

GeoMet, Inc.
Form 10-Q
November 09, 2012
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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 September 30, 2012

OR

o 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)

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

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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 November 1, 2012, 40,690,077 shares and 5,145,156 shares, respectively, of the registrant's common stock and preferred stock, par value \$0.001 per share, were outstanding.

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Table of Contents**Part I. FINANCIAL INFORMATION****Item 1. Financial Statements****GEOMET, INC. AND SUBSIDIARIES****Consolidated Balance Sheets (Unaudited)**

	September 30, 2012	December 31, 2011
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 7,006,333	\$ 457,865
Accounts receivable, net of allowance of \$17,634 at September 30, 2012 and December 31, 2011	4,411,710	4,402,065
Inventory	298,807	597,197
Derivative asset - natural gas contracts	6,812,576	20,685,187
Other current assets	1,387,418	1,141,310
Total current assets	19,916,844	27,283,624
Gas properties - utilizing the full cost method of accounting:		
Proved gas properties	534,401,745	561,451,504
Other property and equipment	3,743,084	3,671,123
Total property and equipment	538,144,829	565,122,627
Less accumulated depreciation, depletion, amortization and impairment of gas properties	(453,432,823)	(388,730,093)
Property and equipment - net	84,712,006	176,392,534
Other noncurrent assets:		
Derivative asset - natural gas contracts		1,765,450
Deferred income taxes	1,421,903	48,171,298
Other	2,037,729	3,532,882
Total other noncurrent assets	3,459,632	53,469,630
TOTAL ASSETS	\$ 108,088,482	\$ 257,145,788
LIABILITIES, MEZZANINE AND STOCKHOLDERS (DEFICIT) EQUITY		
Current Liabilities:		
Accounts payable	\$ 8,777,675	\$ 7,500,768
Accrued liabilities	2,465,657	3,936,070
Deferred income taxes	1,421,903	4,153,099
Derivative liability - natural gas contracts	1,065,545	
Asset retirement obligation		32,028
Current portion of long-term debt	14,100,000	91,757
Total current liabilities	27,830,780	15,713,722

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Long-term debt	131,500,000	158,171,662
Asset retirement obligation	8,485,761	8,138,551
Derivative liability natural gas contracts	3,703,048	
Other long-term accrued liabilities	151,245	8,145
TOTAL LIABILITIES	171,670,834	182,032,080
Commitments and contingencies (Note 15)		
Mezzanine equity:		
Series A Convertible Redeemable Preferred Stock net of offering costs of \$1,660,435; redemption amount \$49,893,090; \$.001 par value; 7,401,832 shares authorized, 4,989,309 and 4,549,537 shares were issued and outstanding at September 30, 2012 and December 31, 2011, respectively	33,283,310	28,482,624
Stockholders (Deficit) 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 40,690,077 and 40,010,188 at September 30, 2012 and December 31, 2011, respectively	40,690	40,010
Treasury stock 10,432 shares at September 30, 2012 and December 31, 2011	(94,424)	(94,424)
Paid-in capital	196,669,112	200,344,209
Accumulated other comprehensive income (loss)	31,738	(1,309,926)
Retained deficit	(293,330,144)	(152,104,329)
Less notes receivable	(182,634)	(244,456)
Total stockholders (deficit) equity	(96,865,662)	46,631,084
TOTAL LIABILITIES, MEZZANINE AND STOCKHOLDERS (DEFICIT) EQUITY	\$ 108,088,482	\$ 257,145,788

See accompanying Notes to Consolidated Financial Statements (Unaudited)

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

Revenues:				
Gas sales	\$ 9,609,586	\$ 8,519,980	\$ 27,464,729	\$ 24,701,708
Operating fees	55,439	64,984	190,650	210,670
Total revenues	9,665,025	8,584,964	27,655,379	24,912,378
Expenses:				
Lease operating expense	4,417,390	2,982,932	13,350,417	8,793,883
Compression and transportation expense	2,217,610	1,082,145	6,757,864	2,959,209
Production taxes	442,129	390,045	1,276,215	1,077,754
Depreciation, depletion and amortization	2,539,531	1,676,872	9,460,420	4,900,669
Impairment of gas properties	25,431,734		83,467,022	
General and administrative	1,097,308	1,159,422	3,765,475	4,083,981
Restructuring costs	187,597		952,830	
Acquisition costs		370,621		370,621
Losses (gains) on natural gas derivatives	4,783,942	(4,225,508)	(341,525)	(6,605,612)
Total operating expenses	41,117,241	3,436,529	118,688,718	15,580,505
Operating (loss) income	(31,452,216)	5,148,435	(91,033,339)	9,331,873
Other income (expense):				
Interest income	814	4,207	5,113	12,968
Interest expense	(1,513,684)	(868,388)	(4,057,927)	(2,532,160)
Write off of debt issuance costs	(1,377,520)		(1,377,520)	
Other	943	12,501	(3,156)	8,176
Total other income (expense):	(2,889,447)	(851,680)	(5,433,490)	(2,511,016)
(Loss) income before income taxes and discontinued operations				
	(34,341,663)	4,296,755	(96,466,829)	6,820,857
Income tax expense	(6,250)	(1,619,739)	(44,036,950)	(2,527,036)
(Loss) income before discontinued operations				
	(34,347,913)	2,677,016	(140,503,779)	4,293,821
Discontinued operations, net of tax	(25,655)	(247,141)	(722,036)	(341,129)
Net (loss) income				
	\$ (34,373,568)	\$ 2,429,875	\$ (141,225,815)	\$ 3,952,692
Accretion of Series A Convertible Redeemable Preferred Stock				
	(485,338)	(449,347)	(1,418,307)	(1,308,519)
Paid-in-kind dividends on Series A Convertible Redeemable Preferred Stock				
	(903,912)	(1,377,880)	(2,764,257)	(4,009,990)
Cash dividends paid on Series A Convertible Redeemable Preferred Stock				
	(689)	(792)	(1,985)	(2,014)
Net (loss) income available to common stockholders	\$ (35,763,507)	\$ 601,856	\$ (145,410,364)	\$ (1,367,831)
Net (loss) income per common share basic:				
Net (loss) income per common share from continuing operations	\$ (0.89)	\$ 0.02	\$ (3.61)	\$ (0.02)
Net loss per common share from discontinued operations			(0.02)	(0.01)
Net (loss) income per common share basic	\$ (0.89)	\$ 0.02	\$ (3.63)	\$ (0.03)

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Net (loss) income per common share diluted:						
Net (loss) income per common share from continuing operations	\$	(0.89)	\$	0.02	\$ (3.61)	\$ (0.02)
Net loss per common share from discontinued operations					(0.02)	