

GeoMet, Inc.
Form 10-Q
August 10, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2011

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 001-32960

GeoMet, Inc.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

76-0662382
(I.R.S. Employer
Identification Number)

909 Fannin, Suite 1850

Houston, Texas 77010

(713) 659-3855

(Address of principal executive offices and telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

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

As of August 1, 2011, 39,973,810 shares and 4,411,749 shares, respectively, of the registrant's common stock and preferred stock, par value \$0.001 per share, were outstanding.

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	June 30, 2011	December 31, 2010
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 783,777	\$ 536,533
Accounts receivable, both amounts net of allowance of \$60,848	2,666,387	2,600,319
Inventory	867,215	1,002,207
Derivative asset - natural gas hedges	5,059,982	7,087,775
Other current assets	830,660	951,622
Total current assets	10,208,021	12,178,456
Gas properties - utilizing the full cost method of accounting:		
Proved gas properties	485,200,730	475,917,727
Other property and equipment	3,387,229	3,405,502
Total property and equipment	488,587,959	479,323,229
Less accumulated depreciation, depletion, amortization and impairment of gas properties	(377,156,357)	(373,235,875)
Property and equipment - net	111,431,602	106,087,354
Other noncurrent assets:		
Derivative asset - natural gas hedges	1,561,546	2,186,767
Deferred income taxes	46,783,892	48,202,861
Other	1,138,069	1,430,584
Total other noncurrent assets	49,483,507	51,820,212
TOTAL ASSETS	\$ 171,123,130	\$ 170,086,022
LIABILITIES, MEZZANINE AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 6,258,686	\$ 5,950,861
Accrued liabilities	2,540,868	2,306,020
Deferred income taxes	1,689,073	2,206,531
Derivative liability - interest rate swaps		4,592
Asset retirement liability	33,684	32,893
Current portion of long-term debt	87,677	132,743
Total current liabilities	10,609,988	10,633,640

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Long-term debt	79,718,579	80,863,419
Asset retirement liability	5,763,357	5,465,798
Other long-term accrued liabilities	24,436	40,728
TOTAL LIABILITIES	96,116,360	97,003,585
Commitments and contingencies (Note 12)		
Mezzanine equity:		
Series A Convertible Redeemable Preferred Stock net of offering costs of \$1,658,718; redemption amount \$44,117,490; \$.001 par value; 7,401,832 shares authorized, 4,411,749 and 4,148,538 shares were issued and outstanding at June 30, 2011 and December 31, 2010, respectively.	25,437,209	22,074,320
Stockholders' Equity:		
Preferred stock, \$0.001 par value 2,598,168 shares authorized, none issued		
Common stock, \$0.001 par value authorized 125,000,000 shares; issued and outstanding 39,973,810 and 39,758,484 at June 30, 2011 and December 31, 2010, respectively	39,974	39,744
Treasury stock 10,432 shares at June 30, 2011 and December 31, 2010	(94,424)	(94,424)
Paid-in capital	204,576,159	207,548,596
Accumulated other comprehensive loss	(1,312,553)	(1,324,154)
Retained deficit	(153,395,919)	(154,918,736)
Less notes receivable	(243,676)	(242,909)
Total stockholders' equity	49,569,561	51,008,117
TOTAL LIABILITIES, MEZZANINE AND STOCKHOLDERS' EQUITY	\$ 171,123,130	\$ 170,086,022

See accompanying Notes to Consolidated Financial Statements (Unaudited)

Table of Contents**GEOMET, INC. AND SUBSIDIARIES****Consolidated Statements of Operations****(Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Revenues:				
Gas sales	\$ 8,330,680	\$ 7,661,353	\$ 16,181,728	\$ 17,545,039
Operating fees	72,914	70,703	145,686	144,995
Total revenues	8,403,594	7,732,056	16,327,414	17,690,034
Expenses:				
Lease operating expense	2,879,695	2,812,883	5,852,450	5,920,254
Compression and transportation expense	964,825	1,075,392	1,881,056	2,079,839
Production taxes	365,321	288,039	687,709	496,268
Depreciation, depletion and amortization	1,621,546	1,450,238	3,254,514	3,095,603
General and administrative	1,503,149	1,314,840	2,942,339	2,792,565
Terminated transaction costs		1,402,534		1,402,534
Realized gains on derivative contracts	(1,536,056)	(2,210,850)	(5,033,118)	(3,670,978)
Unrealized (gains) losses from the change in market value of open derivative contracts	(197,154)	2,974,026	2,653,014	(4,668,016)
Total operating expenses	5,601,326	9,107,102	12,237,964	7,448,069
Operating income (loss)	2,802,268	(1,375,046)	4,089,450	10,241,965
Other income (expense):				
Interest income	4,287	5,057	8,761	30,861
Interest expense (net of amounts capitalized)	(823,703)	(1,423,476)	(1,663,772)	(2,667,636)
Other	(9,007)	625	(4,325)	(16,702)
Total other income (expense):	(828,423)	(1,417,794)	(1,659,336)	(2,653,477)
Income (loss) before income taxes	1,973,845	(2,792,840)	2,430,114	7,588,488
Income tax (expense) benefit	(902,107)	1,030,717	(907,297)	(3,323,459)
Net income (loss)	\$ 1,071,738	\$ (1,762,123)	\$ 1,522,817	\$ 4,265,029
Accretion of Series A Convertible Redeemable Preferred Stock	(436,029)		(859,172)	
Paid-in-kind dividends on Series A Convertible Redeemable Preferred Stock	(1,336,250)		(2,632,110)	
Cash dividends paid on Series A Convertible Redeemable Preferred Stock	(664)		(1,222)	
Net (loss) income available to common stockholders	\$ (701,205)	\$ (1,762,123)	\$ (1,969,687)	\$ 4,265,029
Net (loss) income per share:				
Net (loss) income per common share				
Basic	\$ (0.02)	\$ (0.04)	\$ (0.05)	\$ 0.11
Diluted	\$ (0.02)	\$ (0.04)	\$ (0.05)	