

GeoMet, Inc.
Form 10-Q
August 10, 2006
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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, 2006

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 000-52155

GeoMet, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

909 Fannin, Suite 3208
Houston, Texas 77010

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

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(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 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

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 7, 2006, there were 38,527,841 shares issued and outstanding of GeoMet, Inc.'s common stock, par value \$0.001 per share.

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	June 30,	December 31,
	2006	2005
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 982,964	\$ 615,806
Accounts receivable	3,836,526	5,577,140
Current portion of notes receivable	24,469	310,210
Deferred tax asset	313,908	2,911,808
Other current assets	293,510	414,232
Total current assets	5,451,377	9,829,196
Gas Properties utilizing the full cost method of accounting:		
Proved gas properties	267,659,809	229,519,222
Unevaluated gas properties, not subject to amortization	25,565,570	20,680,712
Other property and equipment	2,038,632	1,841,056
Total property and equipment	295,264,011	252,040,990
Less accumulated depreciation, depletion, and amortization	(18,676,912)	(15,392,300)
Property and equipment net	276,587,099	236,648,690
Other noncurrent assets:		
Note receivable	311,677	323,879
Other	937,304	1,107,234
Total other noncurrent assets	1,248,981	1,431,113
TOTAL ASSETS	\$ 283,287,457	\$ 247,908,999
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Accounts payable	\$ 13,693,037	\$ 6,861,075
Derivative liability	782,814	8,931,926
Asset retirement liability	52,579	51,510
Accrued liabilities	1,348,003	1,265,989
Current portion of long-term debt	91,626	86,472
Total current liabilities	15,968,059	17,196,972
Long-term debt	73,862,113	99,926,378
Long-term derivative liability	316,048	2,611,592
Asset retirement liability	2,063,534	1,838,663
Other long-term accrued liabilities	258,573	258,573

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Deferred income taxes	41,203,622	30,654,545
Total liabilities	133,671,949	152,486,723
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, and 40,000,000 shares; issued and outstanding 32,777,841 and 29,974,664 at June 30, 2006 and December 31, 2005, respectively	32,778	29,975
Paid-in capital	133,807,003	106,408,915
Accumulated other comprehensive income	295,963	56,310
Retained earnings	15,898,245	6,443,928
Less notes receivable	(418,481)	(17,516,852)
Total stockholders' equity	149,615,508	95,422,276
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 283,287,457	\$ 247,908,999

See accompanying Notes to Consolidated Financial Statements.

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

	Three months ended		Six months ended	
	June 30, 2006	2005	June 30, 2006	2005
Revenues:				
Gas sales	\$ 10,139,536	\$ 7,329,171	\$ 22,450,945	\$ 13,697,967
Operating fees and other		233,704		371,661
Total revenues	10,139,536	7,562,875	22,450,945	14,069,628
Expenses:				
Lease operating expense	2,832,789	1,810,757	5,673,653	3,894,226
Compression and transportation expense	1,055,148	759,989	2,131,638	1,480,998
Production taxes	236,193	162,124	504,937	287,754
Depreciation, depletion and amortization	1,746,481	1,464,478	3,580,486	2,348,987
Research and development	29,137	319,263	98,392	320,258
General and administrative	1,436,024	804,383	2,455,580	1,555,618
Realized losses (gains) on derivative contracts	(439,368)	301,740	156,204	136,295
Unrealized losses (gains) on derivative contracts	(1,371,124)	(2,169,469)	(10,444,656)	2,669,958
Total operating expenses	5,525,280	3,453,265	4,156,234	12,694,094
Income from operations	4,614,256	4,109,610	18,294,711	1,375,534
Other income (expense):				
Interest income	7,319	8,326	18,213	25,830
Interest expense (net of amounts capitalized)	(765,765)	(870,853)	(1,629,139)	(1,479,986)
Other gains	31,645		18,268	
Total other income (expense)	(726,801)	(862,527)	(1,592,658)	(1,454,156)
Income (loss) before income taxes and minority interest, net of income tax	3,887,455	3,247,083	16,702,053	(78,622)
Income tax expense (benefit)	1,596,236	1,104,007	7,247,736	(1,733)
Net income (loss) before minority interest, net of income tax	2,291,219	2,143,076	9,454,317	(76,889)
Minority interest, net of income tax		64,423		(442,336)
Net income	\$ 2,291,219	\$ 2,078,653	\$ 9,454,317	\$ 365,447
Other comprehensive income, net of income taxes				
Foreign currency translation adjustment, net of income tax of \$0	264,703	(13,547)	239,653	(17,539)
Comprehensive Income	\$ 2,555,922	\$ 2,092,200	\$ 9,693,970	\$ 382,986
Earnings per common share:				
Basic	\$ 0.07	\$ 0.07	\$ 0.29	\$ 0.01
Diluted	\$ 0.07	\$ 0.07	\$ 0.28	\$ 0.01

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Weighted average number of common shares:

Basic	32,711,133	28,624,913	32,212,497	26,325,233
Diluted	33,702,095	29,446,999	33,296,767	26,895,590

See accompanying Notes to Consolidated Financial Statements.

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GEOMET, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity and Accumulated Other Comprehensive Income

(Unaudited)

	June 30, 2006
Preferred stock, \$0.001 par value shares outstanding, none	
Common stock, \$0.001 par value shares outstanding:	
Balance at beginning of year	29,974,664
144A offering, sale of common stock	2,317,023
Exercise of stock options	486,154
Balance at end of period	32,777,841
Common stock, \$0.001 par value:	
Balance at beginning of year	\$ 29,975
144A Offering, Sale of common stock	2,317
Exercise of stock options	486
Balance at end of period	\$ 32,778
Paid-in capital:	
Balance at beginning of year	\$ 106,408,915
144A Offering, Sale of common stock	28,010,491
Exercise of stock options	857,983