SEITEL INC
Form 10-K
February 19, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2015

OR

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

For the transition period from __________ to __________

Commission File Number: 001-10165

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

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

(Registrant's telephone number, including area code) (713) 881-8900
Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act: None

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ¨ No ý

(Explanatory Note: The registrant is a voluntary filer and is therefore not subject to the filing requirements of the Securities Exchange Act of 1934. However, during the preceding 12 months, the registrant has filed all reports that it would have been required to file by Section 13 or 15(d) of the Securities Exchange Act of 1934 if the registrant was subject to the filing requirements of the Securities Exchange Act of 1934 during such timeframe.)

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required

to submit and post such files).
Yes ý No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 ý 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 ý
The equity interests in the registrant are not held publicly. On February 16, 2016, there were a total of 100 shares of common stock, par value $0.001 per share, outstanding.

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION

This Annual Report on Form 10-K (this "Annual Report") contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Statements contained in this report about our future outlook, prospects, strategies and plans, and about industry conditions, demand for seismic services and the future economic life of our seismic data are forward-looking, among others. All statements that express belief, expectation, estimates or intentions, as well as those that are not statements of historical fact, are forward-looking. The words "believe," "expect," "anticipate," "estimate," "project," "propose," "plan," "target," "foresee," "should," "intend," "may," "will," "would, and similar expressions are intended to identify forward-looking statements. Forward-looking statements represent our present belief and are based on our current expectations and assumptions with respect to future events and their potential effect on us. While we believe our expectations and assumptions are reasonable, they involve risks and uncertainties beyond our control that could cause the actual results or outcome to differ materially from the expected results or outcome reflected in our forward-looking statements. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Annual Report may not occur. Such risks and uncertainties include, without limitation, actual customer demand for our seismic data and related services, the timing and extent of changes in commodity prices for natural gas, crude oil and condensate and natural gas liquids, conditions in the capital markets during the periods covered by the forward-looking statements, the effect of economic conditions, our ability to obtain financing on satisfactory terms if internally generated cash flow and available borrowings under our revolving credit facility are insufficient to fund our capital needs, the impact on our financial condition as a result of our debt and our debt service, our ability to obtain and maintain normal terms with our vendors and service providers, our ability to maintain contracts that are critical to our operations, changes in the oil and gas industry or the economy generally and changes in the capital expenditure budgets of our customers. Also note that we provide a cautionary discussion of risks and uncertainties under the captions "Item 1A. Risk Factors," "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Annual Report.

The forward-looking statements contained in this report speak only as of the date hereof and readers are cautioned not to place undue reliance on such forward-looking statements. Except as required by federal and state securities laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or any other reason. All forward-looking statements attributable to Seitel, Inc. or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements contained or referred to herein, in this Annual Report and in our future periodic reports and registration statements filed with the Securities and Exchange Commission ("SEC").

PART I

Item 1. Business

General

We are a leading provider of onshore seismic data to the oil and gas industry in North America. We own an extensive library of onshore and offshore geological data that we have accumulated since our inception in 1982. We believe our data library is one of the largest onshore three-dimensional ("3D") databases available for licensing in North America and includes leading positions in oil, liquids-rich and natural gas unconventional plays as well as conventional areas. As of February 2016, we own approximately 43,500 square miles of onshore 3D data, consisting of 29,600 square miles in the United States (68%) and 13,950 square miles in Canada (32%). We have a leading market position in key geographies in the North American unconventional onshore oil and gas plays where exploration and production ("E&P") companies have been focusing their efforts in recent years. Over 50% of our onshore 3D library is comprised of data located in unconventional plays. Since 2008, we have embarked upon a campaign to acquire data in key unconventional plays, adding over 12,000 square miles to our library. In 2015, we began to expand our data library coverage into Mexico. Initially, we are doing this through the reprocessing of existing 2D data which will then be licensed to E&P companies.

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

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been reduced. Our long-lived, diverse data library built over three decades continues to provide value to our customers, with approximately 50% of our 2015 3D onshore resale revenue coming from data over five years old.
We believe that we have low fixed costs and a highly flexible operating model, as we do not own any seismic survey equipment or directly employ field personnel. Instead, we outsource those functions by contracting with third-party specialists, as required, in various facets of the data acquisition process in order to complete surveys to expand our data library. We also use sales commissions to create incentives for our sales force while matching our costs to our achieved sales. We believe this business model provides enhanced flexibility, allowing us to optimize our level of investment for the market environment and resulting in substantially lower cash flow volatility by enabling us to respond quickly to changes in demand and shifts in client geographic focus.

We serve a market which includes over 1,600 companies in the oil and gas industry. Our customers include large independent and major integrated oil and gas companies as well as small and mid-cap E&P companies. The importance of geological data in the exploration and development process drives demand for data in our library. Specifically, our customers use seismic data to identify geographical areas where subsurface conditions are favorable for oil and gas exploration and to optimize development and production of oil and gas reserves. Seismic data provides valuable insight for operators including a target zone's thickness, as well as faulting pattern complexity, helping with the design of horizontal drilling programs and minimizing the potential for uneconomic wells.

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

In each of fiscal 2015, 2014 and 2013, approximately 98% of our revenues were generated from customers underwriting data acquisitions and revenue from licensing of seismic data. Other revenues during these years were primarily derived from Solutions for reproduction and delivery of seismic data licensed by our clients. See Note L to Consolidated Financial Statements for information about our revenue by geographical area.

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

Description of Operations

Seismic Data

E&P companies consider seismic data an important tool in finding and exploiting hydrocarbons. E&P companies use seismic data in oil and gas exploration and development efforts to increase the probability of drilling success, to better delineate existing oil and gas fields and to augment their reservoir completion and management techniques. In unconventional plays, E&P companies use seismic data as a development tool to better identify efficient drilling plans and maximize production by identifying and understanding a series of critical characteristics of the targeted resource. The cost of seismic data is less than 1% of the total cost of most projects, but provides substantial benefits to operators. 3D seismic data provides a graphic depiction of the earth’s subsurface from two horizontal dimensions and one vertical dimension, rendering a more detailed picture than two-dimensional (“2D”) data, which presents a cross-sectional view from one vertical and one horizontal dimension. The more comprehensive geophysical information provided by 3D surveys significantly enhances an interpreter’s ability to evaluate the probability of the existence and location of oil and gas deposits. However, the cost to create 3D seismic data is significantly more than the cost to create 2D seismic data. As a result, 2D data continues to be used by clients for preliminary, broad-scale exploration evaluation, as well as in determining the location and design of 3D surveys. 3D surveys can then be used for more detailed analysis to maximize actual drilling potential and success.

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

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Management believes the level of resales from various vintages of our seismic data is useful in order to assess the resiliency and value of our seismic data library. Management considers estimated longevity of and foreseeable demand for data in determining whether to undertake new data acquisition projects. For the year ended December 31, 2015, resale revenue from 3D onshore data was recognized from net historical investments made in the indicated periods (in thousands):

	Resale Revenue	Percentage	Net Investment (1)	Percentage
Investments prior to 2011	$25,827	50 %	$527,630	67 %
Investments 2011 through 2015	25,403	50 %	255,707	33 %
Total 3D onshore	$51,230	100 %	$783,337	100 %

(1) Net investment reflects total data cost less client underwriting before fair value adjustments resulting from the 2007 merger between Seitel Acquisition Corp. with and into Seitel, Inc. (the “Merger”).

The following presents a reconciliation of resale revenue for 3D onshore data to total revenue for the year ended December 31, 2015 (in thousands):

Total resale revenue – 3D onshore	$51,230
Other revenue components:	
Other resale revenue (principally 2D and offshore)	3,974
Acquisition underwriting revenue	42,734
Solutions and other revenue	2,314
Total revenue	$100,252

The following presents a reconciliation of historical net investment for 3D onshore data (a non-GAAP financial measure) to net book value at December 31, 2015 (the most directly comparable GAAP financial measure) (in thousands):

Historical net investment in seismic data – 3D onshore	$783,337
Add:	
Acquisition underwriting revenue – 3D onshore	893,723
Other seismic data investment (principally 2D and offshore)	384,407
Foreign currency translation	22,597
Seismic projects in progress	69,375
Fair value adjustment resulting from the Merger	275,235
Less:	
Historical impairment charges	(112,923)
Accumulated amortization (including historical amounts pre-Merger)	(2,154,388)
Net book value	$161,363

Data Library Overview

We believe our data library is one of the largest onshore 3D databases available for licensing in North America. We have built our onshore 3D library over more than 20 years with approximately $1.8 billion in gross investments and we view our library as an asset that would be time- and cost-prohibitive for others to replicate. Over 50% of our onshore 3D library is comprised of data located in unconventional plays. We believe we are well positioned due to the geographic diversity of our data library, including data in oil-focused and liquids-rich plays such as the Eagle Ford/Woodbine, Permian Basin (West Texas Plays), Niobrara/Bakken, Utica/Marcellus, Granite Wash (Panhandle Plays), Montney and Cardium and in natural gas-focused plays such as the Haynesville and Horn River, with approximately 23,500 miles of data in unconventional areas.

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

In 2015, we began to expand our data library coverage into Mexico. Initially, we are doing this through the reprocessing of existing 2D data owned by the Mexican government; we will have the rights to license the reprocessed data to E&P companies.

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In late 2015, we were granted a license to our first area of existing 2D data to reprocess. We expect this data to be available in the spring of 2016. We anticipate a second area of existing 2D data will begin to be reprocessed by us in early 2016 and that additional areas could be added later in 2016.

The following table describes our 3D seismic data library as of February 16, 2016:

3D Data Library	Completed Surveys Square Miles (1)	Completed Surveys Percentage of Subtotal		Surveys in Progress Square Miles (1)
Eagle Ford/Woodbine	7,450	25	%	—
Niobrara/Bakken	2,600	9	%	—
Utica/Marcellus	1,400	5	%	—
Haynesville	1,350	5	%	—
West Texas Plays	900	3	%	250
Panhandle Plays	800	3	%	—
Conventional 3D	15,100	50	%	100
Total U.S. Onshore	29,600	100	%	350
Cardium	4,000	29	%	—
Montney	3,950	28	%	—
Horn River	1,050	8	%	—
Conventional 3D	4,950	35	%	—
Total Canada	13,950	100	%	—
Total 3D Onshore	43,550	81	%	350
U.S. Offshore	10,500	19	%	—
Worldwide Total	54,050	100	%	350

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

Our data library is a highly valuable asset that has historically generated strong returns on capital. The technical and informational usefulness of our data has generally not declined over time. Demand for data is driven by the level and location of customer exploration and development activity and not the age of the data. Because of our positioning in favorable geographies and the long life of the data, we believe there is significant built-in potential for repeat licensing of data at little or no marginal cost. The existing library is highly defensible as the customer's cost of licensing data is typically much lower than the cost of creating a new survey. We believe there is little incentive for competitors to survey areas where we already have data.

Onshore U.S. and Canada: Since 2008, our capital investment in both the U.S. and Canada has been focused on unconventional plays, initially in the shale gas areas and, since 2011, shifting towards oil-focused and liquids-rich objectives. These changes in focus are made in accordance with the activity of our clients and our ability to shift with them is an important component of our growth strategy.

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

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

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Offshore U.S. Gulf of Mexico: Our library of offshore data covers parts of the U.S. Gulf of Mexico shelf and certain deep water areas in the Western and Central U.S. Gulf of Mexico. We have accumulated our U.S. Gulf of Mexico offshore 3D data since 1993.

Data Library Growth

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

Underwritten Data Acquisitions: We design and manage new seismic surveys that are specifically suited to the geology and environmental conditions of the area using the most appropriate technology available. Typically, one or more customers will underwrite or fund a significant portion of the direct cost in exchange for a license or licenses to use the resulting data. Under the terms of these licenses, the customers may occasionally have a limited exclusivity period. We consider the contracts executed up to the time we make a firm commitment to create the new seismic survey as underwriting or pre-funding. Any subsequent licensing of the data while the survey is in progress or once it is completed is considered a resale license. Almost all of our data acquisition activity during 2015 occurred in unconventional plays, primarily the Eagle Ford/Woodbine in Texas, Permian in West Texas, and both Montney and Cardium in Western Canada. All field work on these projects is outsourced to subcontractors. A significant percentage of the data processing for our U.S. and Canadian projects is processed by our internal data processing groups located in Houston and Calgary. We employ experienced geoscientists who design seismic programs and oversee field acquisition and data processing to ensure the quality and longevity of the data created.

Cash Purchases: We purchase data for cash from oil and gas companies, other seismic companies or financial investors in seismic data when opportunities arise and that meet our investment criteria.

Non-Monetary Exchanges: We grant our customers a non-exclusive license to selected data from our library in exchange for ownership of seismic data from the customer. The data that we receive is distinct from the data that is licensed to our customer. These transactions will tend to be for individual surveys or groups of surveys, rather than whole libraries. Occasionally, we also use non-monetary exchanges in conjunction with data acquisitions and cash purchases. In addition, we may receive advanced data processing services on certain existing data in exchange for a nonexclusive license to selected data from our library.

Value-Added Products: We create new products from existing seismic surveys in our library by extracting a variety of additional information from these surveys that was not readily apparent in the initial products. Opportunities to extract such additional information and create such additional products may result from information from secondary sources, alternative conclusions regarding the initial products and applying alternate or more complex processes to the initial products, or some combination of these factors. Additional products may include 5D Interpolation, Pre-Stack Depth Migration volumes, Amplitude Versus Offset volumes, Complex Attribute volumes and Rock Property volumes. The cost of these products may be underwritten by one or more customers in exchange for a license or licenses to use the resulting data or we may determine to fund the cost of certain of these products based on anticipated demand by our clients. These data products are licensed to the industry on a non-exclusive basis. Work on these projects may be performed by our internal data processing groups, outsourced to specific specialists in the arena or conducted under an alliance with a particular specialist. We employ experienced geoscientists who design these value-added products and oversee the processing to ensure the quality and longevity of the data created.

Competitive Strengths

We believe we have the following competitive strengths:

Large and Diverse Data Library with Leading Market Position in Key Oil and Gas Producing Regions: We believe we have one of the largest onshore 3D seismic data libraries available for licensing in North America. Our data covers a diverse range of oil and gas producing regions in the United States and Canada and we believe it provides us with leading positions in oil, liquids-rich and natural gas unconventional plays as well as conventional areas. As of February 2016, we have approximately 23,500 square miles of unconventional 3D data. We have grown our onshore 3D unconventional library by 11.3% compounded annually since the beginning of 2008. As industry activity dictates, we will focus on further development of existing plays where our clients are active. Our competitive advantage is driven by our ability to:

- successfully bid for new seismic surveys that are in our areas of focus as a result of our knowledge of data return characteristics for similar data in our existing library;
- creatively market our data library with an innovative strategy, which includes tailoring licenses to meet our clients' needs;

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- generate client trust by delivering surveys on time that meet oil and gas client requirements particularly those clients that are early participants; and
- retain and grow valuable client relationships.

With one of the largest onshore seismic data libraries in the active North American oil and natural gas basins, we have an established competitive position. Since 1994, we have invested approximately $2.0 billion to build our data library, with a gross investment of approximately $1.8 billion, $800 million net of underwriting, in onshore 3D data. We believe that the current replacement cost of our seismic library significantly exceeds our original investment, and that our broad geographic coverage and strong presence in the active North American onshore oil and gas basins coupled with our domain expertise creates significant barriers to replication and a defensible market position. We believe competitors will generally not shoot over areas already in our library because it is not economically viable to do so.
Multiple Revenue Opportunities Lead to Strong Returns on New and Existing Data: We derive revenue from the non-exclusive licensing of our data. Importantly, data within our library can be licensed on a non-exclusive basis multiple times over a span of many years with minimal incremental costs, if any. Several factors lead to multiple licensing of our data which drives high returns on our investments over time. An area captured by a 3D survey may have multiple mineral holders within a particular stratigraphic layer as well as vertically across layers. Also, new oil and gas field discoveries, new drilling technologies and pipeline and oil and gas infrastructure expansion can cause renewed activity in a previously assessed surrounding area. Due to the capital intensive nature of developing unconventional plays, many oil and gas companies seek partners to share in the cost of development and these partners will often need to purchase licenses for their own use. In addition, merger and acquisition activity often requires re-licensing of data following a change in field ownership. Moreover, prospective developers and investors without mineral rights may seek our data.
We have proven our ability to license onshore data for extended periods after its creation. For the year ended December 31, 2015, 50% of total resale revenue for 3D onshore data came from data acquired before 2011.
Ability to Adjust Quickly to Oil and Gas Industry Cycles: Our variable operating structure allows us to curtail overhead costs quickly during cyclical downturns in the oil and gas industry because we have no fixed overhead costs related to maintaining seismic equipment or crews and our employee compensation structure is commission-based and bonus-centric. As distinct from our business model, the majority of seismic companies own and operate seismic equipment and crews, creating fixed operating expenses and less flexible cost structures. In addition, most of our capital expenditures are discretionary additions to our seismic data library with significant underwriting commitments from customers, allowing us to reduce capital expenditures when necessary.
We operate with a low cost structure by maintaining an efficient base of assets and employees. We do not own seismic acquisition equipment or employ seismic acquisition crews, but engage, as required, third-party contractors with qualified equipment to shoot new data. We believe this, in addition to the majority of our capital expenditures being discretionary, minimizes our ongoing capital requirements and results in substantially less volatility in cash flows by enabling us to respond quickly to changes in demand. In addition, the creation of new surveys provides cost-effective growth opportunities because we impose strict capital investment thresholds with targeted underwriting levels averaging 60% to 70% and typically do not start work on new acquisition programs without an underwriting commitment. Additionally, we may seek higher levels of underwriting in order to minimize our cash investment while still adding new data to our library. For 2015, we achieved 63% average underwriting for new seismic acquisition projects and achieved 69% average underwriting levels for each of the years 2014 and 2013. Our current backlog of new data acquisition projects has an underwriting level of 90%.
Seismic Data Has an Attractive Value Proposition Among Our Blue Chip Customer Base: Our data is key to oil and gas exploration and development activity. Understanding geological structure maximizes production and returns on client investments; however, seismic data purchases represent a small fraction of total drilling and completion costs, generally less than 1%. Our customer base ranges from some of the largest independent oil companies in the world to small, single-basin E&P companies, typically with very little customer concentration. As we have grown our presence

in unconventional plays, our customer base has shifted towards larger producers.

We serve a market that includes over 1,600 companies in the oil and gas industry and our customers range from small E&P companies and private prospecting individuals to large independent oil and gas companies and also include global oil and gas companies. We believe that the quality of our data, the breadth of its coverage in the major active onshore basins in North America and our longstanding commitment to client service enables us to attract top-tier clients and maintain and grow existing client relationships. These relationships also create access to additional data surveys and sales opportunities.

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Experienced Management Team: Our senior management team is comprised of individuals with an average of over 30 years of relevant experience. Robert Monson, our CEO and President, has more than 25 years of industry experience, while Marcia Kendrick, our CFO, joined us in 1993 and has over 20 years of industry experience. Kevin Callaghan, our Chief Operating Officer, joined Seitel in 1995 and has over 40 years of relevant industry experience. Our expertise is in the selection, design and management of seismic surveys. We also believe we maintain the largest sales and marketing group in the industry.

Corporate Strategy

Underwritten Data Acquisitions: We add data to our library primarily by contracting with third-party specialist service providers to create new subsurface geological data, which we design and own. Typically, one or more customers will underwrite or fund a significant portion of the direct cost of a seismic survey in exchange for a license or licenses to use the resulting data. The relatively high level of underwritten acquisition costs, typically 55% to 75% of the cost of the survey, lowers our initial capital requirements and enhances our return on investment. We maintain a disciplined return on investment approach to capital expenditures. We only intend to pursue new acquisition projects if we believe that conditions exist for repeated licensing of the same data over an extended period of time. We typically seek significant underwriting commitments before undertaking new acquisition projects as underwriting levels are generally a predictor of long-term demand for seismic data. We target an average of 60% to 70% underwriting level for all new seismic acquisition projects on an aggregate basis and may target higher underwriting levels in periods of industry downturn. We achieved 63% average underwriting levels for 2015 and achieved 69% average underwriting for new seismic acquisition projects for each of the years 2014 and 2013. Additionally, when acquiring 3D surveys, we consider the proximity to 3D surveys already in the library. We believe that there is greater value in contiguous data, or reasonably close concentrations of surveys in a single area. We typically own 100% of the acquired data and license the data to additional parties on a non-exclusive basis. Such resales are unlimited in both time and amount and require no to minimal incremental cash costs. Our long-lived, diverse data library built over three decades continues to provide value to our customers, with 50% of our 2015 3D onshore resale revenue coming from data over five years old.

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

Expand Library in a Disciplined and Cost-effective Manner: The substantial majority of our library additions come from new seismic data creation. We also grow our data library through cash purchases of existing seismic data, non-monetary data exchanges and new value-added products created from existing data. We focus our data acquisition efforts on oil and natural gas producing areas that we believe are well suited to benefit from current and emerging trends in the E&P industry. The decision to make capital investments is weighed against the estimated length of the payback period and projected return on capital. We believe ample opportunities exist to grow our library in existing plays and, as oil and gas industry activity dictates, to expand into emerging areas. We use proprietary information tools and apply our management expertise to select among our pipeline of new survey opportunities. We typically pursue a new acquisition project only if it has a significant underwriting commitment from our customers and if we believe that conditions exist for repeated licensing of the data over an extended period of time. We are thorough in our evaluation of survey opportunities and are selective in adding prospective surveys to our pipeline and therefore not all surveys will meet our return requirements.

Leverage Internal Geophysical and Operations Management Expertise while Outsourcing Lower Margin Services: Our strong geophysical, technical and field operating management expertise is essential in maintaining our leadership through our ability to design surveys with attractive return potential and to manage their creation. We will continue to outsource the non-core, fixed-cost intensive services, including surveying, permitting and data capture involving field equipment and crews. This strategy enables us to select vendors that we believe offer the best price, equipment and skill sets for a particular environment, geographical location or geophysical objective and provides us with access to state-of-the-art equipment and emerging technologies. We believe this operating model also gives us the flexibility to control costs to respond appropriately to changing market conditions.

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

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Industry Overview

Overview of Seismic Data: E&P companies consider seismic data an important tool in finding and exploiting hydrocarbons. E&P companies use seismic data in oil and gas exploration and development efforts to increase the probability of drilling success, to better delineate existing oil and gas fields and to augment their reservoir completion and management techniques. Historically, seismic data was tied to exploration capital expenditures, which are significantly more volatile, as E&P companies used seismic data to increase the success rate of discovering hydrocarbon deposits. With the shift to unconventional plays, E&P companies use seismic data in unconventional plays as a development tool to better identify efficient drilling plans and maximize production by identifying and understanding a series of critical characteristics of the targeted resource. The cost of seismic data is less than 1% of the total cost of drilling and completion for most projects, but provides substantial benefits to operators, including minimizing potential for uneconomic wells.

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

Increased merger and acquisition activity, including joint ventures, may also generate increased licensing fees for seismic data providers. Licenses to seismic data are generally structured such that they do not transfer in the case of a change of control and they are not accessible to partners. Both circumstances require additional payments for new licenses.

North American Oil and Gas Markets: The emergence of shale and other unconventional plays has led to significant increases in production of oil and natural gas in North America. This increased production has dramatically reduced the amount of oil the U.S. imports. Beginning in the fourth quarter of 2014 and continuing throughout 2015 and into early 2016, oil prices declined significantly primarily as a result of continued high production and high global inventories. Oil prices could continue to experience periods of heightened volatility. The oil market faces many uncertainties in 2016, including the pace and volume at which Iranian oil reenters the market, the strength of oil consumption growth and the responsiveness of non-OPEC production to low prices.

As a result of the decline in oil prices, E&P companies significantly reduced their capital spending budgets in 2015. Capital spending by E&P companies is expected to decrease even further in 2016 as the crude oil price outlook remains uncertain and less production is hedged resulting in reduced cash flows.

The Energy Information Administration ("EIA") expects U.S. crude oil production to decline in 2016 due to the significant reduction in drilling in 2015. Based on the EIA's Short-Term Energy Outlook dated February 9, 2016, the EIA expects U.S crude oil production to average 8.7 million barrels per day in 2016 and 8.5 million barrels per day in 2017 compared to 9.4 million barrels per day in 2015. Global consumption is expected to grow by 1.2 million barrels per day in 2016 and 1.5 million barrels per day in 2017. In its February 2016 report, the EIA predicts the price of West Texas Intermediate crude oil to average $37.59 per barrel in 2016 and $50.00 per barrel in 2017, as compared to the average of $48.67 in 2015.

In this same report, the EIA projects that total U.S. natural gas production will average 74.8 billion cubic feet per day (Bcf/d) in 2016 and 76.2 Bcf/d in 2017 compared to 74.4 Bcf/d in 2015. U.S. natural gas consumption is expected to grow slightly, averaging 76.4 Bcf/d in 2016 and 77.3 Bcf/d in 2017 compared to 75.4 Bcf/d in 2015. The EIA expects natural gas working inventories to remain at high levels. The EIA predicts that natural gas spot prices will remain relatively low through 2017, with an average of $2.64 per million British thermal units (MMBtu) in 2016 and $3.22 per MMBtu in 2017 as compared to the average of $2.63 per MMBtu in 2015.

As a result of the decline and volatility in oil prices and reduced capital spending by our clients announced for 2016, we anticipate that demand for our seismic data will remain weak. However, we are unable to predict the severity or duration of such decrease in demand. We believe we are well positioned to deal with this challenging environment due to our variable operating structure, asset-light business model and our strong cash balance at December 31, 2015.

Importance of Seismic Data: We believe the use of 3D seismic data will continue to be an important part of oil and gas companies' exploration and development projects as they are continually looking to reduce drilling risk, decrease oil and natural gas finding costs and increase the efficiencies of reservoir location, delineation, completion and management. In addition, we believe that seismic data is a key component of oil and gas production activity in the unconventional plays. Seismic data can provide a wealth of insight into the targeted resource, including areal extent, depth, thickness, faulting patterns and a number of complex rock properties. Such insights enhance our customers' ability to design efficient and productive horizontal drilling and fracking programs. Understanding these unique features is critical for our customers as they develop their horizontal drilling plans, which can result in lateral drilling that reaches over one mile in each direction.

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Licenses and Marketing

We actively market data from our library to customers under non-exclusive license agreements using a well-developed marketing strategy combined with strong geophysical expertise. Our licenses are generally non-assignable and typically provide that in the event of a change of control of a customer-licensee, the surviving entity must pay a fee to maintain a license for any data it seeks to continue to use and for which such entity previously did not have a license.

We employ an experienced sales force and it is our operating philosophy to actively market our seismic library. Our team of dedicated marketing specialists seeks to maximize license sale opportunities and create innovative methods of contracting opportunities by monitoring petroleum industry exploration and development activities through close interaction with E&P companies on a daily basis.

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

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

Backlog

At February 16, 2016, we had capital expenditure commitments related to data creation projects of approximately $16.5 million, of which we have obtained approximately $14.9 million of underwriting. We anticipate that the majority of this backlog will be recognized over the next 12 months. This is compared to capital expenditure commitments at February 17, 2015 of $65.5 million with underwriting of approximately $45.0 million.

Seitel Solutions

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

Customers

We market our seismic data to a varied customer base. Our customers include independent oil and gas companies, major integrated oil and gas companies and national oil companies, as well as small and mid-cap E&P companies and private prospect generating individuals. During the year ended December 31, 2015, two customers accounted for more than 10% of our revenue, totaling approximately $14.5 million (14.5%) and $12.5 million (12.5%) of our revenues each. One customer accounted for approximately $25.7 million (13%) of our revenue during the year ended December 31, 2014 while no one customer accounted for more than 10% of revenue during the year ended December 31, 2013. We believe that the quality of our data, the breadth of its coverage in the major active North American basins and our longstanding commitment to client service enables us to attract top-tier clients. Because we do not acquire data speculatively, strategic relationships with our customers have been and will continue to be critical to our growth. We do not believe that the loss of any single customer would have a material adverse impact on our seismic business, cash flows or results of operations.

Competition

The creation and licensing of seismic data is competitive. Customers consider several factors, including location of data, price, technological expertise and reputation for quality and dependability, when choosing a service provider. There are a number of geophysical companies that create, market and license seismic data and maintain seismic data libraries. Rather than outsourcing their seismic data activities, some oil and gas companies create their own seismic data libraries, which they license to others. Our largest competitors, many of whom are engaged in acquiring seismic data, as well as maintaining a data library, are CGG; Geokinetics, Inc.; Geophysical Pursuit, Inc.; Global Geophysical Services, Inc.; FairfieldNodal; Pulse Seismic Inc.; Seismic Exchange, Inc.; TGS Nopec; Vector Seismic Data Processing, Inc.; and WesternGeco. Many of our competitors have substantially larger revenues and resources than we do.

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Regulations

Our business operations and the demand for our products and services are subject to a variety of federal, provincial, state, foreign and local laws and regulations in the United States, Canada and Mexico, including requirements relating to environmental protection and worker health and safety laws. These regulations impose numerous obligations applicable to our operations including permitting before commencing regulated activities and the limitation or prohibition of seismic activities in environmentally sensitive or protected areas. Further, these laws, regulations and government policies may change as a result of political, economic or social climate. Stringent new and future laws, regulations and policies concerning hydraulic fracturing, greenhouse gas emissions and the use of renewable energy sources could negatively impact the operations of our customers. We invest financial and managerial resources to comply with these laws, regulations and related permit requirements. Various governmental authorities have the power to enforce compliance and penalize non-compliance with these laws and regulations as well as the permits issued under them. The inability to timely obtain required permits may result in delays in acquiring new data for our data library or may cause operating losses. As laws and regulations and our business change over time, the future cost of compliance is uncertain and could be material. Regulations which limit exploration or production activities by oil and gas companies could adversely affect us by reducing the demand for our seismic data. For example, in response to increased public concern that hydraulic fracturing may adversely affect drinking water supplies, may increase emissions of perceived greenhouse gases and/or may adversely affect local community infrastructure, there has been increased regulation of hydraulic fracturing which could result in reductions or delays in drilling and completion of new oil and natural gas wells. The EPA for example issued regulations in 2012 and 2015 which govern performance standards for the oil and natural gas industry and in 2014 issued a notice of proposed rulemaking regarding the reporting of the chemical substances and mixtures used in hydraulic fracturing. The federal Bureau of Land Management (BLM) published a final rule in March 2015 which establishes new or more stringent standards for performing hydraulic fracturing on federal and Indian lands. An injunction was issued in September, however, by the U.S. District Court of Wyoming, which bars implementation of this rule. The BLM could appeal this order which is separately being appealed by certain environmental groups. Further, regulation of hydraulic fracturing continues to be addressed by Congress, by various agencies with control over the withdrawal of water used in hydraulic fracturing activities and by a growing number of states which could impose more stringent permitting, disclosure or well construction requirements on hydraulic fracturing activities. In addition, local governments may seek to adopt ordinances which regulate the time, place and manner of drilling activities generally or hydraulic fracturing activities specifically. Further, several federal governmental agencies including the EPA, are working with states and other key stakeholders to assess the adverse impact of hydraulic fracturing on drinking water or groundwater sources to help ensure that natural gas extraction does not come at the expense of public health and the environment. In June 2015, a draft report released by the EPA concluded that although there are mechanisms by which hydraulic fracturing activities have the potential to impact drinking water sources, hydraulic fracturing activities have not lead to widespread, systemic impacts on drinking water sources in the United States. In January 2016 however, the EPA Science Advisory Board to that study communicated its concern that the conclusions reached by the EPA did not properly reflect the uncertainties and data limitations associated with systemic impacts on drinking water sources. In another example, a number of legal initiatives and regulations have emerged seeking to reduce greenhouse gas emissions which the EPA has found to present a danger to public health and the environment. This includes regulations under existing provisions of the federal Clean Air Act that restrict emissions of greenhouse gases and require annual monitoring and reporting of greenhouse gas emissions from certain production sources in the United States. The adoption of these types of regulations, legislation or other regulatory initiatives and restrictions on hydraulic fracturing activities and greenhouse gas emissions could burden operators and adversely affect the production of crude oil and natural gas, which would, in turn, adversely affect our revenues and results of operations by decreasing demand for our seismic data and related services. For more information on hydraulic fracturing, see “Item 1A. Risk Factors” beginning on page 13.

Seasonality and Timing Factors

Our results of operations fluctuate from quarter to quarter due to a number of factors. Our results are influenced by oil and gas industry capital expenditure budgets and spending patterns. These budgets are not necessarily spent in equal or progressive increments during the year, with spending patterns affected by individual oil and gas company requirements as well as industry-wide conditions. In addition, under our revenue recognition policy, revenue recognition from data licensing contracts is dependent upon, among other things, when the customer selects the data or when the data becomes available for delivery. As a result, our seismic data revenue does not necessarily flow evenly or progressively during a year or from year to year. Although the majority of our data licensing transactions provide for fees to us of under $750,000 per transaction, occasionally a single data license transaction from our library, including those resulting from the merger and acquisition or property sales activity of our oil and gas customers, may be substantially larger. Such large license transactions, the completion and delivery of data or an unusually large number of, or reduction in, data selections by customers can materially impact our results during a quarter, creating an impression of a revenue trend that may not be repeated in subsequent periods. In our data creation activities, weather-related or other events outside our control may impact or delay surveys during any given quarter.

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Employees

As of December 31, 2015, we and our subsidiaries had 109 full-time employees, including eight executive officers, 18 marketing staff and 38 geotechnical staff. None of our employees are covered by collective bargaining agreements, and we consider our relationship with our employees to be good.

Raw Material and Proprietary Information

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

Available Information

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

The public may read and copy any materials filed by us with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549 and may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at http://www.sec.gov.

Item 1A. Risk Factors

The risks described below could materially and adversely affect our business, financial condition and results of operations and the actual outcome of matters as to which forward-looking statements are made in this Form 10-K. The risk factors described below are not the only risks we face. Our business, financial condition and results of operations may also be affected by additional factors that are not currently known to us or that we currently consider immaterial or that are not specific to us, such as general economic conditions.

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

RISKS RELATED TO OUR BUSINESS

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

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

- the level of supply and demand, the expectations regarding future supply and demand, and the actual levels of production of oil and natural gas;
- the level of prices, and expectations regarding future prices, for oil and natural gas;
- the ability or willingness of the Organization of Petroleum Exporting Countries (OPEC) to set and maintain production levels for oil;

- oil and gas production levels by non-OPEC countries;
- worldwide political, military and economic conditions, including social and political unrest in Africa and the Middle East and domestic and foreign governmental regulations and actions (including export restrictions, sanctions, taxes, repatriations and nationalizations);
- geopolitical uncertainty;

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- technological advances affecting energy exploration, production and consumption;
- price, availability and government subsidies for alternative fuels;
- weather, including seasonal patterns that affect regional energy demand as well as severe weather events that can disrupt supply;
- the ability of E&P companies to raise equity capital and debt financing or otherwise generate funds for exploration, development and production operations;
- the cost of exploring for, developing and producing oil and natural gas;
- the level of oil and natural gas reserves;
- the rate of discovery of new oil and gas reserves and the decline of existing oil and gas reserves; and
- the enactment and implementation of government policies, including environmental regulations and tax policies, regarding the exploration, production and development of oil and natural gas reserves and the use of fossil fuels and alternative energy sources.

Oil and natural gas prices are subject to significant volatility and there can be no assurance that oil and natural gas prices and demand will not further decline in the future. Low oil and natural gas prices and demand have resulted in and continue to result in decreased exploration and development spending by oil and gas companies, which could, in turn, impact our seismic data business. Additionally, increases in oil and gas prices may not result in increased demand for our products and services or otherwise have a positive effect on our results of operations or financial condition. Our customers may adjust their exploration and development spending levels very quickly in response to any material change in oil and natural gas prices. Continued political instability (especially in the Middle East and other oil-producing regions) may lead to further significant fluctuations in demand and pricing for oil and gas or seismic data. Any future decline in oil and natural gas prices, sustained downturn in the oil and gas or seismic data industries, or sustained periods of reduced capital expenditures by oil and gas companies as a result of factors which are beyond our control could have a material adverse effect on our results of operations and cash flow.

Increased regulation of hydraulic fracturing could result in reductions or delays in drilling and completing new oil and natural gas wells, which could adversely impact our revenues by decreasing the demand for our seismic data and related services.

Hydraulic fracturing is the process used by E&P operators of drilling and injecting fluid into a wellbore at high pressure in order to fracture rocks to release the gas inside. The process involves the high pressure injection of water, proppants (typically sand) and chemicals into subsurface formations to stimulate gas and petroleum production. Due to public concerns that hydraulic fracturing may adversely affect drinking water supplies, increase emissions of perceived greenhouse gases and/or adversely affect local community infrastructure, including, for example, through increased truck traffic, hydraulic fracturing has become the subject of controversy and increased opposition by certain environmental groups. It has been the subject of numerous private and governmental studies, and has triggered increased governmental regulation. While the process is typically regulated by state oil and gas commissions, several federal agencies have asserted regulatory authority over certain aspects of the process. For example, the EPA issued Clean Air Act final regulations in 2012 and proposed additional Clean Air Act regulations in August 2015 governing performance standards for the oil and natural-gas industry; proposed in April 2015 effluent limitations guidelines that waste water from shale natural-gas extraction operations must meet before discharging to a treatment plant; and issued in 2014 a prepublication of its Advance Notice of Proposed Rulemaking regarding Toxic Substances Control Act reporting of the chemical substances and mixtures used in hydraulic fracturing. Also, the federal Bureau of Land Management (BLM) published a final rule in March 2015 that establishes new or more stringent standards for performing hydraulic fracturing on federal and Indian lands but, in September 2015, the U.S. District Court of Wyoming issued a preliminary injunction barring implementation of this rule, which order the BLM could appeal and is being separately appealed by certain environmental groups. Congress has from time to time considered the adoption of legislation to provide for federal regulation of hydraulic fracturing and regional or state agencies with control over the withdrawal of water used in hydraulic fracturing activities may impose stringent conditions on, or delay or prohibit, such water withdrawals. At the state level, a growing number of states have adopted legal requirements that could impose more stringent permitting, disclosure or well construction requirements on hydraulic fracturing activities. In addition, local governments may seek to adopt ordinances within their jurisdictions regulating the time, place and manner of drilling activities in general or hydraulic fracturing activities in particular. Because of the more stringent existing or any new federal, state or local legal restrictions related to the hydraulic fracturing process in areas where our E&P customers operate, those customers could incur potentially significant added costs to comply with such requirements and experience delays or curtailment in the pursuit of exploration, development or production activities, which could reduce demand for our seismic data and related services. Furthermore, several federal governmental agencies including the EPA are working with states and other key stakeholders to assess adverse impacts that hydraulic fracturing may have on drinking water or groundwater sources or otherwise to help ensure that natural gas extraction does not come at the expense of public health and the environment. In June 2015, the EPA released its draft report on the potential impacts of hydraulic fracturing on drinking water resources, concluding that hydraulic fracturing activities have not lead to widespread, systemic impacts on drinking water sources in the United States, although there are above and below ground

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mechanisms by which hydraulic fracturing activities have the potential to impact drinking water sources. However, in January 2016, the EPA’s Science Advisory Board provided its comments on the draft study, indicating its concern that EPA’s conclusion of no widespread, systemic impacts on drinking water sources arising from fracturing activities did not reflect the uncertainties and data limitations associated with such impacts, as described in the body of the draft report. The final version of this EPA report remains pending and is expected to be completed in 2016. Such EPA final report, when issued, as well as other studies, depending on their degree of pursuit and any meaningful results obtained, could spur initiatives to further regulate hydraulic fracturing, which events could delay or curtail production of oil and natural gas by E&P operators, some of which are our customers, and thus reduce demand for our seismic data and related services. Any such decrease in the demand for our seismic data and related services could have a material adverse effect on our revenues and results of operations.

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

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

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

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

Our working capital needs are difficult to forecast and may vary significantly, which could require us to borrow under our existing revolving credit facility and/or seek additional financing that we may not be able to obtain on satisfactory terms, or at all.

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

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

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

- We may not fully recover our costs of acquiring and processing seismic data through future licensing of data that we own. The amounts of these data sales are uncertain and depend on a variety of factors, many of which are beyond our control.
- The timing of these sales is unpredictable and can vary greatly from quarter to quarter. The costs of each survey are capitalized and then amortized over the expected book life of the data. This amortization will affect our earnings and when combined with the sporadic nature of sales, will result in increased earnings volatility.

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- Regulatory changes that affect companies' ability to drill, either generally or in a specific location where we have acquired seismic data, could materially adversely affect the value of the seismic data contained in our library. Technology changes could also make existing data sets less desirable or obsolete.
- The value of our data could be significantly adversely affected if any material adverse change occurs in the general prospects for oil and gas exploration, development and production activities.
- The cost estimates upon which we base our pre-commitments of funding could be incorrect, which could result in losses that have a material adverse effect on our financial condition and results of operations.
- Underwriting commitments of funding are subject to the creditworthiness of our customers. In the event that a customer refuses or is unable to pay its commitment, we could lose a material amount of money.

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

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

Our customer data license agreements and acquisition agreements identify our proprietary, confidential information and require that such information be kept confidential. However, we cannot ensure that unauthorized use, misappropriation or disclosure will not occur. If we are unable to maintain the confidentiality of our proprietary, confidential information, we could be materially negatively affected.

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

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

A substantial portion of our seismic acquisition project costs, including third-party project costs, is underwritten by our customers. Historically, we have targeted an average of 60% to 70% underwriting levels for new seismic acquisition projects on an aggregate basis. In low commodity price environments, we may target higher underwriting levels, which may increase the risk that our customers fail to fulfill their obligations to reimburse us. On occasion, when our underwriting customer owns other appealing seismic data that we want to obtain, we may decide to take ownership in this data to cover a portion of the customer's underwriting obligation. In the event that underwriters for such projects fail to fulfill their obligations with respect to such underwriting commitments, we would continue to be obligated to satisfy our payment obligations to third-party contractors.

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

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

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

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

Competition for the acquisition of new seismic data is intense.

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

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

Our operating results and cash flows from operations have in the past, and may in the future, vary in material respects from period to period. Factors that have and could cause variations include, but are not limited to (1) timing of the receipt and commencement of contracts for data acquisition, (2) our customers' budgetary cycles and their effect on the demand for geophysical products and services, (3) seasonal factors, (4) weather conditions, (5) the timing of cash resales and selections of significant geophysical data from our data library, which are not typically made in a linear or consistent pattern and (6) technological or regulatory changes. These revenue fluctuations could produce unexpected adverse operating results in any period.

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

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

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

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

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

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

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

A portion of our revenues is derived from our Canadian activities and operations. As a result, we translate the results of our Canadian operations and financial condition into U.S. dollars. Therefore, our reported results of operations and financial condition are subject to changes in the exchange rate between the two currencies. Fluctuations in foreign currency exchange rates could affect our revenue, expenses and operating margins. Assets and liabilities of our Canadian operations are translated from Canadian dollars into U.S. dollars at the exchange rates in effect at the relevant balance sheet date, and revenue and expenses of our Canadian operations are translated from Canadian dollars into U.S. dollars at exchange rates as of the dates on which they are recognized. Translation adjustments related to assets and liabilities are included in accumulated other comprehensive income in stockholder's equity. Realized gains and losses on translation of our Canadian operations into U.S. dollars are included in net income. Currently, we do not hedge our exposure to changes in foreign exchange rates.

We may be unable to attract and retain key employees.

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

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

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

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

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

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

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

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

Additionally, these laws, regulations and government policies may change as a result of political, economic or social climate. Such changes may alter the environment in which we do business as well as the demand for our products and services and, therefore, may impact the results of our operations or increase our liabilities. Stringent new and future laws, regulations and policies concerning hydraulic fracturing activities, emissions of greenhouse gases and the use of renewable energy sources rather than fossil fuels could negatively impact the operations of our customers. Further future changes in these and other laws and regulations or the imposition of additional regulations that have a negative financial impact on E&P operators, some of

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which are our customers, could result in decreased demand for our products and services. Moreover, complying with more stringent regulations could cause an increase in our operating expenses, which could adversely affect our business.

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

New data acquisition or processing technologies may be developed. New and enhanced products and services introduced by one of our competitors may gain market acceptance and, if not available to us, may adversely affect our business.

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

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

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

Tax authorities may reassess our tax calculations, or may change their administrative policies to our detriment.

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

RISKS RELATED TO OUR INDEBTEDNESS

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

As of December 31, 2015, we had approximately $251.7 million of total outstanding indebtedness, including $1.7 million of capital leases. In addition, we have a $30.0 million revolving credit facility which at December 31, 2015 had $17.6 million available for borrowing, none of which had been drawn. Our 2016 consolidated annual debt service requirements are expected to aggregate approximately $24.0 million. We may also incur additional indebtedness in the future.

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

- we may have difficulty satisfying our obligations with respect to our debt;
- we may have difficulty obtaining financing in the future for working capital, capital expenditures, acquisitions or other purposes;

- we may need to use all, or a substantial portion, of our available cash flow to pay interest and principal on our debt, which will reduce the amount of money available to finance our operations and other business activities;
- our vulnerability to general economic downturns and adverse industry conditions could increase;
- our flexibility in planning for, or reacting to, changes in our business and in our industry in general could be limited;
- our amount of debt and the amount we must pay to service our debt obligations could place us at a competitive disadvantage compared to our competitors that have less debt;
- our customers may react adversely to our significant debt level and seek or develop alternative licensors or suppliers;
- we may have insufficient funds, and our debt level may also restrict us from raising the funds necessary to repurchase all of the notes tendered to us upon the occurrence of a change of control, which would constitute an event of default under the notes; and

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

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

In addition, our revolving credit facility bears interest at variable rates. If market interest rates increase, debt payments will rise, which would adversely affect our cash flow. Hedging strategies could be employed such that a portion of the aggregate principal amount of this credit facility carries a fixed rate of interest; however, any hedging arrangement put in place may not offer complete protection from this risk. Additionally, the remaining portion of this credit facility may not be hedged and, accordingly, the portion that is not hedged would be subject to changes in interest rates.

The indenture governing our $250.0 million aggregate principal amount of 9½% senior notes due 2019 (“the 9½% Senior Notes”) contains a number of restrictive covenants, which limit our ability to finance future operations or capital needs or engage in other business activities that may be in our interest.

The indenture governing our 9½% Senior Notes imposes, and the terms of any future indebtedness may impose, operating and other restrictions on us and our subsidiaries. Such restrictions affect or will affect, and in many respects limit or prohibit, among other things, our ability and the ability of certain of our subsidiaries to:

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

The restrictions contained in the indenture governing our 9½% Senior Notes could:

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

A breach of any of these covenants could result in a default under the indenture governing our 9½% Senior Notes. If an event of default occurs, the lenders could elect to:

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

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

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

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

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

Location	Approximate Square Footage	Use	Owned/Leased
Houston, Texas	80,125	Administrative; Financial; Marketing; Operations; Warehouse	Leased
Dallas, Texas	194	Marketing	Leased
Denver, Colorado	1,506	Marketing	Leased
New Orleans, Louisiana	364	Marketing	Leased
Oklahoma City, Oklahoma	234	Marketing	Leased
Pittsburgh, Pennsylvania	135	Marketing	Leased
Calgary, Alberta, Canada	14,909	Administrative; Financial; Marketing; Operations	Leased
Calgary, Alberta, Canada	42,985	Warehouse	Leased

Item 3. Legal Proceedings

We are involved from time to time in ordinary, routine claims and lawsuits incidental to our business. In the opinion of management, uninsured losses, if any, resulting from the ultimate resolution of these matters should not be material to our financial position, results of operations or cash flows. However, it is not possible to predict or determine the outcomes of the legal actions brought against us or by us, or to provide an estimate of all additional losses, if any, that may arise. At December 31, 2015, we have recorded the estimated amount of potential exposure we may have with respect to litigation and claims. Such amounts are not material to the financial statements.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

Market Information

Our common stock is privately held and there is no established public trading market for our common stock. As of December 31, 2015, there was one holder of record of our 100 shares of common stock, $0.001 par value per share.

Dividend Policy

We have not declared or paid any cash dividends on our common stock during our two most recent fiscal years. We do not intend to declare or pay any cash dividends on our common stock in the foreseeable future. Covenants within our revolving credit facility and our 9½% Senior Notes restrict our ability to pay cash dividends on our capital stock. Future declaration and payment of cash dividends, if any, on our common stock will be determined in light of factors deemed relevant by our board of directors, including our earnings, operations, capital requirements and financial condition and restrictions in our financing agreements.

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Item 6. Selected Financial Data

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

	Year Ended December 31,				
	2015	2014	2013	2012	2011
Statement of Operations Data:					
Revenue	$100,252	$198,037	$202,874	$240,458	$218,008
Expenses and costs:					
Depreciation and amortization	80,923	121,023	121,598	139,754	142,963
Cost of sales	195	304	475	464	100
Selling, general and administrative	22,184	29,799	25,971	29,088	31,649
	103,302	151,126	148,044	169,306	174,712
Income (loss) from operations	(3,050)	46,911	54,830	71,152	43,296
Interest expense, net	(25,390)	(25,029)	(27,851)	(29,011)	(34,767)
Foreign currency exchange gains (losses)	(1,650)	(1,974)	(2,222)	681	(726)
Loss on early extinguishment of debt	—	—	(1,504)	—	(7,912)
Gain on sale of marketable securities	—	—	—	230	2,467
Other income	5	63	488	780	250
Income (loss) before income taxes	(30,085)	19,971	23,741	43,832	2,608
Provision (benefit) for income taxes	79,905	10,293	(89,940)	6,782	392
Net income (loss)	$(109,990)	$9,678	$113,681	$37,050	$2,216

	As of December 31,				
	2015	2014	2013	2012	2011
Balance Sheet Data:					
Cash and cash equivalents	$52,675	$59,175	$31,353	$61,891	$74,894
Seismic data library, net	161,363	165,079	195,778	180,117	120,694
Total assets	425,791	579,756	595,513	550,744	500,330
Total debt	251,661	252,219	252,676	278,142	278,256
Stockholder’s equity	122,216	253,089	254,956	150,358	109,840
Common shares outstanding	100	100	100	100	100

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

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

Overview

General

Our products and services are used by E&P companies in oil and gas exploration and development efforts to increase the probability of drilling success, to better delineate existing oil and gas fields and to augment their reservoir completion and management techniques. In unconventional plays, E&P companies use seismic data as a development tool to better identify efficient drilling plans and maximize production by identifying and understanding a series of critical characteristics of the targeted resource. We own an extensive library of onshore and offshore seismic data that we offer for license to E&P companies. We believe that our library of onshore seismic data is one of the largest available for licensing in North America. We generate revenue primarily by licensing data from our data library and from new data creation products, which are substantially underwritten or paid for by our clients. By participating in underwritten, nonexclusive surveys or purchasing

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licenses to existing data, E&P companies can obtain access to surveys at reduced costs as compared to acquiring seismic data on a proprietary basis.

Our primary areas of focus are onshore United States and Canada and, to a lesser extent, offshore U.S. Gulf of Mexico. Our offshore seismic data is primarily located in the shallow waters of the U.S. Gulf of Mexico and generates a small percentage of our revenue. As a result of the energy reform in Mexico, we began to expand our data library coverage into Mexico in late 2015.

As a result of the decline and volatility in oil prices, E&P companies have announced reductions in their capital spending budgets for 2016. We anticipate that demand for our seismic data will remain weak as long as commodity prices remain at current levels. However, we are unable to predict the severity or duration of such decrease in demand. We have implemented a number of measures to deal with the industry environment, including reducing our investment in new data acquisition and reducing our headcount. We believe we are well positioned to deal with this challenging environment due to our variable operating structure, asset-light business model and our strong cash balance at December 31, 2015.

Principal Factors Affecting Our Business

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

Demand for Seismic Data: Demand for our products and services is cyclical due to the nature of the oil and gas industry. In particular, demand for our seismic data services depends upon exploration, production, development and field management spending by E&P companies and, in the case of new data creation, the willingness of these companies to forgo ownership in the seismic data. Capital expenditures by E&P companies depend upon several factors, including actual and forecasted oil and natural gas commodity prices, prospect availability and the companies' own short-term and strategic plans. These capital expenditures may also be affected by worldwide economic or industry-wide conditions.

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

Exploiting unconventional plays is a capital intensive endeavor and many technically proficient E&P companies remain capital constrained. They find themselves needing to sell their positions to, or create partnerships with, large well-capitalized companies in order to develop their recoverable resource base. These joint venture partners or new owners will often need to purchase licenses to our seismic data for their own use.

North America Drilling Activity: The decline in crude oil prices and the reduction in E&P spending in 2015 caused drilling activity in North America to decrease significantly. As of February 5, 2016, the North American land rig count was 784 rigs compared to the peak in the fourth quarter of 2014 of 2,309. The retrenchment in onshore investment is anticipated to push the count of oil-directed rigs and well completions in 2016 below the current level.

Availability of Capital for Our Customers: Some of our customers are independent E&P companies and private prospect-generating companies that rely primarily on private capital markets to fund their exploration, production, development and field management activities. Certain of our customers have credit facilities with borrowing bases that are tied to the net present value of their reserves. Low oil prices have decreased the value of those reserves and, as a result, the borrowing bases under such facilities have been reduced. Reductions in cash flows resulting from lower commodity prices, along with the reduced availability of credit and increased costs of borrowing, could have a material impact on the ability of such companies to obtain funding necessary to purchase our seismic data.

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

Key Performance Measures

Management considers certain financial and performance measures in evaluating and managing our financial condition and operating performance. Some of these measures are non-GAAP financial measures. Generally, a non-GAAP financial measure

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is a numerical measure of a company's performance, financial position or cash flows that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with United States generally accepted accounting principles, or GAAP. These non-GAAP measures are intended to supplement the presentation of our financial results that are prepared in accordance with GAAP and should not be considered substitutes for GAAP financial measures.

The following are the key financial and performance measures considered by management.

Cash Resales

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

The following is a reconciliation of this non-GAAP financial measure to the most directly comparable GAAP financial measure, total revenue (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Cash resales	$44,350	$123,530	$95,465
Other revenue components:			
Acquisition underwriting revenue	42,734	59,960	87,312
Non-monetary exchanges	9,300	741	1,656
Revenue recognition adjustments	1,554	9,806	13,676
Solutions and other	2,314	4,000	4,765
Total revenue	$100,252	$198,037	$202,874

Cash EBITDA

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

The following is a quantitative reconciliation of this non-GAAP financial measure to the most directly comparable GAAP financial measure, net income (loss) (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Cash EBITDA	$25,263	$98,943	$75,064
Add other revenue components not included in cash EBITDA:			
Acquisition underwriting revenue	42,734	59,960	87,312
Non-monetary exchanges	9,300	741	1,656
Revenue recognition adjustments	1,554	9,806	13,676
Solutions non-cash revenue	13	—	—
Add (subtract) other items included in net income:			
Depreciation and amortization	(80,923)	(121,023)	(121,598)
Non-cash operating expenses	(328)	(536)	(869)
Non-routine and other corporate expenses	(663)	(980)	(411)
Interest expense, net	(25,390)	(25,029)	(27,851)
Foreign currency losses	(1,650)	(1,974)	(2,222)

Loss on early extinguishment of debt	—	—	(1,504)
Other income	5	63	488
Benefit (provision) for income taxes	(79,905)	(10,293)	89,940
Net income (loss)	$(109,990)	$9,678	$113,681

Growth of our Seismic Data Library

We regularly add to our seismic data library through four different methods: (1) recording new data, (2) buying ownership of existing data for cash, (3) obtaining ownership of existing data through non-monetary exchanges and (4) creating new value-added products from existing data within our library. For the years ended December 31, 2015, 2014 and 2013, we completed the addition of approximately 1,250 square miles, 1,600 square miles and 2,700 square miles, respectively, of seismic data to our library. For the period January 1, 2016 to February 16, 2016, we completed the addition of approximately 700 square miles and as of February 16, 2016, we had 350 square miles of seismic data in progress.

Critical Accounting Policies

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

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

Revenue Recognition

Revenue from Data Acquisition

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

Revenue from Non-Exclusive Data Licenses

We recognize a substantial portion of our revenue from licensing of data once it is available for delivery. Revenue from the non-exclusive licensing of seismic data is recognized when the following criteria are met:

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

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

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

Revenue from Non-Monetary Exchanges

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

Seismic Data Library

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

Data Library Amortization

We amortize each survey in our seismic data library using the greater of the amortization that would result from the application of the income forecast method (subject to a minimum amortization rate) or a straight-line basis over four years commencing at the time such survey is completed and available for licensing to customers on a non-exclusive basis. Due to the subjectivity inherent in the income forecast amortization method, this amortization policy ensures a minimum level of amortization will be recorded if sales of the specific data do not occur as expected.

We apply the income forecast method by forecasting the ultimate revenue expected to be derived from a particular data library component over the estimated useful life of each survey comprising part of such component. We make this forecast annually and review it quarterly. If, during any such review, we determine that the ultimate revenue for a library component is expected to be significantly different than the original estimate of total revenue for such library component, we revise the amortization rate attributable to future revenue from each survey in such component. The Company applies a minimum amortization rate of 70%.

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

Seismic Data Library Impairment

We evaluate our seismic data library for impairment by grouping individual surveys into components based on our operations and geological and geographical trends. We believe that these library components constitute the lowest levels of independently identifiable cash flows. We evaluate our seismic data library investment for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

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

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

Goodwill

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

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Use of Estimates and Assumptions

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

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

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

We apply a minimum income forecast amortization rate of 70% and the effect of decreasing future sales by 10%, with all other factors remaining constant, would not increase amortization rates from 70% as of January 1, 2016. The effect of decreasing future sales by 20%, with all other factors remaining constant, would cause the range of amortization rates to be from 70% to 77% as of January 1, 2016.

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

If it is necessary to perform an analysis to determine if our goodwill is impaired, the two-step impairment test is performed to identify potential goodwill impairment and measure the amount of a goodwill impairment loss to be recognized. The impairment test involves a comparison of the fair value of a reporting unit with its carrying amount, including goodwill to identify if a goodwill impairment exists. For our estimates of the fair value of goodwill, we prepare discounted cash flow analysis, which requires significant judgments and estimates about our future performance. If these projected cash flows change materially, we may be required to record impairment losses relative to goodwill.

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

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

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Results of Operations

Revenue

The following table summarizes the components of our revenue for the years ended December 31, 2015, 2014 and 2013 (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Acquisition underwriting revenue:			
Cash underwriting	$42,566	$59,922	$87,225
Underwriting from non-monetary exchanges	168	38	87
Total acquisition underwriting revenue	42,734	59,960	87,312
Resale licensing revenue:			
Cash resales	44,350	123,530	95,465
Non-monetary exchanges	9,300	741	1,656
Revenue recognition adjustments	1,554	9,806	13,676
Total resale licensing revenue	55,204	134,077	110,797
Total seismic revenue	97,938	194,037	198,109
Solutions and other	2,314	4,000	4,765
Total revenue	$100,252	$198,037	$202,874

Total revenue for the year ended December 31, 2015 was $100.3 million compared to $198.0 million for the year ended December 31, 2014. The decrease in total revenue was mainly due to a reduction in resale licensing revenue. Acquisition underwriting revenue was $42.7 million in 2015 compared to $60.0 million in 2014. The decrease in acquisition underwriting revenue was primarily attributable to a reduction in activity in the U.S. and Canada due to a decline in capital spending by E&P companies as a result of the prolonged and deep decline in crude oil prices. Our new data acquisition activity in 2015 primarily occurred in the Eagle Ford/Woodbine and Permian unconventional plays in the U.S. and the Montney and Cardium unconventional plays in Canada. Total resale licensing revenue was $55.2 million in 2015 compared to $134.1 million in 2014. Cash resales were $44.4 million in 2015 compared to $123.5 million in 2014 reflecting lower activity levels by our clients as a result of less drilling and reduced capital expenditures stemming from the drop in crude oil prices beginning in late 2014 and continuing throughout 2015. Non-monetary exchanges fluctuate year to year depending upon data available for trade. We had one large non-monetary exchange in 2015 causing the significant increase from 2014. Revenue recognition adjustments are non-cash adjustments to revenue and reflect the net amount of (i) revenue deferred as a result of all of the revenue recognition criteria not being met and (ii) the subsequent revenue recognition once the criteria are met. The decrease of $8.3 million in revenue recognition adjustments from 2014 to 2015 was primarily due to a decrease in selections of data from library card contracts and a decrease in revenue recognized on previously deferred direct licensing contracts, partially offset by lower deferrals associated with new licensing contracts. Solutions and other revenue was $2.3 million in 2015 compared to $4.0 million in 2014. The $1.7 million decrease was due to the lower level of total seismic revenue.

Total revenue for the year ended December 31, 2014 was $198.0 million compared to $202.9 million for the year ended December 31, 2013. The decrease in total revenue was mainly attributable to a $27.4 million reduction in acquisition underwriting revenue partially offset by a $23.3 million increase in resale licensing revenue. Acquisition underwriting revenue was $60.0 million in 2014, compared to $87.3 million in 2013. In 2014, we focused on reduced, but targeted, investment. This reduction directly impacted acquisition underwriting revenue. New data acquisition activity in 2014 was primarily focused in the Eagle Ford/Woodbine, Permian (West Texas Plays) and Utica/Marcellus in the United States and the Cardium and Montney areas in Canada. Total resale licensing revenue was $134.1 million in 2014 compared to $110.8 million in 2013. In 2014, cash resales totaled $123.5 million, an increase of $28.1 million, or 29%, compared to $95.5 million in 2013. We experienced stronger cash resale activity in 2014 in both unconventional and conventional areas, with a good distribution of activity among the various plays. Cash resales improved year over year in each quarter of 2014; however, we began to see some slowing of cash resale activity in the fourth quarter of 2014 due to the decline in crude oil prices. Non-monetary exchanges totaled $0.8 million in 2014 compared to $1.7 million in 2013. The change in revenue recognition adjustments between 2013 and 2014, which resulted in a decrease in revenue recognized of $3.9 million between periods, was due to a decrease in selections on open library card contracts, partially offset by fewer deferrals on new data licensing contracts and an increase in revenue recognized on previously deferred direct licensing contracts. Solutions and other revenue was $4.0 million in 2014 compared to $4.8 million in 2013 and was lower primarily due to variation in the type and amount of products delivered.

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At December 31, 2015, we had a deferred revenue balance of $25.9 million compared to the December 31, 2014 balance of $34.5 million. The deferred revenue balance was related to (i) data licensing contracts on which selection of specific data had not yet occurred, (ii) deferred revenue on data acquisition projects and (iii) contracts in which the data products are not yet available or the revenue recognition criteria has not yet been met. The deferred revenue will be recognized when selection of specific data is made by the customer, upon expiration of the data selection period specified in the data licensing contracts, as work progresses on the data acquisition contracts, as the data products become available for delivery or as all of the revenue recognition criteria are met. Deferred revenue will be recognized no later than the following, based on the expiration of the selection period or our estimate of progress on acquisition projects and the availability of data products, although some revenue may be recognized earlier (in thousands):

2016...	$24,275
2017..	500
2018 and thereafter....................................	1,128

Depreciation and Amortization

The table below sets forth the components of depreciation and amortization and presents seismic data amortization as a percentage of total seismic revenue for the years ended December 31, 2015, 2014 and 2013 (dollars in thousands):

	Year Ended December 31,			Percentage of Revenue		
	2015	2014	2013	2015	2014	2013
Amortization of seismic data:						
Income forecast	$44,976	$92,819	$93,625	46 %	48 %	47 %
Straight-line	30,916	22,740	21,249	32 %	12 %	11 %
Total amortization of seismic data	75,892	115,559	114,874	78 %	60 %	58 %
Depreciation of property and equipment	850	975	1,020			
Amortization of acquired intangibles	4,181	4,489	5,704			
Total	$80,923	$121,023	$121,598			

Total seismic data library amortization amounted to $75.9 million, $115.6 million and $114.9 million in 2015, 2014 and 2013, respectively. The amount of seismic data library amortization fluctuates based on the level and location of specific seismic surveys licensed (including licensing resulting from new data acquisition) and selected by our customers during any period as well as the amount of straight-line amortization required under our accounting policy. The percentage of income forecast amortization to total seismic revenue was 46% for the year ended December 31, 2015, 48% for the year ended December 31, 2014, and 47% for the year ended December 31, 2013. In all three years, we recognized resale revenue from data whose costs were fully amortized. In 2015, 60% of resales did not attract amortization, as compared to 46% in 2014 and 58% in 2013. Additionally, all acquisition revenue attracts amortization; thus, the decreasing level of acquisition revenue between periods impacted the overall percentage of income forecast amortization. Straight-line amortization represents the expense required under our accounting policy to ensure our data value is fully amortized within four years of when the data is completed and becomes available for sale. The amount of straight-line amortization will vary between periods due to the distribution of revenue among the various surveys and was higher in 2015 as a result of the lower level of cash resales.

For each of the years ended December 31, 2015, 2014 and 2013, the rate utilized under the income forecast method was 70% for all components. The rate of amortization with respect to each component is decreased or increased if our estimate of future cash sales from such component is materially increased or decreased, subject to a minimum amortization rate of 70%. Additionally, certain seismic surveys have been fully amortized; consequently, no amortization expense is required on revenue recorded for these seismic surveys. As of January 1, 2016, the amortization rate to be utilized under the income forecast method is 70% for all components.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses were $22.2 million in 2015, $29.8 million in 2014 and $26.0 million in 2013. SG&A expenses are made up of the following cash and non-cash expenses (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Cash SG&A expenses	$21,856	$29,263	$25,102
Non-cash compensation expense	328	536	869
Total	$22,184	$29,799	$25,971

The decrease in cash SG&A expenses of $7.4 million from 2014 to 2015 was primarily due to a decrease of $4.9 million in variable expenses, consisting of commissions and annual incentive compensation, resulting from the decrease in revenue and Cash EBITDA. The additional reduction in SG&A expenses of $2.5 million was primarily due to a targeted reduction in overall expenses including headcount reductions during 2015 through attrition and our October 2015 layoff, reductions in travel and entertainment and various other planned cost savings.

SG&A expenses increased $4.2 million in 2014 compared to 2013 primarily due to a $3.2 million increase in variable expenses. These variable expenses are comprised of commissions and annual incentive compensation and were higher in 2014 due to the increase in total resale licensing revenue and Cash EBITDA compared to 2013. Also contributing to the increase in cash SG&A from 2013 to 2014 were $0.6 million in legal, financial and other expenses associated with corporate strategic costs and $0.4 million in various other expenses.

Interest Expense

Interest expense was $25.4 million for the year ended December 31, 2015, $25.2 million for the year ended December 31, 2014 and $28.2 million for the year ended December 31, 2013. The decrease in interest expense in 2014 from 2013 was due to the refinancing of our 9.75% senior notes due 2014 ("9.75% Senior Notes") in March 2013, which resulted in a lower level of debt at a lower interest rate for 2014. In addition, interest expense in 2013 included approximately $2.2 million of interest expense on our 9.75% Senior Notes that overlapped with interest incurred on the new senior notes (from the date of issuance of the new senior notes on March 20, 2013 until the legal discharge of the old senior notes on April 18, 2013).

Loss on Early Extinguishment of Debt

In connection with the early extinguishment of our 9.75% Senior Notes in March 2013, we recorded a $1.5 million non-cash charge for the year ended December 31, 2013, which reflected the write-off of unamortized issue expenses.

Other Income (Expense)

During the years ended December 31, 2015, 2014 and 2013, we reported foreign currency transaction losses on U.S. denominated transactions of our Canadian subsidiaries totaling $1.7 million, $2.0 million and $2.2 million, respectively.

Income Tax Expense (Benefit)

Income tax expense (benefit) was $79.9 million, $10.3 million and $(89.9) million for the years ended December 31, 2015, 2014 and 2013, respectively, and is comprised of the following (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Change in U.S. federal and state valuation allowance on deferred tax assets	$88,737	$—	$(100,492)
U.S federal taxes	(6,944)	10,575	9,088
U.S. state taxes	40	1,212	1,084
Canadian federal and provincial taxes	(2,004)	(1,680)	542
Canadian research and development tax credits	(346)	—	(361)
Other	422	186	199
Total tax expense (benefit)	$79,905	$10,293	$(89,940)

Since releasing the valuation allowance on our U.S. deferred tax assets in 2013 (based primarily on the positive evidence of pretax book income for the years ended December 31, 2011 through 2014), we have been recording U.S.

federal tax expense (benefit) on our U.S. income (loss). However, at December 31, 2015, we recorded a valuation allowance of $88.7 million against all of our U.S. federal deferred tax assets and the majority of our state net deferred tax assets based on management's assessment that it is more likely than not that our deferred tax assets will not be realized. In making this assessment, we considered all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income and results of recent operations. The most significant piece of negative evidence available in assessing our U.S. deferred tax assets was our current year pretax loss coupled with the outlook for cumulative pretax losses in the near future. As a result of the current industry environment and reduced capital spending in 2016 announced by our clients, we anticipate that our financial results in 2016 will continue to be negatively impacted and that tax losses will be generated in the immediate future. The amount of the deferred tax assets considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased or if objective negative evidence in the form of cumulative losses is no longer present and additional weight is given to subjective evidence such as our projections for recovery and growth.

The reduction in U.S. federal and state tax expense from 2014 to 2015 was primarily due to the decrease in our U.S. taxable income resulting from lower revenues due to reductions in E&P spending in light of the low crude oil price environment. U.S. federal and state tax expense remained fairly consistent from 2013 to 2014. Canada's tax benefit of $2.0 million in 2015 and $1.7 million in 2014 resulted from losses reported in our Canadian operations compared to income reported in 2013. Other tax expense primarily relates to interest expense on uncertain tax positions.

Net Income (Loss)

Net income (loss) was $(110.0) million in 2015 compared to $9.7 million in 2014. The $119.7 million decrease was primarily due to $88.7 million in tax expense recorded in 2015 in order to provide a valuation allowance on our U.S. federal and state deferred tax assets. Additionally, 2015 included a reduction in revenues from 2014, partially offset by lower amortization of seismic data and a decrease in SG&A expenses.

Net income was $9.7 million in 2014 compared to $113.7 million in 2013. The $104.0 million decrease primarily resulted because 2013 included a $100.5 million benefit related to the release of the entire valuation allowance on our U.S. federal and state deferred tax assets. Additional variances in net income were attributable to lower revenue and higher SG&A expenses, partially offset by lower interest expense. Also, 2013 included a $1.5 million charge related to the early extinguishment of our 9.75% Senior Notes.

Liquidity and Capital Resources

As of December 31, 2015, we had $52.7 million in consolidated cash, cash equivalents and short-term investments, including $0.6 million of restricted cash. Our foreign subsidiary regularly holds cash that is used to reinvest in our Canadian operations. If we decide at a later date to repatriate those funds to the U.S., we may be required to provide taxes on certain of those funds based on applicable U.S. tax rates net of foreign taxes. Cash held by our foreign subsidiary fluctuates throughout the year and at December 31, 2015, was approximately $1.4 million.

In addition to the cash on our balance sheet, other sources of liquidity include our credit facility. For additional information regarding the Credit Facility and the 9½% Senior Notes, See "Note E - Debt" in the Notes to Consolidated Financial Statements herein.

Credit Facility: On May 25, 2011, we entered into a credit agreement ("Credit Facility") that provides us with the ability to borrow up to $30.0 million. The Credit Facility provides a $30.0 million revolving credit facility with a Canadian sublimit of $5.0 million (Canadian), subject to borrowing base limitations based on our seismic data assets and eligible accounts receivable, each as defined in the Credit Facility, calculated on a monthly basis. U.S. borrowings under the Credit Facility accrue interest based on, at our option, either the London InterBank Offered Rate ("LIBOR") plus an applicable margin, or the base rate, as defined in the agreement, plus an applicable margin. Canadian borrowings under the Credit Facility accrue interest based on a Canadian base rate plus applicable margin, as defined in the agreement. In addition, we are required to pay an unused line fee of 0.50% per annum in respect of any unutilized commitments under the Credit Facility. The Credit Facility matures on May 25, 2016. As of December 31, 2015, no amounts were outstanding under the Credit Facility. As of December 31, 2015, our calculated borrowing base was $27.6 million; however, the availability on the Credit Facility was limited to $17.6 million to allow for excess availability of $10.0 million as our fixed charge coverage ratio was below 1.00 to 1.00. To the best of our knowledge, we were in compliance with all covenants contained in the Credit Facility at December 31, 2015.

9½% Senior Unsecured Notes: On March 20, 2013, we issued in a private placement $250.0 million aggregate principal amount of our 9½% Senior Notes. Interest is payable in cash, semi-annually on April 15 and October 15 of each year. The notes mature on April 15, 2019. To the best of our knowledge, we are in compliance with all covenants contained in the indenture governing our 9½% Senior Notes at December 31, 2015.

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

Contractual Obligations: The following table summarizes our future contractual obligations as of December 31, 2015 (in thousands):

		Payments due by period			
Contractual cash obligations	Total	2015	2016-2018	2019-2020	2021 and thereafter
Debt obligations (1) (2)	$333,125	$23,750	$309,375	$—	$—
Capital lease obligations (2)	2,029	296	970	654	109
Operating lease obligations	1,939	751	654	366	168
Total contractual cash obligations	$337,093	$24,797	$310,999	$1,020	$277

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

Cash Flows from Operating Activities: Cash flows provided by operating activities were $72.6 million, $124.3 million and $147.9 million for the years ended December 31, 2015, 2014 and 2013, respectively. Operating cash flows for 2015 decreased from 2014 primarily due to the reduced level of cash resales in 2015 and also due to lower acquisition underwriting revenue. Operating cash flows for 2014 decreased from 2013 primarily due to a reduction in acquisition underwriting revenue resulting from lower data acquisition activity and lower collections on cash resales partially offset by income tax refunds received and reduced interest payments.

Cash Flows from Investing Activities: Cash flows used in investing activities were $77.7 million, $95.7 million and $145.7 million for the years ended December 31, 2015, 2014 and 2013, respectively. Cash expenditures for seismic data were $77.3 million, $93.7 million and $144.6 million for the years ended December 31, 2015, 2014 and 2013, respectively. The decrease in cash invested in seismic data for 2015 compared to 2014 was primarily due to decreased data acquisition activity in the U.S. and Canada. The decrease in cash invested in seismic data for 2014 compared to 2013 was primarily due to a planned reduction in data acquisition activity in the U.S.

Cash Flows from Financing Activities: Cash flows used in financing activities were $0.2 million, $0.2 million and $32.3 million for the years ended December 31, 2015, 2014 and 2013, respectively. The cash flows used in financing activities in 2013 were due to the refinancing of our 9.75% Senior Notes whereby we used $25.0 million cash on hand to pay down principal and paid $7.1 million in fees and expenses in connection with the issuance of our 9½% Senior Notes.

Anticipated Liquidity: Our ability to cover our operating and capital expenses, make required debt service payments on our 9½% Senior Notes, incur additional indebtedness and comply with our various debt covenants will depend primarily on our ability to generate substantial operating cash flows. Over the next 12 months, we expect to obtain the funds necessary to pay our operating, capital and other expenses as well as interest on our 9½% Senior Notes and principal and interest on our other indebtedness from our operating cash flows, cash and cash equivalents on hand and, if required, from borrowings (to the extent available under our Credit Facility subject to the borrowing base). Our ability to satisfy our payment obligations depends substantially on our future operating and financial performance, which necessarily will be affected by, and subject to, industry, market, economic and other factors. If necessary, we could choose to further reduce our spending on capital projects and operating expenses to ensure we operate within the cash flow generated from our operations. We will not be able to predict or control many of these factors, such as economic conditions in the markets where we operate and competitive pressures.

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

Deferred Taxes

As of December 31, 2015, we had a net deferred tax liability of $2.4 million attributable to our Canadian operations. In the United States, we had a federal deferred tax asset of $87.5 million, which was fully offset by a valuation allowance. The recognition of the U.S. federal deferred tax asset will not occur until such time that it is more likely than not that some portion or all of the federal deferred tax asset will be realized. As of December 31, 2015, it was more likely than not that all of the U.S. federal deferred tax asset will not be realized. Additionally, in the United States, we had a state deferred tax asset of $1.3 million of which $1.2 million was offset by a valuation allowance. The remaining state deferred tax asset of $39,000 was recognized as it is more likely than not that the state deferred tax asset will be realized.

Off-Balance Sheet Transactions

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

Capital Expenditures

During 2015, capital expenditures for seismic data and other property and equipment amounted to $80.9 million on a gross basis and $29.0 million on a net cash basis. Our capital expenditures for 2016 are presently estimated to be $24.4 million on a gross basis and $6.3 million on a net cash basis. Our 2015 actual and 2016 estimated capital expenditures are comprised of the following (in thousands):

	Year Ended December 31, 2015	Estimate for Year Ending December 31, 2016
New data acquisition	$67,374	$18,100
Cash purchases and data processing	3,763	2,800
Non-monetary exchanges	9,311	2,800
Property and equipment and other	414	700
Total capital expenditures	80,862	24,400
Less: Non-monetary exchanges	(9,311)	(2,800)
Changes in working capital	6,162	—
Cash investment per statement of cash flows	$77,713	$21,600

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

	Year Ended December 31, 2015	Estimate for Year Ending December 31, 2016
Total capital expenditures	$80,862	$24,400
Less: Non-monetary exchanges	(9,311)	(2,800)
Cash underwriting	(42,566)	(15,300)
Net cash capital expenditures	$28,985	$6,300

In light of the current industry environment, our 2016 estimate of net cash capital expenditures primarily includes the completion of our ongoing acquisition programs only. As of February 16, 2016, we had capital expenditure commitments related to data acquisition projects of approximately $16.5 million, of which we have obtained approximately $14.9 million of cash underwriting. See discussion of our sources of liquidity under “Liquidity and Capital Resources.”

Recent Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2015-03, “Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs,” which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, rather than as a deferred asset. This guidance requires retrospective application and is effective on January 1, 2016, with early adoption permitted. Adopting ASU 2015-03 will only result in a change in presentation and will reduce our prepaid expenses, deferred charges and other assets and Senior Notes liability amounts in the consolidated balance sheets. As of December 31, 2015, our unamortized debt issue costs subject to the guidance under this ASU were $4.3 million. We are not early adopting this ASU; therefore, the changes to our consolidated balance sheets will be reflected effective January 1, 2016.

In August 2014, the FASB issued ASU 2014-15, “Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern.” This ASU provides guidance on management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern or to provide related footnote disclosures. The amendments require management to assess an entity’s ability to

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continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. The new standard will be effective for annual periods ending after December 15, 2016, and interim periods within annual periods beginning after December 15, 2016. Early adoption is permitted. We believe adoption of ASU 2014-15 will not affect our financial statements.

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606).” The objective of the ASU is to establish a single comprehensive model in accounting for revenue arising from contracts with customers and will supersede most of the existing revenue recognition guidance, including industry-specific guidance. The core principle of the guidance is that an entity recognizes revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU also significantly expands disclosure requirements concerning revenues for most entities. In July 2015, the FASB agreed to defer the effective date of the new revenue recognition standard by one year, which changes the date by which we are required to adopt the ASU to January 1, 2018. Early application of ASU 2014-09 is permitted, but not before January 1, 2017. Once effective, entities have the option of using either a full retrospective or modified approach to adopt the new standard. We are currently evaluating the effect that ASU 2014-09 will have on our financial statements and financial statement disclosures.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

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

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

Interest Rate Risk

We may enter into various financial instruments, such as interest rate swaps or interest rate lock agreements, to manage the impact of changes in interest rates. Currently, we have no open interest rate swap or interest rate lock agreements. Therefore, our exposure to changes in interest rates primarily results from our long-term debt with fixed interest rates. As of December 31, 2015 and 2014, we did not have any debt outstanding with floating interest rates.

The following table presents principal or notional amounts by year of maturity (stated in thousands) and average interest rates for our debt obligations and their indicated fair market value at December 31, 2015:

	2016	2017	2018	2019	2020	There-after	Total	Fair Value
Debt:								
Fixed Rate	$—	$—	$—	$250,000	$—	$—	$250,000	$152,500
Average Interest Rate	—	—	—	9.50 %	—	—	9.50 %	

The following table presents principal or notional amounts by year of maturity (stated in thousands) and average interest rates for our debt obligations and their indicated fair market value at December 31, 2014:

	2015	2016	2017	2018	2019	There-after	Total	Fair Value
Debt:								
Fixed Rate	$—	$—	$—	$—	$250,000	$—	$250,000	$243,843
Average Interest Rate	—	—	—	—	9.50 %	—	9.50 %	

Foreign Currency Exchange Rate Risk

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

Additionally, certain intercompany balances between our U.S. and Canadian subsidiaries are denominated in U.S. dollars. Since this is not the functional currency of our Canadian subsidiary, the changes in these balances are translated in our Consolidated

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Statements of Operations. As a result, we are exposed to foreign exchange risk as it relates to these intercompany balances. A sensitivity analysis indicates that, based on the intercompany balance as of December 31, 2015, if the U.S. dollar strengthened or weakened 4% (determined using an average of the last three years' historical exchange rates) against the Canadian dollar, the effect upon our Consolidated Statements of Operations would be approximately $0.1 million.

Item 8. Financial Statements and Supplementary Data

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

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of December 31, 2015, our management carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and President and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, pursuant to Exchange Act Rule 13a-15. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures. Based upon that evaluation, our Chief Executive Officer and President along with our Chief Financial Officer concluded that our disclosure controls and procedures as of December 31, 2015 were designed to ensure, and were effective in ensuring, that our information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and President and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Management's Annual Report on Internal Control over Financial Reporting

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

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2015. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework (2013 Framework). Based on this assessment and such criteria, management believes that, as of December 31, 2015, our internal control over financial reporting was effective.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to Section 404(c) of the Sarbanes-Oxley Act of 2002, as amended, that provides an exemption to issuers that are non-accelerated filers.

Changes in Internal Controls Over Financial Reporting

There have been no changes in our internal controls over financial reporting during the quarter ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

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Not later than 120 days after December 31, 2015, we will amend this Annual Report on Form 10-K to include the information required by this item.

Item 11. Executive Compensation

Not later than 120 days after December 31, 2015, we will amend this Annual Report on Form 10-K to include the information required by this item.

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

Not later than 120 days after December 31, 2015, we will amend this Annual Report on Form 10-K to include the information required by this item.

Item 13. Certain Relationships and Related Transactions and Director Independence

Not later than 120 days after December 31, 2015, we will amend this Annual Report on Form 10-K to include the information required by this item.

Item 14. Principal Accountant Fees and Services

Not later than 120 days after December 31, 2015, we will amend this Annual Report on Form 10-K to include the information required by this item.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) Documents filed as part of this Report.

(3) Exhibits:

The exhibits required to be filed by Item 601 of Regulation S-K are listed in the Exhibit Index immediately preceding the exhibits filed herewith and such listing is incorporated herein by reference.

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SIGNATURES

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

SEITEL, INC.

By: /s/ Robert D. Monson
Robert D. Monson
Chief Executive Officer and President
(Duly Authorized Officer and Principal Executive Officer)

Date: February 19, 2016

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

Signature	Title	Date
/s/ Gregory P. Spivy Gregory P. Spivy	Chairman of the Board of Directors	February 19, 2016
/s/ Robert D. Monson Robert D. Monson	Chief Executive Officer, President and Director (Principal Executive Officer)	February 19, 2016
/s/ Marcia H. Kendrick Marcia H. Kendrick	Chief Financial Officer (Principal Financial Officer)	February 19, 2016
/s/ Allison A. Bennington Allison A. Bennington	Director	February 19, 2016
/s/ Ryan M. Birtwell Ryan M. Birtwell	Director	February 19, 2016
/s/ Dalton J. Boutte Dalton J. Boutte	Director	February 19, 2016
/s/ Kevin P. Callaghan Kevin P. Callaghan	Chief Operating Officer and Director	February 19, 2016
/s/ Kyle N. Cruz Kyle N. Cruz	Director	February 19, 2016
/s/ Jay H. Golding Jay H. Golding	Director	February 19, 2016

/s/ John E. Jackson John E. Jackson	Director	February 19, 2016
/s/ Daniel R. Osnoss Daniel R. Osnoss	Director	February 19, 2016

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MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The accompanying consolidated financial statements of Seitel, Inc. and its subsidiaries (“Seitel”) were prepared by management, which is responsible for their integrity, objectivity and fair presentation. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America and, accordingly, include some amounts that are based on the best estimates and judgments of management. Seitel’s management is also responsible for establishing and maintaining effective internal control over financial reporting. The system of internal control of Seitel is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America. This system consists of 1) entity level controls, including written policies and guidelines relating to the ethical conduct of business affairs, 2) general computer controls and 3) process controls over initiating, authorizing, recording, processing and reporting transactions. Even an effective internal control system, no matter how well designed, has inherent limitations, including the possibility of human error and circumvention or overriding of controls and therefore can provide only reasonable assurance with respect to reliable financial reporting. Furthermore, the effectiveness of an internal control system in future periods can change with conditions.

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

Seitel’s management assessed the effectiveness of Seitel's internal control over financial reporting as of December 31, 2015. In making this assessment, management used the criteria set forth in Internal Control—Integrated Framework (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). These criteria cover the control environment, risk assessment process, control activities, information and communication systems, and monitoring activities. Based on this assessment, management believes that, as of December 31, 2015, Seitel's internal control over financial reporting is effective based on those criteria.

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

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

Houston, Texas
February 19, 2016

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Seitel, Inc. and Subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income (loss), stockholder's equity and cash flows for each of the years in the three-year period ended December 31, 2015. The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. Our audits also included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Seitel, Inc. and Subsidiaries, as of December 31, 2015 and 2014, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

/s/ BKD, LLP
Houston, Texas
February 19, 2016

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

	December 31, 2015	2014
ASSETS		
Cash and cash equivalents	$52,675	$59,175
Receivables		
Trade, less allowance for doubtful accounts of $267 and $268, respectively	14,830	53,250
Notes and other	1,318	1,698
Due from Seitel Holdings, Inc. (Note J)	1,156	1,143
Seismic data library (Note B)	1,259,761	1,239,339
Less: Accumulated amortization	(1,098,398)	(1,074,260)
Net seismic data library	161,363	165,079
Property and equipment	17,750	18,828
Less: Accumulated depreciation and amortization	(15,147)	(14,971)
Net property and equipment	2,603	3,857
Prepaid expenses, deferred charges and other	6,487	10,075
Intangible assets, net (Note C)	5,528	10,013
Goodwill (Note C)	179,792	193,722
Deferred income taxes (Note D)	39	81,744
TOTAL ASSETS	$425,791	$579,756
LIABILITIES AND STOCKHOLDER'S EQUITY		
LIABILITIES		
Accounts payable	$8,077	$18,433
Accrued liabilities	14,981	12,074
Employee compensation payable	592	3,893
Income taxes payable	—	197
Senior Notes (Note E)	250,000	250,000
Obligations under capital leases (Note F)	1,661	2,219
Deferred revenue (Note A)	25,903	34,517
Deferred income taxes (Note D)	2,361	5,334
TOTAL LIABILITIES	303,575	326,667
COMMITMENTS AND CONTINGENCIES (Note G)		
STOCKHOLDER'S EQUITY		
Common stock, par value $.001 per share; 100 shares authorized, issued and outstanding	—	—
Additional paid-in capital	400,505	400,177
Retained deficit	(258,766)	(148,776)
Accumulated other comprehensive income (loss)	(19,523)	1,688
TOTAL STOCKHOLDER'S EQUITY	122,216	253,089
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$425,791	$579,756

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

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

	Year Ended December 31,		
	2015	2014	2013
REVENUE	$100,252	$198,037	$202,874
EXPENSES:			
Depreciation and amortization	80,923	121,023	121,598
Cost of sales	195	304	475
Selling, general and administrative	22,184	29,799	25,971
	103,302	151,126	148,044
INCOME (LOSS) FROM OPERATIONS	(3,050)	46,911	54,830
Interest expense	(25,430)	(25,222)	(28,213)
Interest income	40	193	362
Foreign currency exchange losses	(1,650)	(1,974)	(2,222)
Loss on early extinguishment of debt	—	—	(1,504)
Other income	5	63	488
Income (loss) before income taxes	(30,085)	19,971	23,741
Provision (benefit) for income taxes	79,905	10,293	(89,940)
NET INCOME (LOSS)	$(109,990)	$9,678	$113,681

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

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

	Year Ended December 31,		
	2015	2014	2013
Net income (loss)	$(109,990)	$9,678	$113,681
Foreign currency translation adjustments	(21,211)	(12,081)	(9,952)
Comprehensive income (loss)	$(131,201)	$(2,403)	$103,729

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

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

	Common Stock		Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Income (Loss)
	Shares	Amount			
Balance, December 31, 2012	100	$—	$398,772	$(272,135)	$23,721
Amortization of stock-based compensation costs	—	—	869	—	—
Net income	—	—	—	113,681	—
Foreign currency translation adjustments	—	—	—	—	(9,952)
Balance, December 31, 2013	100	—	399,641	(158,454)	13,769
Amortization of stock-based compensation costs	—	—	536	—	—
Net income	—	—	—	9,678	—
Foreign currency translation adjustments	—	—	—	—	(12,081)
Balance, December 31, 2014	100	—	400,177	(148,776)	1,688
Amortization of stock-based compensation costs	—	—	328	—	—
Net loss	—	—	—	(109,990)	—
Foreign currency translation adjustments	—	—	—	—	(21,211)
Balance, December 31, 2015	100	$—	$400,505	$(258,766)	$(19,523)

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

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

	Year Ended December 31,		
	2015	2014	2013
Cash flows from operating activities:			
Reconciliation of net income (loss) to net cash provided by operating activities:			
Net income (loss)	$(109,990)	$9,678	$113,681
Depreciation and amortization	80,923	121,023	121,598
Loss on early extinguishment of debt	—	—	1,504
Deferred income tax provision (benefit)	79,712	9,273	(86,863)
Foreign currency exchange losses	1,650	1,974	2,222
Amortization of deferred financing costs	1,200	1,090	1,246
Amortization of stock-based compensation	328	536	869
Increase (decrease) in allowance for doubtful accounts	4	(337)	(300)
Non-cash other loss (income)	—	15	(377)
Non-cash revenue	(6,928)	(1,071)	(2,486)
Decrease (increase) in receivables	37,490	(12,199)	26,915
Decrease (increase) in other assets	692	(405)	586
Decrease in deferred revenue	(10,539)	(6,960)	(10,093)
Increase (decrease) in accounts payable and other liabilities	(1,906)	1,728	(20,572)
Net cash provided by operating activities	72,636	124,345	147,930
Cash flows from investing activities:			
Cash invested in seismic data	(77,281)	(93,682)	(144,557)
Cash paid to acquire property, equipment and other	(432)	(1,961)	(936)
Cash from sale of property, equipment and other	—	—	61
Advances to Seitel Holdings, Inc.	(13)	(13)	(256)
Net cash used in investing activities	(77,726)	(95,656)	(145,688)
Cash flows from financing activities:			
Issuance of 9½% Senior Notes	—	—	250,000
Repayment of 9.75% Senior Notes	—	—	(275,000)
Principal payments on notes payable	—	—	(29)
Principal payments on capital lease obligations	(218)	(249)	(248)
Debt transaction costs	—	—	(7,050)
Net cash used in financing activities	(218)	(249)	(32,327)
Effect of exchange rate changes	(1,192)	(618)	(453)
Net increase (decrease) in cash and cash equivalents	(6,500)	27,822	(30,538)
Cash and cash equivalents at beginning of period	59,175	31,353	61,891
Cash and cash equivalents at end of period	$52,675	$59,175	$31,353
Supplemental disclosure of cash flow information:			
Cash paid during the period for:			
Interest	$24,230	$24,132	$32,008
Income taxes, net of refunds received	$(665)	$(4,937)	$7,610
Supplemental schedule of non-cash investing and financing activities:			
Additions to seismic data library	$9,311	$950	$4,085

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

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SEITEL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015

NOTE A-BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

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

Nature of Operations: The Company owns an extensive library of proprietary onshore and offshore seismic data that it offers for license to exploration and production companies. The Company’s library includes a vast amount of data across both unconventional plays and conventional oil and gas basins. Unconventional plays are those that cannot be produced at economic flow rates, nor in economic volumes without the use of advanced stimulation techniques, usually for reasons of low permeability. The more common of these advanced stimulation techniques are horizontal drilling and hydraulic fracturing or any others that would enhance recovery rates. Included in these unconventional resources are heavy oil, tar sands, shale gas and oil, gas hydrates and coalbed methane. The Company has leading seismic market positions in key North American unconventional plays, including the Eagle Ford/Woodbine, Permian Basin, Utica/Marcellus, Niobrara/Bakken and Haynesville in the United States and Montney, Cardium and Horn River in Canada. The majority of the Company's conventional seismic data covers onshore regions within North America with the remainder covering offshore United States. To support its seismic data licensing business and its clients, the Company maintains warehouse and electronic storage facilities in Houston, Texas and Calgary, Alberta, Canada and offers, through its Seitel Solutions business unit (“Solutions”), the ability to access and interact, via a standard web browser and the Internet, with the seismic data library owned and marketed by the Company.

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

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

Use of Estimates and Assumptions: The preparation of the Company's financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the accounting for and recognition of assets, liabilities, revenues and expenses. These estimates and assumptions must be made because certain information that is used in the preparation of the Company's financial statements is dependent on future events, cannot be calculated with a high degree of precision from data available or is not otherwise capable of being readily calculated based on generally accepted methodologies. In some cases, these estimates are particularly difficult to determine and the Company must exercise significant judgment.

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

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

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

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

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

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

Revenue Recognition:

Revenue from Data Acquisition

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

Acquisition underwriting revenue is recognized throughout the creation period using the proportional performance method based upon costs incurred and work performed to date as a percentage of total estimated costs and work required. Management believes that this method is the most reliable and representative measure of progress for its data creation projects. On average, the duration of the data creation process is approximately one year. Under these contracts, the Company creates new seismic data designed in conjunction with its customers and specifically suited to the geology of the area using the most appropriate technology available.

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

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

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

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

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

Revenue from Non-Exclusive Data Licenses

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

These sales fall under the following four basic forms of non-exclusive license contracts.

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

- Library card license contract—The customer initially receives only access to certain data. The customer may then select specific data, from the collection of data to which it has access, to hold long-term under its license agreement. The length of the selection periods under the library card contracts is limited in time and varies from customer to customer.

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

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

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

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

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

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

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

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

Revenue from Non-Monetary Exchanges

In certain cases, the Company will take ownership of a customer's seismic data or revenue interest (collectively referred to as "data") in exchange for a non-exclusive license to selected seismic data from the Company's library and, in some cases, services provided by Solutions. In connection with specific data acquisition contracts, the Company may choose to receive both cash and ownership of seismic data from the customer as consideration for the underwriting of new data acquisition. In addition, the Company may receive advanced data processing services on selected existing data in exchange for a non-exclusive

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

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

- the data license delivered is always distinct from the data received;
- the customer forfeits ownership of its data; and
- the Company retains ownership in its data.

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

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

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

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

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

	Year Ended December 31,		
	2015	2014	2013
Seismic data library additions	$9,311	$950	$4,085
Revenue recognized on specific data licenses or selections of data	6,747	1,033	2,399
Revenue recognized related to acquisition contracts	168	38	87
Revenue recognized related to Solutions	13	—	—

Revenue from Solutions

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

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

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

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

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

Major Customers: During the year ended December 31, 2015, two customers accounted for more than 10% of revenue, totaling approximately 12.5% and 14.5% each. One customer accounted for approximately 13% of total revenues for the year ended December 31, 2014, while no single customer accounted for 10% or more of revenue for the year ended December 31, 2013.

Property and Equipment: Property and equipment consists primarily of computer equipment, leasehold improvements and furniture and fixtures stated at historical cost through February 13, 2007, at which time the Company adjusted its property and equipment to fair value in accordance with purchase accounting. Subsequent additions are stated at historical cost. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets, the majority of which are three to five years. Leasehold improvements are amortized using the straight-line method over the shorter of their estimated useful lives or the remaining term of the underlying lease. Depreciation expense for the year ended December 31, 2015 was $0.9 million and was $1.0 million in each of the years ended December 31, 2014 and 2013.

Debt Issue Costs: Debt issue costs related to the Company’s senior notes and revolving credit facility are included in prepaid expenses, deferred charges and other assets in the consolidated balance sheets. Such costs are amortized over the scheduled maturities of the debt using the effective interest method. As of December 31, 2015 and 2014, unamortized debt issue costs were $4.4 million and $5.6 million, respectively.

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

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

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

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

The Company and all of its U.S. subsidiaries file a consolidated federal income tax return. The Company does not provide U.S. taxes on the undistributed earnings of its foreign subsidiaries whose earnings are intended to be permanently reinvested in foreign operations. At December 31, 2015, there were no accumulated net earnings of non-U.S. subsidiaries.

Foreign Currency Translation: For subsidiaries that have functional currency which is deemed to be other than the U.S. dollar, asset and liability accounts are translated at period-end exchange rates and revenue and expenses are translated at the current exchange rates as of the dates on which they are recognized. Resulting translation adjustments are included in accumulated other comprehensive income (loss) in stockholder’s equity. Accumulated translation gains (losses) were $(19.5) million and $1.7 million at December 31, 2015 and 2014, respectively. Cumulative translation adjustments are not adjusted for income taxes as they relate to indefinite investments in non-U.S. subsidiaries. Any gains or losses realized on transactions or monetary assets or liabilities in currencies other than the functional currency are included in net income in the current period. Transaction losses totaled $1.7 million, $2.0 million and $2.2 million for the years ended December 31, 2015, 2014 and 2013, respectively.

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

Employee Benefit Plans: The Company maintains savings plans in the United States and Canada that allow employees to contribute a portion of their compensation on a pre-tax and/or after-tax basis in accordance with specified guidelines. The Company matches a percentage of the employee contributions up to certain limits. Savings plan expense amounted to $0.5 million for each of the years ended December 31, 2015, 2014 and 2013.

Recent Accounting Pronouncements: In April 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2015-03, “Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs,” which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, rather than as a deferred asset. This guidance requires retrospective application and is effective on January 1, 2016, with early adoption permitted. Adopting ASU 2015-03 will only result in a change in presentation and will reduce the Company's prepaid expenses, deferred charges and other assets and Senior Notes liability amounts in the consolidated balance sheets. As of December 31, 2015, unamortized debt issue costs that would be subject to the guidance under this ASU were $4.3 million. The Company is not early adopting this ASU; therefore, the changes to its consolidated balance sheets will be reflected effective January 1, 2016.

In August 2014, the FASB issued ASU No. 2014-15, “Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern.” This ASU provides guidance on management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern or to provide related footnote disclosures. The amendments require management to assess an entity’s ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. The new standard will be effective for annual periods ending after December 15, 2016, and interim periods within annual periods beginning after December 15, 2016. Early adoption is permitted. The Company does not believe the adoption of ASU 2014-15 will affect its financial statements.

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606).” The objective of the ASU is to establish a single comprehensive model in accounting for revenue arising from contracts with customers and will supersede most of the existing revenue recognition guidance, including industry-specific guidance. The core principle of the guidance is that an entity recognizes revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU also significantly expands disclosure requirements concerning revenues for most entities. In July 2015, the FASB agreed to defer the effective date of the new revenue recognition standard by one year, which changes the date by which the Company is required to adopt the ASU to January 1, 2018. Early application of ASU 2014-09 is permitted, but not before January 1, 2017. Once effective, entities have the option of using either a full retrospective or modified approach to adopt the new standard. The Company is currently evaluating the effect that ASU 2014-09 will have on its financial statements and financial statement disclosures.

NOTE B-SEISMIC DATA LIBRARY

The Company’s seismic data library consists of seismic surveys that are offered for license to customers on a non-exclusive basis. Costs associated with creating, acquiring or purchasing the seismic data library are capitalized and amortized principally on the income forecast method subject to a straight-line amortization period of four years, applied on a quarterly basis at the individual survey level.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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

	As of December 31,	
	2015	2014
U.S. Onshore:		
Unconventional 3D	$128,479	$117,962
Conventional 3D	2,286	1,377
Canada:		
Unconventional 3D	29,606	44,855
Conventional 3D	107	199
2D	543	449
U.S. Offshore	226	237
Mexico 2D	116	—
Total	$161,363	$165,079

At December 31, 2015 and 2014, approximately 25% and 18%, respectively, of the net book value of the seismic data library were projects in progress.

Costs of Seismic Data Library

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

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

For newly created data, the capitalized costs include costs paid to third parties for the acquisition of data and related permitting, surveying and other activities associated with the data creation activity. In addition, the Company capitalizes certain internal costs related to processing the created data. Such costs include salaries and benefits of the Company’s processing personnel and certain other costs incurred for the benefit of the processing activity. The Company believes that the internal processing costs capitalized are not greater than, and generally are less than, those that would be incurred and capitalized if such activity were performed by a third party. Capitalized costs for internal data processing were $3.5 million, $3.6 million and $3.5 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Data Library Amortization

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

The Company applies the income forecast method by forecasting the ultimate revenue expected to be derived from a particular data library component over the estimated useful life of each survey comprising part of such component. This forecast is made by the Company annually and reviewed quarterly. If, during any such review, the Company determines that the ultimate revenue for a library component is expected to be significantly different than the original estimate of total revenue for such library component, the Company revises the amortization rate attributable to future revenue from each survey in such component. The Company applies a minimum amortization rate of 70%. In addition, in connection with the forecast reviews and updates, the Company evaluates the recoverability of its seismic data library investment, and if required, records an impairment charge with respect to such investment. See discussion on “Seismic Data Library Impairment” below.

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

Amortization expense totaled $75.9 million, $115.6 million and $114.9 million for the years ended December 31, 2015, 2014 and 2013, respectively. The actual aggregate rate of amortization as a percentage of total seismic revenue was 78%, 60% and

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

58% for the same periods, respectively. The actual aggregate rate of amortization depends on the specific seismic surveys licensed and selected by the Company’s customers during the period and the amount of straight-line amortization recorded. The income forecast amortization rates can vary by component and, as of January 1, 2016, the amortization rate utilized under the income forecast method is 70% for all components. Additionally, certain seismic surveys have been fully amortized; consequently, no amortization expense is required on revenue recorded for these seismic surveys.

Seismic Data Library Impairment

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

The Company evaluates its seismic data library investment for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The Company considers the level of sales performance in each component compared to projected sales, as well as industry conditions, among others, to be key factors in determining when its seismic data investment should be evaluated for impairment. In evaluating sales performance of each component, the Company generally considers five consecutive quarters of actual performance below forecasted sales to be an indicator of potential impairment.

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

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

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

The Company did not have any impairment charges during the three years ended December 31, 2015.

NOTE C-GOODWILL AND OTHER INTANGIBLES

At least annually on October 1st, and more frequently if warranted, the Company assesses it goodwill and indefinite lived intangible assets for impairment. No impairment losses were recorded for goodwill or indefinite lived intangible assets during the years ended December 31, 2015, 2014 and 2013. However, there can be no assurance that goodwill and indefinite lived intangibles will not be impaired at any time in the future.

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

Changes in the carrying amount of goodwill for the years ended December 31, 2015 and 2014 are as follows (in thousands):

	December 31, 2015	2014
Balance at beginning of year	$193,722	$201,535
Translation adjustments	(13,930)	(7,813)
Balance at end of year	$179,792	$193,722

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

	Weighted Average Amortization Period	December 31, 2015	2014
Amortized intangible assets:			
Cost:			
Customer relationships	10 years	$41,142	$42,883
Internally developed software	7 years	6,718	8,015
		47,860	50,898
Accumulated amortization:			
Customer relationships		$(36,514)	$(33,770)
Internally developed software		(6,718)	(8,015)
		(43,232)	(41,785)
Net book value		4,628	9,113
Indefinite-lived intangible assets:			
Trade names		900	900
Total intangible assets at net book value		$5,528	$10,013

The Company's trade name assets were determined to have indefinite lives due to the length of time the trade names have been in place. The Company's current intentions are to maintain the trade names indefinitely. All other intangible assets are amortized on a straight-line basis over their expected useful lives. As of December 31, 2015, customer relationships, which have an amortization period of 10 years, were the only intangible assets remaining to be amortized.

Amortization expense for the Company's intangible assets was $4.2 million, $4.5 million, and $5.7 million during the years ended December 31, 2015, 2014 and 2013, respectively. Estimated future amortization expense is as follows: fiscal year ending 2016 - $4.1 million and fiscal year ending 2017 - $0.5 million.

The Company evaluates the remaining useful life of these intangible assets on an annual basis. The Company also reviews the assets for recoverability when events or changes in circumstances indicate the carrying values may not be recoverable.

NOTE D-INCOME TAXES

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

Income Tax Expense (Benefit)

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

	Year Ended December 31, 2015	2014	2013
U.S.	$(20,234)	$26,957	$22,375
Foreign	(9,851)	(6,986)	1,366
	$(30,085)	$19,971	$23,741

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

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

	Year Ended December 31,		
	2015	2014	2013
Current:			
Federal	$(4)	$334	$69
State	132	686	2,038
Foreign	65	—	(5,184)
	193	1,020	(3,077)
Deferred:			
Federal	80,586	10,241	(90,827)
State	1,119	526	(1,600)
Foreign	(1,993)	(1,494)	5,564
	79,712	9,273	(86,863)
Tax provision (benefit):			
Federal	80,582	10,575	(90,758)
State	1,251	1,212	438
Foreign	(1,928)	(1,494)	380
	$79,905	$10,293	$(89,940)

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

	Year Ended December 31,		
	2015	2014	2013
Statutory federal income tax	$(10,530)	$6,990	$8,309
Change in unrecognized tax benefits	422	186	199
State income tax, less federal benefit	(6)	972	370
Foreign investment in U.S. property	—	999	1,203
Tax difference on foreign earnings	871	675	(196)
Change in foreign taxes	415	—	(33)
Change in valuation allowance	88,737	—	(100,492)
Tax credits	(346)	—	(361)
Non-deductible expenses	359	289	869
Other, net	(17)	182	192
Income tax provision (benefit)	$79,905	$10,293	$(89,940)

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

Deferred Tax Asset/Liability

The components of the net deferred income tax asset (liability) reflected in the Company's consolidated balance sheets at December 31, 2015 and 2014 were as follows (in thousands):

	Deferred Tax Assets (Liabilities) December 31,	
	2015	2014
Deferred tax assets:		
Depreciation and amortization	$9,297	$8,288
Deferred revenue	655	716
Net operating loss carryforwards	71,330	67,148
Alternative minimum tax credit carryforward	2,523	2,527
Research and development tax credit carryforward	566	1,133
Accrued expenses and other	8,211	8,153
Total deferred tax assets	92,582	87,965
Deferred tax liabilities:		
Depreciation and amortization	(4,186)	(7,870)
Intangible assets	(1,854)	(3,276)
Deferred expenses and other	(127)	(409)
Total deferred tax liabilities	(6,167)	(11,555)
Valuation allowance:		
Beginning balance	—	—
Increase during the period	(88,737)	—
Total valuation allowance	(88,737)	—
Net deferred tax asset (liability)	$(2,322)	$76,410
Deferred income taxes have been classified in the consolidated balance sheet as:		
Deferred income tax asset	$39	$81,744
Deferred income tax liability	(2,361)	(5,334)
Net deferred income tax asset (liability)	$(2,322)	$76,410

At December 31, 2015, the Company recorded a valuation allowance of $88.7 million against all of its U.S. federal deferred tax assets and the majority of its state net deferred tax assets based on management’s assessment that it is more likely than not that the deferred tax assets will not be realized. In making this assessment, management considered all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income and results of recent operations. The most significant piece of negative evidence available in assessing the Company’s U.S. deferred tax assets was its current year pretax loss coupled with the outlook for cumulative pretax losses in the near future. As a result of the current industry environment and reduced capital spending in 2016 announced by the Company’s clients, management anticipates that the Company’s financial results in 2016 will continue to be negatively impacted and that tax losses will be generated in the immediate future. The amount of the deferred tax assets considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased or if objective negative evidence in the form of cumulative losses is no longer present and additional weight is given to subjective evidence such as management's projections for recovery and growth.

As of December 31, 2015, the Company has a U.S. federal NOL carryforward of approximately $184.0 million which can be used to offset U.S. income taxes payable in future years. This U.S. NOL carryforward will expire in periods beginning 2027 through 2035. As of December 31, 2015, the Company has an alternative minimum tax (AMT) credit carryforward of approximately $2.5 million which can be used to offset regular U.S. federal income taxes payable in future years and which has an indefinite carryforward period. As of December 31, 2015, the Company has a Colorado state NOL carryforward of approximately $2.7 million which can be used to offset Colorado state income taxes payable in future years. This state NOL carryforward will expire in periods beginning 2028 through 2035.

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SEITEL, INC. AND SUBSIDIARIES
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As of December 31, 2015, the Company has Canadian NOL carryforwards for federal taxes of approximately $11.8 million (Canadian) and for provincial taxes of approximately $5.4 million (Canadian), both of which can be used to offset Canadian income taxes payable in future years. These Canadian NOL carryforwards will expire in periods beginning 2029 through 2035.

In April 2011, Seitel Canada Ltd. ("Seitel Canada"), a wholly-owned subsidiary of the Company, was notified that Canada Revenue Agency ("CRA") concluded their prior year audits of Seitel Canada's tax returns, disallowing Seitel Canada's deductions for certain royalties payable to the Company's U.S. entities for years 2003 to 2007. Seitel Canada and the Company object to and are appealing the audit results. As a condition to appeal the audit results, Seitel Canada paid $7.7 million (Canadian) to CRA in 2011. As of December 31, 2015, the appeal process has not been concluded. The Company has recorded liabilities associated with potential adjustments that may occur as a result of the appeal based on management's assessment of the probability of the outcome of the appeal, net of certain payments made to CRA. See "Uncertain Tax Benefits" below.

In September 2014, Seitel Canada was notified by CRA that CRA was going to perform a domestic audit of Seitel Canada's tax returns for the years 2011 and 2012. In November 2015 and January 2016, CRA notified Seitel Canada that the current audit was expanded to include tax years 2013 and 2014, respectively. As of December 31, 2015, the audit has not been concluded. The Company has recorded liabilities associated with potential adjustments that may occur as a result of the audit. See "Uncertain Tax Benefits" below.

Uncertain Tax Benefits

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

	Year Ended December 31,		
	2015	2014	2013
Balance at beginning of year	$5,274	$5,752	$6,150
Additions based on prior year tax positions	197	—	—
Foreign currency translation	(853)	(478)	(398)
Balance at end of year	$4,618	$5,274	$5,752

As of December 31, 2015, approximately $4.4 million of the total unrecognized tax benefits would impact the effective income tax rate, if recognized in future periods. In addition, as of December 31, 2015, the Company has recorded $5.9 million in related assets which are fully offset with a valuation allowance.

Uncertain tax positions are reflected as income tax assets and liabilities. Income tax-related interest and penalty expenses are recorded as a component of income tax expense. As of December 31, 2015, we had $1.3 million of accrued interest and $0.7 million of accrued penalties. As of December 31, 2014, we had $1.0 million of accrued interest and $0.9 million of accrued penalties. Income tax expense for the year ended December 31, 2015 included $0.5 million related to interest on unrecognized tax benefits. Income tax expense (benefit) for each of the years ended December 31, 2014 and 2013 included $0.2 million related to interest on unrecognized tax benefits.

With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years prior to 2012, 2012 and 2008, respectively.

NOTE E-DEBT

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

	December 31,	
	2015	2014
9½% Senior Notes	$250,000	$250,000
Credit Facility	—	—
	$250,000	$250,000

9½% Senior Unsecured Notes: On March 20, 2013, the Company issued, in a private placement, $250.0 million aggregate principal amount of 9½% senior notes due 2019 (the “9½% Senior Notes”). The proceeds from the issuance of the 9½% Senior Notes, together with $29.8 million cash on hand, were used to satisfy and discharge the 9.75% senior notes due 2014 (the

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

“9.75% Senior Notes”), including accrued interest of $4.8 million. As required by their terms, the 9½% Senior Notes were exchanged for senior notes of like amounts and terms in a publicly registered exchange offer in August 2013. The 9½% Senior Notes mature on April 15, 2019. Interest is payable in cash, semi-annually on April 15 and October 15 of each year. On both December 31, 2015 and 2014, accrued interest totaled $5.0 million and was included in accrued liabilities on the consolidated balance sheet. The 9½% Senior Notes are unsecured and are jointly and severally guaranteed by substantially all of the Company's significant domestic subsidiaries on a senior basis. The 9½% Senior Notes contain restrictive covenants which limit the Company's ability to, among other things, incur additional indebtedness, incur liens, pay dividends and make other restricted payments, engage in transactions with affiliates, and complete mergers, acquisitions and sales of assets.

From time to time on or before April 15, 2016, the Company may redeem up to 35% of the aggregate principal amount of the 9½% Senior Notes with the net proceeds of equity offerings at a redemption price equal to 109.50% of the principal amount, plus accrued and unpaid interest. Upon a change of control (as defined in the indenture), each holder of the 9½% Senior Notes will have the right to require the Company to offer to purchase all of such holder’s notes at a price equal to 101% of the principal amount, plus accrued and unpaid interest.

Credit Facility: On May 25, 2011, the Company entered into a credit agreement (the “Credit Facility”) with Wells Fargo Capital Finance, LLC (the “U.S. Lender”) and Wells Fargo Capital Finance Corporation Canada (the “Canadian Lender,” and collectively with the U.S. Lender, the “Lenders”). The Credit Facility provides a $30.0 million revolving credit facility with a Canadian sublimit of $5.0 million (Canadian), subject to borrowing base limitations based on the Company's seismic data assets and eligible accounts receivable, each as defined in the Credit Facility, calculated on a monthly basis. The Credit Facility matures on May 25, 2016. Each existing and future direct and indirect wholly-owned domestic subsidiary of the Company (collectively, the “U.S. Guarantors”) is a guarantor of payment of the U.S. obligations under the Credit Facility, and Seitel Canada, and each future direct and indirect wholly-owned Canadian subsidiary of the Company (such subsidiaries together with Seitel Canada, the “Canadian Guarantors”) are guarantors of payment of the Canadian obligations under the Credit Facility.

The borrowings under the Credit Facility are secured by a perfected first priority lien and security interest (subject to certain exceptions) in favor of the U.S. Lender in all present and future assets and equity of the Company and each U.S. Guarantor and 65% of the equity in Seitel Canada, and borrowings by Seitel Canada are secured by a perfected first priority lien and security interest (subject to certain exceptions) in favor of the Canadian Lender in all present and future assets of each Canadian Guarantor. U.S. borrowings under the Credit Facility bear interest at a rate per annum equal to, at the Company's option, either (a) the London Interbank Offered Rate (“LIBOR”) rate plus 3.50% or (b) a base rate determined by reference to the highest of (i) the federal funds rate plus ½ of 1%, (ii) the three-month LIBOR rate plus 1% and (iii) the prime rate of Wells Fargo Bank, National Association, plus 2.50%. Canadian borrowings under the Credit Facility bear interest based on a Canadian base rate, as defined in the Credit Facility, plus 2.50%.

The Credit Facility requires that the Company maintain minimum excess availability (as defined in the Credit Facility) of $10.0 million or, if such excess availability is not maintained, then the Company's fixed charge coverage ratio (as defined in the Credit Facility) may not be less than 1.00 to 1.00. In addition, the Credit Facility contains affirmative and negative covenants, representations and warranties, borrowing conditions, events of default and remedies for the Lenders. The aggregate loan or any individual loan made under the Credit Facility may be prepaid at any time subject to certain restrictions. The Credit Facility is also subject to the payment of upfront, letter of credit, administrative and certain other fees. The Credit Facility requires the payment of an unused line fee of 0.5% per annum payable. As of December 31, 2015, the calculated borrowing base was $27.6 million; however, the availability was limited to $17.6 million to allow for the minimum excess availability required as the fixed charge coverage ratio was below 1.00 to 1.00. No amounts were outstanding under the Credit Facility as of December 31, 2015.

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

NOTE F-LEASE OBLIGATIONS

Assets recorded under capital lease obligations of $2.7 million and $3.3 million at December 31, 2015 and 2014, respectively, are included in property and equipment. Accumulated depreciation related to such assets was $1.6 million and $1.8 million at December 31, 2015 and 2014, respectively. Depreciation on the assets recorded under capital leases is included in depreciation expense.

The Company leases office space under operating leases, some of which include renewal options. Rental expense for each of the years ended December 31, 2015 and 2014 was approximately $1.3 million and rental expense for the year ended

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

December 31, 2013 was approximately $1.7 million. The Company received income from subleases of approximately $0.1 million in the year ended December 31, 2013.

Future minimum lease payments for the five years subsequent to December 31, 2015, thereafter and in the aggregate are as follows (in thousands):

	Capital Leases	Operating Leases
2016	$296	$751
2017	316	286
2018	327	184
2019	327	184
2020	327	183
Thereafter	436	351
Total minimum lease payments	2,029	$1,939
Less amount representing interest	(368)	
Present value of net minimum lease payments	$1,661	

Capital leases are comprised mostly of a sale leaseback agreement entered into by Seitel Canada in 2002 on a building and land located in Calgary, Alberta, Canada. The term of the lease is 20 years with remaining annual lease payments of: $409,500 (Canadian dollars) until April 2017 and $452,340 (Canadian dollars) from May 2017 until April 2022.

NOTE G-COMMITMENTS AND CONTINGENCIES

The Company is involved from time to time in ordinary, routine claims and lawsuits incidental to its business. In the opinion of management, uninsured losses, if any, resulting from the ultimate resolution of these matters should not be material to the Company’s financial position, results of operations or cash flows. However, it is not possible to predict or determine the outcomes of the legal actions brought against it or by it, or to provide an estimate of all additional losses, if any, that may arise. At December 31, 2015, the Company has recorded the estimated amount of potential exposure it may have with respect to litigation and claims. Such amounts are not material to the financial statements.

NOTE H-STOCK-BASED COMPENSATION

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

Total stock-based compensation cost recognized and included in selling, general and administrative expenses was $0.3 million, $0.5 million and $0.9 million for the years ended December 31, 2015, 2014 and 2013, respectively. The Company did not recognize any tax benefits in the income statement related to stock-based compensation for the three years ended December 31, 2015.

Restricted Stock Units

In April 2008, Holdings adopted the 2008 Restricted Stock and Restricted Stock Unit Plan which is designed to provide incentives to present and future employees of the Company through the grant of restricted stock and restricted stock unit awards. The 2008 Restricted Stock and Restricted Stock Unit Plan authorizes the issuance of up to 25,000 shares of Holdings’ common stock pursuant to such grants. The restricted stock units (“RSUs”) are convertible into common shares of Holdings upon one of the following events: termination of employment, death, disability or upon a change in control of the Company. During the three years ended December 31, 2015, no RSUs were converted into shares of Holdings. As of December 31, 2015, 1,645 fully vested RSUs with a grant date fair value of $258.00 per share were outstanding. A total of 22,659 restricted shares were available for grant at December 31, 2015.

Stock Options

2007 Non-Qualified Stock Option Plan

In February 2007, Holdings adopted the 2007 Non-Qualified Stock Option Plan (the “2007 Option Plan”) in order to provide an equity component to management compensation following the Merger. The board of directors of Holdings may issue options to purchase up to 105,200 shares of Holdings’ common stock.

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

The options issued under the 2007 Stock Option Plan contain only service condition requirements and generally vest 25 percent on each anniversary of the grant date for four years provided the employee has provided continued service. The options provide for certain acceleration of vesting and cancellation of options under different circumstances, such as a change in control, death, disability and termination of service. The Company recognizes compensation expense for these options on a straight-line basis over the requisite service period for each separate vesting portion of the option as if the option was, in substance, multiple options (graded vesting). The options expire 10 years after the date of grant. Upon exercise of the options, shares will be issued from authorized but unissued shares of Holdings. A total of 4,859 shares of Holdings common stock were available for grant as options at December 31, 2015.

2012 Non-Qualified Stock Option Plan

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

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

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

The options provide for certain acceleration of vesting and cancellation of options under different circumstances, such as a change in control, death, disability and termination of service. For the portion of the options that vest only based upon a service condition, the Company recognizes compensation expense using graded vesting over the requisite service period. For the options containing market and performance conditions, the Company defers all stock-based compensation until the consummation of the performance condition. The options expire 10 years after the date of grant. Upon exercise of the options, shares will be issued from authorized but unissued shares of Holdings. A total of 5,505 shares of Holdings common stock were available for grant under the 2012 Stock Option Plan at December 31, 2015.

No options were granted in 2015. The Company estimated the fair value of the options on each grant date in 2014 and 2013 by using the Monte Carlo simulation method for the portion of the options that contain both a market and a performance condition and the Black-Scholes option pricing method for options (or the portion of the options) that contain only a service condition. The assumptions used in the option valuation models are outlined in the following table:

	Year Ended December 31,			
	2014		2013	
Weighted average grant date fair value per share	$106.08		$113.31	
Weighted average assumptions used:				
Expected volatility	45	%	45	%
Expected life (in years)	6.25		6.11	
Risk-free interest rate	1.98	%	0.95	%
Expected dividend yield	—	%	—	%

The computation of the expected volatility assumptions used in the option valuation models was based on historical volatilities and implied volatilities of peer companies. The Company utilized the volatilities of peer companies due to its lack of extensive history. The expected life was used for options valued using the Black-Scholes option pricing method. The Company used the "simplified" method prescribed in Securities and Exchange Commission (SEC) Staff Accounting Bulletin (SAB) No. 110, for companies that do not have adequate historical data. The risk-free interest rate was based on the U.S. Treasury yield at the time of grant. The expected dividend yield of 0% was based on the fact that the Company does not currently pay dividends, nor does it intend to pay a dividend in the future.

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

The following table summarizes stock option activity during the years ended December 31, 2015, 2014 and 2013 (shares in thousands):

	Year Ended December 31, 2015		Year Ended December 31, 2014		Year Ended December 31, 2013	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at beginning of period	130	$218.46	129	$218.38	129	$216.62
Granted	—	$—	1	$229.84	4	$258.37
Exercised (1)	—	$—	—	$—	(3)	$193.13
Forfeited	—	$—	—	$—	(1)	$258.37
Outstanding at end of period (2)	130	$218.46	130	$218.46	129	$218.38
Options exercisable at end of period (3)	93	$202.48	88	$199.50	82	$196.33
Available for grant at end of period	10		10		11	

(1) The total intrinsic value of the options exercised during the year ended December 31, 2013 was $0.2 million.

(2) Stock options outstanding at December 31, 2015 have a weighted average remaining contractual term of 3.4 years and the aggregate intrinsic value is zero.

(3) Exercisable stock options at December 31, 2015 have a weighted average remaining contractual term of 2.2 years and there is no intrinsic value.

The total grant date fair value of options that vested during each of the years ended December 31, 2015 and 2014 was $0.6 million and $0.5 million during the year ended December 31, 2013. As of December 31, 2015, the total future compensation cost related to non-vested options not yet recognized in the consolidated statements of income was $2.6 million, of which $2.4 million is attributable to vesting upon contingent events and $0.2 million is attributable to time-based vesting. The compensation costs associated with time-based vesting will be recognized using graded vesting over a weighted average period of 1.2 years. The Company did not receive cash from option exercises during the three years ended December 31, 2015.

NOTE I-FAIR VALUE MEASUREMENTS

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

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

		Fair Value Measurements Using		
	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
At December 31, 2015:				
Cash equivalents	$52,421	$52,421	$—	$—

At December 31, 2014:				
Cash equivalents	$58,981	$58,981	$—	$—

The Company had no transfers of assets between any of the above levels during the years ended December 31, 2015 or 2014.

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

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

Other Financial Instruments:
At December 31, 2015 and 2014, the carrying value of the Company's debt was $250.0 million. The estimated fair value of the debt was approximately $152.5 million at December 31, 2015 and $243.8 million at December 31, 2014. The fair value of the Company's senior notes is based on quoted market prices (Level 1 inputs).

NOTE J-RELATED PARTY TRANSACTIONS

Holdings does not maintain a cash account. Consequently, the Company makes payments, as needed, on Holdings' behalf for corporate expenditures such as taxes and share repurchases for employees that have left the Company and who held equity instruments in Holdings. The Company receives payments on the outstanding balance only when Holdings receives cash from stock issuances. The Company made payments on behalf of Holdings of approximately $13,000 during each of the years ended December 31, 2015 and 2014 and $256,000 in 2013. The balance due from Holdings as of December 31, 2015 and 2014 was $1.2 million and $1.1 million, respectively.

The Company owns 20% of Wandoo Energy LLC ("Wandoo"), a privately owned oil and gas prospecting company. The Company's Chief Operating Officer serves as the Company's representative on the board of directors of Wandoo. The Company received no cash dividends from Wandoo during the year ended December 31, 2015 and received $72,000 and $76,000 in 2014 and 2013, respectively.

NOTE K-STATEMENT OF CASH FLOW INFORMATION

Cash and cash equivalents at December 31, 2015 and 2014 included $0.5 million and $0.8 million, respectively, of restricted cash related to collateral on seismic operations bonds. The balances at December 31, 2015 and 2014 also included $125,000 (Canadian) of restricted cash posted as security against Company issued credit cards for Seitel Canada.

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

Income taxes paid during 2015, 2014 and 2013 were $0.3 million, $2.3 million and $8.0 million, respectively. In 2015, 2014 and 2013, the Company received income tax refunds of $1.0 million, $7.2 million, and $0.4 million, respectively.

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

	Year Ended December 31,		
	2015	2014	2013
Non-monetary exchanges related to resale licensing and Solutions revenue	$9,313	$741	$1,656
Non-monetary exchanges from underwriting of new data acquisition	(2)	209	—
Completion of data in progress from prior non-monetary exchanges	—	—	2,429
Total non-cash additions to seismic data library	$9,311	$950	$4,085

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

	Year Ended December 31,		
	2015	2014	2013
Acquisition revenue on underwriting from non-monetary exchange contracts	$168	$38	$87
Licensing revenue from specific data licenses and selections on non-monetary exchange contracts	6,747	1,033	2,399
Solutions revenue recognized from non-monetary exchange contracts	13	—	—
Total non-cash revenue	$6,928	$1,071	$2,486

NOTE L-INDUSTRY SEGMENTS

The Company operates in one business segment, which is made up of seismic data acquisition, seismic data licensing, seismic data processing and seismic reproduction service.

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

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

	United States	Canada	Mexico	Total
Year Ended December 31, 2015				
Revenue	$74,592	$25,660	$—	$100,252
Assets (1)	132,264	31,586	116	163,966
Year Ended December 31, 2014				
Revenue	$156,722	$41,315	$—	$198,037
Assets (1)	121,424	47,512	—	168,936
Year Ended December 31, 2013				
Revenue	$157,819	$45,055	$—	$202,874
Assets (1)	123,555	76,834	—	200,389

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

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

	Year Ended December 31,		
	2015	2014	2013
Acquisition and licensing of seismic data	$97,938	$194,037	$198,109
Reproduction and delivery of seismic data and other services	2,314	4,000	4,765
Total revenue	$100,252	$198,037	$202,874

NOTE M-SUPPLEMENTAL GUARANTORS CONSOLIDATING CONDENSED FINANCIAL INFORMATION

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

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

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

The following consolidating condensed financial information presents the consolidating condensed balance sheets as of December 31, 2015 and December 31, 2014, and the consolidating condensed statements of operations, statements of comprehensive income (loss) and statements of cash flows for the years ended December 31, 2015, 2014 and 2013 of (a) the Company; (b) the Guarantor Subsidiaries; (c) the Non-Guarantor Subsidiaries; (d) elimination entries; and (e) the Company, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries on a consolidated basis.

Investments in subsidiaries are accounted for under the equity method. The principal elimination entries eliminate investments in subsidiaries, intercompany balances, intercompany transactions and intercompany sales.

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

CONSOLIDATING CONDENSED BALANCE SHEET
As of December 31, 2015
(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Consolidated Total
ASSETS					
Cash and cash equivalents	$—	$51,192	$1,483	$—	$52,675
Receivables					
Trade, net	—	12,459	2,371	—	14,830
Notes and other	—	3	1,315	—	1,318
Due from Seitel Holdings, Inc.	—	1,156	—	—	1,156
Intercompany receivables (payables)	(29,144)	31,537	(2,393)	—	—
Investment in subsidiaries	420,547	419,499	692	(840,738)	—
Net seismic data library	—	125,253	36,180	(70)	161,363
Net property and equipment	—	1,273	1,330	—	2,603
Prepaid expenses, deferred charges and other	4,443	1,737	307	—	6,487
Intangible assets, net	900	3,613	1,015	—	5,528
Goodwill	—	107,688	72,104	—	179,792
Deferred income taxes	—	39	—	—	39
TOTAL ASSETS	$396,746	$755,449	$114,404	$(840,808)	$425,791
LIABILITIES AND STOCKHOLDER’S EQUITY					
LIABILITIES					
Accounts payable and accrued liabilities	$5,007	$13,253	$5,390	$—	$23,650
Senior Notes	250,000	—	—	—	250,000
Obligations under capital leases	—	—	1,661	—	1,661
Deferred revenue	—	23,525	2,378	—	25,903
Deferred income taxes	—	—	2,361	—	2,361
TOTAL LIABILITIES	255,007	36,778	11,790	—	303,575
STOCKHOLDER’S EQUITY					
Common stock	—	—	—	—	—
Additional paid-in capital	400,505	—	—	—	400,505
Parent investment	—	764,105	156,395	(920,500)	—
Retained deficit	(258,766)	(45,434)	(34,102)	79,536	(258,766)
Accumulated other comprehensive loss	—	—	(19,679)	156	(19,523)
TOTAL STOCKHOLDER’S EQUITY	141,739	718,671	102,614	(840,808)	122,216
TOTAL LIABILITIES AND STOCKHOLDER’S EQUITY	$396,746	$755,449	$114,404	$(840,808)	$425,791

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

CONSOLIDATING CONDENSED BALANCE SHEET
As of December 31, 2014
(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Consolidated Total
ASSETS					
Cash and cash equivalents	$—	$48,525	$10,650	$—	$59,175
Receivables					
Trade, net	—	41,386	11,864	—	53,250
Notes and other	—	29	1,669	—	1,698
Due from Seitel Holdings, Inc.	—	1,143	—	—	1,143
Intercompany receivables (payables)	2,803	13,666	(16,469)	—	—
Investment in subsidiaries	497,151	427,481	692	(925,324)	—
Net seismic data library	—	113,930	51,290	(141)	165,079
Net property and equipment	—	1,848	2,009	—	3,857
Prepaid expenses, deferred charges and other	5,751	3,994	330	—	10,075
Intangible assets, net	900	6,826	2,287	—	10,013
Goodwill	—	107,688	86,034	—	193,722
Deferred income taxes	—	81,744	—	—	81,744
TOTAL ASSETS	$506,605	$848,260	$150,356	$(925,465)	$579,756
LIABILITIES AND STOCKHOLDER’S EQUITY					
LIABILITIES					
Accounts payable and accrued liabilities	$5,007	$22,841	$6,552	$—	$34,400
Income taxes payable	197	—	—	—	197
Senior Notes	250,000	—	—	—	250,000
Obligations under capital leases	—	18	2,201	—	2,219
Deferred revenue	—	29,822	4,695	—	34,517
Deferred income taxes	—	—	5,334	—	5,334
TOTAL LIABILITIES	255,204	52,681	18,782	—	326,667
STOCKHOLDER’S EQUITY					
Common stock	—	—	—	—	—
Additional paid-in capital	400,177	—	—	—	400,177
Parent investment	—	764,105	156,152	(920,257)	—
Retained earnings (deficit)	(148,776)	31,474	(26,248)	(5,226)	(148,776)
Accumulated other comprehensive income	—	—	1,670	18	1,688
TOTAL STOCKHOLDER’S EQUITY	251,401	795,579	131,574	(925,465)	253,089
TOTAL LIABILITIES AND STOCKHOLDER’S EQUITY	$506,605	$848,260	$150,356	$(925,465)	$579,756

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

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

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

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

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

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

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

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2014
(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Consolidated Total
REVENUE	$—	$153,125	$46,287	$(1,375)	$198,037
EXPENSES:					
Depreciation and amortization	—	80,835	40,246	(58)	121,023
Cost of sales	—	284	20	—	304
Selling, general and administrative	2,130	19,304	9,740	(1,375)	29,799
	2,130	100,423	50,006	(1,433)	151,126
INCOME (LOSS) FROM OPERATIONS	(2,130)	52,702	(3,719)	58	46,911
Interest expense, net	(21,407)	(2,360)	(1,262)	—	(25,029)
Foreign currency exchange gains (losses)	—	3	(1,977)	—	(1,974)
Other income (loss)	(14)	71	6	—	63
Income (loss) before income taxes and equity in income (loss) of subsidiaries	(23,551)	50,416	(6,952)	58	19,971
Provision (benefit) for income taxes	(9,270)	21,063	(1,500)	—	10,293
Equity in income (loss) of subsidiaries	23,959	(5,452)	—	(18,507)	—
NET INCOME (LOSS)	$9,678	$23,901	$(5,452)	$(18,449)	$9,678

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

CONSOLIDATING CONDENSED STATEMENT OF COMPREHENSIVE INCOME (LOSS)
For the Year Ended December 31, 2014
(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Consolidated Total
Net income (loss)	$9,678	$23,901	$(5,452)	$(18,449)	$9,678
Foreign currency translation adjustments	—	—	(12,096)	15	(12,081)
Comprehensive income (loss)	$9,678	$23,901	$(17,548)	$(18,434)	$(2,403)

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

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2013
(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Consolidated Total
REVENUE	$—	$154,686	$49,488	$(1,300)	$202,874
EXPENSES:					
Depreciation and amortization	—	86,426	35,203	(31)	121,598
Cost of sales	—	471	4	—	475
Selling, general and administrative	1,587	16,701	8,983	(1,300)	25,971
	1,587	103,598	44,190	(1,331)	148,044
INCOME (LOSS) FROM OPERATIONS	(1,587)	51,088	5,298	31	54,830
Interest expense, net	(23,194)	(2,945)	(1,712)	—	(27,851)
Foreign currency exchange losses	—	—	(2,222)	—	(2,222)
Loss on early extinguishment of debt	(1,504)	—	—	—	(1,504)
Other income	—	737	—	(249)	488
Income (loss) before income taxes and equity in income of subsidiaries	(26,285)	48,880	1,364	(218)	23,741
Provision (benefit) for income taxes	—	(90,320)	380	—	(89,940)
Equity in income of subsidiaries	139,966	984	—	(140,950)	—
NET INCOME	$113,681	$140,184	$984	$(141,168)	$113,681

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

CONSOLIDATING CONDENSED STATEMENT OF COMPREHENSIVE INCOME (LOSS)
For the Year Ended December 31, 2013
(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Consolidated Total
Net income	$113,681	$140,184	$984	$(141,168)	$113,681
Foreign currency translation adjustments	—	—	(9,955)	3	(9,952)
Comprehensive income (loss)	$113,681	$140,184	$(8,971)	$(141,165)	$103,729

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

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

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

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

CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2014
(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Consolidated Total
Cash flows from operating activities:					
Net cash provided by (used in) operating activities	$(25,125)	$103,252	$46,218	$—	$124,345
Cash flows from investing activities:					
Cash invested in seismic data	—	(68,714)	(24,968)	—	(93,682)
Cash paid to acquire property, equipment and other	—	(1,705)	(256)	—	(1,961)
Advances to Seitel Holdings, Inc.	—	(13)	—	—	(13)
Net cash used in investing activities	—	(70,432)	(25,224)	—	(95,656)
Cash flows from financing activities:					
Principal payments on capital lease obligations	—	(32)	(217)	—	(249)
Intercompany transfers	25,125	(9,125)	(16,000)	—	—
Net cash provided by (used in) financing activities	25,125	(9,157)	(16,217)	—	(249)
Effect of exchange rate changes	—	3	(621)	—	(618)
Net increase in cash and cash equivalents	—	23,666	4,156	—	27,822
Cash and cash equivalents at beginning of period	—	24,859	6,494	—	31,353
Cash and cash equivalents at end of period	$—	$48,525	$10,650	$—	$59,175

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

CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2013
(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Eliminations	Consolidated Total
Cash flows from operating activities:					
Net cash provided by (used in) operating activities	$(32,730)	$145,121	$35,539	$—	$147,930
Cash flows from investing activities:					
Cash invested in seismic data	—	(114,327)	(30,230)	—	(144,557)
Cash paid to acquire property, equipment and other	—	(583)	(353)	—	(936)
Cash from sale of property, equipment and other	—	61	—	—	61
Advances to Seitel Holdings, Inc.	—	(256)	—	—	(256)
Net cash used in investing activities	—	(115,105)	(30,583)	—	(145,688)
Cash flows from financing activities:					
Issuance of 9½% Senior Notes	250,000	—	—	—	250,000
Repayment of 9.75% Senior Notes	(275,000)	—	—	—	(275,000)
Principal payments on notes payable	(29)	—	—	—	(29)
Principal payments on capital lease obligations	—	(31)	(217)	—	(248)
Debt transaction costs	(7,050)	—	—	—	(7,050)
Intercompany transfers	64,809	(65,659)	850	—	—
Net cash provided by (used in) financing activities	32,730	(65,690)	633	—	(32,327)
Effect of exchange rate changes	—	—	(453)	—	(453)
Net increase (decrease) in cash and cash equivalents	—	(35,674)	5,136	—	(30,538)
Cash and cash equivalents at beginning of period	—	60,533	1,358	—	61,891
Cash and cash equivalents at end of period	$—	$24,859	$6,494	$—	$31,353

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

NOTE N-QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is a summary of the unaudited quarterly results of operations for the years ended December 31, 2015 and 2014:

	Quarter Ended			
	March 31	June 30	Sept. 30	Dec. 31
	(In thousands)			
2015				
Revenue	$24,326	$30,722	$31,242	$13,962
Operating income (loss)	(5,168)	4,745	1,285	(3,912)
Net loss	(7,646)	(2,276)	(4,055)	(96,013)

	Quarter Ended			
	March 31	June 30	Sept. 30	Dec. 31
	(In thousands)			
2014				
Revenue	$57,053	$47,334	$41,299	$52,351
Operating income	11,644	10,543	15,780	8,944
Net income	1,892	2,575	4,486	725

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Report of Independent Registered Public Accounting
Firm on Financial Statement Schedule

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

In connection with our audit of the consolidated financial statements of Seitel, Inc. and Subsidiaries for each of the three years in the period ended December 31, 2015, 2014 and 2013, we have also audited the following financial statement schedule. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits of the basic consolidated financial statements. The financial statement schedule is presented for purposes of complying with the Securities and Exchange Commission's rules and regulations and is not a required part of the consolidated financial statements.

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

/s/ BKD, LLP

Houston, Texas
February 19, 2016

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SCHEDULE II: VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended December 31, 2015, 2014 and 2013
(Amounts in thousands)

	Balance at beginning of period	Charged (Credited) to expense	Deductions from reserves	Balance at end of period
Year ended December 31, 2015:				
Reserves deducted from assets to which they apply:				
Allowance for doubtful accounts	$268	$4	$(5)	$267
Valuation allowance on deferred tax asset	—	88,737	—	88,737
Total	$268	$88,741	$(5)	$89,004
Year ended December 31, 2014:				
Reserves deducted from assets to which they apply:				
Allowance for doubtful accounts	$332	$113	$(177)	$268
Allowance for notes receivable	688	(450)	(238)	—
Total	$1,020	$(337)	$(415)	$268
Year ended December 31, 2013:				
Reserves deducted from assets to which they apply:				
Allowance for doubtful accounts	$737	$—	$(405)	$332
Allowance for notes receivable	988	(300)	—	688
Valuation allowance on deferred tax asset	100,492	(100,492)	—	—
Total	$102,217	$(100,792)	$(405)	$1,020

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EXHIBIT
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Exhibit	Title
2.1	Agreement and Plan of Merger by and among Seitel Holdings, LLC (now known as Seitel Holdings, Inc.), Seitel Acquisition Corp. and Seitel, Inc., dated October 31, 2006 (incorporated by reference from Exhibit 2.1 to the Seitel, Inc. current report on Form 8-K, as filed with the SEC on November 2, 2006) (Seitel, Inc. agrees to furnish supplementally a copy of any omitted schedule to the SEC upon request).
3.1	Certificate of Incorporation of Seitel, Inc. (incorporated by reference from Exhibit 3.1 to the Registration Statement on Form S-4, No. 333-144844, as filed with the SEC on July 25, 2007).
3.2	Bylaws of Seitel, Inc. (incorporated by reference from Exhibit 3.2 to the Registration Statement on Form S-4, No. 333-144844, as filed with the SEC on July 25, 2007).
4.1	Indenture dated as of March 20, 2013, by and among Seitel, Inc., the Guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee (incorporated by reference from Exhibit 4.1 to the Seitel, Inc. current report on Form 8-K, as filed with the SEC on March 21, 2013).
4.2	Form of 9½% Senior Note due 2019 (incorporated by reference from Exhibit 4.2 to the Seitel, Inc. current report on Form 8-K, as filed with the SEC on March 21, 2013).
4.3	Registration Rights Agreement, dated as of March 20, 2013, by and among Seitel, Inc., the Guarantors party thereto, and Deutsche Bank Securities Inc. and J.P. Morgan Securities LLC, as Initial Purchasers (incorporated by reference from Exhibit 4.3 to the Seitel, Inc. current report on Form 8-K, as filed with the SEC on March 21, 2013).
10.1	Support Agreement by and among Seitel, Inc., Seitel Holdings, Inc. and ValueAct Capital Master Fund, L.P., dated October 31, 2006 (incorporated by reference from Exhibit 2.2 to the Seitel, Inc. current report on Form 8-K, as filed with the SEC on November 2, 2006).
10.2	Amended and Restated Advisory Agreement, dated May 23, 2011, by and among Seitel, Inc., Seitel Holdings, Inc., ValueAct Capital Management L.P., and Centerbridge Advisors II, L.L.C. (incorporated by reference from Exhibit 10.1 to the Seitel, Inc. current report on Form 8-K, as filed with the SEC on May 25, 2011).
10.3	Amended and Restated Securities Holders Agreement, dated May 23, 2011, by and among Seitel Holdings, Inc., ValueAct Capital Master Fund, L.P., Centerbridge Capital Partners II, L.P., Centerbridge Capital Partners SBS II, L.P. and each of the Management Investors named therein (incorporated by reference from Exhibit 10.2 to the Seitel, Inc. current report on Form 8-K, as filed with the SEC on May 25, 2011).
10.4	Amended and Restated Registration Rights Agreement, dated May 23, 2011 by and among Seitel Holdings, Inc., ValueAct Capital Master Fund, L.P., Centerbridge Capital Partners II, L.P., Centerbridge Capital Partners SBS II, L.P. and each of the Management Investors named therein (incorporated by reference from Exhibit 10.3 to the Seitel, Inc. current report on Form 8-K, as filed with the SEC on May 25, 2011).
10.5	Credit Agreement, dated May 25, 2011, by and among Seitel, Inc. and Seitel Canada Ltd., formerly known as Olympic Seismic Ltd., as borrowers, and Wells Fargo Capital Finance, LLC and Wells Fargo Capital Finance Corporation Canada, as lenders (incorporated by reference from Exhibit 10.1 to

	the Seitel, Inc. current report on Form 8-K, as filed with the SEC on June 1, 2011).
10.6	Amendment No. 1 to Credit Agreement, dated November 28, 2011, by and among Seitel, Inc. and Seitel Canada Ltd., formerly known as Olympic Seismic Ltd., as borrowers, and Wells Fargo Capital Finance, LLC and Wells Fargo Capital Finance Corporation Canada, as lenders and agents (incorporated by reference from Exhibit 10.1 to the Seitel, Inc. current report on Form 8-K, as filed with the SEC on November 30, 2011).
10.7	Amendment No. 2 to Credit Agreement, dated March 1, 2013, by and among Seitel, Inc. and Seitel Canada Ltd., formerly known as Olympic Seismic Ltd., as borrowers, and Wells Fargo Capital Finance, LLC and Wells Fargo Capital Finance Corporation Canada, as lenders and agents (incorporated by reference from Exhibit 10.2 to the Seitel, Inc. current report on Form 8-K, as filed with the SEC on March 21, 2013).
10.8	Security Agreement, dated May 25, 2011, by and among the Grantors listed on the signature pages thereto and Wells Fargo Capital Finance, LLC, as administrative agent and collateral agent (incorporated by reference from Exhibit 10.2 to the Seitel, Inc. current report on Form 8-K, as filed with the SEC on June 1, 2011).
10.9	Trademark Security Agreement, dated May 25, 2011, by and among the Grantors listed on the signature pages thereto and Wells Fargo Capital Finance, LLC, as administrative agent and collateral agent (incorporated by reference from Exhibit 10.3 to the Seitel, Inc. current report on Form 8-K, as filed with the SEC on June 1, 2011).

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10.10	†	Seitel Holdings, Inc. 2007 Non-Qualified Stock Option Plan, effective February 14, 2007, as amended as of June 30, 2008 (incorporated by reference from Exhibit 10.3 to the quarterly report on Form 10-Q for the quarter ended June 30, 2008, as filed with the SEC on August 13, 2008).
10.11	†	Amendment to the 2007 Non-Qualified Stock Option Plan of Seitel Holdings, Inc., dated May 23, 2011 (incorporated by reference from Exhibit 10.7 to the quarterly report on Form 10-Q for the quarter ended June 30, 2011, as filed with the SEC on August 12, 2011).
10.12	†	Form of Stock Option Agreement (incorporated by reference from Exhibit 10.12 to the Registration Statement on Form S-4, No. 333-144844, as filed with the SEC on July 25, 2007).
10.13	†	Form of Stock Option Agreement (incorporated by reference from Exhibit 10.1 to the quarterly report on Form 10-Q for the quarter ended June 30, 2010, as filed with the SEC on August 9, 2010).
10.14	†	Seitel Holdings, Inc. Amended and Restated 2008 Restricted Stock and Restricted Stock Unit Plan, dated July 24, 2012 (incorporated by reference from Exhibit 10.1 to the Seitel, Inc. current report on Form 8-K, as filed with the SEC on July 25, 2012).
10.15	†	Form of Seitel Holdings, Inc. Restricted Stock Unit Award Agreement (incorporated by reference from Exhibit 10.2 to the quarterly report on Form 10-Q for the quarter ended June 30, 2008, as filed with the SEC on August 13, 2008).
10.16	†	Seitel Holdings, Inc. 2012 Non-Qualified Stock Option Plan, dated May 1, 2012 (incorporated by reference from Exhibit 10.1 to the Seitel, Inc. current report on Form 8-K, as filed with the SEC on May 7, 2012).
10.17	†	Amendment to the 2012 Non-Qualified Stock Option Plan of Seitel Holdings, Inc., dated May 30, 2012 (incorporated by reference from Exhibit 10.2 to the quarterly report on Form 10-Q for the quarter ended June 30, 2012, as filed with the SEC on August 13, 2012).
10.18	†	Form of Seitel Holdings, Inc. Stock Option Agreement for the 2012 Plan for Management Employees (incorporated by reference from Exhibit 10.2 to the Seitel, Inc. current report on Form 8-K, as filed with the SEC on May 7, 2012).
10.19	†	Form of Seitel Holdings, Inc. Stock Option Agreement for the 2012 Plan for Employees (incorporated by reference from Exhibit 10.3 to the Seitel, Inc. current report on Form 8-K, as filed with the SEC on May 7, 2012).
10.20	†	Summary of 2011 Long-Term Incentive Plan (incorporated by reference from Exhibit 10.19 to the annual report on Form 10-K for the year ended December 31, 2010, as filed with the SEC on March 16, 2011).
10.21	†	Employment Agreement by and between Seitel, Inc. and Robert D. Monson, dated January 30, 2007 (incorporated by reference from Exhibit 10.13 to the Registration Statement on Form S-4, No. 333-144844, as filed with the SEC on July 25, 2007).
10.22	†	First Amendment to Employment Agreement by and between Seitel, Inc. and Robert D. Monson, dated June 2, 2009 (incorporated by reference from Exhibit 10.22 to the annual report on Form 10-K for the year ended December 31, 2013, as filed with the SEC on February 21, 2014).
10.23	†	Second Amendment to Employment Agreement by and between Seitel, Inc. and Robert D. Monson, dated January 25, 2010 (incorporated by reference from Exhibit 10.23 to the annual report on Form 10-K for the year ended December 31, 2013, as filed with the SEC on February 21, 2014).
10.24	†	Employment Agreement by and between Seitel, Inc. and Kevin P. Callaghan, dated January 30, 2007 (incorporated by reference from Exhibit 10.15 to the Registration Statement on Form S-4, No. 333-144844, as filed with the SEC on July 25, 2007).
10.25	†	First Amendment to Employment Agreement by and between Seitel, Inc. and Kevin P. Callaghan, dated June 2, 2009 (incorporated by reference from Exhibit 10.25 to the annual report on Form 10-K for the year ended December 31, 2013, as filed with the SEC on February 21, 2014).
10.26	†	

		Second Amendment to Employment Agreement by and between Seitel, Inc. and Kevin P. Callaghan, dated January 25, 2010 (incorporated by reference from Exhibit 10.26 to the annual report on Form 10-K for the year ended December 31, 2013, as filed with the SEC on February 21, 2014).
10.27	†	Third Amendment to Employment Agreement between Seitel, Inc. and Kevin P. Callaghan, dated July 27, 2012 (incorporated by reference from Exhibit 10.1 to the Seitel, Inc. current reports on Form 8-K/A, as filed with the SEC on August 6, 2012, and Form 8-K, as filed with the SEC on July 31, 2012).
10.28	†	Employment Agreement by and between Seitel, Inc. and JoAnn Lippman, dated February 1, 2012 (incorporated by reference from Exhibit 10.1 to the Seitel, Inc. current report on Form 8-K, as filed with the SEC on February 7, 2012).
10.29	†	Employment Agreement by and between Seitel, Inc. and Marcia Kendrick, dated February 15, 2012 (incorporated by reference from Exhibit 10.1 to the Seitel, Inc. current report on Form 8-K, as filed with the SEC on February 17, 2012).
10.30	†	Employment Agreement by and between Seitel, Inc. and Randall Sides, dated February 15, 2012 (incorporated by reference from Exhibit 10.2 to the Seitel, Inc. current report on Form 8-K, as filed with the SEC on February 17, 2012).

10.31	†	Employment Agreement by and between Seitel, Inc. and David Richard, dated February 15, 2012 (incorporated by reference from Exhibit 10.3 to the Seitel, Inc. current report on Form 8-K, as filed with the SEC on February 17, 2012).
10.32	†	Employment Agreement between Seitel, Inc. and Stephen Graham Hallows, dated April 1, 2013 (incorporated by reference from Exhibit 10.1 to the Seitel, Inc. current report on Form 8-K, as filed with the SEC on April 4, 2013).
10.33	†	Employment Agreement between Seitel, Inc. and Richard Kelvin, dated August 1, 2014 (incorporated by reference from Exhibit 10.1 to the Seitel, Inc. current report on Form 8-K, as filed with the SEC on August 7, 2014).
12.1	*	Computation of Ratio of Earnings to Fixed Charges
21.1	*	Subsidiaries of Seitel, Inc.
31.1	*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 302 Of The Sarbanes-Oxley Act of 2002.
31.2	*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 302 Of The Sarbanes-Oxley Act of 2002.
32.1	**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 Of The Sarbanes-Oxley Act of 2002.
32.2	**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 Of The Sarbanes-Oxley Act of 2002.
101.INS	*	XBRL Instance Document.
101.SCH	*	XBRL Taxonomy Extension Schema Document.
101.CAL	*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	*	XBRL Taxonomy Extension Presentation Linkbase Document.

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