GeoMet, Inc. Form 10-Q May 10, 2007 Table of Contents

#### **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 March 31, 2007

OR

Commission File Number 000-52155

# GeoMet, Inc.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of

76-0662382 (I.R.S. Employer

incorporation or organization)

**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. þ Yes "No

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

Large accelerated filer " Accelerated filer " Non-accelerated filer þ

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

As of May 1, 2007 there were 38,719,149 shares issued and outstanding of GeoMet, Inc. s common stock, par value \$0.001 per share.

#### TABLE OF CONTENTS

Part I.	Financial I	Financial Information		
	Item 1.	Financial Statements (unaudited)		
		Consolidated Balance Sheets as of March 31, 2007 and December 31, 2006	3	
		Consolidated Statements of Operations and Comprehensive Income for the three months ended March 31, 2007 and 2006	4	
		Consolidated Statements of Cash Flows for the three months ended March 31, 2007 and 2006	5	
		Notes to Consolidated Financial Statements	6	
	Item 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	16	
	Item 3.	Quantitative and Qualitative Disclosures About Market Risk	22	
	Item 4.	Controls and Procedures	23	
Part II.	II. Other Information			
	Item 1.	<u>Legal Proceedings</u>	24	
	Item1A.	Risk Factors	25	
	Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	25	
	Item 3.	Defaults Upon Senior Securities	25	
	Item 4.	Submission of Matters to a Vote of Security Holders	25	
	Item 5.	Other Information	25	
	Item 6.	<u>Exhibits</u>	26	

2

#### Item 1. Financial Statements

#### GEOMET, INC. AND SUBSIDIARIES

#### **Consolidated Balance Sheets**

#### (Unaudited)

Current Assets:   Cash and cash equivalents   \$1,297,017   \$1,414,476   \$1,000   \$		March 31,	December 31,
Current Assets:         \$ 1,297,017         \$ 1,414,476           Cash and cash equivalents         9,337,624         10,881,479           Current portion of notes receivable         81,278         81,818           Derivative asset         80,218         4,200,599           Other current assets         11,993,320         17,315,788           Total current assets         11,993,320         17,315,788           Gas properties utilizing the full cost method of accounting:         326,402,583         310,011,154           Proved gas properties, not subject to amortization         27,882,110         26,397,822           Other property and equipment         356,712,218         338,723,326           Less accumulated depreciation, depletion, and amortization         (24,936,187)         (22,849,903)           Property and equipment net         331,776,031         315,873,423           Other noncurrent assets         292,355         298,936           Derivative asset         292,355         298,936           Other noncurrent assets         994,818         2,005,555           TOTAL ASSETS         334,764,169         335,194,766           LIABILITIES AND STOCKHOLDERS EQUITY           Current Liabilities         2,611,350         2,117,575           Accounts payable		2007	2006
Cash and cash equivalents         \$1,297,017         \$1,14,476           Accounts receivable         9,337,624         10,881,479           Current portion of notes receivable         81,728         81,181           Derivative asset         480,218         4,290,599           Other current assets         11,993,320         17,315,788           Total current assets         310,011,154           Gas properties utilizing the full cost method of accounting:         326,402,583         310,011,154           Proved gas properties, not subject to amortization         27,882,110         26,397,982           Other property and equipment         356,712,218         338,723,326           Less accumulated depreciation, depletion, and amortization         2,427,525         2,314,190           Other noncurrent assets:         2         22,255         2,89,903           Property and equipment net         31,776,031         315,873,423           Other noncurrent assets:         2         292,355         298,936           Derivative asset         92,935         298,936         291,043,043         663,511           Total other noncurrent assets         994,818         2,005,555         201,043,108         2,005,555           Total other noncurrent assets         911,148,336         \$14,284,921 <th>ASSETS</th> <th></th> <th></th>	ASSETS		
Accounts receivable         9,337,624         10,881,479           Current portion of notes receivable         81,728         81,128         42,00,599           Other current assets         436,273         648,053         648,053           Total current assets         11,993,320         17,315,788         326,402,583         310,011,154           Gas properties utilizing the full cost method of accounting:         326,402,583         310,011,54         310,011,54         310,011,54         310,011,54         326,402,583         310,011,54         310,011,54         310,011,54         326,402,583         310,011,54         310,011,54         326,402,583         310,011,54         310,011,54         310,011,54         310,011,54         326,402,583         310,011,54         310,011,54         327,882,110         26,307,982         200,07			
Current portion of notes receivable         81,728         81,181           Derivative asset         480,218         42,90,599           Other current assets         31,993,320         17,315,788           Total current assets         11,993,320         17,315,788           Gas properties utilizing the full cost method of accounting:         326,402,583         310,011,154           Proved gas properties         326,402,583         310,011,154           Unevaluated gas properties, not subject to amortization         27,882,110         26,397,882           Other property and equipment         356,712,218         38,723,326           Less accumulated depreciation, depletion, and amortization         (24,936,187)         (22,849,903)           Property and equipment net         331,776,031         315,873,423           Other noncurrent assets:         292,355         298,936           Derivative asset         929,355         298,936           Derivative asset         994,818         2,005,555           TOTAL ASSETS         \$344,764,169         \$335,194,766           Current Liabilities         \$291,355         291,735           Accounts payable         \$11,148,336         \$14,284,921           Accounts payable         \$11,148,336         \$14,284,921 <t< td=""><td>•</td><td>, - ,</td><td></td></t<>	•	, - ,	
Derivative asset         840,218         4,290,599           Other current assets         436,733         648,053           Total current assets         11,993,320         17,315,788           Gas properties utilizing the full cost method of accounting:         326,402,583         310,011,54           Proved gas properties, not subject to amortization         27,882,110         26,397,982           Other property and equipment         356,712,218         338,723,326           Less accumulated depreciation, depletion, and amortization         (24,936,187)         (22,849,903)           Property and equipment net         331,776,031         315,873,423           Other noncurrent assets         292,355         298,936           Derivative asset         1,043,108           Other         702,463         663,511           Total other noncurrent assets         994,818         2,005,555           TOTAL ASSETS         \$344,764,169         \$335,194,766           Current Liabilities         2,651,350         2,917,575           Deferred income taxes         299,136         1,570,684           Ascerued liabilities         2,651,350         2,917,575           Deferred income taxes         299,136         1,570,684           Asset retirement liability         73,458 </td <td></td> <td></td> <td></td>			
Other current assets         436,733         648,053           Total current assets         11,993,320         17,315,788           Gas properties utilizing the full cost method of accounting:         27,882,110         26,397,982           Proved gas properties, not subject to amortization         27,882,110         26,397,982           Other property and equipment         356,712,218         338,723,326           Less accumulated depreciation, depletion, and amortization         (24,936,187)         (22,849,903)           Property and equipment net         331,776,031         315,873,423           Other noncurrent assets:         92,355         298,336           Note receivable         292,355         298,336           Orberty asset         994,818         2,005,555           Total other noncurrent assets         994,818         2,005,555           TOTAL ASSETS         344,764,169         \$35,194,766           LIABILITIES AND STOCKHOLDERS EQUITY         201,175,755           Current Liabilities         299,136         1,750,684           Asset retirement liability         73,488         73,047           Current portion of long-term debt         74,816,645         60,832,110           Long-term debt         74,816,645         60,832,110           Asset retirement			
Total current assets         11,993,320         17,315,788           Gas properties utilizing the full cost method of accounting:         326,402,583         310,011,154           Proved gas properties, not subject to amortization         27,882,110         26,397,982           Other property and equipment         356,712,218         338,723,326           Less accumulated depreciation, depletion, and amortization         (24,936,187)         (22,849,903)           Property and equipment net         331,776,031         315,873,423           Other noncurrent assets:         Variation of the property and equipment net         292,355         298,936           Other oncurrent assets:         292,355         298,936         1,043,108           Other         702,463         663,511         663,511           Total other noncurrent assets         994,818         2,005,555           TOTAL ASSETS         344,764,169         335,194,766           Current Liabilities:         2,651,350         2,917,575           Deferred income taxes         299,136         1,570,684           Asset retirement liability         73,488         73,047           Current portion of long-term debt         74,816,645         60,832,110           Long-term debt         74,816,645         60,832,110           <			
Gas properties utilizing the full cost method of accounting:           Proved gas properties         326,402,583         310,011,154           Unevaluated gas properties, not subject to amortization         27,882,110         26,397,982           Other property and equipment         356,712,218         338,723,326           Less accumulated depreciation, depletion, and amortization         (24,936,187)         (22,849,003)           Property and equipment net         331,776,031         315,873,423           Other noncurrent assets:         Variation of the cereivable         292,355         298,936           Derivative asset         92,481         2,005,555           Total other noncurrent assets         994,818         2,005,555           TOTAL ASSETS         \$344,764,169         \$335,194,766           LIABILITIES AND STOCKHOLDERS EQUITY           Current Liabilities         \$11,148,336         \$14,284,921           Accounts payable         \$11,148,336         \$14,284,921           Accured liabilities         2,651,350         2,917,575           Deferred income taxes         299,136         1,570,684           Asset retirement liability         73,488         73,047           Current portion of long-term debt         59,840         94,177           Total	Other current assets	436,733	648,053
Proved gas properties         326,402,83         310,011,154           Unevaluated gas properties, not subject to amortization         27,882,110         26,397,982           Other property and equipment         356,712,218         338,723,326           Less accumulated depreciation, depletion, and amortization         (24,936,187)         (22,849,903)           Property and equipment net         331,776,031         315,873,423           Other noncurrent assets:         Value         292,355         298,936           Derivative asset         994,818         2,005,555           TOtal other noncurrent assets         994,818         2,005,555           TOTAL ASSETS         \$344,764,169         \$335,194,766           LIABILITIES AND STOCKHOLDERS         EQUITY           Current Liabilities         \$11,148,336         \$14,284,921           Accounts payable         \$11,148,336         \$14,284,921           Accounts payable         \$11,148,336         \$14,284,921           Accounts payable         \$11,148,336         \$14,284,921           Accounts payable         \$11,750,684         \$10,750,684           Deferred income taxes         \$299,136         \$1,570,684           Accured liabilities         \$299,136         \$1,570,684           Total current liability <td></td> <td>11,993,320</td> <td>17,315,788</td>		11,993,320	17,315,788
Unevaluated gas properties, not subject to amortization         27,882,110         26,397,982           Other property and equipment         356,712,218         338,723,326           Less accumulated depreciation, depletion, and amortization         (24,936,187)         (22,849,003)           Property and equipment net         331,776,031         315,873,423           Other noncurrent assets:         Secretary         292,355         298,936           Derivative asset         929,355         298,936           Other noncurrent assets:         702,463         663,511           Total other noncurrent assets         994,818         2,005,555           TOTAL ASSETS         \$344,764,169         \$335,194,766           Current Liabilities         \$11,148,336         \$14,284,921           Accounts payable         \$11,148,336         \$14,284,921           Accounts payable         \$11,148,336         \$14,284,921           Accured liabilities         2,651,350         2,917,575           Deferred income taxes         299,136         1,570,684           Asset retirement liability         59,840         94,177           Total current liabilities         14,232,120         18,940,404           Long-term debt         54,866,645         60,832,110           Asset			
Other property and equipment         2,427,525         2,314,190           Total property and equipment         356,712,218         338,723,326           Less accumulated depreciation, depletion, and amortization         (24,936,187)         (22,849,903)           Property and equipment net         331,776,031         315,873,423           Other noncurrent assets:         Separate         292,355         298,936           Derivative asset         1,043,108         1,043,108         1,043,108           Other noncurrent assets         994,818         2,005,555         505,511           Total other noncurrent assets         994,818         2,005,555           TOTAL ASSETS         \$344,764,169         \$335,194,766           LIABILITIES AND STOCKHOLDERS EQUITY           Current Liabilities:         \$11,148,336         \$14,284,921           Accounts payable         \$11,148,336         \$14,284,921           Accounts payable         \$11,148,336         \$1,570,684           Asset retirement liability         73,458         73,047           Current portion of long-term debt         59,840         94,177           Total current liabilities         14,232,120         18,940,404           Long-term debt         74,816,645         60,832,110			
Total property and equipment         356,712,218         338,723,326           Less accumulated depreciation, depletion, and amortization         (24,936,187)         (22,849,903)           Property and equipment net         331,776,031         315,873,423           Other noncurrent assets:         \$292,355         298,936           Note receivable         292,355         298,936           Derivative asset         1,043,108           Other         702,463         663,511           Total other noncurrent assets         994,818         2,005,555           TOTAL ASSETS         \$344,764,169         \$335,194,766           LIABILITIES AND STOCKHOLDERS EQUITY           Current Liabilities:         2,651,350         2,917,575           Deferred income taxes         299,136         15,70,684           Asset retirement liability         73,458         73,047           Current portion of long-term debt         59,840         94,177           Total current liabilities         14,232,120         18,940,404           Long-term debt         74,816,645         60,832,110           Asset retirement liability         2,628,764         2,480,754           Other long-term accrued liabilities         162,908         154,455			
Less accumulated depreciation, depletion, and amortization         (24,936,187)         (22,849,903)           Property and equipment net         331,776,031         315,873,423           Other noncurrent assets:         \$292,355         298,936           Derivative asset         1,043,108         663,511           Other noncurrent assets         994,818         2,005,555           TOTAL ASSETS         \$344,764,169         \$335,194,766           LIABILITIES AND STOCKHOLDERS EQUITY           Current Liabilities:         \$11,148,336         \$14,284,921           Accrued liabilities         2,651,350         2,917,575           Deferred income taxes         299,136         1,570,684           Asset retirement liability         73,458         73,047           Current portion of long-term debt         59,840         94,177           Total current liabilities         14,232,120         18,940,404           Long-term debt         74,816,645         60,832,110           Asset retirement liability         2,628,764         2,480,754           Cher long-term accrued liabilities         162,908         154,455	Other property and equipment	2,427,525	2,314,190
Less accumulated depreciation, depletion, and amortization         (24,936,187)         (22,849,903)           Property and equipment net         331,776,031         315,873,423           Other noncurrent assets:         \$292,355         298,936           Derivative asset         1,043,108         663,511           Other noncurrent assets         994,818         2,005,555           TOTAL ASSETS         \$344,764,169         \$335,194,766           LIABILITIES AND STOCKHOLDERS EQUITY           Current Liabilities:         \$11,148,336         \$14,284,921           Accrued liabilities         2,651,350         2,917,575           Deferred income taxes         299,136         1,570,684           Asset retirement liability         73,458         73,047           Current portion of long-term debt         59,840         94,177           Total current liabilities         14,232,120         18,940,404           Long-term debt         74,816,645         60,832,110           Asset retirement liability         2,628,764         2,480,754           Cher long-term accrued liabilities         162,908         154,455			
Property and equipment net         331,776,031         315,873,423           Other noncurrent assets:         292,355         298,936           Derivative asset         1,043,108           Other         702,463         663,511           Total other noncurrent assets         994,818         2,005,555           TOTAL ASSETS         \$344,764,169         \$335,194,766           LIABILITIES AND STOCKHOLDERS EQUITY           Current Liabilities:         2         4           Accounts payable         \$11,148,336         \$14,284,921           Accrued liabilities         2,651,350         2,917,575           Deferred income taxes         299,136         1,570,684           Asset retirement liability         73,458         73,047           Current portion of long-term debt         59,840         94,177           Total current liabilities         14,232,120         18,940,404           Long-term debt         74,816,645         60,832,110           Asset retirement liability         2,628,764         2,480,754           Other long-term accrued liabilities         162,908         154,455			
Other noncurrent assets:           Note receivable         292,355         298,936           Derivative asset         1,043,108           Other         702,463         663,511           Total other noncurrent assets         994,818         2,005,555           TOTAL ASSETS         \$344,764,169         \$335,194,766           LIABILITIES AND STOCKHOLDERS EQUITY           Current Liabilities:           Accounts payable         \$11,148,336         \$14,284,921           Accrued liabilities         2,651,350         2,917,575           Deferred income taxes         299,136         1,570,684           Asset retirement liability         73,458         73,047           Current portion of long-term debt         59,840         94,177           Total current liabilities         14,232,120         18,940,404           Long-term debt         74,816,645         60,832,110           Asset retirement liability         2,628,764         2,480,754           Other long-term accrued liabilities         162,908         154,455	Less accumulated depreciation, depletion, and amortization	(24,936,187)	(22,849,903)
Note receivable         292,355         298,936           Derivative asset         1,043,108           Other         702,463         663,511           Total other noncurrent assets         994,818         2,005,555           TOTAL ASSETS         \$344,764,169         \$335,194,766           LIABILITIES AND STOCKHOLDERS EQUITY           Current Liabilities:           Accrued liabilities         2,651,350         \$14,284,921           Accrued liabilities         2,651,350         2,917,575           Deferred income taxes         299,136         1,570,684           Asset retirement liability         73,458         73,047           Current portion of long-term debt         59,840         94,177           Total current liabilities         14,232,120         18,940,404           Long-term debt         74,816,645         60,832,110           Asset retirement liability         2,628,764         2,480,754           Other long-term accrued liabilities         162,908         154,455	Property and equipment net	331,776,031	315,873,423
Derivative asset         1,043,108           Other         702,463         663,511           Total other noncurrent assets         994,818         2,005,555           TOTAL ASSETS         \$344,764,169         \$335,194,766           LIABILITIES AND STOCKHOLDERS EQUITY           Current Liabilities:           Accounts payable         \$11,148,336         \$14,284,921           Accrued liabilities         2,651,350         2,917,575           Deferred income taxes         299,136         1,570,684           Asset retirement liability         73,458         73,047           Current portion of long-term debt         59,840         94,177           Total current liabilities         14,232,120         18,940,404           Long-term debt         74,816,645         60,832,110           Asset retirement liability         2,628,764         2,480,754           Other long-term accrued liabilities         162,908         154,455			
Other         702,463         663,511           Total other noncurrent assets         994,818         2,005,555           TOTAL ASSETS         \$344,764,169         \$335,194,766           LIABILITIES AND STOCKHOLDERS EQUITY           Current Liabilities:           Accounts payable         \$11,148,336         \$14,284,921           Accrued liabilities         2,651,350         2,917,575           Deferred income taxes         299,136         1,570,684           Asset retirement liability         73,458         73,047           Current portion of long-term debt         59,840         94,177           Total current liabilities         14,232,120         18,940,404           Long-term debt         74,816,645         60,832,110           Asset retirement liability         2,628,764         2,480,754           Other long-term accrued liabilities         162,908         154,455		292,355	
Total other noncurrent assets         994,818         2,005,555           TOTAL ASSETS         \$ 344,764,169         \$ 335,194,766           LIABILITIES AND STOCKHOLDERS EQUITY           Current Liabilities:           Accounts payable         \$ 11,148,336         \$ 14,284,921           Accrued liabilities         2,651,350         2,917,575           Deferred income taxes         299,136         1,570,684           Asset retirement liability         73,458         73,047           Current portion of long-term debt         59,840         94,177           Total current liabilities         14,232,120         18,940,404           Long-term debt         74,816,645         60,832,110           Asset retirement liability         2,628,764         2,480,754           Other long-term accrued liabilities         162,908         154,455			
TOTAL ASSETS         \$ 344,764,169         \$ 335,194,766           LIABILITIES AND STOCKHOLDERS EQUITY           Current Liabilities:           Accounts payable         \$ 11,148,336         \$ 14,284,921           Accrued liabilities         2,651,350         2,917,575           Deferred income taxes         299,136         1,570,684           Asset retirement liability         73,458         73,047           Current portion of long-term debt         59,840         94,177           Total current liabilities         14,232,120         18,940,404           Long-term debt         74,816,645         60,832,110           Asset retirement liability         2,628,764         2,480,754           Other long-term accrued liabilities         162,908         154,455	Other	702,463	663,511
LIABILITIES AND STOCKHOLDERS EQUITY           Current Liabilities:           Accounts payable         \$ 11,148,336         \$ 14,284,921           Accrued liabilities         2,651,350         2,917,575           Deferred income taxes         299,136         1,570,684           Asset retirement liability         73,458         73,047           Current portion of long-term debt         59,840         94,177           Total current liabilities         14,232,120         18,940,404           Long-term debt         74,816,645         60,832,110           Asset retirement liability         2,628,764         2,480,754           Other long-term accrued liabilities         162,908         154,455	Total other noncurrent assets	994,818	2,005,555
Current Liabilities:         Accounts payable       \$ 11,148,336       \$ 14,284,921         Accrued liabilities       2,651,350       2,917,575         Deferred income taxes       299,136       1,570,684         Asset retirement liability       73,458       73,047         Current portion of long-term debt       59,840       94,177         Total current liabilities       14,232,120       18,940,404         Long-term debt       74,816,645       60,832,110         Asset retirement liability       2,628,764       2,480,754         Other long-term accrued liabilities       162,908       154,455	TOTAL ASSETS	\$ 344,764,169	\$ 335,194,766
Accounts payable       \$ 11,148,336       \$ 14,284,921         Accrued liabilities       2,651,350       2,917,575         Deferred income taxes       299,136       1,570,684         Asset retirement liability       73,458       73,047         Current portion of long-term debt       59,840       94,177         Total current liabilities       14,232,120       18,940,404         Long-term debt       74,816,645       60,832,110         Asset retirement liability       2,628,764       2,480,754         Other long-term accrued liabilities       162,908       154,455	LIABILITIES AND STOCKHOLDERS EQUITY		
Accrued liabilities       2,651,350       2,917,575         Deferred income taxes       299,136       1,570,684         Asset retirement liability       73,458       73,047         Current portion of long-term debt       59,840       94,177         Total current liabilities       14,232,120       18,940,404         Long-term debt       74,816,645       60,832,110         Asset retirement liability       2,628,764       2,480,754         Other long-term accrued liabilities       162,908       154,455			
Deferred income taxes       299,136       1,570,684         Asset retirement liability       73,458       73,047         Current portion of long-term debt       59,840       94,177         Total current liabilities       14,232,120       18,940,404         Long-term debt       74,816,645       60,832,110         Asset retirement liability       2,628,764       2,480,754         Other long-term accrued liabilities       162,908       154,455			
Asset retirement liability       73,458       73,047         Current portion of long-term debt       59,840       94,177         Total current liabilities       14,232,120       18,940,404         Long-term debt       74,816,645       60,832,110         Asset retirement liability       2,628,764       2,480,754         Other long-term accrued liabilities       162,908       154,455			
Current portion of long-term debt       59,840       94,177         Total current liabilities       14,232,120       18,940,404         Long-term debt       74,816,645       60,832,110         Asset retirement liability       2,628,764       2,480,754         Other long-term accrued liabilities       162,908       154,455			
Total current liabilities       14,232,120       18,940,404         Long-term debt       74,816,645       60,832,110         Asset retirement liability       2,628,764       2,480,754         Other long-term accrued liabilities       162,908       154,455	·		
Long-term debt       74,816,645       60,832,110         Asset retirement liability       2,628,764       2,480,754         Other long-term accrued liabilities       162,908       154,455	Current portion of long-term debt	59,840	94,177
Asset retirement liability 2,628,764 2,480,754 Other long-term accrued liabilities 162,908 154,455	Total current liabilities	14,232,120	18,940,404
Asset retirement liability 2,628,764 2,480,754 Other long-term accrued liabilities 162,908 154,455	Long-term debt	74.816.645	60,832.110
Other long-term accrued liabilities 162,908 154,455			
	Derivative liability	80,727	12 1, 130

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Deferred income taxes	43,588,728	42,779,537
TOTAL LIABILITIES	135,509,892	125,187,260
Commitments and contingencies (Note 10) Stockholders Equity:		
Preferred stock, \$0.001 par value authorized 10,000,000, none issued		
Common stock, \$0.001 par value authorized 125,000,000 shares; issued and outstanding 38,719,149 and		
38,678,713 at March 31, 2007 and December 31, 2006, respectively	38,719	38,679
Paid-in capital	186,970,301	186,852,852
Accumulated other comprehensive income (loss)	(99,926)	(193,888)
Retained earnings	22,714,281	23,740,144
Less notes receivable	(369,098)	(430,281)
TOTAL STOCKHOLDERS EQUITY	209,254,277	210,007,506
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 344,764,169	\$ 335,194,766

See accompanying Notes to Consolidated Financial Statements.

### GEOMET, INC. AND SUBSIDIARIES

#### Consolidated Statements of Operations and Comprehensive Income

#### (Unaudited)

#### **Three Months Ended**

2007         2006           Revenues:         Gas sales         \$11,848,202         \$12,311,4           Gas marketing         8,542,486         Operating fees and other         291,753           Total revenues         20,682,441         12,311,4           Expenses:         Purchased gas         8,432,319           Lease operating expense         3,369,235         2,840,3           Compression and transportation expense         1,512,418         1,076,4           Production taxes         280,313         268,7           Depreciation, depletion and amortization         2,075,323         1,834,4           Research and development         69,4           General and administrative         2,276,264         1,019,3           Realized (gains) losses on derivative contracts         (1,246,126)         595,3
Gas sales       \$11,848,202       \$12,311,4         Gas marketing       8,542,486       291,753         Operating fees and other       291,753       291,753         Total revenues       20,682,441       12,311,4         Expenses:       Purchased gas       8,432,319         Lease operating expense       3,369,235       2,840,8         Compression and transportation expense       1,512,418       1,076,9         Production taxes       280,313       268,7         Depreciation, depletion and amortization       2,075,323       1,834,0         Research and development       69,7         General and administrative       2,276,264       1,019,4
Gas marketing       8,542,486         Operating fees and other       291,753         Total revenues       20,682,441       12,311,41         Expenses:       20,682,441       12,311,41         Purchased gas       8,432,319       2,840,81         Lease operating expense       3,369,235       2,840,81         Compression and transportation expense       1,512,418       1,076,61         Production taxes       280,313       268,71         Depreciation, depletion and amortization       2,075,323       1,834,01         Research and development       69,7         General and administrative       2,276,264       1,019,51
Operating fees and other       291,753         Total revenues       20,682,441       12,311,411         Expenses:       Purchased gas       8,432,319         Lease operating expense       3,369,235       2,840,811         Compression and transportation expense       1,512,418       1,076,61         Production taxes       280,313       268,71         Depreciation, depletion and amortization       2,075,323       1,834,01         Research and development       69,7         General and administrative       2,276,264       1,019,51
Total revenues       20,682,441       12,311,4         Expenses:       Purchased gas       8,432,319         Lease operating expense       3,369,235       2,840,8         Compression and transportation expense       1,512,418       1,076,9         Production taxes       280,313       268,7         Depreciation, depletion and amortization       2,075,323       1,834,9         Research and development       69,7         General and administrative       2,276,264       1,019,4
Expenses:       8,432,319         Purchased gas       3,369,235       2,840,4         Lease operating expense       1,512,418       1,076,4         Compression and transportation expense       280,313       268,7         Production taxes       280,313       268,7         Depreciation, depletion and amortization       2,075,323       1,834,4         Research and development       69,7         General and administrative       2,276,264       1,019,4
Purchased gas         8,432,319           Lease operating expense         3,369,235         2,840,8           Compression and transportation expense         1,512,418         1,076,9           Production taxes         280,313         268,7           Depreciation, depletion and amortization         2,075,323         1,834,0           Research and development         69,7           General and administrative         2,276,264         1,019,4
Purchased gas       8,432,319         Lease operating expense       3,369,235       2,840,8         Compression and transportation expense       1,512,418       1,076,9         Production taxes       280,313       268,7         Depreciation, depletion and amortization       2,075,323       1,834,0         Research and development       69,7         General and administrative       2,276,264       1,019,9
Lease operating expense       3,369,235       2,840,8         Compression and transportation expense       1,512,418       1,076,4         Production taxes       280,313       268,7         Depreciation, depletion and amortization       2,075,323       1,834,0         Research and development       69,7         General and administrative       2,276,264       1,019,6
Compression and transportation expense1,512,4181,076,4Production taxes280,313268,7Depreciation, depletion and amortization2,075,3231,834,4Research and development69,7General and administrative2,276,2641,019,4
Production taxes280,313268,7Depreciation, depletion and amortization2,075,3231,834,1Research and development69,7General and administrative2,276,2641,019,4
Research and development 69,3 General and administrative 2,276,264 1,019,3
Research and development 69,3 General and administrative 2,276,264 1,019,3
General and administrative 2,276,264 1,019,5
Realized (gains) losses on derivative contracts (1,246,126) 595,
Unrealized (gains) losses on derivative contracts 4,574,216 (9,073,5
Total operating expenses 21,273,962 (1,369,0
Income (loss) from operations (591,521) 13,680,4
Other income (expense):
Interest income 6,973 10,8
Interest expense (net of amounts capitalized) (875,005) (863,3
Other (28,668) (13,7)
Total other expense (896,700) (865,8
Income (loss) before income taxes (1,488,221) 12,814,5
Income tax (benefit) expense (462,358) 5,651,5
Net income (loss) \$ (1,025,863) \$ 7,163,
Other comprehensive income, net of income taxes
Foreign currency translation adjustment, net of income tax of \$0 (93,962) 25,0
Comprehensive income (loss) \$ (931,901) \$ 7,138,0
Net income (loss) per common share:
Basic \$ (0.03) \$ 0
Diluted \$ (0.03) \$ 0

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Weighted average number of common shares:

Basic	38,682,235	31,707,241
Diluted	38,682,235	32,901,915

See accompanying Notes to Consolidated Financial Statements.

4

### GEOMET, INC. AND SUBSIDIARIES

#### **Consolidated Statements of Cash Flows**

#### (Unaudited)

	Three Months E 2007	nded March 31, 2006
Cash flows provided by operating activities:		
Net income (loss)	\$ (1,025,863)	\$ 7,163,098
Adjustments to reconcile net income (loss) to net cash flows provided by operating activities:		
Depreciation, depletion and amortization	2,121,213	1,871,859
Amortization of debt issuance costs	34,764	35,852
Deferred income taxes	(462,358)	5,596,497
Unrealized losses (gains) from the change in market value of open derivative contracts	4,574,216	(9,073,532)
Stock-based compensation	80,780	102,962
Gain on sale of other assets	(15,954)	12,582
Accretion expense	50,718	36,042
Changes in operating assets and liabilities:		
Accounts receivable	1,548,445	1,617,287
Other current assets	211,319	43,349
Accounts payable	(2,877,238)	3,623,928
Other accrued liabilities	(257,773)	(526,246)
Net cash provided by operating activities	3,982,269	10,503,678
Cash flows used in investing activities:		
Capital expenditures	(18,032,955)	(13,326,775)
Proceeds from sale of other property and equipment	22,159	3,457
Collection of notes receivable	6,035	291,920
Other assets	(73,656)	(6,253)
Net cash used in investing activities	(18,078,417)	(13,037,651)
Cash flows provided by financing activities:		(203,977)
Debt issuance costs Treasury stock	(4,380)	(203,977)
Proceeds from exercise of stock options	66,057	646,178
Equity offering costs	00,037	(823,347)
Proceeds from sales of common stock		28,012,808
	14,000,000	, ,
Net proceeds from (payments on) revolver	14,000,000	(41,500,000) 17,184,357
Proceeds from notes receivable and accrued interest	(40.802)	, ,
Payments on other debt	(49,802)	(45,879)
Net cash provided by financing activities	14,011,875	3,270,140
Effect of exchange rate changes on cash	(33,186)	(11,502)
	, , ,	
Increase (decrease) in cash and cash equivalents	(117,459)	724.665
Cash and cash equivalents at beginning of period	1,414,476	615,806
Cash and Cash equivalents at organisms of period	1,717,770	313,000
Cash and cash equivalents at end of period	\$ 1,297,017	\$ 1,340,471

See accompanying Notes to Consolidated Financial Statements.

#### GEOMET, INC. AND SUBSIDIARIES

#### **Notes to Consolidated Financial Statements**

(Unaudited)

#### Note 1 Organization and Our Business

GeoMet, Inc. (GeoMet) (formerly GeoMet Resources, Inc.) was incorporated under the laws of the state of Delaware on November 9, 2000. We are an independent natural gas producer involved in the exploration, development and production of natural gas from coal seams (coal bed methane). Our principal operations and producing properties are located in Alabama, West Virginia, and Virginia. We operate in two segments, natural gas exploration, development and production, almost exclusively within the continental United States and British Columbia and gas marketing in the United States.

The accompanying unaudited consolidated financial statements include our accounts and those of our wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. The unaudited consolidated financial statements reflect, in the opinion of our management, all adjustments, consisting only of normal and recurring adjustments, necessary to present fairly the financial position as of, and results of operations for, the interim periods presented. These financial statements have been prepared in accordance with the guidelines of interim reporting; therefore, they do not include all disclosures required for year-end financial statements prepared in conformity with accounting principles generally accepted in the United States of America. Interim period results are not necessarily indicative of results of operations or cash flows for the full year. These unaudited consolidated financial statements included herein should be read in conjunction with the audited financial statements for the fiscal year ended December 31, 2006 and the accompanying notes included in our Annual Report on Form 10-K, which we filed with the Securities and Exchange Commission (the SEC) on March 20, 2007.

We market substantially all of our gas through Shamrock Energy LLC, a gas marketing enterprise, under a natural gas purchase agreement. The purchase agreement calls for Shamrock to purchase and us to sell gas produced from all of our major properties. In addition, Shamrock provides several relate