

SEITEL INC
Form 10-K/A
April 27, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-K/A

(Amendment No. 1)

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

For the fiscal year ended December 31, 2010

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
(State or other jurisdiction of

76-0025431
(IRS Employer

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incorporation or organization)

Identification Number)

10811 S. Westview Circle Drive, Building C, Suite 100

Houston, Texas
(Address of principal executive offices)

77043
(Zip Code)

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

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

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

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

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

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

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

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

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant at April 25, 2011 was zero. On April 25, 2011 there were a total of 100 shares of common stock outstanding.

EXPLANATORY NOTE

This Amendment No. 1 to the Annual Report on Form 10-K/A (this Amendment No. 1) of Seitel, Inc. (Seitel or the Company) amends the Company's Annual Report on Form 10-K for the year ended December 31, 2010, which was filed with the Securities and Exchange Commission on March 16, 2011 (the Original Filing). The Company is filing this Amendment No. 1 solely to file Part III (Items 10 through 14) information. This Form 10-K/A speaks as of the original filing date of the Form 10-K, does not reflect events which may have occurred since the original filing date, and does not amend or modify any disclosure made in the Form 10-K except to incorporate Part III, Items 10 through 14. This additional disclosure does not revise or alter the Company's financial statements and any forward-looking statements contained in the Form 10-K. As required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the Exchange Act), this Amendment No. 1 contains new certifications by our principal executive officer and principal financial officer and are being filed or furnished as exhibits to this Amendment No. 1.

PART III

Item 10. Directors, Executive Officers and Corporate Governance
Directors and Executive Officers

The following table sets forth the name, age as of April 25, 2011, and position of each person who is currently an executive officer or director of our company.

Name	Age	Position
Robert D. Monson	56	President, Chief Executive Officer and Director
Kevin P. Callaghan	58	Chief Operating Officer, Executive Vice President and Director
Marcia H. Kendrick	50	Chief Financial Officer, Executive Vice President, Secretary and Treasurer
David A. Richard	53	President-Olympic Seismic Ltd.
Randall A. Sides	44	President-Seitel Data, Ltd.
Allison A. Bennington	47	Director
Ryan M. Birtwell	28	Director
Jay H. Golding	65	Director
John E. Jackson	52	Director
Peter H. Kamin	49	Director
Gregory P. Spivy	42	Director

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

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

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

David A. Richard has been President of Olympic Seismic Ltd. since July 2009. From June 2008 to July 2009, he was our Senior Vice President responsible for corporate business development activities in both the United States and Canada. Prior to joining us in June 2008, Mr. Richard was co-founder, President and Chief Executive Officer of FX Energy Ltd, a private junior oil and gas company, from 2005 to 2008. He was President and Chief Executive Officer of Kelman Technologies Inc., an oil and gas technology company which performs seismic data processing and data management services, from 1999 to 2005. In addition, Mr. Richard was Chief Executive Officer of IHS Energy Group, a global energy information and software company, from 1996 to 1999. Mr. Richard was a director of Boyd Exploration Consultants Ltd., a seismic interpretation and field operations consulting company, from June 2006 until September 2010, at which time it was sold.

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

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

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

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

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

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

Gregory P. Spivy has been one of our directors since March 2006. Mr. Spivy is a Partner of ValueAct Capital, having joined in 2004. Mr. Spivy is a director of MDS, Inc. and is a former director of KAR Auction Services, Inc., PRA International and MSC Software Corp. Mr. Spivy's qualifications to serve on our board of directors include his tenure as a director and his advisory of ValueAct Capital's portfolio companies as well as his extensive financial services industry experience.

Board Composition

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

Committees of the Board of Directors

Since the consummation of the February 14, 2007 merger between Seitel Acquisition Corp., Seitel, Inc. and Seitel Holdings, Inc. (the Merger), we have not had a formal compensation committee in place but our compensation decisions have been made by a committee consisting of two members of the Board, Messrs. Kamin and Spivy. This committee is empowered to review and approve the annual compensation and compensation structure of our executive officers and management compensation generally.

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

Section 16(a) Beneficial Ownership Reporting Compliance

Our officers, directors and 10% beneficial owners are not subject to Section 16(a) of the Exchange Act as we did not have a class of equity securities registered pursuant to Section 12 of the Exchange Act during the year ended December 31, 2010.

Code of Ethics

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

Item 11. *Executive Compensation*
Compensation Discussion and Analysis

Overview

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

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

The Committee does not engage in benchmarking or conduct peer group comparisons or studies in approving the compensation of our executive officers. In addition, the Committee did not engage a compensation consultant during 2010 to assist in determining appropriate levels of compensation. Instead, the type and amount of compensation paid to our executive officers is determined based on the extensive industry experience of the members of the Committee, with the goal of setting compensation at levels that are sufficient to attract and retain the most highly qualified executives who will help create shareholder value. In determining appropriate levels of compensation, the Committee may consider overall past compensation and incentives.

The disclosure that follows relates to the compensation of our Chief Executive Officer, our Chief Financial Officer and our three highest compensated executive officers during 2010 other than our Chief Executive Officer and Chief Financial Officer. We refer to these individuals throughout the disclosure as our *named executive officers*.

Risk Assessment

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

Compensation Elements

In connection with the Merger, we entered into new employment agreements with Messrs. Monson and Callaghan. These employment agreements were negotiated to ensure that each executive would be adequately compensated for his day-to-day work for us and our subsidiaries, to provide an opportunity for each executive to invest in Holdings following the Merger, and to provide income security to each executive in the event of certain terminations of employment. Each employment agreement was effective upon the closing date of the Merger (February 14, 2007) and continued for an initial term of two years, subject to automatic extension for additional one year periods. Messrs. Monson's and Callaghan's employment agreements have been extended to February 14, 2012.

Base Salaries

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

During 2010, Messrs. Monson and Callaghan voluntarily agreed to continue a reduction in their base salaries that had begun in May 2009 due to the global economic downturn. Specifically, Messrs. Monson and Callaghan agreed to additional amendments to their employment agreements to continue to reduce their base salaries by 10% through December 31, 2010 and the base salary, as reduced, is reflected in the Summary Compensation Table below. The 2010 base salary reductions for Messrs. Monson and Callaghan are not applied in determining the amount of severance benefits that would be payable in the event that their employment is terminated for certain reasons nor in the calculation of each person's annual bonus. In January 2011, Messrs. Monson and Callaghan's salaries were reinstated to their salaries prior to the 10% reduction of \$630,000 and \$468,000, respectively.

Annual Bonuses

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

Name	Threshold Bonus %	Target Bonus %	Maximum Bonus %
Mr. Monson	0%	100%	158%
Ms. Kendrick	0%	70%	110%
Mr. Callaghan	0%	70%	110%
Mr. Sides	0%	70%	110%
Mr. Richard	0%	70%	110%

For 2010, the Committee determined that the annual bonus for Messrs. Monson, Callaghan and Ms. Kendrick would be based on consolidated cash EBITDA as defined and calculated under the caption Management's Discussion and Analysis of Financial Condition and Results of Operations Non-GAAP Key Performance Financial Measures, Cash EBITDA in our 2010 Annual Report on Form 10-K. In addition, the Committee determined that 50% of Mr. Side's annual bonus would be based on consolidated cash EBITDA and 50% would be based on U.S. cash EBITDA, a component of consolidated cash EBITDA generated by our U.S. operations. The Committee also determined that 50% of Mr. Richard's annual bonus would be based on consolidated cash EBITDA and 50% would be based on Canadian cash EBITDA, a component of consolidated cash EBITDA generated by our Canadian operations. In establishing these performance measures, the Committee determined that consolidated cash EBITDA was an appropriate performance goal because it reflects the level of cash generated by Seitel available for debt service and growing the business.

In determining the financial performance levels under the annual incentive plan, the Committee established a threshold, target and maximum level of performance for each performance goal. Where the level achieved under a financial performance goal falls between the threshold level and target or target and maximum level, the bonus is determined by interpolation. No bonuses are payable with respect to a target if the level of performance attained is at or below the threshold level. The chart below contains the threshold, target and maximum level of performance established by the Committee for 2010 under our annual incentive plan for each performance goal:

Performance Measure	Threshold	Target	Maximum
Consolidated Cash EBITDA	\$ 58,000,000	\$ 65,000,000	\$ 72,000,000
U.S. Cash EBITDA	39,100,000	43,800,000	48,500,000
Canadian Cash EBITDA	18,900,000	21,200,000	23,500,000

The bonuses for fiscal year 2010 were paid in February 2011 in the following amounts:

Name	2010 Bonus
Mr. Monson	\$ 995,400
Ms. Kendrick	324,500
Mr. Callaghan	514,800
Mr. Sides	299,750
Mr. Richard	215,812

Messrs. Monson, Callaghan, Sides and Ms. Kendrick received the maximum bonus payments due to the consolidated cash EBITDA and U.S. cash EBITDA exceeding the maximum performance goals of \$72,000,000 and \$48,500,000, respectively. Mr. Richard received 71% of his maximum bonus payment based on consolidated cash EBITDA exceeding the maximum performance goal and the Canadian cash EBITDA achievement of 96% of the target goal.

Long-Term Incentive Bonuses

We believe that it is in the best interests of the Company and our shareholders for a substantial portion of our executives' compensation to be contingent on the long-term performance of the Company. For this reason, in 2011, we adopted the Long-Term Incentive Plan (LTIP), which was approved by the Board on January 31, 2011. Under the LTIP, our named executive officers, as well as other participants, will be eligible to receive additional cash bonuses from a bonus pool based on the Company's achievement of target levels of cash EBITDA before bonuses related to the LTIP less net cash capital expenditures (Fiscal Year Net Cash) over a three year period. Although the LTIP was formally adopted in 2011, the LTIP and the applicable targets under the LTIP for the 2010 fiscal year were selected in 2010 prior to the formalization of the plan.

The Committee believes that a long-term bonus plan based on Fiscal Year Net Cash would tie the long-term at-risk compensation payable under the LTIP to shareholder value. Additionally, the Committee believes that establishing a three year service requirement maximizes the retention value of such a plan. Thus, a participant must remain employed by the company on the date such bonus is to be paid in order to receive any payment under the LTIP.

The bonus pool for the three year bonus period will equal 15% of the difference between the Company's actual performance for the first year of the bonus period and the target performance goal for such year. The bonus, if any, for a three year bonus period will be earned as to one-third of such bonus for each year that the actual performance exceeds the cumulative target performance goal. For any year in the bonus period in which the Company's cumulative actual performance does not exceed the cumulative target performance goal, the portion of the bonus scheduled to vest for such period will not occur. Bonuses earned under the LTIP will be paid within 60 days following the end of the three year bonus period, provided that the participant remains employed on such date. If a participant in the LTIP is not employed on such date for any reason, the bonus applicable to such individual will be forfeited.

The Fiscal Year Net Cash target under the LTIP for bonus period commencing in 2010 was \$43,084,000. The Company's 2010 actual results substantially exceeded the goal. Thus, the maximum potential bonus for each of the participants was achieved based on this performance. Additionally, because the first year's vesting of the one-third of the bonus pool for the three year period beginning in 2010 exceeded the maximum payout allowed for such bonus period, the entire bonus pool for the three year bonus period commencing 2010 was earned in 2010. Thus, each named executive officer is guaranteed a bonus equal to their target cash bonus with respect to the 2010 year, if such officer is still employed by the Company in 2013 on the date the LTIP bonuses are paid.

The bonuses payable under the LTIP for each named executive officer, contingent upon such participant remaining employed until bonuses are paid in 2013 are as follows:

Name	LTIP Bonus Potentially Payable in 2013
Mr. Monson	\$ 630,000
Ms. Kendrick	206,500
Mr. Callaghan	327,600
Mr. Sides	203,000
Mr. Richard	214,307

A new three year performance period under the LTIP will commence in 2011 and the bonuses, if any, payable based on the Company's performance will occur in 2014. Again, if an individual is not employed on the payment date for any reason, the bonus applicable to such individual will be forfeited.

Equity-Based Compensation

Seitel Holdings, Inc. (Holdings), our parent company, maintains the Holdings Stock Option Plan and the Holdings Restricted Stock Plan for the benefit of our key employees and non-employee directors. In May 2010, Ms. Kendrick was granted 5,250 options which vest 25% on each anniversary date. Other than this issuance, no other new equity-based awards were granted to the named executive officers during 2010. However, in May 2010, the Company cancelled and reissued all of its then outstanding stock options in the order to reduce the exercise price of the options to \$193.13, which was a price in excess of fair market value on the grant date. The vesting conditions and the expiration dates were not changed from the original grant of each option. All of the named executive officers, as well as other members of senior management and non-employee Directors benefited from the re-pricing, which is reflected in the Summary Compensation Table below.

Other Benefits and Perquisites

All employees, including named executive officers, are eligible to participate in our health and welfare benefit programs and to participate in and receive employer matching contributions under our 401(k) plan in the U.S. or the Registered Retirement Savings Plan (RRSP) in Canada.

For 2010, we provided named executive officers with perquisites and other personal benefits that we and the Committee believed to be reasonable and consistent with the goal of enabling us to attract and retain highly qualified employees for key positions. The Committee periodically reviews the levels of perquisites and other personal benefits provided to named executive officers.

Named executive officers were provided with company-paid life insurance. Mr. Sides also received gross-ups for the payment of Canadian taxes since he was a U.S. citizen who resided in Canada through June 30, 2009 when serving as President of Olympic Seismic. Amounts paid in 2010 resulted from the calculation of final amounts due to Mr. Sides once his 2009 tax return was finalized. The Company also paid for the cost of his 2009 tax return preparation due to the complexities involved with his living in Canada and the U.S. in 2009. Mr. Richard also receives certain automobile related allowances.

Attributed costs of the personal benefits described above for the named executive officers for the fiscal year ended December 31, 2010, are included in the Summary Compensation Table below.

Severance Arrangements

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

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

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

IRS Limits on Deductibility

Since the Merger, our equity securities are no longer publicly held. Accordingly, Section 162(m) of the Internal Revenue Code, which limits the deductibility by publicly held corporations of certain compensation in excess of \$1,000,000 paid to certain employees, no longer applies to us and as a result, our compensation program is not structured to comply with it. We expect to be able to fully deduct executive compensation in subsequent reporting periods.

Compensation Committee Report

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

The Board members serving as the compensation committee:

Peter H. Kamin

Gregory P. Spivy

Summary Compensation Table

Name and Principal Position	Year	Salary	Bonus ⁽¹⁾	Stock Awards ⁽²⁾	Option Awards ⁽³⁾	Non-Equity Incentive Plan Compensation ⁽⁴⁾	All Other Compensation ⁽⁵⁾	Total
Robert D. Monson, President and Chief Executive Officer	\$ 2010	\$ 567,000	\$	\$	\$ 496,067	\$ 1,625,400	\$ 12,032	\$ 2,700,499
	2009	588,000					6,052	594,052
	2008	630,000	758,000	164,862		196,793	10,802	1,760,457
Marcia H. Kendrick Chief Financial Officer and Executive Vice President	2010	295,000			313,686	531,000	11,552	1,151,238
	2009	249,408					4,485	253,893
	2008	252,000	178,500	41,280		47,230	8,110	527,120
Kevin P. Callaghan, Chief Operating Officer and Executive Vice President	2010	421,200			165,356	842,400	12,032	1,440,988
	2009	436,800					6,532	443,332
	2008	468,000	444,000	88,752		102,333	10,802	1,113,887
Randall A. Sides, President Seitel Data, Ltd. ⁽⁶⁾	2010	272,500			66,148	502,750	64,160	905,558
	2009	231,009					90,606	321,615
	2008	233,267	137,000	49,536		155,602	56,530	631,935
David A. Richard, President Olympic Seismic ^{(7) (8)}	2010	274,881			55,186	430,119	18,531	778,717

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

⁽²⁾ These amounts represent the grant date fair value of restricted stock units granted by Holdings during 2008, as determined in accordance with Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 718, Stock Compensation . The fair value was measured using a weighted calculation of two valuation techniques (price to net asset value adjustment method and an option hedging strategy).

⁽³⁾ These amounts represent the grant date fair value of stock options granted by Holdings during 2010 (for Ms. Kendrick only) and the incremental compensation cost associated with the May 2010 stock option re-pricing, as determined in accordance with ASC Topic 718. The grant date fair value and the incremental compensation cost of the options were estimated using the Black-Scholes option pricing model. For a discussion of valuation assumptions, see Note I Stock-Based Compensation in the Notes to the Consolidated Financial Statements in our 2010 Annual Report on Form 10-K.

⁽⁴⁾ Represents the performance-based cash bonus paid pursuant to the annual incentive plan and, in 2010, the long-term incentive bonuses earned. As discussed previously, the entire long-term incentive bonus amounts were earned in 2010, subject only to the named executive officers' continued employment until such payments are to be made in 2013.

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

⁽⁶⁾ Mr. Sides resided in Calgary for the entire year of 2008 and the first six months of 2009. His compensation denominated in Canadian dollars was converted to U.S. dollars based on an average of the month-end exchange rates during the twelve months of 2008 (for 2008 calculations) and the first six months of 2009 (for 2009 calculations).

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

⁽⁸⁾ Mr. Richard's salary, performance-based cash bonus pursuant to the annual incentive plan and all other compensation denominated in Canadian dollars was converted to U.S. dollars based on an average of the month-end exchange rates during the twelve months of 2010. Option awards are in U.S. dollars and required no conversion. Mr. Richard's long-term incentive bonus denominated in Canadian dollars was converted to U.S. dollars based on the year-end 2010 exchange rate.

Details of All Other Compensation

Name	Life Insurance Premiums ⁽¹⁾	Automobile Related Allowances	Gross-up for Payment of Taxes	Tax Preparation Fees	401(k) or RRSP Matching Contributions
Robert D. Monson	\$ 1,032	\$	\$	\$	\$ 11,000
Marcia H. Kendrick	552				11,000
Kevin P. Callaghan	1,032				11,000
Randall A. Sides	240		53,000	2,670	8,250
David A. Richard		11,281			7,250

- ⁽¹⁾ Messrs. Monson, Callaghan and Sides and Ms. Kendrick were entitled to life insurance coverage which, when combined with the \$50,000 of coverage the Company provided to all U.S. employees, equals \$250,000. Accordingly, Messrs. Monson, Callaghan and Sides and Ms. Kendrick have \$200,000 in supplemental life insurance protection. Mr. Richard, as well as all of the Company's Canadian employees were entitled to life insurance coverage equal to 3 times annual salary to a maximum of \$200,000 (Canadian).

Grants of Plan-Based Awards Table

The following table represents the threshold, target and maximum bonus award that each named executive officer was eligible to earn in 2010 under the annual incentive plan and long-term incentive plan and grants and re-pricing of stock options during 2010 to the named executive officers under the Holdings Stock Option Plan.

Name	Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards ⁽¹⁾			All Other Option Awards; Number of Securities Underlying Options	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)
		Threshold	Target	Maximum			
Robert D. Monson		\$	\$ 630,000	\$ 995,400 ⁽²⁾		\$	\$
	05/03/2010 ⁽⁴⁾		630,000	630,000 ⁽³⁾	32,787	193.13	496,067
Marcia H. Kendrick			206,500	324,500 ⁽²⁾			
			206,500	206,500 ⁽³⁾			
	05/03/2010 ⁽⁴⁾				4,372	193.13	66,148
	05/03/2010 ⁽⁵⁾				5,250	193.13	247,538
Kevin P. Callaghan			327,600	514,800 ⁽²⁾			
			327,600	327,600 ⁽³⁾			
	05/03/2010 ⁽⁴⁾				10,929	193.13	165,356
Randall A. Sides			190,750	299,750 ⁽²⁾			
			203,000	203,000 ⁽³⁾			
	05/03/2010 ⁽⁴⁾				4,372	193.13	66,148
David A. Richard ⁽⁶⁾			192,418	302,372 ⁽²⁾			
			214,307	214,307 ⁽³⁾			
	05/03/2010 ⁽⁴⁾				3,279	193.13	55,186

⁽¹⁾ The threshold, target and maximum amounts in these columns have been provided in accordance with Item 402(d) of Regulation S-K of the Exchange Act and show the range of payouts targeted for fiscal 2010 performance as discussed in further detail in the Compensation Discussion and Analysis.

⁽²⁾ Represents the range of payouts under the annual incentive plan. Based on achievement of the annual performance targets, as discussed in further detail in the Compensation Discussion and Analysis, Messrs. Monson, Callaghan and Sides and Ms. Kendrick received annual bonuses at the maximum level and Mr. Richard received a bonus at a point between the target and maximum, or \$215,812. These amounts are reflected in the Summary Compensation Table in the column entitled Non-Equity Incentive Plan Compensation.

⁽³⁾ Represents the range of payouts under the LTIP. Payments under this plan related to 2010 performance are expected to be made in February 2013 and are contingent upon the executive remaining employed with the Company until the payment date.

⁽⁴⁾ Reflects the number of stock options that were cancelled and reissued in May 2010 in order to reduce the exercise price to \$193.13. The vesting conditions and the expiration dates were not changed from the original grant of each option.

⁽⁵⁾ Reflects the number of stock options granted in 2010 to Ms. Kendrick. These options vest and become exercisable ratably over four years.

⁽⁶⁾ Mr. Richard's range of payouts under the annual incentive plan was converted to U.S. dollars based on an average of the month-end exchange rates during the twelve months of 2010. Mr. Richard's range of payouts under the LTIP was converted to U.S. dollars based on the year-end 2010 exchange rate.

Outstanding Equity Awards at Fiscal Year End

The following table summarizes certain information regarding option awards outstanding as of December 31, 2010 for each of the named executive officers.

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price	Option Expiration Date
Robert D. Monson	24,590	8,197 ⁽¹⁾	\$ 193.13	02/15/2017
Marcia H. Kendrick	3,279	1,093 ⁽¹⁾	193.13	02/15/2017
Marcia H. Kendrick		5,250 ⁽²⁾	193.13	05/03/2020
Kevin P. Callaghan	8,196	2,733 ⁽¹⁾	193.13	02/15/2017
Randall A. Sides	3,279	1,093 ⁽¹⁾	193.13	02/15/2017
David A. Richard	1,639	1,640 ⁽³⁾	193.13	06/30/2018

⁽¹⁾ The unexercisable options will vest and become exercisable on February 15, 2011.

⁽²⁾ Represents stock options granted May 3, 2010 that vest in four equal increments on May 3, 2011; May 3, 2012; May 3, 2013 and May 3, 2014.

⁽³⁾ The unexercisable options will vest in two equal increments: one half of the unvested options will vest and become exercisable on June 30, 2011 and the remaining one half of the unvested options will vest and become exercisable on June 30, 2012.

Option Exercises and Stock Vested

None of the named executive officers exercised options or had stock awards vest during 2010.

Non-Qualified Deferred Compensation

Name	Non-Qualified Deferred Compensation Registrant Contributions In Last FY	Aggregate Earnings in Last FY	Aggregate Balance at Last FYE ⁽¹⁾
Robert D. Monson	\$	\$ 22,058	\$ 88,936
Marcia H. Kendrick		5,523	22,269
Kevin P. Callaghan		11,875	47,878
Randall A. Sides		6,628	26,723

⁽¹⁾ All amounts reported in this column were previously included in the Summary Compensation Table in 2008.

Holdings maintains the Holdings Restricted Stock Plan, pursuant to which it is authorized to grant restricted stock units to certain eligible individuals. In 2008, each of the named executive officers was granted a certain number of restricted stock units under the Holdings Restricted Stock Plan except for Mr. Richard whose employment with the Company began after the restricted stock issuance. The value of those restricted stock units as of December 31, 2010, as well as the change in value of those restricted stock units during 2010, is set forth in the table above.

A restricted stock unit is not an actual share of Holdings' common stock, and thus does not confer any shareholder rights on its holder. Rather, a restricted stock unit represents the right to receive one share of Holdings' common stock on the settlement date, which is generally the earlier of a termination of employment, death, disability or a change in control. Following a grantee's termination of employment, all shares of Holdings' common stock received in settlement of restricted stock units are subject to Holdings' repurchase right. Until restricted stock units are settled, they are credited to a book-keeping account and track the value of Holdings' common stock. In addition, each time a dividend is declared on Holdings' common stock, the Committee may credit each outstanding restricted stock unit with dividend equivalents that are deemed to be reinvested in restricted stock units. As of December 31, 2010, Messrs. Monson, Callaghan and Sides and Ms. Kendrick were credited with 639, 344, 192 and 160 restricted stock units, respectively.

For purposes of the restricted stock units, a change in control generally means (i) the acquisition by any person or group of more than 50% of the voting power of Holdings, (ii) a sale of more than 40% of Holdings' assets during any period of 12 consecutive months or (iii) a change in the composition of a majority of the Board during any period of 12 consecutive months.

Potential Payments upon Termination of Employment or Change in Control

Effective upon the consummation of the Merger, we entered into new employment agreements with Messrs. Monson and Callaghan. These employment agreements provide for certain payments upon termination of employment as described below. In addition, each of our named executive officers is entitled to receive payment of his or her restricted stock units upon a termination of employment, death, disability or a change in control, and is entitled to receive accelerated vesting of his or her stock options upon certain terminations of employment and upon a change in control. The amount that each named executive officer would have received with respect to his or her restricted stock units in the event of a termination of employment, death, disability or change in control, in any case, on December 31, 2010, is set forth in the Aggregate Balance at Last FYE column in the Non-Qualified Deferred Compensation Table above. Because the exercise price of each stock option to purchase Holdings' common stock held by the named executive officers on December 31, 2010 exceeded the value of Holdings' common stock on that date, the named executive officers would not have received any value in connection with the exercise of such options on such date.

Robert D. Monson

On January 30, 2007, the Company entered into a new employment agreement with Mr. Monson that was conditioned upon the consummation of the Merger. The agreement provides for Mr. Monson to continue as our President and Chief Executive Officer for an initial term of two years with a mechanism providing automatic one-year extensions. The agreement provides an initial annual base salary of \$600,000, subject to increase by the Board or the Committee, and an annual cash bonus of up to 158% of his base salary under the Company's annual incentive plan. However, as the result of his 10% voluntary salary reduction, Mr. Monson's base salary in 2010 was \$567,000. Effective January 1, 2011, Mr. Monson's salary was reinstated to his salary prior to the voluntary reduction of \$630,000. Under the agreement, Mr. Monson received options to purchase 3% of the outstanding Holdings common stock. The options vest 25% annually.

Upon a termination without cause or a resignation by Mr. Monson with or without good reason following a change in control, Mr. Monson would be entitled to receive three times his base salary and target bonus payable in a lump sum, all of his equity awards would immediately vest and he and his eligible dependents would continue to participate in group medical and dental plans for twelve months. Upon a termination without cause, or resignation by Mr. Monson for good reason prior to a change in control, he would receive two times his base salary plus target bonus payable in a lump sum, all of his equity awards would immediately vest and he and his eligible dependents would continue to participate in group medical and dental plans for twelve months. Upon a termination of Mr. Monson's employment for disability, he would be entitled to receive his base salary and annual bonus through the earlier of the end of the term of his employment agreement or one year, reduced by disability insurance payments, if any, received by him. Mr. Monson is also subject to non-competition and non-solicitation covenants for one year after termination.

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

Cause is generally defined in Mr. Monson's employment agreement as Mr. Monson's (i) willful misconduct or gross negligence, (ii) breach of the employment agreement, (iii) failure to perform his duties, (iv) material violation of the Company's Code of Business Conduct or other policies or procedures, (v) conviction of a felony or (vi) misconduct that injures the Company.

A change in control is generally defined in Mr. Monson's employment agreement as (i) the acquisition by any person or entity of more than 50% of the voting stock of the Company, (ii) a change in the composition of a majority of the Board during any period of two consecutive years, (iii) a sale of all or substantially all of the Company's assets, (iv) a merger or consolidation of the Company or (v) the Company or its shareholders approve a plan of liquidation or dissolution.

Disability is generally defined in Mr. Monson's employment agreement as Mr. Monson's inability to substantially perform his duties for a period of 90 days during any 12 month period.

Good reason is generally defined in Mr. Monson's employment agreement as any of the following actions without Mr. Monson's consent: (i) a material diminution in his title or duties, (ii) a reduction in his base salary, (iii) a change in his reporting structure, (iv) the relocation of his principal place of employment to a location that is more than 50 miles from his principal place of employment as of the date of the Merger or (v) the failure of the Company to extend his employment agreement.

Kevin P. Callaghan

On January 30, 2007, the Company entered into a new employment agreement with Mr. Callaghan that was conditioned upon the consummation of the Merger. The agreement provides for Mr. Callaghan to continue as our Chief Operating Officer for an initial term of two years with a mechanism providing automatic one-year extensions. The agreement provides an initial annual base salary of \$446,000, subject to increase by the Board or the Committee, and an annual cash bonus of up to 110% of his base salary under the Company's annual incentive plan. However, as the result of his 10% voluntary salary reduction, Mr. Callaghan's base salary in 2010 was \$421,200. Effective January 1, 2011, Mr. Callaghan's salary was reinstated to his salary prior to the voluntary reduction of \$468,000. Under the agreement, Mr. Callaghan received options to purchase 1% of the outstanding Holdings common stock. The options vest 25% annually.

Upon a termination without cause or a resignation by Mr. Callaghan for good reason before a change in control and upon a termination without cause or a resignation by Mr. Callaghan with or without good reason following a change in control, Mr. Callaghan would be entitled to receive two times his base salary payable in a lump sum, all of his equity awards would immediately vest and he and his eligible dependents would continue to participate in group medical and dental plans for twelve months. Upon a termination of Mr. Callaghan's employment for disability, he would be entitled to receive his base salary and annual bonus through the earlier of the end of the term of his employment agreement or one year, reduced by disability insurance payments, if any, received by him. Mr. Callaghan is also subject to non-competition and non-solicitation covenants for one year after termination.

The terms cause, change in control, disability and good reason generally have the same meanings in Mr. Callaghan's employment agreement as they do in Mr. Monson's employment agreement, as described above.

The following table sets forth the cash and in-kind payments and benefits to which Messrs. Monson and Callaghan would be entitled under their employment agreements if their employment was terminated for the reasons set forth in the table as of December 31, 2010 (the amount of the equity-based payments Messrs. Monson and Callaghan, as well as the other named executive officers, would be entitled to receive upon certain terminations of employment and a change in control are described above in this section):

Mr. Monson	Severance ⁽¹⁾	Medical and Dental Benefits ⁽²⁾	Supplemental Life Insurance Benefits ⁽³⁾	Total
Termination without Cause or for Good Reason, in either case, prior to a Change in Control	\$ 2,520,000	\$ 12,093	\$	\$ 2,532,093
Termination without Cause or with or without Good Reason, in either case, following a change in Control	3,780,000	12,093		3,792,093
Death			200,000	200,000
Disability	630,000 ⁽⁴⁾			630,000

Mr. Callaghan	Severance ⁽¹⁾	Medical and Dental Benefits ⁽²⁾	Supplemental Life Insurance Benefits ⁽³⁾	Total
Termination without Cause or for Good Reason, in either case, prior to a Change in Control; termination without Cause or with or without Good Reason, in either case, following a Change in Control	\$ 936,000	\$ 12,093	\$ 200,000	\$ 948,093
Death			200,000	200,000
Disability	468,000 ⁽⁴⁾			468,000

- (1) For purposes of calculating the cash severance payments due upon termination, we have used the named executive officer's 2009 base salary before voluntary reduction, as required by the employment agreements.
- (2) For purposes of calculating the value of medical and dental benefits that may be received upon termination of employment, we have provided the Company's cost of the coverage elected by the named executive officer as of December 31, 2010, less the employee's required contribution for such coverage.
- (3) Represents supplemental life insurance benefits not made available to U.S. employees.
- (4) For purposes of calculating the payments due upon termination for reason of disability, we have provided the named executive officer's base salary as per footnote (1) above. The actual amount to be paid would be determined based on his base salary and cash bonus that would have been payable through one year from the termination date reduced by disability insurance payments, if any.

Director Compensation

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

From January 1, 2010 to September 30, 2010, non-employee members of the Board received an annual cash retainer of \$25,000 per year. Effective October 1, 2010, the annual cash retainer for each member was increased to \$75,000. The annual cash retainer is paid quarterly in arrears. No additional compensation is paid for serving as a chair or on any additional committees. ValueAct Capital representatives continue to receive no compensation for serving on the Board.

Director Compensation Table

In 2010, we provided the following compensation to directors who were not employees:

Name	Fees Earned or Paid in Cash	Option Awards (\$) ⁽¹⁾	Total
Jay H. Golding	\$ 37,500	\$ 76,558	\$ 114,058
John E. Jackson	37,500	9,827	47,327

- (1) Represents the incremental compensation cost associated with the May 2010 stock option re-pricing, as determined in accordance with ASC Topic 718.

The table below sets forth the grant date, expiration date, number of shares and exercise price for outstanding options held by directors as of December 31, 2010.

Director Compensation Outstanding Options

Name	Date of Grant	Number of Options Outstanding	Exercise Price (\$)	Expiration Date
Jay H. Golding	4/24/2007	641	\$ 193.13	4/24/2017
Jay H. Golding	6/30/2008	3,970 ⁽¹⁾	193.13	6/30/2018
John E. Jackson	8/01/2007	641	193.13	8/01/2017

⁽¹⁾ Effective May 2010, the Company cancelled 5,250 of Mr. Golding's 9,220 stock options. They were initially issued as compensation for his role as Vice Chairman of the Board. In 2010, Mr. Golding and the Company agreed that he was no longer to work in that capacity.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters
Equity Compensation Plans

The table below provides information relating to Holdings' equity compensation plans as of December 31, 2010.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under compensation plans (excluding securities reflected in first column)
Equity compensation approved by security holders	93,357	\$ 193.13	35,518 ⁽¹⁾
Equity compensation not approved by security holders			
Total	93,357	\$ 193.13	35,518⁽¹⁾

⁽¹⁾ Of these securities, 12,859 could be issued as stock options under the Holdings Stock Option Plan and 22,659 could be issued as restricted stock or restricted stock units under the Holdings Restricted Stock Plan.

Equity compensation plans approved by Holdings' stockholders include the Holdings Stock Option Plan and the Holdings Restricted Stock Plan. During 2010, we granted 5,250 non-qualified stock options with an exercise price of \$193.13 per share under the Holdings Stock Option Plan. The options vest 25 percent on each of the first, second, third and fourth anniversaries of the grant date. The options will expire ten years from the grant date.

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

Security Ownership of Certain Beneficial Owners and Management

We are a wholly-owned subsidiary of Holdings and all of the capital stock of Holdings is owned by an investor group that includes ValueAct Capital, our management investors, our outside directors and certain former management and director. The following table sets forth certain information regarding the beneficial ownership as of April 25, 2011 by (i) each person or entity who owns more than 5% of the outstanding securities of Holdings, (ii) each member of the Board and each of our named executive officers and (iii) all members of the Board and all of our executive officers as a group. To our knowledge, each of such stockholders has sole voting and investment power as to the stock shown unless otherwise noted. Beneficial ownership of the securities listed in the table has been determined in accordance with the applicable rules and regulation promulgated under the Exchange Act.

	Shares	Options ⁽¹⁾	Total	Percentage ⁽²⁾
Greater than 5% Stockholders:				
ValueAct Capital Master Fund, L.P.	995,430 ⁽³⁾		995,430	99.5%
Named Executive Officers and Directors:				
Robert D. Monson	1,115	32,787	33,902	3.3%
Kevin P. Callaghan	672	10,929	11,601	1.1%
Marcia H. Kendrick	184	5,684	5,868	*
Randall A. Sides	176	4,372	4,548	*
Jay H. Golding	641 ⁽⁴⁾	2,626	3,267	*
David A. Richard		1,639	1,639	*
John E. Jackson	513	480	993	*
Allison A. Bennington				
Ryan M. Birtwell				
Peter H. Kamin				
Gregory P. Spivy				
All executive officers and directors as a group (11 persons)	3,301	58,517	61,818	5.84% ⁽⁵⁾

* Indicates less than 1%.

(1) Pursuant to Rule 13d-3 under the Exchange Act, a person has beneficial ownership of any securities as to which such person, directly or indirectly, through any contract, arrangement, undertaking, relationship or otherwise has or shares voting power and/or investment power and as to which such person has the right to acquire such voting and/or investment power within 60 days of April 25, 2011.

(2) Based on 1,000,616 outstanding shares of Holdings as of April 25, 2011.

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

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

(5) Includes options to purchase an aggregate of 58,517 shares of common stock that are currently exercisable or exercisable within 60 days of April 25, 2011.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The Company has several written policies applicable to the review and approval of related party transactions. Pursuant to the Company's Audit Committee Charter, the Audit Committee reviews reports and disclosures of insider and affiliated party transactions. The Company's Code of Ethics and Business Conduct provides that no officer, director or employee of the Company or a family member of such officer, director or employee shall personally benefit, directly or indirectly, or derive any other personal gain from any business transaction or activity of the Company, except when the transaction or activity has been fully disclosed to and approved in writing by the Audit Committee.

Director Independence

Applying the New York Stock Exchange's independence standard in Section 303A of the Listed Company Manual, Messrs. Jackson and Golding each met the applicable independence standard. When making an independence determination, the board of directors endeavors to consider all relevant facts and circumstances.

Securities Holders Agreement

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

Governance Provisions

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

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

Approved Sale

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

Call and Put Options

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

consisting of common stock or other shares of capital stock of Holdings held by such management investor will be subject to repurchase by ValueAct Capital, at the option of such holder (which option may only be exercised with respect to all such securities held by the holder), pursuant to certain terms and conditions set forth in the Securities Holders Agreement.

Tag-along rights

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

Corporate Opportunity

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

Transfer Restrictions

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

Registration Rights Agreement

In connection with the Merger, Holdings, ValueAct Capital and each of the management investors entered into a Registration Rights Agreement, which became effective upon consummation of the Merger. Pursuant to the Registration Rights Agreement, if at any time after an initial public offering of Holdings common stock, Holdings proposes to register any offer or sale of the common stock of Holdings under the Securities Act (subject to certain exceptions), Holdings shall give at least 30 days prior written notice to all holders of registrable securities. Upon written request by holders within 20 days of such notice, Holdings shall use its best efforts to effect the registration under the Securities Act of the offer and sale of all registrable securities which Holdings has been so requested to register by such security holders, to the extent required to permit the public distribution of such registrable securities subject to such requests; provided, however, that (i) if, any time after giving written notice of its intention to register the offer and sale of shares of common stock and prior to the effective date of the registration statement filed in connection with such registration, Holdings shall determine for any reason not to register the common stock of Holdings, Holdings shall give written notice of such determination to each holder of registrable securities and, thereupon, shall be relieved of its obligation to register any offer and sale of registrable securities in connection with such registration; (ii) if a registration undertaken shall involve an underwritten offering, any holder of registrable securities requesting to be included in such registration may elect, in writing at least 20 days prior to the effective date of the registration statement filed in connection with such registration, not to register the offer and sale of such holder's registrable securities in connection with such registration; and (iii) if, at any time after a period of 180 days or a shorter period as specified in the Registration Rights Agreement, the sale of the securities has not been completed, Holdings may withdraw from the registration on a pro rata basis (based on the number of registrable securities requested by each holder of registrable securities to be subject to such registration) of the offer and sale of the registrable securities of which Holdings has been requested to register and which have not been sold.

Exchange Agreement

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

Employment Agreements

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

Advisory Agreement

In anticipation of the consummation of the Merger, Acquisition Corp. entered into an Advisory Agreement on January 30, 2007 with Holdings and ValueAct Capital, pursuant to which ValueAct Capital and Holdings may provide financial, advisory and consulting services to us following the consummation of the Merger. Following the consummation of the Merger, we, as the surviving corporation, succeeded to all liabilities and obligations of Acquisition Corp., including under the Advisory Agreement. There are no minimum levels of service required to be provided pursuant to the Advisory Agreement. The services that may be provided include executive and management services, support and analysis of financing alternatives and assistance with various finance functions. In exchange for these services, Holdings and ValueAct Capital will be reimbursed for all of their reasonable out-of-pocket expenses, including their expenses related to the Merger and related transactions. Neither Holdings nor ValueAct Capital is liable for any losses, liabilities or damages under the Advisory Agreement unless resulting from their gross negligence, willful misconduct or bad faith.

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

Other Related Party Transactions

Holdings does not maintain a cash account. Consequently, we make payments, as needed, on Holdings' behalf for corporate expenditures such as taxes and share repurchases for employees that have left our employment and who held equity instruments in Holdings. In 2010 and 2009, we made payments of approximately \$9,000 and \$11,000, respectively on behalf of Holdings. The balance due from Holdings as of December 31, 2010 and 2009 was \$156,000 and \$147,000, respectively.

On December 22, 2009, we entered into a secured credit agreement with ValueAct Capital Management, L.P., an affiliate of ValueAct Capital, which provided us the ability to borrow up to \$9.9 million until December 31, 2010. No borrowings were made on this facility; therefore, under its terms, the facility expired on December 31, 2010.

We received \$40,000 and \$107,000 in 2010 and 2009, respectively, in tax distribution payments from Wandoo. Additionally, Wandoo reimbursed the Company in 2010 for \$133,000 in geophysical consulting services previously paid to Wandoo's president in 2005 and 2006.

Item 14. *Principal Accountant Fees and Services*

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

The following table presents fees and expenses billed by BKD for the fiscal years ended December 31, 2010 and 2009, all of which were preapproved by the Audit Committee in compliance with its policy.

	2010	2009
Audit Fees ⁽¹⁾	\$ 437,038	\$ 394,865
Audit-Related Fees		
Tax Fees		
All Other Fees		
Total	\$ 437,038	\$ 394,865

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

Part IV

Item 15. Exhibits and Financial Statement Schedules

(a) Documents filed as part of this Report.

(1) Exhibits:

- 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.

* Filed herewith.

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

SIGNATURES

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

SEITEL, INC.

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

Date: April 27, 2011

EXHIBIT

INDEX

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