

Edgar Filing: GeoMet, Inc. - Form FWP

GeoMet, Inc.
Form FWP
October 01, 2007
Issuer Free Writing Prospectus

Filed Pursuant To Rule 433

Registration Statement No. 333-131716

October 1, 2007

The issuer has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the issuer has filed with the SEC for more complete information about the issuer and this offering. You may get these documents for free by visiting EDGAR on the SEC Web site at www.sec.gov. Alternatively, the issuer, any underwriter or any dealer participating in the offering will arrange to send you the prospectus if you request it by calling (713) 287-2261. The prospectus relating to this offering is available by clicking on the following link or by copying it and pasting the link into your web browser:

http://searchwww.sec.gov/EDGARFSCClient/jsp/EDGAR_MainAccess.jsp#topAnchor; and then type GMET.

IPAA OGIS San Francisco
October 1, 2007

2
Forward Looking Statements
This
presentation
includes
forward-looking
statements

made
in
reliance
on
the
safe
harbor
provisions
of
the
Private
Securities
Litigation
Reform
Act
of
1995.
Words
such
as
"believes,"
"anticipates,"
"expects,"
"intends,"
"targeted,"
and
similar
expressions,
generally
identify
forward-looking
statements
and
should
be
read
carefully.
These
statements
are
based
on
GeoMet's
current
expectations
and
beliefs
and
are
subject

to
a
number
of
risks,
uncertainties
and
assumptions
that
could
cause
actual
results
to
differ
materially
from
those
described
in
the
forward-looking
statements.

Risks,
uncertainties
and
assumptions
include
(i)
risks
inherent
in
the
exploration
for
and
development
and
production
of
coalbed
methane
and
in
estimating
reserves,
(ii)
the
presence
or

recoverability
of
estimated
reserves,
(iii)
the
ability
to
replace
reserves,
(iv)
unexpected
future
capital
expenditures,
(v)
general
economic
conditions,
(vi)
gas
price
volatility,
(vii)
the
success
of
our
hedging
and
other
risk
management
activities,
(viii)
competition,
(ix)
regulatory
changes,
(x)
the
ability
of
management
to
execute
its
plans
to
meet

its
goals,
(xi)
cost
and
availability
of
transportation
to
get
our
gas
to
market,
and
(xii)
other
factors
discussed
in
GeoMet's
filings
with
the
United
States
Securities
and
Exchange
Commission.
GeoMet
assumes
no
obligation
to
publicly
update
or
revise
any
forward-looking
statements
contained
in
this
presentation,
whether
as
a
result

of
new
information,
future
events,
or
otherwise.

3
Summary
Track Record of Success
Substantial
expertise
and
experience

as
a
developer
and
operator
of
coalbed
methane
properties
since 1985

Developed 5 large scale CBM projects in four separate basins (Black Warrior, Raton, Central Appalachia and Cahaba Basins)

19 person technical, professional and project management team averages more than 16 years of CBM experience

Operational Characteristics

Proved reserves of 326 Bcf

at YE 06 (75 % proved developed)

Long lived reserves with low finding and development and unit operating costs

Current net daily gas sales volumes of approximately 20 MMcf

100% operational control

Positioned for Growth

Large inventory of development locations in existing 100% W.I. projects

High potential in new development and exploration opportunities

4
Recent Developments
New Development Projects
Lasher

10 miles north of Pond Creek Field, West Virginia

Approximately 16,548 net leasehold acres

Operator with 100% W.I.
Peace River

Near Hudson's Hope, British Columbia

Approximately 50,188 gross leasehold acres

Operator with 50% W.I.
New Exploration Prospect
Garden City

Chattanooga Shale opportunity in North Central Alabama

Approximately 60,000 gross leasehold acres

Complementary production characteristics to CBM

Significant resource in-place

Operator with 100% W.I.

5

Recent Developments
Gurnee Field Production

Field not yet responding like a typical CBM project and production has been essentially flat over the past four quarters

High-graded 2007 drilling program

Conducting new well-treatment techniques to increase production

Similar production difficulties encountered in the early stages of Pond Creek field development

Pond Creek Gathering Line Right-of-Way Litigation

May
23,
2007

Virginia
Trial
Court
ruled
in
favor
of
CNX
Gas
exclusive
rights
claim
and
enjoined
us
from
transporting
gas
across
the
PMC
property
unless
we
satisfied
several
restrictive requirements

June 20, 2007

Virginia Supreme Court vacated the injunctive portion of the order and removed the restrictive requirements allowing us to move our Pond Creek production through our gathering line

July 30, 2007

GeoMet petitioned the Virginia Supreme Court to accept our appeal of the portion of the order that affirmed CNX Gas

exclusive rights claim
Existing Projects

Existing Development Projects

7
Pond Creek Field (Central Appalachia)
Locator Map
West Virginia, Virginia border
Pennsylvanian Age Pottsville coals
Coal thickness ranges from 10
30 feet

High gas content -
> than 500 cubic feet
per ton
34,982 net acres under lease
Operator -
GeoMet
100% W.I.
Key Facts
CDX
Equitable
Resources
Dickinson
CNX Gas
Lasher
Prospect
Virginia
West Virginia
GeoMet
Operations
Other Operations
GeoMet
Operations
Other Operations
GeoMet Gathering Pipeline
Jewell Ridge Pipeline
ETNG Pipeline
Virginia
West Virginia
Nora
Field
Oakwood
Field

8
Pond Creek Field
Profile
2H 2007 Plan
\$12 MM CAPEX
Bring online 19 additional wells
Resolve or advance litigation

Operating Data

Initial gas sales in February 2003

Current net sales of approximately

12.5 MMcf/d

Over 200 wells producing

Reserve & Resource Base

130 Bcf

of Proved Reserves at YE 2006

68% proved developed

14 coreholes

to determine gas in-place

Approximately 287 undrilled

locations (85 PUDS) at YE 06

Proved Undeveloped

Potential Drill Sites

Compressor Sites

Proved Developed

Drilled Coreholes

Well locations

High Pressure Pipelines

9
Pond Creek Field
Daily Sales
Gross Daily Gas Sales
Well Count
0
1,000

2,000
3,000
4,000
5,000
6,000
7,000
8,000
9,000
10,000
11,000
12,000
13,000
14,000
15,000
16,000
17,000
18,000
0
25
50
75
100
125
150
175
200
225
250
275
300
325
350
375
400

10

Gurnee Field (Cahaba Basin)

Locator Map

Across anticline from Black Warrior Basin

Pennsylvanian Age Pottsville coals

Average coal thickness 50 feet

43,686 net acres under lease

Operator -
GeoMet
100% W.I.
GeoMet
Cahaba
Operations
GeoMet
Cahaba
Operations
Black Warrior Methane
El
Paso
Energen
Energen
Constellation
Dominion
Resources
El
Paso
White Oak
Creek
Dominion
Resources
Cahaba
Basin
Black
Warrior
River
Cahaba
River
White Oak
Creek
Black
Warrior
Basin
GeoMet Projects
Water Discharge Pipeline
SONAT Bessemer Calera Pipeline
SONAT Interstate Pipeline
GeoMet
High Pressure Pipeline
CDX Pipeline
Enbridge Pipeline
Other CBM Projects
Alabama
Key Facts

11
Gurnee Field (Cahaba Basin)
Profile
Reserve & Resource Base
193 Bcf
of Proved Reserves at YE 06
78% Proved Developed

33 Coreholes
to determine gas in-place
Approximately 346 undrilled
locations
(74 PUDS) at YE 06
2H 2007 Plan
\$10.4 MM CAPEX
Bring online 23 additional wells
Well treatment program
Complete and test 2 wells west of
Cahaba River
Operating Data
Full scale development in March 2005
Current net sales approximately
6.5 MMcf/d
Over 200 wells producing
Water Discharge Pipeline
High Pressure Pipeline
Proved Undeveloped
Potential Drill Sites
Compressor Sites
Drilled Coreholes
Proved Developed
Well locations
Cahaba
River

12
Gurnee Field (Cahaba Basin)
Daily Sales
Gross Daily Gas Sales
Daily Water Production
0
1000

2000
3000
4000
5000
6000
7000
8000
9000
0
2000
4000
6000
8000
10000
12000
14000
16000
18000
20000

New Development Projects

14

Lasher Project

Locator Map

10 miles north of Pond Creek Field

Operator with 100% W.I.

16,548 net contiguous leasehold acres

Key Facts

Virginia
West Virginia
Pond
Creek
Lasher
Wyoming
County
McDowell
County
Buchanan
County
GeoMet
Operations
Columbia Pipeline
West Virginia

15
Lasher Project
Profile
Drill 2 production wells
Secure agreements for pipeline tie-in
Targeting the Pocahontas
formation of the Pottsville coal

group at depths up to 1,800 feet
4 coreholes
to determine gas
in-place
2 production test wells drilled
Approximately 130 undrilled
locations
Operational salt water disposal
well on property
Firm Capacity on Columbia
KA-20 pipeline which crosses property
-
Salt water disposal well
-
Corehole
-
Well sites
Columbia pipeline
-
Production wells
2H 2007 Development Plan
Profile

16

Peace River Project

Locator Map

Near Hudson's Hope, British Columbia

50,188 gross acres (25,094 net acres)

Operator with 50% W.I.

Attractive royalty incentive package

Expected effective rate < 10%

No severance tax

United States

Mexico

Canada

British

Columbia

Key Facts

17
Peace River Project
Profile
Activity To Date
3 coreholes
to determine gas in-place
7 production test wells

2 water disposal wells

Summary

Cretaceous age Gething

coals

Depth

ranges

from

1,000

3,000

ft

Over 400 MMcf/d

of available pipeline

capacity crosses acreage

Access to both U.S. and Canadian

gas markets

2007

2008 Development Plan

Complete consultations, permitting and project infrastructure

Drill one or more water disposal wells

Drill up to 25 initial development wells

Net CAPEX up to US\$25 MM

?

Hudson's

Hope

-

Production Test Well

-

Corehole

-

Salt Water Disposal Well

Garden City Prospect

19
Garden City Prospect
Locator Map
Tuscaloosa
County
Fayette
County

Walker
County
Jefferson
County
Shelby
County
Bibb
County
Chilton
County
Coosa
County
Talladega
County
St. Clair
County
Blount
County
Cullman
County
Winston
County
Birmingham
(Technical
Headquarters)
Gurnee
Field
Alabama
Garden
City

20
Garden City Prospect
Profile
Activity To Date
4 coreholes
drilled to determine gas in-place and
reservoir properties

2H 2007 Plan

\$ 2.7 MM Capex

1 Corehole

3 production test wells

Expand acreage position

Summary

Approximately 60,000 gross leasehold acres

Highly organic gas bearing Chattanooga Shale

Depth ranges from 1,700 to 2,000 feet

Shale thickness ranges from 35

90 feet

Multiple gas marketing options

Stratigraphic

Unit

Series

Eocene

Paleocene

Claiborne Group

Wilcox Group

Midway Group

Selma Group

Eutaw Group

Tuscaloosa Group

Pottsville Formation

Parkwood

Formation

Floyd Shale

Upper

Middle

&

Lower

Upper

Lower

Fort Payne Chert

Chattanooga Shale

Unnamed Cherty

Limestone

Undifferentiated

Undifferentiated

Stones River Group

Knox Group

Conasauga

Group

Rome Formation

Upper &

Middle

Lower

Upper

Middle

Lower

Middle

Financial Overview

22
Economic Parameters
(1)
The
cost
of
finding

and
developing
reserves
is
calculated
for
the
three
year
time
period
by
taking
the
sum
of
the
cost
incurred
for
exploration,
development
and
acquisition,
including
future
development
costs
attributable
to
proved
undeveloped
reserves,
adjusted
for
the
change
for
the
period
in
the
balance
of
unevaluated
gas
properties
not
subject
to

amortization
and
dividing
such
amount
by
the
total
proved
reserve
additions

(2)

Reserve additions for the period used to compute finding and development costs have been estimated by independent petroleum engineers and adjusted for revisions to previous estimates.

(3)

See appendix for calculations of three average finding and development

3

year
average
(excluding
future
development
costs

(2)

)

\$0.84

per
Mcf

(3)

3

year
average
(including
future
development
costs

(2)

)

\$1.16

per
Mcf

(3)

Low
Finding
&
Development
Costs

(1)

Moderate and declining operating costs
< \$2.00 per Mcf

Positive gas price differentials
> \$0.10 per Mcf
Other

23

Capitalization (*\$ in thousands*)

Long-Term Bank Debt

80,500

\$

6/30/07

Stockholders' Equity

Total Capitalization

213,726

294,226

\$

\$

Long Term Bank Debt / Total Capitalization

27%

Bank Debt per Mcf

(1)

0.25

\$

(1)

Reserves as of December 31, 2006

24

Track Record of Growth

(1)

Adjusted EBITDA is defined as EBITDA before unrealized losses (gains) on derivative contracts, stock-based compensation and other non-recurring items. For reconciliation of Adjusted EBITDA, please refer to the appendix.

(2)

Proved

reserves
and
capital
expenditures
include

White
Oak
Creek
Field

working
interest,
sold

in
2004

(3)

Excludes \$27 million for acquisition of producing properties in Pond Creek in 2004

0

2,000

4,000

6,000

8,000

10,000

12,000

14,000

16,000

18,000

20,000

2003

2004

2005

2006

1H 2007

Net Daily Sales Volumes

Adjusted EBITDA

(1)

0

50

100

150

200

250

300

350

2003

2004

2005

2006

210

263

326

104

White Oak Creek Field working interest, sold in 2004

0

10

20

30

40

50

60

70

80

90

100

2003

2004

2005

2006

2007 E

59

82

62

36

59

0

5000

10000

15000

20000

25000

2003

2004

2005

2006

1H 2007

7,148

9,860

17,829

22,779

3,246

7,226

12,585

3,560

1,475

6,806

8,701

17,064

19,154

12,919

Proved Reserves

(2)

Capital Expenditures
(2) (3)

25

Natural Gas Production Hedges

(1)

(1)

As of June 30, 2007

(2)

Protection is the difference between the Floor (a bought put) and the Floor Price Phase-out (a sold put). This protection

remains
a
constant
and
fixed
price
enhancement
as
prices
decline
below
the
Floor
Price
Phase-out.
Period
Volume
MMBtu
Cap
Floor
Protection
(2)
July 2007
October 2007
984,000
\$ 10.50
\$ 7.38
\$ 1.63
November 2007
March 2008
1,216,000
\$ 14.80
\$ 9.00
\$ 3.00
April 2008
October 2008
1,712,000
\$ 10.50
\$ 7.00
\$ 2.00
Three Way
Collars
Traditional
Collars
July 2007
October 2007
492,000
\$ 9.75
\$ 7.50
n/a

November 2007

March 2008

608,000

\$ 11.25

\$ 8.25

n/a

Weighted Average Price per MMBtu

Type

26
% Estimated Sales Volumes Hedged
0%
10%
20%
30%
40%

50%
60%
70%

27

Summary

Track Record of Success

Operational Characteristics

Positioned for Growth

Appendix

29
Three Year Average Finding and Development Cost
Costs Incurred
Three Years
Ended 12-31-06
Acquisition Costs -
Proved and Unproved

40,072

\$

Exploration Costs

27,339

Development Costs

158,186

Abandonment Costs

2,058

Increase (decrease) in Unevaluated properties not subject to amortization

(23,330)

Three Year Total

204,325

\$

Change in Future Development Costs

77,945

Total Finding & Development Costs -

Including Estimated Future Development Costs

282,270

\$

Proved Reserve Additions (MMcf)

Revisions to Previous Estimates

17,434

Extensions & Discoveries

193,079

Acquisition

33,599

Three Year Total

244,112

Finding Cost -

Excluding Future Development Costs

0.84

\$

Finding Cost -

Including Future Development Costs

1.16

\$

30
Reconciliation of Non-GAAP Measure
Six Months
Ended
June 30,
2007
2006

2005
 2004
 2003
 Net Income (loss)
 1,973
 \$
 17,296
 \$
 (1,573)
 \$
 3,836
 \$
 2,560
 \$
 Add: Interest expense, net of
 interest income and amounts
 capitalized
 2,111
 3,097
 3,818
 916
 138
 Add (Deduct): Other expense (income) loss
 25
 10
 21
 4
 7
 Add (Deduct):Expense
 (benefit)
 for income taxes
 1,491
 10,880
 (993)
 2,312
 1,651
 Add: Depreciation, depletion and
 amortization
 4,341
 7,876
 4,867
 2,691
 2,120
 Add: Minority interest
 -
 23
 (442)
 584
 571
 EBITDA

9,940
39,182
5,698
10,343
7,047
Add (Deduct): Unrealized losses
(gains) on derivative contracts
2,713
(16,877)
12,059
(542)
101
Add: Stock based compensation
163
317
-
-
-
Add: Accretion expense
103
157
72
59
-
Adjusted EBITDA
12,919
\$
22,779
\$
17,829
\$
9,860
\$
7,148
\$
December 31,
Twelve Months Ended

For More Information, Please Contact:

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