could obtain from a third-party provider.

- Second, the Company determines the value of the license granted to the customer. Typically, the range of cash transactions by the Company for licenses of similar data during the prior six months are evaluated. In evaluating the range of cash transactions, the Company does not consider transactions that are disproportionately high or low.

Due to the Company's revenue recognition policies, revenue recognized on non-monetary exchange transactions may not occur at the same time the seismic data acquired is recorded as an asset. The activity related to non-monetary exchanges was as follows (in thousands):

	Year Ended December 31,		
	2017	2016	2015
Seismic data library additions	$2,064	$2,640	$9,311
Revenue recognized on specific data licenses or selections of data	1,250	3,179	6,747
Revenue recognized related to acquisition contracts	279	129	168
Revenue recognized related to Solutions and other revenue	91	—	13

Revenue from Solutions

Revenue from Solutions is recognized as the services for reproduction and delivery of seismic data are provided to customers.

Trade Receivables: The Company extends credit to various companies in the oil and gas industry for the licensing of seismic data, which results in a concentration of credit risk. This concentration of credit risk may be affected by changes in economic or other conditions and may accordingly impact the Company's overall credit risk. However, management believes that the risk is mitigated by the number, size, reputation, and diversified nature of the companies to which they extend credit. Historical credit losses incurred on receivables by the Company have not been significant relative to sales. The Company determines the adequacy of its allowance for doubtful accounts based on a periodic review of specific receivables for which revenue has been recognized.

In certain transactions, the Company may permit a customer to make payments on receivables over a period of time. If such payments extend beyond one year from the transaction date, the Company discounts such receivable and recognizes interest income over the term of the payments.

The Company includes taxes, such as sales tax or goods and services tax, as required, on certain invoices to its customers in order to remit payment to applicable governmental authorities. Tax amounts charged to our customers are excluded from revenues.

Table of Contents

SEITEL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Major Customers: During the year ended December 31, 2017, two customers accounted for more than 10% of total revenue, totaling approximately 11.3% and 10.1% each. One customer accounted for approximately 16.3% of total revenues for the year ended December 31, 2016. During the year ended December 31, 2015, two customers accounted for more than 10% of revenue, totaling approximately 14.5% and 12.5% each.

Property and Equipment: Property and equipment consists primarily of computer equipment, leasehold improvements and furniture and fixtures stated at historical cost through February 13, 2007, at which time the Company adjusted its property and equipment to fair value in accordance with purchase accounting. Subsequent additions are stated at historical cost. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets, the majority of which are three to five years. Leasehold improvements are amortized using the straight-line method over the shorter of their estimated useful lives or the remaining term of the underlying lease. Depreciation expense for the years ended December 31, 2017, 2016 and 2015 was $0.5 million, $0.7 million and $0.9 million, respectively.

Goodwill and Other Intangible Assets: Goodwill is the excess of purchase price over the fair value of the net assets of acquired businesses. The Company does not amortize goodwill and indefinite-lived intangibles but, at least annually, evaluates whether goodwill and indefinite-lived intangibles are impaired. Goodwill is considered impaired if the carrying amount of the reporting unit exceeds its estimated fair value. The Company conducts its annual assessment of the recoverability of goodwill as of October 1 of each year. The Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. If the qualitative assessment indicates that it is more likely than not that the fair value of the reporting unit is less than its carrying amount or the Company elects not to perform a qualitative assessment, the quantitative assessment or two-step goodwill test is performed. The two-step goodwill impairment test is also performed whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If it is necessary to perform the quantitative assessment to determine if the Company’s goodwill is impaired, the Company utilizes discounted cash flow analysis, which requires significant judgments and estimates about future operations, to develop the Company’s estimates of fair value.

The cost of intangible assets with determinable lives is amortized to reflect the pattern of economic benefits consumed, on a straight-line basis, over the estimated periods benefited, ranging from 7 to 10 years.

Income Taxes: The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are recorded for the future income consequences of temporary differences between the financial reporting and income tax basis of assets and liabilities, and are measured using enacted tax rates and laws.

The Company regularly evaluates valuation allowances established for deferred tax assets for which future realization is uncertain. In assessing the realizability of deferred tax assets, the Company considers both positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and results of recent operations. If, based on the weight of available evidence, it is more likely than not that the deferred tax assets will not be realized, a valuation allowance is recorded.

The Company and all of its U.S. subsidiaries file a consolidated federal income tax return. The Company does not provide U.S. taxes on the undistributed earnings of its foreign subsidiaries whose earnings are intended to be permanently reinvested in foreign operations. At December 31, 2017, there were $0.4 million accumulated earnings of non-U.S. subsidiaries offset by $(37.1) million accumulated net losses of non-U.S. subsidiaries.

On December 22, 2017, the U.S. government enacted what is informally called the Tax Cuts and Jobs Act of 2017 (the “Tax Act”), a comprehensive U.S. tax reform package that, effective January 1, 2018, among other things, lowered the corporate income tax rate from 35% to 21% and moved the country towards a territorial tax system with a one-time mandatory tax on previously deferred foreign earnings of foreign subsidiaries. See Note D for further

information.

Foreign Currency Translation: For subsidiaries that have functional currency which is deemed to be other than the U.S. dollar, asset and liability accounts are translated at period-end exchange rates and revenue and expenses are translated at the current exchange rates as of the dates on which they are recognized. Resulting translation adjustments are included in accumulated other comprehensive income (loss) in stockholder's equity. Accumulated translation losses were $8.8 million and $16.3 million at December 31, 2017 and 2016, respectively. Cumulative translation adjustments are not adjusted for income taxes as they relate to indefinite investments in non-U.S. subsidiaries. Any gains or losses realized on transactions or monetary assets or liabilities in currencies other than the functional currency are included in results of operations in the current period. Transaction gains (losses) totaled $8,000, $0.1 million and $(1.7) million for the years ended December 31, 2017, 2016 and 2015, respectively.

Table of Contents

SEITEL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Other Income: During the year ended December 31, 2016, the Company recorded $1.8 million in other income primarily associated with recognizing gains on extinguishment of liabilities. The gains were the result of the legal cancellation or expiration of the Company's existing liabilities related to contingent payments on certain seismic data assets.

Stock-Based Compensation: The Company measures the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award.

Employee Benefit Plans: The Company maintains savings plans in the United States and Canada that allow employees to contribute a portion of their compensation on a pre-tax and/or after-tax basis in accordance with specified guidelines. The Company matches a percentage of the employee contributions up to certain limits. Savings plan expense amounted to $0.7 million, $0.4 million and $0.5 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Recent Accounting Pronouncements: In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". Several additional ASUs were then issued providing further guidance regarding the adoption of and additional amendments to the new revenue recognition standard. The guidance in these ASUs established a single comprehensive model of accounting for revenue arising from contracts with customers that will supersede most of the existing revenue recognition guidance, including industry-specific guidance. The core principle of the guidance is that an entity recognizes revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard will also significantly expand disclosure requirements concerning revenues for most entities. The Company is required to adopt the guidance set forth by these ASUs on January 1, 2018. Entities have the option of using either a full retrospective or modified retrospective approach to adopt the new guidance.

The Company has completed its review of its different types of customer contracts and has compared its current revenue recognition policies to the provisions of the new standard for each of its revenue categories, noting no change with regard to the Company's accounting for revenue from data acquisition, revenue from non-monetary exchanges and revenue from Solutions and other. With regard to revenue from non-exclusive data licenses (resale licensing revenue), no changes from the Company's current accounting policies were identified other than with regard to new licenses of data while a survey is in the process of being created, in which the resale licensing customer is granted the same legally enforceable rights and access to and use of the results of the acquisition work performed as the original acquisition underwriting clients. Currently, the Company recognizes revenue on these resale licenses when the data is available for delivery; however, upon application of the new guidance, the Company will recognize revenue during the remaining survey creation period. This will result in revenue being recognized earlier than under the Company's current policy. The Company adopted the new standard effective January 1, 2018 utilizing the modified retrospective approach, recognizing approximately $0.2 million that was in deferred revenue as of December 31, 2017 to retained earnings. The Company completed its review of the disclosure requirements under the new standard and its current disclosures will be expanded beginning with the Company's March 31, 2018 Form 10-Q.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" with the objective of increasing transparency and comparability among organizations by requiring lessees to recognize assets and liabilities on the balance sheet for the present value of the rights and obligations created by all leases with terms of more than 12 months. The ASU will also require disclosures designed to give financial statement users information on the amount, timing and uncertainty of cash flows arising from leases. The amendments in this ASU are to be applied using a modified retrospective approach and will be effective for the Company as of January 1, 2019, but early adoption is permitted. The Company is currently evaluating the impact of adopting this new standard on its consolidated financial statements as of January 1, 2019 and believes that the most significant change will be to the Company's balance sheet as its asset and liability balances will increase for operating leases that are currently off-balance sheet.

In January 2017, the FASB issued ASU No. 2017-04, “Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment” in order to simplify the measurement of goodwill impairment by eliminating Step 2 from the goodwill impairment test. Currently, Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit’s goodwill with the carrying amount of that goodwill. In computing the implied fair value of goodwill under Step 2, an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities following the same procedure that would be required for purchase price allocation in a business combination. Under the amendments in this ASU, a goodwill impairment loss will be measured using the difference between the carrying amount and the fair value of the reporting unit limited to the total carrying amount of that reporting unit’s goodwill. The guidance in this ASU also eliminates the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment. However, entities must disclose the amount of goodwill allocated to each reporting unit with a zero or negative carrying amount. The amendments in this ASU are to be applied on a prospective basis and will be effective for the Company as of

Table of Contents

SEITEL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

January 1, 2020, but early adoption is permitted for any impairment tests performed after January 1, 2017. The Company is currently evaluating the impact of adopting this new standard but does not expect that it will have a material effect on its consolidated financial statements.

NOTE B-SEISMIC DATA LIBRARY

The Company's seismic data library consists of seismic surveys that are offered for license to customers on a non-exclusive basis. 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.

The following table sets forth a summary of the net book value of the Company's seismic data library (in thousands):

	As of December 31,	
	2017	2016
U.S. Onshore:		
Unconventional 3D	$57,697	$96,457
Conventional 3D	3,234	2,103
Canada:		
Unconventional 3D	12,215	16,361
Conventional 3D	86	154
2D	291	415
U.S. Offshore	165	168
Mexico 2D	854	264
Total	$74,542	$115,922

At December 31, 2017 and 2016, approximately 6% and 5%, respectively, of the net book value of the seismic data library were projects in progress.

Costs of Seismic Data Library

For newly created data, the capitalized costs include costs paid to third parties for the acquisition of data and related permitting, surveying and other activities associated with the data creation activity. In addition, the Company capitalizes certain internal costs related to processing the newly created data and reprocessing existing data. Such costs include salaries and benefits of the Company's processing personnel and certain other costs incurred for the benefit of the processing activity. The Company believes that the internal processing costs capitalized are not greater than, and generally are less than, those that would be incurred and capitalized if such activity were performed by a third party. Capitalized costs for internal data processing were $2.6 million, $2.9 million and $3.5 million for the years ended December 31, 2017, 2016 and 2015, respectively.

For data received through a non-monetary exchange, the Company capitalizes an amount equal to the fair value of the data received by the Company or the fair value of the license granted or services provided to the customer, whichever is more readily determinable. See Note A for discussion of the process used to determine fair value.

For purchased seismic data, the Company capitalizes the purchase price of the acquired data.

Data Library Amortization

The Company amortizes each survey in its seismic data library using the greater of the amortization that would result from the application of the income forecast method to each survey's revenue, subject to a minimum amortization rate, or a straight-line basis over four years, commencing at the time such survey is completed and available for licensing to customers on a non-exclusive basis.

The Company applies 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.

This forecast is made by the Company annually and reviewed quarterly. If, during any such review, the Company determines that the ultimate revenue for a library component is expected to be significantly different than the most recent estimate of total revenue for such library component, the Company revises the amortization rate attributable to future revenue from each survey in such component. The Company applies a minimum amortization rate of 70%. In addition, in connection with the forecast reviews

Table of Contents

SEITEL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

and updates, the Company evaluates the recoverability of its seismic data library investment, and if required, records an impairment charge with respect to such investment. See discussion on “Seismic Data Library Impairment” below. 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, the Company first records 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.

Amortization expense totaled $76.5 million, $70.2 million and $75.9 million for the years ended December 31, 2017, 2016 and 2015, respectively. The actual aggregate rate of amortization as a percentage of total seismic revenue was 87%, 76% and 78% for the same periods, respectively. The actual aggregate rate of amortization depends on the specific seismic surveys licensed and selected by the Company’s customers during the period and the amount of straight-line amortization recorded. The income forecast amortization rates can vary by component and, as of January 1, 2018, the amortization rate utilized under the income forecast method is 70% for all components. Additionally, certain seismic surveys have been fully amortized; consequently, no amortization expense is required on revenue recorded for these seismic surveys.

Seismic Data Library Impairment

The Company evaluates its seismic data library investment by grouping individual surveys into components based on its operations and geological and geographical trends, resulting in the following data library segments for purposes of evaluating impairments: (I) North America 3D onshore comprised of the following components: (a) Texas Gulf Coast, (b) Eastern Texas, (c) Permian, (d) Anadarko Basin in North Texas/Oklahoma, (e) Southern Louisiana/Mississippi, (f) Northern Louisiana, (g) Rocky Mountains, (h) Utica/Marcellus in Pennsylvania, Ohio and West Virginia, (i) other United States, (j) Montney in British Columbia and Alberta, (k) Horn River in British Columbia, (l) Duvernay in Alberta and (m) other Canada; (II) United States 2D; (III) Canada 2D; (IV) Mexico; (V) Gulf of Mexico offshore; and (VI) international data outside North America. The Company believes that these library components constitute the lowest levels of independently identifiable cash flows.

The Company evaluates its seismic data library investment for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The Company considers 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 its seismic data investment should be evaluated for impairment. In evaluating sales performance of each component, the Company generally considers 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 future cash flows are equal to or greater than the carrying value of such component, no impairment is recorded. If undiscounted future 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, the Company estimates 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 its customer base and expected changes in technology and other factors that the Company deems 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, the Company may record impairment losses relative to its seismic data library investment, which could be material to any particular reporting period.

The Company did not have any impairment charges during the three years ended December 31, 2017.

Table of Contents

SEITEL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

NOTE C-GOODWILL AND OTHER INTANGIBLES

At least annually on October 1st, and more frequently if warranted, the Company assesses it goodwill and indefinite lived intangible assets for impairment. No impairment losses were recorded for goodwill or indefinite lived intangible assets during the years ended December 31, 2017, 2016 and 2015. However, there can be no assurance that goodwill and indefinite lived intangibles will not be impaired at any time in the future.

Changes in the carrying amount of goodwill for the years ended December 31, 2017 and 2016 are as follows (in thousands):

	December 31,	
	2017	2016
Balance at beginning of year	$182,012	$179,792
Translation adjustments	5,231	2,220
Balance at end of year	$187,243	$182,012

The following is a summary of the Company’s intangible assets other than goodwill (in thousands):

		December 31,	
	Amortization Period	2017	2016
Amortized intangible assets:			
Cost:			
Customer relationships	10 years	$42,073	$41,419
Internally developed software	7 years	7,412	6,925
		49,485	48,344
Accumulated amortization:			
Customer relationships		(42,073)	(40,901)
Internally developed software		(7,412)	(6,925)
		(49,485)	(47,826)
Net book value		—	518
Indefinite-lived intangible assets:			
Trade names		900	900
Total intangible assets at net book value		$900	$1,418

The Company’s trade name assets were determined to have indefinite lives due to the length of time the trade names have been in place. The Company’s current intentions are to maintain the trade names indefinitely. All other intangible assets were amortized on a straight-line basis over their expected useful lives and as of December 31, 2017, were fully amortized.

Amortization expense for the Company’s intangible assets was $0.5 million during the year ended December 31, 2017 and $4.2 million during each of the years ended December 31, 2016 and 2015.

NOTE D-INCOME TAXES

The U.S. operations of the Company are included in the consolidated U.S. federal income tax return of Holdings. However, for financial reporting purposes, the Company's U.S. provision for income taxes has been computed on the basis that the Company files separate consolidated U.S. federal income tax returns with its subsidiaries.

Table of Contents

SEITEL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Income Tax Expense (Benefit)

Income (loss) before income taxes for our U.S. and foreign operations was comprised of the following (in thousands):

	Year Ended December 31,		
	2017	2016	2015
U.S.	$(39,082)	$(25,221)	$(20,234)
Foreign	6,916	(2,599)	(9,851)
	$(32,166)	$(27,820)	$(30,085)

The provision (benefit) for income taxes was comprised of the following (in thousands):

	Year Ended December 31,		
	2017	2016	2015
Current:			
Federal	$—	$—	$(4)
State	26	96	132
Foreign	2,917	465	65
	2,943	561	193
Deferred:			
Federal	(2,357)	—	80,586
State	41	(53)	1,119
Foreign	(1,312)	(3,904)	(1,993)
	(3,628)	(3,957)	79,712
Tax provision (benefit):			
Federal	(2,357)	—	80,582
State	67	43	1,251
Foreign	1,605	(3,439)	(1,928)
	$(685)	$(3,396)	$79,905

The differences between the U.S. federal income taxes computed at the statutory rate (35%) and the Company's income taxes for financial reporting purposes were as follows (in thousands):

	Year Ended December 31,		
	2017	2016	2015
Statutory federal income tax	$(11,258)	$(9,737)	$(10,530)
Impact of U.S. tax reform	(2,366)	—	—
Change in unrecognized tax positions	(341)	(2,780)	422
State income tax, less federal benefit	50	9	(6)
Tax difference on foreign earnings	(562)	225	871
Change in foreign taxes	—	—	415
Change in valuation allowance	13,535	8,606	88,737
Tax credits	—	—	(346)
Non-deductible expenses	196	180	359
Other, net	61	101	(17)
Income tax provision (benefit)	$(685)	$(3,396)	$79,905

Under the accounting rules, companies are required to recognize the effects of changes in tax laws and tax rates on deferred tax assets and liabilities in the period in which the new legislation is enacted. The effects of the Tax Act on the Company as of December 31, 2017 included three major categories: (1) remeasurement of deferred taxes; (2) reassessment of the realizability of deferred tax assets; and (3) recognition of liabilities for taxes on mandatory deemed repatriation. As described further below,

55

Table of Contents

SEITEL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

the Company recorded a total benefit to income taxes of $2.4 million in the year ended December 31, 2017. As the Company does not have all the necessary information to analyze all income tax effects of the Tax Act, this is a provisional amount which it believes represents a reasonable estimate of the accounting implications of this tax reform. The Company will continue to evaluate the Tax Act and adjust the provisional amounts as additional information is obtained. The ultimate impact of tax reform may differ from the provisional amounts due to changes in the Company's interpretation and assumptions, as well as additional regulatory guidance that may be issued. The Company expects to complete its detailed analysis no later than the fourth quarter of 2018. Below is a brief description of each of the three categories of effects from U.S. tax reform and its impact on the Company.

Remeasurement of deferred taxes. Under the Tax Act, the U.S. corporate income tax rate was reduced from 35% to 21%. Accordingly, the Company remeasured its U.S. net deferred tax assets as of December 31, 2017 to a 21% rate resulting in a tax expense of $38.4 million. At the same time, we remeasured the valuation allowance recorded against our net deferred tax assets and recorded a tax benefit in an equal amount. Therefore, the net impact to tax expense was zero.

Reassessment of the realizability of deferred tax assets. The Tax Act eliminated the corporate alternative minimum tax (AMT) and allows for a refund of unutilized AMT credits. Prior to the Tax Act, the Company had an AMT credit of $2.5 million that had a full valuation allowance recorded against it. As a result of the Tax Act, the realizability of $2.4 million of the AMT credit is now assured and was recorded as a tax benefit as of December 31, 2017. The offset for this amount is recorded in notes and other receivables in the Consolidated Balance Sheet.

Liability for taxes due on mandatory deemed repatriation. Under the Tax Act, a company's foreign earnings accumulated under the legacy tax laws are deemed to be repatriated into the United States. However, at December 31, 2017, the cumulative net earnings and profits associated with the Company's foreign subsidiaries was a net loss; therefore, no tax expense was required to be recorded.

During 2016, Seitel Canada Ltd., a wholly-owned subsidiary of the Company ("Seitel Canada"), settled its outstanding appeal with Canada Revenue Agency related to certain royalty payments made to the Company's U.S. entities for years 2003 to 2007 and a domestic audit for years 2011 to 2013. As a result of these settlements, the Company recorded a tax benefit of $2.3 million for the year ended December 31, 2016. The Company also recognized a $0.3 million and $0.4 million tax benefit for the years ended December 31, 2017 and 2016, respectively, due to the lapse in statute of limitations on previous uncertain tax positions.

Table of Contents

SEITEL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Deferred Tax Asset/Liability
The components of the net deferred income tax asset (liability) reflected in the Company's consolidated balance sheets at December 31, 2017 and 2016 were as follows (in thousands):

	Deferred Tax Assets (Liabilities) December 31,	
	2017	2016
Deferred tax assets:		
Depreciation and amortization	$7,354	$10,210
Deferred revenue	1,808	2,115
Net operating loss carryforwards	50,353	74,656
Alternative minimum tax credit carryforward	167	2,523
Accrued expenses and other	2,328	7,891
Total deferred tax assets	62,010	97,395
Deferred tax liabilities:		
Depreciation and amortization	(1,785)	(3,315)
Intangible assets	(189)	(487)
Deferred expenses and other	(129)	(138)
Total deferred tax liabilities	(2,103)	(3,940)
Valuation allowance:		
Beginning balance	(95,412)	(88,737)
Decrease (increase) during the period	34,349	(6,675)
Total valuation allowance	(61,063)	(95,412)
Net deferred tax liability	$(1,156)	$(1,957)
Deferred income taxes have been classified in the consolidated balance sheet as:		
Deferred income tax asset	$203	$257
Deferred income tax liability	(1,359)	(2,214)
Net deferred income tax liability	$(1,156)	$(1,957)

During 2017, the Company’s valuation allowance provided against its U.S. net deferred tax assets decreased by $34.3 million primarily due to (i) remeasurement of the Company’s net deferred tax assets due to the Tax Act resulting in a decrease in the valuation allowance of $38.4 million; (ii) reassessment of the realizability of its AMT credit due to the Tax Act resulting in a decrease in the valuation allowance of $2.4 million; (iii) an additional valuation allowance of $13.0 million primarily due to U.S. net operating losses generated in 2017; (iv) an adjustment of $4.8 million to reduce the valuation allowance as a result of the expiration and forfeiture of stock options in 2017; and (v) decrease in the valuation allowance of $1.7 million related to a U.S. deferred tax asset associated with uncertain tax positions that were adjusted due to a lapse in the statute of limitations and the Tax Act. At December 31, 2017, the Company continues to provide a full valuation allowance against its U.S. federal tax assets and the majority of its state net deferred tax assets. The most significant piece of negative evidence considered in making this assessment was the pretax book losses for the years ended December 31, 2015, 2016 and 2017 which resulted in a cumulative pretax book loss as of December 31, 2017. Available positive evidence considered did not outweigh this negative evidence as of December 31, 2017. However, the amount of the deferred tax assets considered realizable could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased or if objective negative evidence in the form of cumulative losses is no longer present. During 2016, the Company’s valuation allowance increased by $8.6 million primarily due to U.S. net operating losses generated in 2016 partially offset by a $2.0 million decrease in the valuation allowance related to a U.S. deferred tax asset associated with uncertain tax positions

that were adjusted due to the settlement with Canada Revenue Agency by Seitel Canada.
As of December 31, 2017, the Company has a U.S. federal net operating loss (NOL) carryforward of approximately $228.5 million which can be used to offset U.S. income taxes payable in future years. This U.S. NOL carryforward will expire in periods beginning 2027 through 2037. As of December 31, 2017, the Company has an AMT credit carryforward of approximately $0.2 million which can be used to offset regular U.S. federal income taxes payable in future years and which has

Table of Contents

SEITEL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

an indefinite carryforward period. As of December 31, 2017, the Company has a Colorado state NOL carryforward of approximately $5.4 million which can be used to offset Colorado state income taxes payable in future years. This state NOL carryforward will expire in periods beginning 2028 through 2037.

Uncertain Tax Positions

The Company accounts for income taxes in accordance with ASC Topic 740, “Income Taxes,” which prescribes a minimum recognition threshold a tax position must meet before being recognized in the financial statements. A reconciliation of the beginning and ending gross unrecognized tax benefits was as follows (in thousands):

	Year Ended December 31,		
	2017	2016	2015
Balance at beginning of year	$493	$4,618	$5,274
Additions (reductions) based on prior year tax positions	—	(2,156)	197
Reductions related to settlements with taxing authorities	—	(1,783)	—
Reductions as a result of a lapse of statute of limitations	(250)	(449)	—
Foreign currency translation	36	263	(853)
Balance at end of year	$279	$493	$4,618

As of December 31, 2017, the total $0.3 million of unrecognized tax benefits would impact the effective income tax rate, if recognized in future periods.

Uncertain tax positions are reflected as income tax assets and liabilities. Income tax-related interest and penalty expenses are recorded as a component of income tax expense. As of December 31, 2017, we had $0.1 million of accrued interest and no accrued penalties. As of December 31, 2016, we had $0.4 million of accrued interest and no accrued penalties. Income tax expense (benefit) for each of the years ended December 31, 2017 and 2016 included a $0.1 million benefit related to interest on unrecognized tax benefits whereas the year ended December 31, 2015 included a $0.5 million expense related to interest on unrecognized tax benefits.

With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years prior to 2014, 2014 and 2010, respectively.

NOTE E-DEBT

The following is a summary of the Company’s debt (in thousands):

	December 31,	
	2017	2016
9½% Senior Notes	$250,000	$250,000
Less: unamortized debt issuance costs	(1,858)	(3,143)
	$248,142	$246,857

9½% Senior Unsecured Notes: On March 20, 2013, the Company issued, in a private placement, $250.0 million aggregate principal amount of 9½% senior notes due 2019 (the “9½% Senior Notes”). As required by their terms, the 9½% Senior Notes were exchanged for senior notes of like amounts and terms in a publicly registered exchange offer in August 2013. The 9½% Senior Notes mature on April 15, 2019. Interest is payable in cash, semi-annually on April 15 and October 15 of each year. On both December 31, 2017 and 2016, accrued interest totaled $5.0 million and was included in accrued liabilities on the consolidated balance sheet. The 9½% Senior Notes are unsecured and are jointly and severally guaranteed by substantially all of the Company's significant 100% owned U.S. subsidiaries on a senior basis. The 9½% Senior Notes contain restrictive covenants which limit the Company's ability to, among other things, incur additional indebtedness, incur liens, pay dividends and make other restricted payments, engage in transactions with affiliates, and complete mergers, acquisitions and sales of assets.

Upon a change of control (as defined in the indenture), each holder of the 9½% Senior Notes will have the right to require the Company to offer to purchase all of such holder’s notes at a price equal to 101% of the principal amount,

plus accrued and unpaid interest.

Aggregate Maturities: The aggregate maturities of the Company’s debt are $250.0 million in 2019.

Table of Contents

SEITEL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

NOTE F-LEASE OBLIGATIONS

Assets recorded under capital lease obligations of $3.0 million and $2.8 million at December 31, 2017 and 2016, respectively, are included in property and equipment. Accumulated depreciation related to such assets was $2.1 million and $1.8 million at December 31, 2017 and 2016, respectively. Depreciation on the assets recorded under capital leases is included in depreciation expense.

The Company leases office space under operating leases, some of which include renewal options. Rental expense for each of the years ended December 31, 2017 and 2016 was approximately $1.1 million. Rental expense for the year ended December 31, 2015 was approximately $1.3 million.

Future minimum lease payments for the five years subsequent to December 31, 2017, thereafter and in the aggregate are as follows (in thousands):

	Capital Leases	Operating Leases
2018	$361	$ 622
2019	361	573
2020	361	265
2021	360	202
2022	120	185
Thereafter	—	—
Total minimum lease payments	1,563	$ 1,847
Less amount representing interest	(200)	
Present value of net minimum lease payments	$1,363	

Capital leases are comprised of a sale leaseback agreement entered into by Seitel Canada in 2002 on a building and land located in Calgary, Alberta, Canada. The term of the lease is 20 years with remaining annual lease payments of $452,340 (Canadian dollars) until April 2022.

NOTE G-COMMITMENTS AND CONTINGENCIES

From time to time, the Company is involved in ordinary, routine claims and lawsuits incidental to its business. In the opinion of management, uninsured losses, if any, resulting from the ultimate resolution of these matters should not be material to the Company’s financial position, results of operations or cash flows. However, it is not possible to predict or determine the outcomes of the legal actions brought against it or by it, or to provide an estimate of all additional losses, if any, that may arise. At December 31, 2017, the Company has recorded the estimated amount of potential exposure it may have with respect to litigation and claims. Such amounts are not material to the financial statements.

NOTE H-STOCK-BASED COMPENSATION

The Company maintains various stock-based compensation plans administered by the board of directors of Holdings, the Company's parent, for the benefit of the Company's key employees and non-employee directors as discussed below.

Total stock-based compensation cost recognized and included in selling, general and administrative expenses was $10,000, $0.1 million and $0.3 million for the years ended December 31, 2017, 2016 and 2015, respectively. The Company did not recognize any tax benefits in the income statement related to stock-based compensation for the three years ended December 31, 2017.

Restricted Stock Units

In April 2008, Holdings adopted the 2008 Restricted Stock and Restricted Stock Unit Plan which is designed to provide incentives to present and future employees of the Company through the grant of restricted stock and restricted stock unit awards. The 2008 Restricted Stock and Restricted Stock Unit Plan authorizes the issuance of up to 25,000 shares of Holdings’ common stock pursuant to such grants. The restricted stock units (“RSUs”) are convertible into common shares of Holdings upon one of the following events: termination of employment, death, disability or upon a

change in control of the Company. During the years ended December 31, 2017 and 2015, no RSUs were converted into shares of Holdings. During 2016, 71 RSUs were converted into shares of Holdings. As of December 31, 2017, 1,574 fully vested RSUs with a grant date fair value of $258.00 per share were outstanding. A total of 22,659 restricted shares were available for grant at December 31, 2017.

Table of Contents

SEITEL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Stock Options

2007 Non-Qualified Stock Option Plan

In February 2007, Holdings adopted the 2007 Non-Qualified Stock Option Plan (the "2007 Option Plan") in order to provide an equity component to management compensation following the Merger. The board of directors of Holdings were authorized to issue options to purchase up to 105,200 shares of Holdings' common stock. The term of the 2007 Option Plan was 10 years; therefore, as of December 31, 2017, no additional options can be granted as the term has expired.

The options issued under the 2007 Stock Option Plan contain only service condition requirements and generally vest 25 percent on each anniversary of the grant date for four years provided the employee has provided continued service. The options provide for certain acceleration of vesting and cancellation of options under different circumstances, such as a change in control, death, disability and termination of service. The Company recognizes compensation expense for these options on a straight-line basis over the requisite service period for each separate vesting portion of the option as if the option was, in substance, multiple options (graded vesting). The options expire 10 years after the date of grant. Upon exercise of the options, shares will be issued from authorized but unissued shares of Holdings.

2012 Non-Qualified Stock Option Plan

In May 2012, Holdings adopted the 2012 Non-Qualified Stock Option Plan (the "2012 Option Plan") to provide incentives to present and future employees of the Company through the grant of Holdings' common stock options. The board of directors of Holdings may issue options to purchase up to 48,605 shares of Holdings' common stock.

The options issued in 2012 under the 2012 Stock Option Plan provide for the options to be vested in three different tranches:

- one-third of the total grant vests 20 percent on each anniversary of the grant date for five years provided the employee has provided continued service (service condition);
- one-third of the total grant vests on a 2.0X event, as defined in the applicable stock option agreement (market and performance conditions); and
- one-third of the total grant vests on a 2.5X event, as defined in the applicable stock option agreement (market and performance conditions).

The options provide for certain acceleration of vesting and cancellation of options under different circumstances, such as a change in control, death, disability and termination of service. For the portion of the options that vest only based upon a service condition, the Company recognizes compensation expense using graded vesting over the requisite service period. For the options containing market and performance conditions, the Company defers all stock-based compensation until the consummation of the performance condition. The options expire 10 years after the date of grant. Upon exercise of the options, shares will be issued from authorized but unissued shares of Holdings. A total of 16,305 shares of Holdings common stock were available for grant under the 2012 Stock Option Plan at December 31, 2017.

No options were granted in 2017, 2016 or 2015.

The following table summarizes stock option activity during the years ended December 31, 2017, 2016 and 2015 (shares in thousands):

	Year Ended December 31, 2017		Year Ended December 31, 2016		Year Ended December 31, 2015	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at beginning of period	114	$ 217.24	130	$ 218.46	130	$ 218.46
Forfeited	(8)	$ 200.95	(16)	$ 227.19	—	$ —

Expired	(62)	$ 193.13	—	$ —	—	$ —
Outstanding at end of period [1]	44	$ 243.26	114	$ 217.24	130	$ 218.46
Options exercisable at end of period [2]	22	$ 228.81	85	$ 203.48	93	$ 202.48
Available for grant at end of period	16		26		10	

Table of Contents

SEITEL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

(1) Stock options outstanding at December 31, 2017 have a weighted average remaining contractual term of 3.7 years and there is no intrinsic value.

(2) Exercisable stock options at December 31, 2017 have a weighted average remaining contractual term of 3.1 years and there is no intrinsic value.

The total grant date fair value of options that vested during the year ended December 31, 2017 was $0.3 million. The total grant date fair value of options that vested during each of the years ended December 31, 2016 and 2015 was $0.6 million. As of December 31, 2017, the total future compensation cost related to non-vested options not yet recognized in the consolidated statements of operations was $1.8 million, of which all but $4,000 is attributable to vesting upon contingent events. The Company did not receive cash from option exercises during the three years ended December 31, 2017.

NOTE I-FAIR VALUE MEASUREMENTS

Authoritative guidance on fair value measurements provides a framework for measuring fair value and establishes a fair value hierarchy that prioritizes the inputs used to measure fair value, giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

The Company uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. In measuring the fair value of the Company's assets and liabilities, market data or assumptions are used that the Company believes market participants would use in pricing an asset or liability, including assumptions about risk when appropriate. The Company's assets that are measured at fair value on a recurring basis include the following (in thousands):

		Fair Value Measurements Using		
	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
At December 31, 2017:				
Cash equivalents	$70,298	$70,298	$—	$—
At December 31, 2016:				
Cash equivalents	$55,674	$55,674	$—	$—

The Company had no transfers of assets between any of the above levels during the years ended December 31, 2017 or 2016.

Cash equivalents include treasury bills and money market funds that invest in United States government obligations and Canadian investment accounts, all with original maturities of three months or less. The original costs of these assets approximate fair value due to their short-term maturities.

Other Financial Instruments:

At December 31, 2017, the carrying value of the Company's debt was $248.1 million, net of $1.9 million of unamortized debt issuance costs. At December 31, 2016, the carrying value was $246.9 million, net of $3.1 million of unamortized debt issuance costs. The estimated fair value of the debt was approximately $250.3 million at December 31, 2017 and $232.6 million at December 31, 2016. The fair value of the Company's senior notes is based on quoted market prices (Level 1 inputs).

NOTE J-RELATED PARTY TRANSACTIONS

Holdings does not maintain a cash account. Consequently, the Company makes payments, as needed, on Holdings' behalf for corporate expenditures such as taxes and share repurchases for employees that have left the Company and who held equity instruments in Holdings. The Company receives payments on the outstanding balance only when

Holdings receives cash from stock issuances. The Company made payments on behalf of Holdings of approximately $14,000, $21,000 and $13,000 during the years ended December 31, 2017, 2016 and 2015, respectively. The balance due from Holdings as of December 31, 2017 and 2016 was $1.2 million.

The Company owns 20% of Wandoo Energy LLC (“Wandoo”), a privately owned oil and gas prospecting company. The Company’s Chief Executive Officer and President serves as the Company’s representative on the board of directors of Wandoo. The Company received no cash dividends from Wandoo during the years ended December 31, 2017 and 2015 and received $10,000 in 2016.

Table of Contents

SEITEL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

NOTE K-STATEMENT OF CASH FLOW INFORMATION

Cash and cash equivalents at December 31, 2017 and 2016 included $0.6 million and $0.5 million, respectively of restricted cash related to collateral on seismic operations bonds.

For purposes of the statement of cash flows, the Company considers all highly liquid investments or debt instruments with an original maturity of three months or less to be cash equivalents. The Company maintains its day-to-day operating cash and temporary excess cash with various banking institutions that, in turn, invest in time deposits and U.S. Treasury bills.

Income taxes paid during 2017, 2016 and 2015 were $0.8 million, $1.5 million and $0.3 million, respectively. In 2016 and 2015, the Company received income tax refunds of $5.1 million, and $1.0 million, respectively.

The Company had non-cash additions to its seismic data library comprised of the following (in thousands):

	Year Ended December 31,		
	2017	2016	2015
Non-monetary exchanges related to resale licensing	$2,075	$1,840	$9,300
Non-monetary exchanges from underwriting of new data acquisition	—	408	—
Adjustment to prior year non-monetary exchanges	(11)	—	(2)
Non-monetary exchanges related to data processing and reproduction services	—	392	13
Total non-cash additions to seismic data library	$2,064	$2,640	$9,311

Non-cash revenue consisted of the following (in thousands):

	Year Ended December 31,		
	2017	2016	2015
Acquisition revenue on underwriting from non-monetary exchange contracts	$279	$129	$168
Licensing revenue from specific data licenses and selections on non-monetary exchange contracts	1,250	3,179	6,747
Solutions and other revenue recognized from non-monetary exchange contracts	91	—	13
Total non-cash revenue	$1,620	$3,308	$6,928

Table of Contents

SEITEL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

NOTE L-INDUSTRY SEGMENTS

The Company operates in one business segment, which consists of seismic data acquisition, seismic data licensing, seismic data processing and seismic reproduction services.

Geographic information for the periods presented was as follows (in thousands):

	United States	Canada	Mexico	Total
Year Ended December 31, 2017				
Revenue	$63,782	$25,456	$1,012	$90,250
Assets [1]	61,690	13,597	854	76,141
Year Ended December 31, 2016				
Revenue	$75,353	$17,790	$1,403	$94,546
Assets [1]	99,339	18,028	264	117,631
Year Ended December 31, 2015				
Revenue	$74,592	$25,660	$—	$100,252
Assets [1]	132,264	31,586	116	163,966

(1)Assets include net seismic data library and net property and equipment.

The Company's revenues may be divided into two major categories: (i) acquisition and licensing of seismic data and (ii) reproduction and delivery of seismic data and other services. Revenue by type of service for the periods presented was as follows (in thousands):

	Year Ended December 31,		
	2017	2016	2015
Acquisition and licensing of seismic data	$88,158	$92,454	$97,938
Reproduction and delivery of seismic data and other services	2,092	2,092	2,314
Total revenue	$90,250	$94,546	$100,252

NOTE M-SUPPLEMENTAL GUARANTORS CONSOLIDATING CONDENSED FINANCIAL INFORMATION

On March 20, 2013, the Company completed a private placement of 9½% Senior Notes in the aggregate principal amount of $250.0 million. The Company’s payment obligations under the 9½% Senior Notes are jointly and severally guaranteed on a senior basis by substantially all of the Company’s significant 100% owned U.S. subsidiaries (“Guarantor Subsidiaries”). All subsidiaries of the Company that do not guarantee the 9½% Senior Notes are referred to as Non-Guarantor Subsidiaries.

The indenture governing the 9½% Senior Notes provides that the guarantees by the Guarantor Subsidiaries will be released in the following customary circumstances: (i) upon a sale or other disposition, whether by merger, consolidation or otherwise, of the equity interests of that guarantor to a person that is not the Company or a restricted subsidiary of the Company; (ii) the guarantor sells all or substantially all of its assets to a person that is not the Company or a restricted subsidiary of the Company; (iii) the guarantor is properly designated as an unrestricted subsidiary or ceases to be a restricted subsidiary; (iv) upon legal defeasance of the 9½% Senior Notes or satisfaction and discharge of the indenture governing the 9½% Senior Notes; (v) the guarantor becomes an immaterial subsidiary or (vi) the guarantor, having also been a guarantor under a credit facility, is released from its guarantee obligations under a credit facility and does not guarantee any indebtedness of the Company or the Guarantor Subsidiaries.

The consolidating condensed financial statements are presented below and should be read in connection with the consolidated financial statements of the Company. Separate financial statements of the Guarantor Subsidiaries are not presented because (i) the Guarantor Subsidiaries are wholly-owned and have fully and unconditionally guaranteed the 9½% Senior Notes on a joint and several basis and (ii) the Company’s management has determined such separate

financial statements are not material to investors.

The following consolidating condensed financial information presents the consolidating condensed balance sheets as of December 31, 2017 and December 31, 2016, and the consolidating condensed statements of operations, statements of

Table of Contents

SEITEL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

comprehensive income (loss) and statements of cash flows for the years ended December 31, 2017, 2016 and 2015 of (a) the Company; (b) the Guarantor Subsidiaries; (c) the Non-Guarantor Subsidiaries; (d) elimination entries; and (e) the Company, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries on a consolidated basis. Investments in subsidiaries are accounted for under the equity method. The principal elimination entries eliminate investments in subsidiaries, intercompany balances, intercompany transactions and intercompany sales.

Table of Contents

SEITEL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

CONSOLIDATING CONDENSED BALANCE SHEET
As of December 31, 2017
(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Consolidated Total
ASSETS					
Cash and cash equivalents	$—	$ 43,380	$ 27,201	$ —	$ 70,581
Receivables					
Trade, net	—	19,183	4,147	—	23,330
Notes and other	2,357	151	109	—	2,617
Due from Seitel Holdings, Inc.	—	1,191	—	—	1,191
Intercompany receivables (payables)	(75,641)	73,244	2,397	—	—
Investment in subsidiaries	411,423	425,736	702	(837,861)	—
Net seismic data library	—	57,703	16,839	—	74,542
Net property and equipment	—	593	1,006	—	1,599
Prepaid expenses, deferred charges and other	31	1,164	647	—	1,842
Intangible assets, net	900	—	—	—	900
Goodwill	—	107,688	79,555	—	187,243
Deferred income taxes	—	51	152	—	203
TOTAL ASSETS	$ 339,070	$ 730,084	$ 132,755	$ (837,861)	$ 364,048
LIABILITIES AND STOCKHOLDER'S EQUITY					
LIABILITIES					
Accounts payable and accrued liabilities	$ 5,007	$ 9,421	$ 5,770	$ —	$ 20,198
Income taxes payable	—	12	2,765	—	2,777
Senior Notes	248,142	—	—	—	248,142
Obligations under capital leases	—	—	1,363	—	1,363
Deferred revenue	—	11,568	1,527	—	13,095
Deferred income taxes	—	—	1,359	—	1,359
TOTAL LIABILITIES	253,149	21,001	12,784	—	286,934
STOCKHOLDER'S EQUITY					
Common stock	—	—	—	—	—
Additional paid-in capital	400,592	—	—	—	400,592
Parent investment	—	764,105	156,782	(920,887)	—
Retained deficit	(314,671)	(55,022)	(27,652)	82,674	(314,671)
Accumulated other comprehensive loss	—	—	(9,159)	352	(8,807)
TOTAL STOCKHOLDER'S EQUITY	85,921	709,083	119,971	(837,861)	77,114
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$ 339,070	$ 730,084	$ 132,755	$ (837,861)	$ 364,048

Table of Contents

SEITEL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

CONSOLIDATING CONDENSED BALANCE SHEET
As of December 31, 2016
(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Consolidated Total
ASSETS					
Cash and cash equivalents	$—	$47,971	$8,026	$—	$55,997
Receivables					
Trade, net	—	14,819	9,662	—	24,481
Notes and other	—	412	24	—	436
Due from Seitel Holdings, Inc.	—	1,177	—	—	1,177
Intercompany receivables (payables)	(51,982)	51,262	720	—	—
Investment in subsidiaries	420,308	420,456	630	(841,394)	—
Net seismic data library	—	94,039	21,907	(24)	115,922
Net property and equipment	—	611	1,098	—	1,709
Prepaid expenses, deferred charges and other	30	1,413	319	—	1,762
Intangible assets, net	900	402	116	—	1,418
Goodwill	—	107,688	74,324	—	182,012
Deferred income taxes	—	92	165	—	257
TOTAL ASSETS	$369,256	$740,342	$116,991	$(841,418)	$385,171
LIABILITIES AND STOCKHOLDER'S EQUITY					
LIABILITIES					
Accounts payable and accrued liabilities	$5,007	$8,559	$3,441	$—	$17,007
Income taxes payable	—	24	596	—	620
Senior Notes	246,857	—	—	—	246,857
Obligations under capital leases	—	—	1,510	—	1,510
Deferred revenue	—	13,574	2,330	—	15,904
Deferred income taxes	—	—	2,214	—	2,214
TOTAL LIABILITIES	251,864	22,157	10,091	—	284,112
STOCKHOLDER'S EQUITY					
Common stock	—	—	—	—	—
Additional paid-in capital	400,582	—	—	—	400,582
Parent investment	—	764,105	156,594	(920,699)	—
Retained deficit	(283,190)	(45,920)	(33,120)	79,040	(283,190)
Accumulated other comprehensive loss	—	—	(16,574)	241	(16,333)
TOTAL STOCKHOLDER'S EQUITY	117,392	718,185	106,900	(841,418)	101,059
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$369,256	$740,342	$116,991	$(841,418)	$385,171

Table of Contents

SEITEL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2017
(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Consolidated Total
REVENUE	$—	$ 62,231	$ 29,856	$ (1,837)	$ 90,250
EXPENSES:					
Depreciation and amortization	—	59,263	18,244	(25)	77,482
Cost of sales	—	639	6	(549)	96
Selling, general and administrative	595	16,232	4,752	(1,288)	20,291
	595	76,134	23,002	(1,862)	97,869
INCOME (LOSS) FROM OPERATIONS	(595)	(13,903)	6,854	25	(7,619)
Interest income (expense), net	(24,166)	(599)	113	—	(24,652)
Foreign currency exchange gains (losses)	—	(1)	9	—	8
Other income	—	—	97	—	97
Income (loss) before income taxes and equity in income (loss) of subsidiaries	(24,761)	(14,503)	7,073	25	(32,166)
Provision (benefit) for income taxes	(2,357)	67	1,605	—	(685)
Equity in income (loss) of subsidiaries	(9,077)	5,468	—	3,609	—
NET INCOME (LOSS)	$(31,481)	$ (9,102)	$ 5,468	$ 3,634	$ (31,481)

Table of Contents

SEITEL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

CONSOLIDATING CONDENSED STATEMENT OF COMPREHENSIVE INCOME (LOSS)
For the Year Ended December 31, 2017
(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Consolidated Total
Net income (loss)	$(31,481)	$ (9,102)	$ 5,468	$ 3,634	$ (31,481)
Foreign currency translation adjustments	—	—	7,415	111	7,526
Comprehensive income (loss)	$(31,481)	$ (9,102)	$ 12,883	$ 3,745	$ (23,955)

Table of Contents

SEITEL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2016
(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Consolidated Total
REVENUE	$—	$ 73,667	$ 22,261	$ (1,382)	$ 94,546
EXPENSES:					
Depreciation and amortization	—	55,934	19,194	(50)	75,078
Cost of sales	—	112	14	(50)	76
Selling, general and administrative	1,078	17,590	6,783	(1,332)	24,119
	1,078	73,636	25,991	(1,432)	99,273
INCOME (LOSS) FROM OPERATIONS	(1,078)	31	(3,730)	50	(4,727)
Interest expense, net	(22,910)	(2,043)	(14)	—	(24,967)
Foreign currency exchange gains	—	—	109	—	109
Other income	—	587	1,178	—	1,765
Loss before income taxes and equity in income (loss) of subsidiaries	(23,988)	(1,425)	(2,457)	50	(27,820)
Provision (benefit) for income taxes	—	43	(3,439)	—	(3,396)
Equity in income (loss) of subsidiaries	(436)	982	—	(546)	—
NET INCOME (LOSS)	$(24,424)	$ (486)	$ 982	$ (496)	$ (24,424)

Table of Contents

SEITEL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

CONSOLIDATING CONDENSED STATEMENT OF COMPREHENSIVE INCOME (LOSS)
For the Year Ended December 31, 2016
(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Consolidated Total
Net income (loss)	$(24,424)	$ (486)	$ 982	$ (496)	$ (24,424)
Foreign currency translation adjustments	—	—	3,105	85	3,190
Comprehensive income (loss)	$(24,424)	$ (486)	$ 4,087	$ (411)	$ (21,234)

Table of Contents

SEITEL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2015
(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Consolidated Total
REVENUE	$—	$ 72,593	$ 28,978	$ (1,319)	$ 100,252
EXPENSES:					
Depreciation and amortization	—	51,455	29,517	(49)	80,923
Cost of sales	—	123	72	—	195
Selling, general and administrative	1,016	15,362	7,125	(1,319)	22,184
	1,016	66,940	36,714	(1,368)	103,302
INCOME (LOSS) FROM OPERATIONS	(1,016)	5,653	(7,736)	49	(3,050)
Interest expense, net	(22,845)	(2,146)	(399)	—	(25,390)
Foreign currency exchange losses	—	(3)	(1,647)	—	(1,650)
Other income	—	5	—	—	5
Income (loss) before income taxes and equity in loss of subsidiaries	(23,861)	3,509	(9,782)	49	(30,085)
Provision (benefit) for income taxes	9,270	72,563	(1,928)	—	79,905
Equity in loss of subsidiaries	(76,859)	(7,854)	—	84,713	—
NET LOSS	$(109,990)	$ (76,908)	$ (7,854)	$ 84,762	$ (109,990)

Table of Contents

SEITEL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

CONSOLIDATING CONDENSED STATEMENT OF COMPREHENSIVE LOSS
For the Year Ended December 31, 2015
(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Consolidated Total
Net loss	$(109,990)	$ (76,908)	$ (7,854)	$ 84,762	$ (109,990)
Foreign currency translation adjustments	—	—	(21,349)	138	(21,211)
Comprehensive loss	$(109,990)	$ (76,908)	$ (29,203)	$ 84,900	$ (131,201)

Table of Contents

SEITEL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017
(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Consolidated Total
Cash flows from operating activities:					
Net cash provided by (used in) operating activities	$(24,355)	$ 38,037	$ 26,672	$ —	$ 40,354
Cash flows from investing activities:					
Cash invested in seismic data	—	(17,835)	(8,335)	—	(26,170)
Cash paid to acquire property and equipment	—	(423)	(111)	—	(534)
Cash from sale of seismic data and property and equipment	—	—	182	—	182
Advances to Seitel Holdings, Inc.	—	(14)	—	—	(14)
Net cash used in investing activities	—	(18,272)	(8,264)	—	(26,536)
Cash flows from financing activities:					
Principal payments on capital lease obligations	—	—	(244)	—	(244)
Intercompany transfers	24,355	(24,355)	—	—	—
Net cash provided by (used in) financing activities	24,355	(24,355)	(244)	—	(244)
Effect of exchange rate changes	—	(1)	1,011	—	1,010
Net increase (decrease) in cash and cash equivalents	—	(4,591)	19,175	—	14,584
Cash and cash equivalents at beginning of period	—	47,971	8,026	—	55,997
Cash and cash equivalents at end of period	$—	$ 43,380	$ 27,201	$ —	$ 70,581

Table of Contents

SEITEL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016
(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Consolidated Total
Cash flows from operating activities:					
Net cash provided by (used in) operating activities	$(24,625)	$ 44,564	$ 10,604	$ —	$ 30,543
Cash flows from investing activities:					
Cash invested in seismic data	—	(24,581)	(2,081)	—	(26,662)
Cash paid to acquire property and equipment	—	(274)	(30)	—	(304)
Cash from sale of property and equipment	—	17	1	—	18
Advances to Seitel Holdings, Inc.	—	(21)	—	—	(21)
Net cash used in investing activities	—	(24,859)	(2,110)	—	(26,969)
Cash flows from financing activities:					
Principal payments on capital lease obligations	—	—	(205)	—	(205)
Intercompany transfers	24,625	(22,926)	(1,699)	—	—
Net cash provided by (used in) financing activities	24,625	(22,926)	(1,904)	—	(205)
Effect of exchange rate changes	—	—	(47)	—	(47)
Net increase (decrease) in cash and cash equivalents	—	(3,221)	6,543	—	3,322
Cash and cash equivalents at beginning of period	—	51,192	1,483	—	52,675
Cash and cash equivalents at end of period	$—	$ 47,971	$ 8,026	$ —	$ 55,997

Table of Contents

SEITEL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015
(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Consolidated Total
Cash flows from operating activities:					
Net cash provided by (used in) operating activities	$(24,717)	$ 80,698	$ 16,655	$ —	$ 72,636
Cash flows from investing activities:					
Cash invested in seismic data	—	(63,858)	(13,423)	—	(77,281)
Cash paid to acquire property and equipment	—	(422)	(10)	—	(432)
Advances to Seitel Holdings, Inc.	—	(13)	—	—	(13)
Net cash used in investing activities	—	(64,293)	(13,433)	—	(77,726)
Cash flows from financing activities:					
Principal payments on capital lease obligations	—	(18)	(200)	—	(218)
Intercompany transfers	24,717	(13,717)	(11,000)	—	—
Net cash provided by (used in) financing activities	24,717	(13,735)	(11,200)	—	(218)
Effect of exchange rate changes	—	(3)	(1,189)	—	(1,192)
Net increase (decrease) in cash and cash equivalents	—	2,667	(9,167)	—	(6,500)
Cash and cash equivalents at beginning of period	—	48,525	10,650	—	59,175
Cash and cash equivalents at end of period	$—	$ 51,192	$ 1,483	$ —	$ 52,675

Table of Contents

SEITEL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

NOTE N-QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)
The following is a summary of the unaudited quarterly results of operations for the years ended December 31, 2017 and 2016:

	Quarter Ended			
	March 31	June 30	Sept. 30	Dec. 31
	(In thousands)			
2017				
Revenue	$20,595	$23,700	$24,013	$21,942
Operating income (loss)	(7,324)	(3,307)	1,219	1,793
Net loss	(13,379)	(9,636)	(6,344)	(2,122)

	Quarter Ended			
	March 31	June 30	Sept. 30	Dec. 31
	(In thousands)			
2016				
Revenue	$11,950	$24,340	$23,255	$35,001
Operating income (loss)	(9,132)	(5,144)	(1,086)	10,635
Net income (loss)	(13,864)	(9,235)	(5,443)	4,118

Table of Contents

Report of Independent Registered Public Accounting
Firm on Financial Statement Schedule

To the Stockholder, Board of Directors and Audit Committee
Seitel, Inc.
Houston, Texas

In connection with our audits of the consolidated financial statements of Seitel, Inc. and Subsidiaries (the "Company") for each of the three years in the period ended December 31, 2017, we have also audited the following financial statement schedule. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits of the basic consolidated financial statements. The financial statement schedule is presented for purposes of complying with the Securities and Exchange Commission's rules and regulations and is not a required part of the consolidated financial statements.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

/s/ BKD, LLP
We have served as the Company's auditor since 2004.

Houston, Texas
February 15, 2018

Table of Contents

SCHEDULE II: VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended December 31, 2017, 2016 and 2015
(Amounts in thousands)

	Balance at beginning of period	Charged (Credited) to expense	Deductions from reserves	Balance at end of period
Year ended December 31, 2017:				
Reserves deducted from assets to which they apply:				
Allowance for doubtful accounts	$ 223	$—	$ (47)	$176
Valuation allowance on deferred tax asset	95,412	(27,808)	(6,541)	61,063
Total	$ 95,635	$(27,808)	$ (6,588)	$61,239
Year ended December 31, 2016:				
Reserves deducted from assets to which they apply:				
Allowance for doubtful accounts	$ 267	$(20)	$ (24)	$223
Valuation allowance on deferred tax asset	88,737	8,641	(1,966)	95,412
Total	$ 89,004	$8,621	$ (1,990)	$95,635
Year ended December 31, 2015:				
Reserves deducted from assets to which they apply:				
Allowance for doubtful accounts	$ 268	$4	$ (5)	$267
Valuation allowance on deferred tax asset	—	88,737	—	88,737
Total	$ 268	$88,741	$ (5)	$89,004