

SEITEL INC  
Form 10-Q  
November 13, 2007

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549**

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**FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended September 30, 2007

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 0-14488

**SEITEL, INC.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

76-0025431  
(I.R.S. Employer  
Identification No.)

10811 S. Westview Circle Drive  
Building C, Suite 100  
Houston, Texas  
(Address of principal executive offices)

77043  
(Zip Code)

Registrant's telephone number, including area code:

(713) 881-8900

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

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

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Large accelerated filer[ ]

Accelerated filer[ ]

Non-accelerated filer[X]

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

Yes [ ] No [X]

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

Yes [X] No [ ]

As of November 9, 2007, there were 100 shares of the Company's common stock, par value \$.001 per share outstanding.

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*(Index)***PART I - FINANCIAL INFORMATION****Item 1. FINANCIAL STATEMENTS****SEITEL, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS***(In thousands, except share and per share amounts)*

	(Unaudited) SUCCESSOR PERIOD September 30, 2007	PREDECESSOR PERIOD December 31, 2006
<b>ASSETS</b>		
Cash and cash equivalents	\$ 33,194	\$ 107,390
Restricted cash	108	105
Receivables		
Trade, net of allowance for doubtful accounts of \$719 and \$316, respectively	36,443	52,144
Notes and other, net of allowance for doubtful accounts of \$263 and \$275, respectively	793	895
Net seismic data library, net of accumulated amortization of \$92,604 and \$961,549, respectively	362,807	123,123
Net property and equipment, net of accumulated depreciation and amortization of \$1,727 and \$26,439, respectively	7,352	7,628
Prepaid expenses, deferred charges and other	19,074	9,169
Deferred income taxes	22	4,981
Intangible assets, net	53,671	-
Goodwill	208,566	-
<b>TOTAL ASSETS</b>	<b>\$ 722,030</b>	<b>\$ 305,435</b>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 30,843	\$ 30,837
Income taxes payable	713	659
Debt		
Senior Notes	402,354	185,788
Notes payable	307	337
Obligations under capital leases	3,849	2,913
Deferred revenue	38,440	47,410
Deferred income taxes	18,232	-
<b>TOTAL LIABILITIES</b>	<b>494,738</b>	<b>267,944</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDER'S EQUITY</b>		
Preferred stock, par value \$.01 per share; authorized 5,000,000 shares; none issued (Predecessor)	-	-
Common stock, par value \$.01 per share; authorized 400,000,000		

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shares; issued and outstanding 155,184,084 shares at December 31, 2006 (Predecessor)		-	1,552
Common stock, par value \$.001 per share; 100 shares authorized, issued and outstanding at September 30, 2007 (Successor)		-	-
Additional paid-in capital		262,188	240,431
Retained deficit		(62,302)	(209,539)
Accumulated other comprehensive income		27,406	5,047
<b>TOTAL STOCKHOLDER'S EQUITY</b>		<b>227,292</b>	<b>37,491</b>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<b>\$</b>	<b>722,030</b>	<b>\$ 305,435</b>

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

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

	SUCCESSOR PERIOD	Three Months Ended September 30,	PREDECESSOR PERIOD
	2007		2006
REVENUE	\$ 28,356		\$ 45,877
EXPENSES:			
Depreciation and amortization	36,005		21,027
Cost of sales	72		40
Selling, general and administrative	9,902		8,373
Merger	807		-
	46,786		29,440
INCOME (LOSS) FROM OPERATIONS	(18,430)		16,437
Interest expense, net	(9,895)		(4,873)
Foreign currency exchange gains (losses)	1,360		(9)
Other income (loss)	39		(1)
Income (loss) from continuing operations before income taxes	(26,926)		11,554
Benefit for income taxes	(3,701)		(2,462)
Income (loss) from continuing operations	(23,225)		14,016
Loss from discontinued operations, net of tax	-		(146)
NET INCOME (LOSS)	\$ (23,225)		\$ 13,870

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

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

	SUCCESSOR PERIOD		PREDECESSOR PERIOD
	February 14, 2007 - September 30, 2007	January 1, 2007 - February 13, 2007	Nine Months Ended September 30, 2006
REVENUE	\$ 76,025	\$ 19,010	\$ 139,117
EXPENSES:			
Depreciation and amortization	96,008	11,485	67,839
Gain on sale of seismic data	-	-	(231)
Cost of sales	113	8	203
Selling, general and administrative	23,825	3,577	26,309
Merger	2,087	17,457	-
	122,033	32,527	94,120
INCOME (LOSS) FROM OPERATIONS	(46,008)	(13,517)	44,997
Interest expense, net	(29,018)	(2,284)	(14,770)
Foreign currency exchange gains (losses)	3,017	(102)	1,125
Other income (loss)	39	12	(1)
Income (loss) from continuing operations before income taxes	(71,970)	(15,891)	31,351
Provision (benefit) for income taxes	(9,668)	452	(2,079)
Income (loss) from continuing operations	(62,302)	(16,343)	33,430
Loss from discontinued operations, net of tax	-	-	(142)
NET INCOME (LOSS)	\$ (62,302)	\$ (16,343)	\$ 33,288

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

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**SEITEL, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)** (Unaudited)  
(In thousands)

	SUCCESSOR PERIOD		PREDECESSOR PERIOD		SUCCESSOR PERIOD		PREDECESSOR PERIOD	
	Three Months		Three Months		February 14,		January 1,	
	Ended		Ended		2007 -		2007 -	
	September 30,		September 30,		September 30,		February 13,	
	2007	2006	2007	2006	2007	2007	2007	Nine Months Ended September 30, 2006
Net income (loss)	\$ (23,225)	\$ 13,870	\$ (62,302)	\$ 13,870	\$ (16,343)	\$ 33,288		
Unrealized gains (losses) on securities held as available for sale:								
Unrealized net holding gains arising during period	-	-	-	-	-	-	-	19
Less: Reclassification adjustment for losses included in income	-	1	-	1	-	-	-	1
Foreign currency translation adjustments	11,723	7	27,406	7	7	982		
Comprehensive income (loss)	\$ (11,502)	\$ 13,878	\$ (34,896)	\$ 13,878	\$ (16,336)	\$ 34,290		

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

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**SEITEL, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY (Unaudited)**

(In thousands, except share amounts)