

Edgar Filing: SEITEL INC - Form SC 13D/A

SEITEL INC
Form SC 13D/A
October 13, 2004

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

SCHEDULE 13D

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT TO RULE 13d-1(a)
AND AMENDMENTS THERETO FILED PURSUANT TO RULE 13d-2(a)

(Amendment No. 3)1

Seitel, Inc.

(Name of Issuer)

Common Stock, \$0.01 Par Value

(Title of Class of Securities)

816074405

(CUSIP Number)

George F. Hamel, Jr.
ValueAct Capital
435 Pacific Avenue, Fourth Floor
San Francisco, CA 94133
(415) 362-3700

(Name, Address and Telephone Number of Person
Authorized to Receive Notices and Communications)

October 13, 2004

(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of Rule 240.13d-1(b) (e), 240.13d-1(f) or 240.13d-1(g) check the following box [] .

NOTE: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Rule 240.13d-7(b) for other parties to whom copies are to be sent

1The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

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SCHEDULE 13D

CUSIP NO. 816074405

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1. NAME OF REPORTING PERSON/S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE
PERSON (entities only)

ValueAct Capital Partners II, L.P.

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* (a)
(b)

3. SEC USE ONLY

4. SOURCE OF FUNDS*

WC*

5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED
PURSUANT TO ITEMS 2(d) or 2(e)

6. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

7. SOLE VOTING POWER
0
NUMBER OF
SHARES
BENEFICIALLY
OWNED BY EACH
PERSON WITH
8. SHARED VOTING POWER
1,721,128**
9. SOLE DISPOSITIVE POWER
0
10. SHARED DISPOSITIVE POWER
1,721,128**

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

1,721,128**

12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES
CERTAIN SHARES

13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

1.1%

14. TYPE OF REPORTING PERSON

PN

*See Item 3

**See Item 2 and 5

*SEE INSTRUCTIONS BEFORE FILLING OUT!
INCLUDE BOTH SIDES OF THE COVER PAGE, RESPONSES TO ITEMS 1-7
(INCLUDING EXHIBITS) OF THE SCHEDULE, AND THE SIGNATURE
ATTESTATION.

SCHEDULE 13D

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1. NAME OF REPORTING PERSON/S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE
PERSON (entities only)

ValueAct Capital Master Fund, L.P.

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* (a)
(b)

3. SEC USE ONLY

4. SOURCE OF FUNDS*

WC*

5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED
PURSUANT TO ITEMS 2(d) or 2(e)

6. CITIZENSHIP OR PLACE OF ORGANIZATION

British Virgin Islands

7. SOLE VOTING POWER
0
NUMBER OF
SHARES
BENEFICIALLY
OWNED BY EACH
PERSON WITH

8. SHARED VOTING POWER
16,750,435**

9. SOLE DISPOSITIVE POWER
0

10. SHARED DISPOSITIVE POWER
16,750,435**

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

16,750,435**

12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES
CERTAIN SHARES

13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

11.1%

14. TYPE OF REPORTING PERSON

PN

*See Item 3

**See Item 2 and 5

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1. NAME OF REPORTING PERSON/S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (entities only)

VA Partners, L.L.C.

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* (a) (b)

3. SEC USE ONLY

4. SOURCE OF FUNDS*

WC*

5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)

6. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

| | |
|---------------|------------------------------|
| | 7. SOLE VOTING POWER |
| | 0 |
| NUMBER OF | 8. SHARED VOTING POWER |
| SHARES | 18,471,563** |
| BENEFICIALLY | 9. SOLE DISPOSITIVE POWER |
| OWNED BY EACH | 0 |
| PERSON WITH | 10. SHARED DISPOSITIVE POWER |
| | 18,471,563** |

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

18,471,563**

12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES

13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

12.3%

14. TYPE OF REPORTING PERSON

00 (LLC)

*See Item 3

**See Item 2 and 5

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1. NAME OF REPORTING PERSON/S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (entities only)

Jeffrey W. Ubben

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* (a) (b)

3. SEC USE ONLY

4. SOURCE OF FUNDS*

00*

5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)

6. CITIZENSHIP OR PLACE OF ORGANIZATION

United States

| | |
|---------------|------------------------------|
| | 7. SOLE VOTING POWER |
| | 0 |
| NUMBER OF | 8. SHARED VOTING POWER |
| SHARES | 18,471,563** |
| BENEFICIALLY | |
| OWNED BY EACH | 9. SOLE DISPOSITIVE POWER |
| PERSON WITH | 0 |
| | 10. SHARED DISPOSITIVE POWER |
| | 18,471,563** |

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

18,471,563**

12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES

13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

12.3%

14. TYPE OF REPORTING PERSON

IN

*See Item 3

**See Item 2 and 5

*SEE INSTRUCTIONS BEFORE FILLING OUT!
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1. NAME OF REPORTING PERSON/S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE

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PERSON (entities only)

George F. Hamel, Jr.

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* (a) [X]
(b) []

3. SEC USE ONLY

4. SOURCE OF FUNDS*

00*

5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) []

6. CITIZENSHIP OR PLACE OF ORGANIZATION

United States

7. SOLE VOTING POWER

0

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH PERSON WITH

8. SHARED VOTING POWER

18,471,563**

9. SOLE DISPOSITIVE POWER

0

10. SHARED DISPOSITIVE POWER

18,471,563**

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

18,471,563**

12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES []

13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

12.3%

14. TYPE OF REPORTING PERSON

IN

*See Item 3

**See Item 2 and 5

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INCLUDE BOTH SIDES OF THE COVER PAGE, RESPONSES TO ITEMS 1-7 (INCLUDING EXHIBITS) OF THE SCHEDULE, AND THE SIGNATURE ATTESTATION.

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1. NAME OF REPORTING PERSON/S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (entities only)

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Peter H. Kamin

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* (a)
(b)

3. SEC USE ONLY

4. SOURCE OF FUNDS*

00*

5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED
PURSUANT TO ITEMS 2(d) or 2(e)

6. CITIZENSHIP OR PLACE OF ORGANIZATION

United States

| | |
|---------------|------------------------------|
| | 7. SOLE VOTING POWER |
| | 0 |
| NUMBER OF | 8. SHARED VOTING POWER |
| SHARES | 18,471,563** |
| BENEFICIALLY | |
| OWNED BY EACH | 9. SOLE DISPOSITIVE POWER |
| PERSON WITH | 0 |
| | 10. SHARED DISPOSITIVE POWER |
| | 18,471,563** |

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

18,471,563**

12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES
CERTAIN SHARES

13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

12.3%

14. TYPE OF REPORTING PERSON

IN

*See Item 3

**See Item 2 and 5

*SEE INSTRUCTIONS BEFORE FILLING OUT!
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ATTESTATION.

THE PURPOSE OF THIS AMENDMENT NO. 3 TO SCHEDULE 13D IS TO AMEND THE
PURPOSE OF TRANSACTION SECTION OF REPORTS FILED BY THE REPORTING PERSONS.
THE INFORMATION BELOW SUPPLEMENTS THE INFORMATION PREVIOUSLY PROVIDED.

ITEM 1. SECURITY AND ISSUER.

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This Schedule 13D relates to the Common Stock, \$0.01 par value per share (the "Common Stock"), of Seitel, Inc., a Delaware corporation (the "Issuer"). The address of the principal executive offices of the Issuer is 10811 South Westview Circle Drive, Suite 100, Building C, Houston, TX 77043.

ITEM 4. PURPOSE OF TRANSACTION.

On October 13, 2004, the Reporting Persons sent a letter (the "Letter") to Mr. Fred Zeidman, Chairman of the Board, Interim President and Chief Executive Officer of the Issuer. In the Letter the Reporting Persons have requested that the Issuer immediately name Peter H. Kamin, one of the Reporting Persons, to fill the vacant seat on the Issuer's Board of Directors (the "Board") made available by the resignation of former CEO Mr. Randall Stilley; the Board immediately name Mr. Jay Golding, a Houston entrepreneur, as an Advisory Director to the Board; and that the Board be expanded at the soonest practical time to include Mr. Golding; and the Board create an Executive Committee consisting of a current member of the Board, Mr. Golding and Mr. Kamin. Among other duties, the Executive Committee would immediately begin a search process for a new Chief Executive Officer for the Issuer, and would meet weekly in order to review and approve selected capital programs of the Issuer until a new CEO has been identified and retained.

A copy of the Letter is attached as Exhibit B to this report and is incorporated herein by reference.

ITEM 7. MATERIAL TO BE FILED AS EXHIBITS

A. Joint Filing Agreement

B. Letter from Reporting Persons dated October 13, 2004.

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SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below on this Schedule 13D hereby constitutes and appoints Jeffrey W. Ubben, George F. Hamel, Jr. and Peter H. Kamin, and each of them, with full power to act without the other, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities (until revoked in writing) to sign any and all amendments to this Schedule 13D, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary fully to all intents and purposes

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as he might or could do in person, thereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

ValueAct Capital Partners II L.P., by
VA Partners, L.L.C., its General Partner

By: /s/ George F. Hamel, Jr.

Dated: October 13, 2004

George F. Hamel, Jr., Managing Member

ValueAct Capital Master Fund L.P., by
VA Partners, L.L.C., its General Partner

By: /s/ George F. Hamel, Jr.

Dated: October 13, 2004

George F. Hamel, Jr., Managing Member

VA Partners, L.L.C.

By: /s/ George F. Hamel, Jr.

Dated: October 13, 2004

George F. Hamel, Jr., Managing Member

By: /s/ Jeffrey W. Ubben

Dated: October 13, 2004

Jeffrey W. Ubben, Managing Member

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By: /s/ George F. Hamel, Jr.

Dated: October 13, 2004

George F. Hamel, Jr., Managing Member

By: /s/ Peter H. Kamin

Dated: October 13, 2004

Peter H. Kamin, Managing Member

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Exhibit A
JOINT FILING UNDERTAKING

The undersigned parties hereby agree that the Schedule 13D filed herewith (and any amendments thereto) relating to the Common Stock of Seitel, Inc. is being filed jointly on behalf of each of them with the Securities and Exchange Commission pursuant to Section 13(d) of the Securities Exchange Act of 1934, as amended.

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ValueAct Capital Partners II L.P., by
VA Partners, L.L.C., its General Partner

By: /s/ George F. Hamel, Jr.

Dated: October 13, 2004

George F. Hamel, Jr., Managing Member

ValueAct Capital Master Fund L.P., by
VA Partners, L.L.C., its General Partner

By: /s/ George F. Hamel, Jr.

Dated: October 13, 2004

George F. Hamel, Jr., Managing Member

VA Partners, L.L.C.

By: /s/ George F. Hamel, Jr.

Dated: October 13, 2004

George F. Hamel, Jr., Managing Member

By: /s/ Jeffrey W. Ubben

Dated: October 13, 2004

Jeffrey W. Ubben, Managing Member

By: /s/ George F. Hamel, Jr.

Dated: October 13, 2004

George F. Hamel, Jr., Managing Member

By: /s/ Peter H. Kamin

Dated: October 13, 2004

Peter H. Kamin, Managing Member

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Exhibit B
LETTER

VAC

VALUEACT CAPITAL

October 13, 2004

Mr. Fred Zeidman
Chairman, Interim President and CEO
Seitel, Inc.
10811 S. Westview Circle
Bldg. C, Ste. 100
Houston, TX 77043

Dear Fred:

This letter is a follow-up to the previous conversations that we at ValueAct Capital have had with you and other representatives of the Seitel (the

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"company") Board of Directors. To begin, we would like to again acknowledge your work as Chairman of the Board in helping navigate Seitel, through a circuitous path, to its present position as a standalone public company. We do feel that the company today is largely separated from its controversial history. Non-core oil production assets have been divested, cash flows have been redirected to debt reduction, and some important first steps have been made to institute internal controls. These actions have been important in refocusing the business on the single core activity of building seismic data libraries. Our belief in Seitel's positive direction has been supported by our actions, as ValueAct Capital now owns more than 12% of the company.

However, we must admit to having been disappointed to learn in the press release dated October 5, 2004 that Randall Stilley, the company's Chief Executive Officer, had resigned to accept another position in the oil service industry. We strongly believe that after his many months of employment, the company's inability to deliver a concrete incentive option award provided Stilley with no guarantee of participating in the rewards of any successes under his tenure. It appears to us that he had little choice but to look out for his own interests and consider other alternatives.

While we recognize that option grants at Seitel might be more complex in their design given the nature of the bankruptcy and restructuring, we are nevertheless disappointed that this was not addressed in a more aggressive and effective manner. A more timely undertaking of installing management incentives at the company might have enable it to have retained Mr. Stilley.

Under Mr. Stilley's brief tenure, it appears to us that the company's culture had begun to demonstrate the initial signs of critical positive change. We understand that procedures have been adopted to evaluate capital investment more critically, and that the historical mismatch of cash and GAAP incentive award issues has been addressed. We are hopeful that the continuity of these positive changes can be continued by the company's Chief Financial Officer. However, a job of this magnitude cannot be successfully accomplished for long by a single individual. Thus, the most important immediate decision facing this board is the recruitment of a new Chief Executive Officer.

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The importance of this decision is further magnified by the company's significantly leveraged capital structure. The company's balance sheet offers little margin for error if the company is to successfully execute on its business plan. Strong leadership is particularly important for Seitel at this moment in time.

As we have discussed, the principals of ValueAct Capital have extensive, direct experience as positive, productive and creative members of public company boards. In particular, we have direct experience in overseeing CEO searches with successful outcomes. Additionally, we are also experienced in developing incentive equity programs for senior management teams.

Based on our experiences, the present highly leveraged capital structure at the company, the current void of permanent senior leadership, and the positive dynamics of having a significant shareholder working alongside the existing board members, we respectfully request that the Board of Seitel consider the following:

- The company immediately names me to fill the vacant seat on the Board made available by Mr. Stilley's resignation.

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- The Board immediately name Mr. Jay Golding, a successful Houston entrepreneur, as an Advisory Director to the Board; and that Mr. Golding be added to the Board by way of an expansion of the Board at the soonest practical time.

- The Board create an Executive Committee, and that a representative of the current Seitel Board, Mr. Golding and I be appointed to serve on that committee. Among other duties, this committee would immediately begin a search process for the company's new Chief Executive Officer. We also ask that the Executive Committee meet weekly in order to review and approve selected capital programs at the company, until a new CEO has been identified and retained.

At ValueAct Capital, we have worked hard to develop a successful track record and positive reputation for sound decision making in our other investments where we have joined boards. Our request above is not made lightly, but rather has been carefully considered with the sole objective of preserving and enhancing the value of Seitel for all shareholders. Our intention is to do all that we can to continue to develop Seitel's sustainable profits and free cash flows. We also believe that this proposal will be supported by many of the company's other large investors.

Finally, I would like to communicate our respect and appreciation for the time and energy you have personally invested in the company, working to ensure that shareholders retain the opportunity to participate in the company's further growth. We also strongly believe that the combination of our sizable investment in the company, experience and reputation for positive work in other similar situations, and the current state of management uncertainty at Seitel, warrants our involvement as suggested above.

Feel free to contact me with any questions. I look forward to discussing our request with you and the Board at your earliest convenience.

Sincerely,

Peter H. Kamin
Partner

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