

SEITEL INC
Form 10-Q
August 13, 2009
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2009

OR

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

Commission File Number: 333-144844

SEITEL, INC.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of

incorporation or organization)

10811 S. Westview Circle Drive

Building C, Suite 100

Houston, Texas
(Address of principal executive offices)

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

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

77043
(Zip Code)

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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the 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 Exchange Act). Yes No

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 No

As of August 10, 2009, there were 100 shares of the Company's common stock outstanding, par value \$.001 per share.

Table of Contents**INDEX**

	Page
PART I. <u>FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements</u>	3
<u>Condensed Consolidated Balance Sheets (Unaudited)</u>	3
<u>Condensed Consolidated Statements of Operations (Unaudited)</u>	4
<u>Condensed Consolidated Statements of Comprehensive Loss (Unaudited)</u>	6
<u>Condensed Consolidated Statement of Stockholder s Equity (Unaudited)</u>	7
<u>Condensed Consolidated Statements of Cash Flows (Unaudited)</u>	8
<u>Notes to Condensed Consolidated Interim Financial Statements (Unaudited)</u>	9
Item 2. <u>Management s Discussion and Analysis of Financial Condition and Results of Operations</u>	25
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	33
Item 4T. <u>Controls and Procedures</u>	34
PART II. <u>OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	35
Item 6. <u>Exhibits</u>	35
<u>Signatures</u>	36

Table of Contents**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) June 30, 2009	December 31, 2008
ASSETS		
Cash and cash equivalents	\$ 28,723	\$ 42,678
Receivables		
Trade, net of allowance for doubtful accounts of \$1,092 and \$845, respectively	32,337	60,779
Notes and other, net of allowance for doubtful accounts of \$225	232	152
Net seismic data library, net of accumulated amortization of \$363,719 and \$287,153, respectively	245,252	279,257
Net property and equipment, net of accumulated depreciation and amortization of \$5,813 and \$4,611, respectively	7,419	8,344
Investment in marketable securities	1,925	1,317
Prepaid expenses, deferred charges and other	14,852	20,033
Intangible assets, net of accumulated amortization of \$13,704 and \$10,633, respectively	39,816	41,859
Goodwill	193,545	189,187
Deferred income taxes	210	219
TOTAL ASSETS	\$ 564,311	\$ 643,825
LIABILITIES AND STOCKHOLDER'S EQUITY		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 35,745	\$ 46,290
Income taxes payable	90	255
Debt		
Senior Notes	402,201	402,247
Notes payable	233	256
Obligations under capital leases	3,096	2,996
Deferred revenue	41,855	67,727
Deferred income taxes	6,045	8,269
TOTAL LIABILITIES	489,265	528,040
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDER'S EQUITY		
Common stock, par value \$.001 per share; 100 shares authorized, issued and outstanding at June 30, 2009 and December 31, 2008		
Additional paid-in capital	273,576	271,297
Retained deficit	(201,718)	(151,187)
Accumulated other comprehensive income (loss)	3,188	(4,325)
TOTAL STOCKHOLDER'S EQUITY	75,046	115,785

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TOTAL LIABILITIES AND STOCKHOLDER S EQUITY	\$ 564,311	\$ 643,825
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The accompanying notes are an integral part of these condensed consolidated financial statements.

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

	Three Months Ended June 30,	
	2009	2008
REVENUE	\$ 22,446	\$ 44,719
EXPENSES:		
Depreciation and amortization	36,072	44,259
Cost of sales	93	165
Selling, general and administrative	6,424	9,813
	42,589	54,237
LOSS FROM OPERATIONS	(20,143)	(9,518)
Interest expense, net	(10,169)	(10,179)
Foreign currency exchange gains	609	133
Other income	43	39
Loss before income taxes	(29,660)	(19,525)
Provision (benefit) for income taxes	(1,621)	884
NET LOSS	\$ (28,039)	\$ (20,409)

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

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

	Six Months Ended June 30,	
	2009	2008
REVENUE	\$ 57,168	\$ 92,101
EXPENSES:		
Depreciation and amortization	75,246	89,114
Cost of sales	107	279
Selling, general and administrative	14,684	20,248
Merger		357
	90,037	109,998
LOSS FROM OPERATIONS	(32,869)	(17,897)
Interest expense, net	(20,285)	(20,074)
Foreign currency exchange gains (losses)	366	(713)
Other income	74	39
Loss before income taxes	(52,714)	(38,645)
Provision (benefit) for income taxes	(2,183)	190
NET LOSS	\$ (50,531)	\$ (38,835)

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net loss	\$ (28,039)	\$ (20,409)	\$ (50,531)	\$ (38,835)
Unrealized gains (losses) on securities held as available for sale, net of tax	491	(311)	608	385
Foreign currency translation adjustments	11,240	1,598	6,905	(5,851)
Comprehensive loss	\$ (16,308)	\$ (19,122)	\$ (43,018)	\$ (44,301)

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

Table of Contents**SEITEL, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY (Unaudited)***(In thousands, except share amounts)*

	Common Stock				Accumulated Other Comprehensive Income (Loss)
	Shares	Amount	Additional Paid-In Capital	Retained Deficit	
Balance, December 31, 2008	100	\$	\$ 271,297	\$ (151,187)	\$ (4,325)
Amortization of stock-based compensation costs			2,279		
Net loss				(50,531)	
Foreign currency translation adjustments					6,905
Unrealized gain on marketable securities, net of tax					608
Balance, June 30, 2009	100	\$	\$ 273,576	\$ (201,718)	\$ 3,188

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

Table of Contents**SEITEL, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)***(In thousands)*

	Six Months Ended June 30,	
	2009	2008
Cash flows from operating activities:		
Reconciliation of net loss to net cash provided by operating activities:		
Net loss	\$ (50,531)	\$ (38,835)
Depreciation and amortization	75,246	89,114
Deferred income tax benefit	(2,419)	(1,553)
Amortization of deferred financing costs	878	795
Amortization of debt premium	(46)	(42)
Amortization of stock-based compensation	2,279	2,775
Amortization of favorable facility lease	119	142
Allowance for collection of trade receivables	252	46
Reversal of allowance for notes receivable		(54)
Non-cash compensation expense		604
Non-cash other income		(24)
Non-cash revenue	(4,725)	(8,359)
Loss on sale of subsidiary	19	
Decrease in receivables	28,608	9,000
Decrease (increase) in other assets	997	(231)
Decrease in deferred revenue	(21,068)	(6,318)
Increase (decrease) in accounts payable and other liabilities	(7,306)	231
Net cash provided by operating activities	22,303	47,291
Cash flows from investing activities:		
Cash invested in seismic data	(35,648)	(49,087)
Cash paid to acquire property and equipment and other	(243)	(503)
Advances to Seitel Holdings, Inc.	(7)	(14)
Cash transferred upon sale of subsidiary	(22)	
Cash from disposal of property and equipment	14	
Increase in restricted cash		(1)
Net cash used in investing activities	(35,906)	(49,605)
Cash flows from financing activities:		
Principal payments on notes payable	(23)	(21)
Principal payments on capital lease obligations	(58)	(66)
Borrowings on line of credit	196	286
Payments on line of credit	(196)	(286)
Net cash used in financing activities	(81)	(87)
Effect of exchange rate changes	(271)	388
Net decrease in cash and equivalents	(13,955)	(2,013)
Cash and cash equivalents at beginning of period	42,678	43,333

