

GeoMet, Inc.  
Form 10-Q  
August 14, 2014  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

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**FORM 10-Q**

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

**For the quarterly period ended June 30, 2014**

**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)

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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)

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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). o Yes x No

As of August 1, 2014, 40,515,020 shares and 6,381,359 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)**

	June 30, 2014	December 31, 2013
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 24,978,808	\$ 8,108,272
Assets related to discontinued operations	2,833,774	
Accounts receivable, net of allowance of \$0 and \$14,744 at June 30, 2014 and December 31, 2013, respectively	112,794	2,900,807
Other current assets	24,921	692,740
Total current assets	27,950,297	11,701,819
Natural gas properties utilizing the full cost method of accounting:		
Proved natural gas properties		333,109,974
Other property and equipment		3,158,701
Total property and equipment		336,268,675
Less accumulated depreciation, depletion, amortization and impairment of gas properties		(293,939,624)
Property and equipment net		42,329,051
Other noncurrent assets:		
Other		769,384
Total other noncurrent assets		769,384
<b>TOTAL ASSETS</b>	<b>\$ 27,950,297</b>	<b>\$ 54,800,254</b>
<b>LIABILITIES, MEZZANINE AND STOCKHOLDERS DEFICIT</b>		
Current Liabilities:		
Accounts payable	\$ 155,686	\$ 3,541,770
Royalties payable	115,522	3,656,272
Accrued liabilities	17,816	1,073,653
Liabilities related to discontinued operations	2,298,769	
Income tax payable	709,719	
Derivative liability natural gas contracts		834,151
Asset retirement obligations	669,817	265,470
Current portion of long-term debt		71,550,000
Total current liabilities	3,967,329	80,921,316
Asset retirement obligations		8,915,407
Derivative liability natural gas contracts		709,571
Other long-term accrued liabilities		113,434
<b>TOTAL LIABILITIES</b>	<b>3,967,329</b>	<b>90,659,728</b>
Commitments and contingencies (Note 16)		
Mezzanine equity:		
Series A Convertible Redeemable Preferred Stock net of offering costs of \$1,660,435; redemption amount \$63,813,590; \$.001 par value; 7,401,832 shares authorized, 6,381,359 and 6,000,571 shares were issued and outstanding at June 30, 2014 and December 31, 2013, respectively	45,907,692	43,404,993

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Stockholders' Deficit:

Preferred stock, \$0.001 par value 2,598,168 shares authorized, none issued		
Common stock, \$0.001 par value authorized 125,000,000 shares; 40,525,452 issued and 40,515,020 outstanding at June 30, 2014 and 40,662,749 issued and 40,652,317 outstanding at December 31, 2013	40,525	40,663
Treasury stock, at cost 10,432 shares at June 30, 2014 and December 31, 2013	(94,424)	(94,424)
Paid-in capital	185,044,673	187,527,716
Retained deficit	(206,915,498)	(266,738,422)
Total stockholders' deficit	(21,924,724)	(79,264,467)
<b>TOTAL LIABILITIES, MEZZANINE AND STOCKHOLDERS' DEFICIT</b>	<b>\$ 27,950,297</b>	<b>\$ 54,800,254</b>

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,	
	2014	2013	2014	2013
<b>Expenses:</b>				
Depreciation, depletion and amortization	\$	\$ 34,639	\$ 113,817	\$ 69,011
General and administrative		917,519	1,408,521	2,406,754
Lease termination costs		427,722	427,722	
Restructuring costs		17,396		87,584
Total operating expenses		1,345,241	2,488,662	2,563,349
Operating loss		(1,345,241)	(2,488,662)	(2,563,349)
Other expense		(1,669)	(20,203)	(35,345)
Loss before income taxes from continuing operations		(1,346,910)	(2,508,865)	(2,598,694)
Income tax expense		6,250	12,500	12,500
Loss from continuing operations		(1,353,160)	(2,521,365)	(2,611,194)
Discontinued operations, net of tax of \$709,719 for the three and six months ended June 30, 2014 and \$0 for the three and six months ended June 30, 2013		60,327,228	62,344,289	39,225,929
Net income	\$	58,974,068	\$ 59,822,924	\$ 36,614,735
Accretion of Series A Convertible Redeemable Preferred Stock		(705,165)	(1,349,909)	(1,026,373)
Paid-in-kind dividends on Series A Convertible Redeemable Preferred Stock		(552,915)	(1,152,790)	(2,443,173)
Cash dividends paid on Series A Convertible Redeemable Preferred Stock		(490)	(1,058)	(1,201)
Net income available to common stockholders	\$	57,715,498	\$ 57,319,167	\$ 33,143,988
<b>Net income per common share basic:</b>				
Net loss per common share from continuing operations	\$	(0.07)	\$ (0.13)	\$ (0.15)
Net income per common share from discontinued operations		1.49	1.54	0.97
Net income per common share basic	\$	1.42	\$ 1.41	\$ 0.82
<b>Net income per common share diluted:</b>				
Net loss per common share from continuing operations	\$	(0.07)	\$ (0.13)	\$ (0.15)
Net income per common share from discontinued operations		1.49	1.54	0.97
Net income per common share diluted	\$	1.42	\$ 1.41	\$ 0.82
<b>Weighted average number of common shares:</b>				
Basic		40,515,020	40,514,561	40,467,149

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Diluted	40,515,020	40,477,411	40,514,561	40,467,149
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See accompanying Notes to Consolidated Financial Statements (Unaudited).



Table of Contents**GEOMET, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Net income	\$ 58,974,068	\$ 42,369,649	\$ 59,822,924	\$ 36,614,735
Loss on foreign currency translation adjustment		(10,350)		(9,118)
Unrealized loss on available for sale securities		(60,472)		(40,409)
Other comprehensive income	\$ 58,974,068	\$ 42,298,827	\$ 59,822,924	\$ 36,565,208

See accompanying Notes to Consolidated Financial Statements (Unaudited).

Table of Contents**GEOMET, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

	<b>Six Months Ended June 30, 2014</b>	<b>Six Months Ended June 30, 2013</b>
Cash flows (used in) provided by operating activities:		
Loss from continuing operations	\$ (2,521,365)	\$ (2,611,194)
Adjustments to reconcile loss from continuing operations to net cash flows used in continuing operating activities:		
Depreciation, depletion and amortization	113,817	69,011
Stock-based compensation	20,575	119,374
Changes in operating assets and liabilities:		
Other current assets	391,386	279,541
Accounts payable	(351,698)	148,125
Other accrued liabilities	3,020	28,608
Net cash used in continuing operating activities	(2,344,265)	(1,966,535)
Income from discontinued operations		
	62,344,289	39,225,929
Adjustments to reconcile Income from discontinued operations to net cash flows (used in) provided by discontinued operating activities:		
Depreciation, depletion and amortization	715,892	2,808,132
Amortization of debt issuance costs	218,357	454,340
Unrealized losses from the change in market value of open derivative contracts	(1,543,722)	1,838,088
Gain on the sale of gas properties	(61,824,007)	(37,135,611)
Loss on sale of other assets	22,706	35,348
Accretion expense	298,130	612,553
Changes in operating assets and liabilities:		
Accounts receivable	1,719,550	2,100,139
Other current assets	377,103	(180,351)
Accounts payable	(5,003,504)	(2,556,625)
Income taxes payable	709,719	
Other accrued liabilities	(2,710,824)	1,110,774
Net cash (used in) provided by discontinued operating activities	(4,676,311)	8,312,716
Net cash (used in) provided by operating activities	(7,020,576)	6,346,181
Cash flows provided by investing activities:		
Continuing operations:		
Proceeds from the sale of other assets	140,000	
Net cash provided by investing activities- continuing operations	140,000	
Discontinued operations:		
Capital expenditures	(108,597)	(494,031)
Proceeds from the sale of gas properties	95,385,256	60,732,775
Proceeds from sale of other assets	25,511	19,276
Net cash provided by investing activities- discontinued operations	95,302,170	60,258,020
Net cash provided by investing activities	95,442,170	60,258,020
Cash flows used in financing activities:		
Continuing operations:		
Dividends paid	(1,058)	(633)
Treasury stock		(586)
Net cash used in financing activities- continuing operations	(1,058)	(1,219)

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Discontinued operations:			
Repayment of borrowings under Credit Agreement	(71,550,000)		(62,300,000)
Deferred financing costs			(3,801)
Net cash used in financing activities- discontinued operations	(71,550,000)		(62,303,801)
Net cash used in financing activities	(71,551,058)		(62,305,020)
Increase in cash and cash equivalents	16,870,536		4,299,181
Cash and cash equivalents at beginning of period	8,108,272		7,234,225
Cash and cash equivalents at end of period	\$ 24,978,808	\$	11,533,406
Supplemental disclosure of cash flow information:			
Cash paid during the period for:			
Interest expense	\$ 1,448,385	\$	3,293,996
Income taxes	\$ 12,500	\$	12,500
Significant noncash investing and financing activities:			
Accrued capital expenditures	\$	\$	444,102

See accompanying Notes to Consolidated Financial Statements (Unaudited).

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**GEOMET, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**Note 1 Organization and Our Business**

GeoMet, Inc. ( GeoMet, the Company, we, or our ) (formerly GeoMet Resources, Inc.) was incorporated under the laws of the state of Delaware on November 9, 2000. Prior to the completion of the sale of substantially all of our remaining assets on May 12, 2014, we were primarily engaged in the exploration for and development and production of natural gas from coal seams ( coalbed methane or CBM ). All of our production was CBM, which is a dry natural gas containing no hydrocarbon liquids. We were originally founded as a consulting company to the coalbed methane industry in 1985 and were active as an operator, developer and producer of coalbed methane properties since 1993. Our principal operations and producing properties were located in the central Appalachian Basin in Virginia and West Virginia.

The accompanying unaudited consolidated financial statements include our accounts and those of our wholly-owned subsidiaries. All 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 unaudited consolidated financial statements have been prepared in accordance with the guidelines of interim reporting; therefore, they do not include all disclosures required for our year-end audited consolidated financial statements prepared in conformity with accounting principles generally accepted in the United States of America ( GAAP ). 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 consolidated financial statements for the fiscal year ended December 31, 2013 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 31, 2014.

**Note 2 Recent Accounting Pronouncement**

In April 2014, the Financial Accounting Standards Board ( FASB ), issued Accounting Standards Update ( ASU ), No. 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. The ASU changes the requirements for reporting discontinued operations in Subtopic 205-20. A discontinued operation may include a component of an entity or a group of components of an entity. A disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity s operations and financial results when an entity meets the criteria to be classified as held for sale, the component of an entity or group of components of an entity is disposed of by sale, or the component of an entity or group of components of an entity is disposed of other than by sale. ASU 2014-08 should be applied when any of these occur within annual periods beginning on or after December 15, 2014. Early adoption is permitted; however, the Company elected not to early adopt the ASU. The ASU requires entities to separately present assets and liabilities of a discontinued operation for all periods presented in the balance sheet. The impact of adopting the ASU would be the reclassification of all of the assets related to our operations as Assets held for sale and all related liabilities as Liabilities held for sale, both in our Consolidated Balance Sheet (Unaudited) as of December 31, 2013.

**Note 3 Sale of our Central Appalachian Assets and Termination of Credit Agreement**

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On May 12, 2014, we closed the sale of substantially all of our remaining assets which consisted of coalbed methane interests and other assets located in the Appalachian Basin in McDowell, Harrison, Wyoming, Raleigh, Barbour and Taylor Counties, West Virginia and Buchanan County, Virginia (the Asset Sale ) to ARP Mountaineer Productions, LLC, a Delaware limited liability company and a wholly-owned subsidiary of Atlas Resource Partners, L.P., a Delaware limited partnership (the Buyer ). The purchase price of \$107.0 million was adjusted downward \$10.0 million to account for purchase price adjustments, resulting in net proceeds of \$97.0 million. The final settlement statement is expected to be provided to the Buyer on August 15, 2014. The Buyer has 10 days after receipt of the final settlement statement, or through August 25, 2014, to review and make any objections.

Immediately following the closing of the Asset Sale, GeoMet, Bank of America, N.A., as administrative agent (the Administrative Agent ), and the financial institutions party thereto terminated the Fifth Amended and Restated Credit Agreement, dated as of October 14, 2011, by and among GeoMet, the Administrative Agent, the financial institutions party thereto as lenders and the other agents party thereto (as amended, restated, supplemented or otherwise modified from time to time, the Credit Agreement ). Immediately prior to termination of the Credit Agreement, we repaid all amounts owed to the lenders party to the Credit Agreement, which amounts totaled \$69.1 million. As a result, we satisfied all of our obligations under the Credit Agreement. We were not required to pay a termination penalty or other fee in connection with the termination of the Credit Agreement.

Additionally, we settled all of our remaining outstanding natural gas hedge positions for approximately \$3.1 million.

Table of Contents**Note 4 Assets and Liabilities Related to Discontinued Operations and Results of Discontinued Operations**

As a result of the Asset Sale, we have classified all of the assets related to our gas properties as Assets related to discontinued operations and all related liabilities as Liabilities related to discontinued operations, both in the Consolidated Balance Sheet (Unaudited) as of June 30, 2014. Additionally, the related operating activities are presented as discontinued operations in the Consolidated Statements of Operations (Unaudited) for the three and six months ended June 30, 2014 and 2013.

Assets related to discontinued operations in the Consolidated Balance Sheet (Unaudited) at June 30, 2014 include:

Accounts receivable	\$	1,068,463
Receivable from Buyer purchase price amount withheld		1,515,311
Other noncurrent assets		250,000
Assets related to discontinued operations	\$	2,833,774

Liabilities related to discontinued operations in the Consolidated Balance Sheet (Unaudited) at June 30, 2014 include:

Accounts payable	\$	1,380,571
Payable to Buyer transition services		904,481
Accrued liabilities		13,717
Liabilities related to discontinued operations	\$	2,298,769

Results for activities reported as discontinued operations (unaudited) for the three and six months ended June 30, 2014 and 2013 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
<b>Revenues:</b>				
Gas sales	\$	3,967,450	\$	12,053,170
Other		9,730		38,113
Total revenues		3,977,180		12,091,283
<b>Expenses:</b>				
Lease operating expense		1,372,710		4,122,868
Compression and transportation expense		1,039,897		1,868,165
Production taxes		239,044		647,371
Lease termination costs		300,000		300,000
Depreciation, depletion and amortization				1,336,138
				715,892
				2,808,132

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Losses (gains) on natural gas derivatives	1,515,474	(4,149,649)	2,753,190	1,385,470
Total operating expenses	4,467,125	3,824,893	11,224,265	17,690,427
Gain on the sale of assets	61,824,007	37,135,611	61,824,007	37,135,611
Operating income	61,334,062	45,402,001	64,273,072	42,460,687
Interest income	2,722	427	4,284	847
Interest expense	(299,837)	(1,559,276)	(1,223,348)	(3,235,605)
Income tax expense	(709,719)		(709,719)	
Income from discontinued operations	\$ 60,327,228	\$ 43,843,152	\$ 62,344,289	\$ 39,225,929

Table of Contents**Note 5 Gain on the Sale of Assets**

The total gain on sale of assets for the three and six months ended June 30, 2014 as presented above include the following:

	<b>Sale to ARP Mountaineer Productions, LLC</b>	<b>Sale to New River Energy Corporation</b>	<b>Total Gain</b>
Cash proceeds	\$ 95,485,256	\$ (100,000)	\$ 95,385,256
Additional proceeds receivable as of June 30, 2014	1,515,311		1,515,311
Buyer's assumption of asset retirement obligations	8,027,899	699,544	8,727,443
Buyer's assumption of other liabilities	3,812,411		3,812,411
Net book value of sold gas properties	(41,332,191)		(41,332,191)
Net book value of sold equipment	(198,875)		(198,875)
Transaction costs	(6,085,348)		(6,085,348)
Total gain on sale	\$ 61,224,463	\$ 599,544	\$ 61,824,007

Current year operating losses generated in the normal course of business are less than the estimated taxable gain from the Asset Sale. However, no regular income tax is expected to result from the Asset Sale as we estimate sufficient net operating losses will be available from prior years to offset the estimated taxable gain, resulting in a reduction of our deferred tax asset and the related valuation allowance of \$22.7 million. We are subject to the Alternative Minimum Tax and have estimated \$0.7 million in Income taxes payable recorded in the Consolidated Balance Sheet (Unaudited) as of June 30, 2014.

**Note 6 Pro Forma Financial Information**

Pro forma adjustments related to the unaudited pro forma financial information presented below were computed assuming the asset sales completed in June 2013 and May 2014 were both consummated on January 1, 2013 and include adjustments which give effect to events that are (i) directly attributable to the asset sales, (ii) expected to have a continuing impact on the registrant, and (iii) factually supportable. As such, included in Net income (loss), Net income (loss) available to common stockholders and Net income (loss) per common share (basic and diluted) for the six months ended June 30, 2013 are the gains on the asset sales completed in June 2013 and May 2014 of \$37,135,611 and \$61,824,007, respectively.

Revenue	\$	\$	\$	\$
Loss from continuing operations	\$ (1,353,160)	\$ (1,473,503)	\$ (2,521,365)	\$ (2,611,194)
Net income (loss)	\$ (1,353,160)	\$ (1,473,503)	\$ (2,521,365)	\$ 96,348,424
Net income (loss) available to common stockholders	\$ (2,611,730)	\$ (3,374,395)	\$ (5,025,122)	\$ 92,877,677
Net income (loss) per common share - basic	\$ (0.06)	\$ (0.08)	\$ (0.12)	\$ 2.30
Net income (loss) per common share - diluted	\$ (0.06)	\$ (0.08)	\$ (0.12)	\$ 1.17





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Net income per common share basic is calculated by dividing Net income available to common stockholders by the weighted average number of shares of common stock outstanding during the period. Net income per common share diluted assumes the conversion of all potentially dilutive securities and is calculated by dividing Net income available to common stockholders by the sum of the weighted average number of shares of common stock outstanding plus potentially dilutive securities. Net income per common share diluted considers the impact of potentially dilutive securities except in periods in which there is a loss because the inclusion of the potential shares of common stock would have an anti-dilutive effect. A reconciliation of Net income per common share for the three and six months ended June 30, 2014 and 2013 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net income available to common stockholders	\$ 57,715,498	\$ 40,468,757	\$ 57,319,167	\$ 33,143,988
Net income per common share basic:				
Net loss per common share from continuing operations	\$ (0.07)	\$ (0.08)	\$ (0.13)	\$ (0.15)
Net income per common share from discontinued operations	1.49	1.08	1.54	0.97
Net income per common share basic	\$ 1.42	\$ 1.00	\$ 1.41	\$ 0.82
Net income per common share diluted:				
Net loss per common share from continuing operations	\$ (0.07)	\$ (0.08)	\$ (0.13)	\$ (0.15)
Net income per common share from discontinued operations	1.49	1.08	1.54	0.97
Net income per common share diluted	\$ 1.42	\$ 1.00	\$ 1.41	\$ 0.82
Weighted average number of common shares:				
Basic	40,515,020	40,477,411	40,514,561	40,467,149
Diluted	40,515,020	40,477,411	40,514,561	40,467,149

Net income per common share diluted for the three months ended June 30, 2014 excluded the effect of 60,563 weighted average restricted shares outstanding, and 6,381,359 shares of Series A Convertible Redeemable Preferred Stock ( Preferred Stock ) (49,087,376 in dilutive shares, as converted, which assumes conversion on the first day of the period) because we reported Loss from continuing operations which caused the options, restricted shares and the Preferred Stock to be anti-dilutive. Additionally, in computing the dilutive effect of convertible securities, Net income available to common stockholders is also adjusted to add back any convertible preferred dividends and accretion unless the shares of Preferred Stock are anti-dilutive. As such, there was no add back to Net income available to common stockholders for the three months ended June 30, 2014 for accretion of and dividends paid for Preferred Stock of \$705,165 and \$553,405, respectively, in computing Net income per common share diluted as the shares of Preferred Stock were anti-dilutive.

Net income per common share diluted for the six months ended June 30, 2014 excluded the effect of 97,746 weighted average restricted shares outstanding, and 6,381,359 shares of Preferred Stock (49,087,376 in dilutive shares, as converted, which assumes conversion on the first day of the period) because we reported Loss from continuing operations which caused the options, restricted shares and the Preferred Stock to be anti-dilutive. Additionally, in computing the dilutive effect of convertible securities, Net income available to common stockholders is also adjusted to add back any convertible preferred dividends and accretion unless the shares of Preferred Stock are anti-dilutive. As such, there was no add back to Net income available to common stockholders for the six months ended June 30, 2014 for accretion of and dividends paid for Preferred Stock of \$1,349,909 and \$1,153,848, respectively, in computing Net income per common share diluted as the shares of Preferred Stock were anti-dilutive.

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Net income per common share diluted for the three months ended June 30, 2013 excluded the effect of outstanding exercisable options to purchase 2,099,658 shares, 205,083 weighted average restricted shares outstanding, and 5,471,610 shares of Preferred Stock (42,089,307 in dilutive shares, as converted, which assumes conversion on the first day of the period) because we reported Loss from continuing operations which caused the options, restricted shares and the Preferred Stock to be anti-dilutive. Additionally, in computing the dilutive effect of convertible securities, Net income available to common stockholders is also adjusted to add back any convertible preferred dividends and accretion unless the shares of Preferred Stock are anti-dilutive. As such, there was no add back to Net income available to common stockholders for the three months ended June 30, 2014 for accretion of and dividends paid for Preferred Stock of \$532,836 and \$1,368,056, respectively, in computing Net income per common share diluted as the shares of Preferred Stock were anti-dilutive.

Net income per common share diluted for the six months ended June 30, 2013 excluded the effect of outstanding exercisable options to purchase 2,099,658 shares, 219,014 weighted average restricted shares outstanding, and 5,471,610 shares of Preferred Stock (42,089,307 in dilutive shares, as converted, which assumes conversion on the first day of the period) because we reported Loss from continuing operations which caused the options, restricted shares and the Preferred Stock to be anti-dilutive. Additionally, in computing the dilutive effect of convertible securities, Net income available to common stockholders is also adjusted to add back any convertible preferred dividends and accretion unless the shares of Preferred Stock are anti-dilutive. As such, there was no add back to Net income available to common stockholders for the six months ended June 30, 2014 for accretion of and dividends paid for Preferred Stock of \$1,026,373 and \$2,444,374, respectively, in computing Net income per common share diluted as the shares of Preferred Stock were anti-dilutive.

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**Note 8 Gas Properties**

As described in Note 3 Sale of our Central Appalachian Assets and Termination of Credit Agreement, on May 12, 2014, we sold substantially all of our remaining assets. Prior to the Asset Sale, the method of accounting for oil and gas producing activities determined which costs were capitalized and how these costs were ultimately matched with revenues and expenses. We used the full cost method of accounting for our gas properties. Under this method, all direct costs and certain indirect costs associated with the acquisition, exploration, and development of our gas properties were capitalized.

Gas properties were depleted using the units-of-production method. The depletion expense was significantly affected by the unamortized historical and future development costs and the estimated proved gas reserves.

Estimation of proved gas reserves involves professional judgment and use of factors that cannot be precisely determined. Subsequent proved reserve estimates materially different from those reported would change the depletion expense recognized during future reporting periods. No gains or losses are recognized upon the sale or disposition of gas properties unless the sale or disposition represents a significant quantity of gas reserves, which would have a significant impact on the depreciation, depletion and amortization rate.

Under full cost accounting rules, total capitalized costs are limited to a ceiling equal to the present value of estimated future net revenues, discounted at 10% per annum, plus the cost of properties not being amortized plus the lower of cost or fair value of unevaluated properties less income tax effects (the ceiling limitation). We perform a quarterly ceiling test to evaluate whether the net book value of our full cost pool exceeds the ceiling limitation. If capitalized costs (net of accumulated depreciation, depletion and amortization) less related deferred taxes are greater than the discounted future net revenues or ceiling limitation, a write-down or impairment of the full cost pool is required. A write-down of the carrying value of the full cost pool is a non-cash charge that reduces earnings and stockholders' equity in the period of occurrence and typically results in lower depreciation, depletion and amortization expense in future periods. Once incurred, a write-down is not reversible at a later date.

The ceiling test is calculated using the unweighted arithmetic average of the natural gas price on the first day of each month within the twelve-month period prior to the end of the reporting period, unless prices are defined by contractual arrangements, excluding escalations based on future conditions. In addition, the future cash outflows associated with settling asset retirement obligations were not included in the computation of the discounted present value of future net revenues for the purposes of the ceiling test calculation.

No ceiling test was performed at June 30, 2014, as there was no longer any value in the full cost pool. For the twelve months ended June 30, 2013, the unweighted arithmetic average of the Henry Hub spot market price on the first day of each month was \$3.47 per Mcf, resulting in a natural gas price of \$3.53 per Mcf when adjusted for regional price differentials. Based on the ceiling test performed utilizing the aforementioned prices, no write-down of the carrying value of our U.S. full cost pool was required at June 30, 2013.

**Note 9 Asset Retirement Obligations**

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We record an asset retirement obligation ( ARO ) in the Consolidated Balance Sheets (Unaudited) and capitalize the asset retirement costs in gas properties in the period in which the retirement obligation is incurred. The amount of the ARO and the costs capitalized are equal to the estimated future costs to satisfy the obligation using current prices that are escalated by an assumed inflation factor up to the estimated settlement date, which is then discounted back to the date the abandonment obligation was incurred using an assumed cost of funds for GeoMet. Once the ARO is recorded, it is then accreted to its estimated future value using the same assumed cost of funds. Periodically, we update the cost assumptions resulting from market changes and revise the liability recorded accordingly.

The following table details the changes to our ARO for the six months ended June 30, 2014:

Current portion of asset retirement obligation at January 1, 2014	\$	265,470
Add: Long-term portion of asset retirement obligation at January 1, 2014		8,915,407
Asset retirement obligation at January 1, 2014		9,180,877
Conveyed to purchaser of assets		(8,727,442)
Settlements		(81,748)
Accretion		298,130
Asset retirement obligation at June 30, 2014		669,817
Less: Current portion of asset retirement obligation		(669,817)
Long-term portion of asset retirement obligation at June 30, 2014	\$	

Table of Contents**Note 10 Derivative Instruments and Hedging Activities**

In connection with the closing of the Asset Sale described in Note 3 Sale of our Central Appalachian Assets and Termination of Credit Agreement, we settled all of our outstanding natural gas hedge positions for approximately \$3.1 million.

Prior to the closing of the Asset Sale, in an effort to reduce the effects of the volatility of the price of natural gas on our operations, management had historically hedged natural gas prices primarily using derivative instruments in the form of three-way collars, traditional collars and swaps. While the use of these hedging arrangements limited the downside risk of adverse price movements, it also limited future gains from favorable movements. We entered into hedging transactions, generally for forward periods up to two years or more, which increased the probability of achieving our targeted level of cash flows. Our price risk management policy strictly prohibited the use of derivatives for speculative positions.

Swaps exchange floating price risk in the future for a fixed price at the time of the hedge. Costless collars set both a maximum ceiling (a sold ceiling) and a minimum floor (a bought floor) future price. We have accounted for these transactions using the mark-to-market accounting method. Generally, we incurred accounting losses on derivatives during periods where prices were rising and gains during periods where prices were falling which caused significant fluctuations in our Consolidated Balance Sheets (Unaudited) and Consolidated Statements of Operations (Unaudited).

***Commodity Price Risk and Related Hedging Activities***

At June 30, 2014, we had no natural gas derivative contracts.

At December 31, 2013, we had the following natural gas derivative contracts:

<b>Contract Type</b>	<b>Period</b>	<b>Volume (MMBtu)</b>	<b>Fixed Price or Sold Ceiling/ Bought Floor</b>	<b>Derivative liability current</b>	<b>Derivative liability non-current</b>	<b>Total Fair Value of Contract</b>
Swap	January 2014 through March 2014	360,000	\$3.82	\$ (164,121)	\$	\$ (164,121)
Collar	January 2014 through December 2015	3,650,000	\$4.30/\$3.60	(280,392)	(296,436)	(576,828)
Collar	January 2014 through December 2015	3,650,000	\$4.20/\$3.50	(389,638)	(413,135)	(802,773)
		7,660,000		\$ (834,151)	\$ (709,571)	\$ (1,543,722)

We reviewed the financial strength of our hedge counterparties and believed our credit risk was minimal. Our hedge counterparties were participants or affiliates of the participants in the Credit Agreement and the collateral for the outstanding borrowings under the Credit Agreement was used as collateral for our hedges. We did not have rights to collateral from our counterparties, nor did we have rights of offset against borrowings under the Credit Agreement.

We estimated the fair value of our natural gas derivative contracts using the income approach. The income approach uses valuation techniques that convert future cash flows to a single discounted value. In order to estimate the fair value of our natural gas derivative contracts, a forward price curve and volatility estimates were compiled from sources that include NYMEX settlements and observed trading activity in the Over-the-Counter markets. Pricing estimates for the theoretical market value of hedge positions were developed using analytical models accepted and employed by a broad cross-section of industry participants. To extrapolate future cash flows, discount factors incorporating our counterparties' and our credit standing were used to discount future cash flows. The estimated fair value of our natural gas derivative contracts also reflected its nonperformance risk, the risk that the obligation would not be fulfilled. Because nonperformance risk included our counterparties' and our credit risk, we had considered the effect of credit risk on the fair value of our natural gas derivative contracts. The consideration for discounting our counterparties' liabilities (our assets) was based on the difference between the S&P credit rating of a comparable company to our counterparties and the 1-Year Treasury bill rate, both at the reporting date. The consideration for discounting our liabilities was based on the difference between the market weighted average cost of debt capital plus a premium over the capital asset pricing model and the 1-Year Treasury bill rate.

We did not have any derivative assets or derivative liabilities as of June 30, 2014 and there were no transfers of assets and liabilities between Level 1 and Level 2 of the fair value measurement hierarchy during the three months ended June 30, 2014. Based on the use of observable market inputs, we had designated these types of instruments designated below as Level 2. The fair value of our Level 2 derivative instruments were as follows:

	Asset Derivatives				Liability Derivatives			
	June 30, 2014		December 31, 2013		June 30, 2014		December 31, 2013	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
<b>Derivatives not designated as hedging instruments</b>								
Natural gas hedge positions	Derivative asset (current)	\$	Derivative asset (current)	\$	Derivative liability (current)	\$	Derivative liability (current)	\$ 834,151
Natural gas hedge positions	Derivative asset (non-current)		Derivative asset (non-current)		Derivative liability (non-current)		Derivative liability (non-current)	709,571
<b>Total derivatives not designated as hedging instruments</b>		\$		\$		\$		\$ 1,543,722

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The following losses on our hedging instruments have been classified as Discontinued operations on the Consolidated Statements of Operations (Unaudited) for the three and six months ended June 30, 2014 and 2013.

Derivatives	Location of (Gain) or Loss Recognized in Income on Derivatives	Amount of (Gain) or Loss Recognized in Income on Derivatives			
		Three Months Ended June 30,		Six Months Ended June 30,	
		2014	2013	2014	2013
<b>Derivatives not designated as hedging instruments under ASC 815-20-25</b>					
Natural gas collar/swap settled positions	Discontinued operations	\$ 3,331,035	\$ 2,647,134	\$ 4,296,912	\$ (452,618)
Natural gas collar/swap unsettled positions	Discontinued operations	(1,815,561)	(6,796,783)	(1,543,722)	1,838,088
Total (gain) loss		\$ 1,515,474	\$ (4,149,649)	\$ 2,753,190	\$ 1,385,470

**Note 11 Long-Term Debt**

As described in Note 3 Sale of our Central Appalachian Assets and Termination of Credit Agreement, on May 12, 2014, we sold substantially all of our remaining assets. Immediately following the closing of the Asset Sale, we repaid all outstanding borrowings under the Credit Agreement of \$69.1 million.

During 2012, the amounts borrowed under the Credit Agreement exceeded the borrowing base. Borrowings under the Credit Agreement at August 8, 2012 totaled \$148.6 million. On August 8, 2012, in connection with the excess of borrowings over the borrowing base, we amended the Credit Agreement to provide for a tranche A loan in the amount of our borrowing base and a tranche B loan in the amount of the borrowing base deficiency.

On June 14, 2013, the Company closed the sale of all of its coalbed methane properties located in the state of Alabama. Simultaneously with the close of the property sale, approximately \$57.0 million was used to repay outstanding borrowings under the Credit Agreement, which eliminated the borrowing base deficiency. After this repayment, borrowings outstanding under the Credit Agreement totaled \$77.0 million.

For the three months ended June 30, 2014, we had no borrowings and made payments of \$70.0 million under the Credit Agreement. For the three months ended June 30, 2013, we had no borrowings and made payments of \$57.8 million under the Credit Agreement. For the period April 1, 2014 through May 12, 2014, interest on the borrowings averaged 5.48% per annum. For the three months ended June 30, 2013, interest on the borrowings averaged 3.83% per annum.



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For the six months ended June 30, 2014, we had no borrowings and made payments of \$71.6 million under the Credit Agreement. For the six months ended June 30, 2013, we had no borrowings and made payments of \$62.3 million under the Credit Agreement. For the period January 1, 2014 through May 12, 2014, interest on the borrowings averaged 5.00% per annum. For the six months ended June 30, 2013, interest on the borrowings averaged 4.06% per annum.

The following is a summary of our long-term debt at June 30, 2014 and December 31, 2013:

	June 30, 2014	December 31, 2013
Borrowings under the Credit Agreement	\$	\$ 71,550,000
Less current maturities included in current liabilities		(71,550,000)
Total long-term debt	\$	\$

We record our debt instruments based on contractual terms. We did not elect to apply the fair value option for recording financial assets and financial liabilities. We measure the fair value of our debt instruments using discounted cash flow analyses based on our current borrowing rates for similar types of borrowing arrangements (categorized as level 3). We do not have any debt instruments with fair value measurements categorized as level 1 or 2 within the fair value hierarchy. Fair value measurement for an asset or liability reflects its nonperformance risk, the risk that the obligation will not be fulfilled. Because nonperformance risk includes our credit risk, we have considered the effect of our credit risk on the fair value of the long-term debt. This consideration involved discounting our long-term debt based on the difference between the market weighted average cost of equity capital plus a premium over the capital asset pricing model and the stated interest rates of the debt instruments included in our long-term debt. The fair value of long-term debt as of December 31, 2013 was estimated to be approximately \$70.1 million.

Table of Contents**Note 12 Income Taxes**

We record our income taxes using an asset and liability approach. This results in the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the book carrying amounts and the tax basis of assets and liabilities using enacted tax rates at the end of the period. The effect of a change in tax rates of deferred tax assets and liabilities is recognized in the year of the enacted change.

For tax reporting purposes, we have federal and state net operating losses ( NOLs ) of approximately \$116.4 million and \$135.5 million, respectively, at June 30, 2014 that are available to reduce future taxable income. For tax reporting purposes, we had federal and state NOLs of approximately \$156.0 million and \$162.3 million, respectively, at December 31, 2013 that were available to reduce future taxable income. Our first material federal NOL carryforward expires in 2022 and the last one expires in 2034.

Additionally, for tax reporting purposes, we have a federal capital loss carryforward generated by the sale of Hudson's Hope Gas, Ltd. in 2012, of approximately \$33.9 million at June 30, 2014 that is available to reduce future taxable capital gains and expires in 2017. Additionally, we have a federal capital loss carryforward of \$0.2 million generated by the sale of other assets in 2014.

At June 30, 2014, we have a valuation allowance of \$60.8 million recorded against our net deferred tax asset which includes \$47.9 million related to our United States operations and \$12.9 million related to the capital loss carryforward generated by the sale of Hudson's Hope Gas, Ltd. in 2012 and other assets in 2014.

The income tax expense for the three and six months ended June 30, 2014 was different than the amount computed using the statutory rate primarily due to a decrease of \$22.4 million and \$22.7 million, respectively, in the valuation allowance on our deferred tax asset. A reconciliation of the effective tax rate to the statutory rate is as follows:

	<b>Three Months Ended June 30, 2014</b>		<b>Six Months Ended June 30, 2014</b>			
Amount computed using statutory rates	\$	20,294,613	34.00%	20,585,349	34.00%	
State income taxes net of federal benefit		2,029,515	3.40%	2,066,374	3.41%	
Valuation Allowance		(22,363,601)	-37.47%	(22,707,501)	-37.51%	
Stock-based compensation shortfall		636,443	1.07%	636,443	1.05%	
Nondeductible items and other		118,999	0.19%	141,554	0.23%	
Income tax provision	\$	715,969	1.19%	\$	722,219	1.18%
Income tax expense discontinued operations		(709,719)		(709,719)		
Income tax expense continuing operations	\$	6,250		\$	12,500	

Current year operating losses generated in the normal course of business are less than the estimated taxable gain from the Asset Sale. However, no regular income tax is expected to result from the Asset Sale as we estimate sufficient net operating losses will be available from prior years to offset the estimated taxable gain, resulting in a reduction of our deferred tax asset and the related valuation allowance of \$22.7 million. We are subject to the Alternative Minimum Tax and have estimated \$0.7 million in Income taxes payable recorded in the Consolidated Balance Sheet

(Unaudited) as of June 30, 2014.

**Note 13 Common Stock**

As of June 30, 2014, shares of our common stock, par value \$0.001 per share (the Common Stock ) issued and outstanding were 40,525,452 and 40,515,020, respectively. As of December 31, 2013, shares of our Common Stock issued and outstanding were 40,662,749 and 40,652,317, respectively. Included in shares of our Common Stock issued as of June 30, 2014 and December 31, 2013 were 10,432 shares of treasury stock held by the Company. Included in our Common Stock both issued and outstanding at December 31, 2013 were 158,065 shares of restricted stock. During the six months ended June 30, 2014, 153 shares of restricted stock were forfeited and canceled upon the termination of an employee by the Company, 2,724 shares of restricted stock expired unvested and were canceled, and 134,420 shares of restricted stock were cancelled in conjunction with the termination of the employment agreements with our executive officers.

Table of Contents**Note 14 Series A Convertible Redeemable Preferred Stock**

At June 30, 2014 and December 31, 2013, 6,381,359 and 6,000,571 shares of Series A Convertible Redeemable Preferred Stock, par value \$0.001 per share (the Preferred Stock ) were issued and outstanding, respectively. At June 30, 2014, an additional 1,020,473 shares of our Preferred Stock are reserved exclusively for the payment of paid-in-kind dividends ( PIK dividends ). We measure the fair value of PIK dividends using the closing quoted NASDAQ market price on the dividend date (categorized as level 1). The following table details the activity related to the Preferred Stock for the three months ended June 30, 2014:

	<b>Dividend Period</b> <b>(Three Months Ended)</b>	<b>Date Issued</b>	<b>Number of Shares</b>	<b>Balance</b>
Balance at January 1, 2014			6,000,571	\$ 43,404,993
Accretion of discount on Preferred Stock				1,349,909
PIK Dividends Issued for Preferred Stock :	3/31/14	3/31/14	187,461	599,875
	6/30/14	6/30/14	193,327	552,915
Balance At June 30, 2014			6,381,359	\$ 45,907,692

At June 30, 2014, the 6,381,359 shares of Preferred Stock were issued and outstanding were convertible into 49,087,376 shares of our Common Stock.

**Note 15 Share-Based Awards**

Our 2006 Long-Term Incentive Plan (the 2006 Plan ) which authorized the granting of incentive stock options, non-qualified stock options, stock appreciation rights, stock awards, restricted stock, restricted stock units and performance awards was terminated on May 12, 2014. In connection with the termination of the 2006 Plan, we recorded a \$40,560 reduction in General and administrative expenses in the Consolidated Statements of Operations (Unaudited) for the three and six months ended June 30, 2014 resulting from forfeiture reversals.

**Note 16 Commitments and Contingencies**

From time to time we are a party to litigation in the normal course of business. While the outcome of lawsuits or other proceedings against us are not possible to reasonably predict, management does not believe that the adverse effect on our financial condition, results of operations or cash flows, if any, will be material.

**Environmental and Regulatory**

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As of June 30, 2014, there were no known environmental or other regulatory matters related to our operations that are reasonably expected to result in a material liability to us.

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**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

***Statement Regarding Forward-Looking Information***

Management's Discussion and Analysis of Financial Condition and Results of Operations and other items in this Quarterly Report on Form 10-Q contain forward-looking statements and information that are based on management's beliefs, as well as assumptions made by, and information currently available to, management. When used in this document, the words believe, anticipate, estimate, expect, intend, may, will, forecast, plan, and similar expressions are intended to identify forward-looking statements. Although management believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. These statements are subject to certain risks, uncertainties and assumptions. Certain of these risks are summarized in this report and under Item 1A. Risk Factors in our 2013 Annual Report on Form 10-K that we filed with the Securities and Exchange Commission (the SEC) on March 31, 2014, which you should read carefully in connection with our forward-looking statements. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated. We undertake no obligation to release publicly any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

You should read Management's Discussion and Analysis of Financial Condition and Results of Operations in conjunction with the corresponding sections and our audited consolidated financial statements for the fiscal year ended December 31, 2013, which are included in our 2013 Annual Report on Form 10-K.

**Overview**

GeoMet, Inc. (GeoMet, the Company, we, or our) (formerly GeoMet Resources, Inc.) was incorporated under the laws of the state of Delaware on November 9, 2000. Prior to the completion of the sale of substantially all of our remaining assets on May 12, 2014, we were primarily engaged in the exploration for and development and production of natural gas from coal seams (coalbed methane or CBM). All of our production was CBM, which is a dry natural gas containing no hydrocarbon liquids. We were originally founded as a consulting company to the coalbed methane industry in 1985 and were active as an operator, developer and producer of coalbed methane properties since 1993. Our principal operations and producing properties were located in the central Appalachian Basin in Virginia and West Virginia.

The natural gas industry is capital intensive. Natural gas markets traditionally have been highly volatile. We historically made substantial capital expenditures in the exploration, development and acquisition of natural gas reserves. Our capital expenditures had been financed primarily with internally generated cash flows from operations, bank borrowing and equity raises.

**Recent Developments**

***Proxy***

On August 7, 2014 we filed a preliminary proxy statement with the SEC with respect to our calling of a special meeting of our stockholders pursuant to which we will seek approval of (i) an amendment to our Amended and Restated Certificate of Incorporation to allow stockholders the right to take action by written consent and (ii) the adoption of the resolutions adopted by our board to ratify the Certificate of Amendment to our Certificate of Designations. A free copy of the preliminary proxy statement is available to the public from commercial document retrieval services and at the web site maintained by the SEC at <http://www.sec.gov>. Copies of the preliminary proxy statement may also be obtained, without charge, by directing a request to GeoMet, Inc., Investor Relations, 909 Fannin St., Suite 1850, Houston, Texas 77010 or at our Investor Relations page on our corporate website at [www.geometinc.com](http://www.geometinc.com).

Our preliminary proxy statement is currently subject to review by the SEC. We intend to file with the SEC a definitive proxy statement to solicit stockholder approval of the matters described above. We have not yet determined when our definitive proxy statement will be distributed, or the record date to be used for purposes of determining stockholders entitled to vote at the special meeting. Our stockholders are urged to read the definitive proxy statement regarding the matters described above when it becomes available and any other relevant documents filed with the SEC, as well as any amendments or supplements to those documents, because they will contain important information. A free copy of the definitive proxy statement may be obtained, when available, at the SEC's website at [www.sec.gov](http://www.sec.gov). Copies of the definitive proxy statement may also be obtained, when available, without charge, by directing a request to GeoMet, Inc., Investor Relations, 909 Fannin St., Suite 1850, Houston, Texas 77010 or at our Investor Relations page on our corporate website at [www.geometinc.com](http://www.geometinc.com). We, our directors and executive officers may be deemed to be participants in the solicitation of proxies from our stockholders in connection with the approval of the matters described above.

#### *Asset Sale*

On May 12, 2014, we closed the sale of substantially all of our remaining assets which consisted of coalbed methane interests and other assets located in the Appalachian Basin in McDowell, Harrison, Wyoming, Raleigh, Barbour and Taylor Counties, West

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Virginia and Buchanan County, Virginia (the *Asset Sale* ) to ARP Mountaineer Productions, LLC, a Delaware limited liability company and a wholly-owned subsidiary of Atlas Resource Partners, L.P., a Delaware limited partnership (the *Buyer* ). The purchase price of \$107.0 million was adjusted downward \$10.0 million to account for purchase price adjustments, resulting in net proceeds of \$97.0 million. The final settlement statement is expected to be provided to the Buyer on August 15, 2014. The Buyer has 10 days after receipt of the final settlement statement, or through August 25, 2014, to review and make any objections.

Immediately following the closing of the Asset Sale, GeoMet, Bank of America, N.A., as administrative agent (the *Administrative Agent* ), and the banks party thereto terminated the Fifth Amended and Restated Credit Agreement, dated as of October 14, 2011, by and among GeoMet, the Administrative Agent, the financial institutions party thereto as lenders and the other agents party thereto (as amended, restated, supplemented or otherwise modified from time to time, the *Credit Agreement* ). Immediately prior to termination of the Credit Agreement, we repaid all amounts owed to the lenders party to the Credit Agreement, which amounts totaled approximately \$69.1 million. As a result, we satisfied all of our obligations under the Credit Agreement. We were not required to pay a termination penalty or other fee in connection with the termination of the Credit Agreement.

Additionally, we settled all of our remaining outstanding natural gas hedge positions for approximately \$3.1 million.

In connection with the Asset Sale, all of our employees who accepted employment with the Buyer following the consummation of the Asset Sale first resigned their employment with us. Our board of directors adopted a plan of termination effective as of the closing of the Asset Sale, pursuant to which we terminated all employment agreements, change of control agreements and plans, and benefit plans including our long-term incentive plan, and, in exchange for releases, paid approximately \$4 million to such employees. The remaining employees, including our named executive officers, remain employed on an at-will basis.

The remaining balance of the net proceeds from the Asset Sale totaled approximately \$24 million. These funds continue to be held by the Company and used for normal working capital and operating expense purposes while we evaluate our next steps. We are currently contemplating a business combination/merger or a dissolution and distribution of our remaining assets in accordance with applicable law.

**Areas of Operation**

Prior to the closing of the Asset Sale, our core areas of operations were in the Central Appalachian Basin of Virginia and West Virginia. We also previously had operations located in the Black Warrior and Cahaba Basins in Alabama. On June 14, 2013, the Company closed the sale of all of its coalbed methane properties located in Alabama and, on May 12, 2014, closed the Asset Sale.

***Central Appalachia***

***Pond Creek and Lasher Fields*** We were the operator of 298 producing vertical CBM wells in which we owned a 99.0% average working interest in the Pond Creek and Lasher fields located in southern West Virginia and southwestern Virginia. Net daily sales of gas averaged 15.0 MMcf per day for the period April 1, 2014 through May 12, 2014. Net daily sales of gas averaged 15.2 MMcf per day for the period January 1, 2014



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through May 12, 2014. Our natural gas production from the Pond Creek field was delivered into the Jewell Ridge pipeline system owned by East Tennessee Natural Gas, LLC ( ETNG ). We had two long-term transportation agreements with ETNG which went into effect in April 2007 with total maximum daily quantities of 15,000 MMBtu s and 10,000 MMBtu s and primary terms of 15 years and 10 years, respectively. Our gas from the Lasher field was delivered into the Columbia Gas Transmission pipeline with firm transportation for 500 MMBtu s per day. We also owned and operated a 12 mile, 8 inch high-pressure steel pipeline and gas treatment and compression facilities through which the Pond Creek field natural gas production was gathered, dehydrated, and compressed for delivery into the Jewell Ridge Lateral of the East Tennessee pipeline system. In addition, we owned and operated a disposal well to dispose of produced water from both the Pond Creek and Lasher fields.

*Pinnate Horizontal Wells* We were the operator of 44 producing pinnate horizontal CBM wells in which we owned a 71.6% average working interest in central and northern West Virginia. We also had a 33.7 % average working interest in 67 non-operated pinnate horizontal wells in central West Virginia. Net daily sales of gas averaged 5.5 MMcf per day for the period April 1, 2014 through May 12, 2014. Net daily sales of gas averaged 5.8 MMcf per day for the period January 1, 2014 through May 12, 2014. We were party to two firm transportation agreements with total maximum daily capacity of 18,500 MMBtu per day and primary terms expiring through November 2024 which could have been automatically extended at GeoMet s option at the maximum tariff rate. We were also party to a 10,000 MMBtu per day gathering contract that was in a month-to-month evergreen term. In some cases, our natural gas sales volumes were delivered to market under transportation agreements controlled by our working interest partners. Generally, our natural gas sales volumes were sold at a delivery point into the respective interstate pipeline system utilized.

After selling substantially all of our remaining assets, we continue to pursue opportunities to divest our remaining non-core assets and their related plugging and abandonment liabilities. These non-core assets consist of 15 pinnate wells in West Virginia and, if we are not successful in divesting these non-core assets, we plan to perform the plugging and abandonment activities within the time required by state regulations or earlier if possible.

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**Critical Accounting Policies**

The preparation of financial statements in conformity with GAAP requires us to use our judgment to make estimates and assumptions that affect certain amounts reported in our financial statements. As additional information becomes available, these estimates and assumptions are subject to change and thus impact amounts reported in the future. Critical accounting policies are those accounting policies that involve judgment and uncertainties affecting the application of those policies and the likelihood that materially different amounts would be reported under different conditions or using differing assumptions. We periodically update our estimates used in the preparation of the financial statements based on our latest assessment of the current and projected business and general economic environment. There have been no significant changes to our critical accounting policies during the three months ended June 30, 2014.

Table of Contents**Natural Gas Production Operations Summary**

As a result of meeting all of the criteria established under GAAP, we have presented our natural gas operating results as discontinued operations in the Consolidated Statements of Operations (Unaudited) for the three and six months ended June 30, 2014 and 2013. The table below presents information on gas revenues, sales volumes, production expenses and per Mcf data for the period April 1, 2014 through May 12, 2014, for the period January 1, 2014 through May 12, 2014, and for the three and six months ended June 30, 2013. This table should be read with the discussion of the results of operations for the periods presented below (in thousands, except per Mcf amounts).

	<b>For the period April 1, 2014 through May 12, 2014</b>	<b>Three Months Ended June 30, 2013</b>	<b>For the period January 1, 2014 through May 12, 2014</b>	<b>Six Months Ended June 30, 2013</b>
Gas sales	\$ 3,967	\$ 12,053	\$ 13,646	\$ 22,932
Lease operating expenses	\$ 1,373	\$ 4,123	\$ 3,924	\$ 8,592
Compression and transportation expenses	1,040	1,868	2,713	3,707
Production taxes	239	647	818	1,198
Total production expenses	\$ 2,652	\$ 6,638	\$ 7,455	\$ 13,497
Net sales volumes (Consolidated) (MMcf)	863	2,908	2,779	6,016
Pond Creek field (Central Appalachian Basin) (MMcf)	611	1,411	1,946	2,822
Other Central Appalachian Basin fields (MMcf)	251	744	833	1,539
Gurnee field (Cahaba Basin) (MMcf)		328		723
Black Warrior Basin fields (MMcf)		425		932
Per Mcf data (\$/Mcf):				
Average natural gas sales price (Consolidated)	\$ 4.60	\$ 4.14	\$ 4.91	\$ 3.81
Pond Creek field (Central Appalachian Basin)	\$ 4.67	\$ 4.14	\$ 5.01	\$ 3.87
Other Central Appalachian Basin fields	\$ 4.43	\$ 4.18	\$ 4.68	\$ 3.77
Gurnee field (Cahaba Basin)	\$	\$ 4.16	\$	\$ 3.77
Black Warrior Basin fields	\$	\$ 4.09	\$	\$ 3.73
Lease operating expenses (Consolidated)	\$ 1.59	\$ 1.42	\$ 1.41	\$ 1.43
Pond Creek field (Central Appalachian Basin)	\$ 1.50	\$ 1.11	\$ 1.29	\$ 1.15
Other Central Appalachian Basin fields	\$ 1.81	\$ 1.68	\$ 1.69	\$ 1.69
Gurnee field (Cahaba Basin)	\$	\$ 2.93	\$	\$ 2.84
Black Warrior Basin fields	\$	\$ 0.80	\$	\$ 0.74
Compression and transportation expenses (Consolidated)	\$ 1.21	\$ 0.64	\$ 0.98	\$ 0.61
Pond Creek field (Central Appalachian Basin)	\$ 0.78	\$ 0.67	\$ 0.66	\$ 0.62
Other Central Appalachian Basin fields	\$ 2.25	\$ 1.02	\$ 1.71	\$ 1.02
Gurnee field (Cahaba Basin)	\$	\$ 0.26	\$	\$ 0.29
Black Warrior Basin fields	\$	\$ 0.18	\$	\$ 0.18
Production taxes (Consolidated)	\$ 0.28	\$ 0.22	\$ 0.29	\$ 0.20
Pond Creek field (Central Appalachian Basin)	\$ 0.27	\$ 0.22	\$ 0.29	\$ 0.21
Other Central Appalachian Basin fields	\$ 0.29	\$ 0.22	\$ 0.31	\$ 0.18
Gurnee field (Cahaba Basin)	\$	\$ 0.21	\$	\$ 0.18
Black Warrior Basin fields	\$	\$ 0.23	\$	\$ 0.23
Total production expenses (Consolidated)	\$ 3.07	\$ 2.28	\$ 2.68	\$ 2.24
Pond Creek field (Central Appalachian Basin)	\$ 2.55	\$ 2.00	\$ 2.24	\$ 1.98

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Other Central Appalachian Basin fields	\$	4.35	\$	2.92	\$	3.71	\$	2.89
Gurnee field (Cahaba Basin)	\$		\$	3.40	\$		\$	3.31
Black Warrior Basin fields	\$		\$	1.21	\$		\$	1.13

Table of Contents**Results of Operations***Three months ended June 30, 2014 compared with three months ended June 30, 2013*

The following are selected items derived from our Consolidated Statement of Operations (Unaudited) and their percentage changes from the comparable period are presented below.

	Three Months Ended June 30,		Change
	2014	2013 (in thousands)	
Depreciation, depletion and amortization	\$	\$ 35	-100%
General and administrative	\$ 918	\$ 1,409	-35%
Lease termination costs	\$ 428	\$	NM%
Discontinued operations, net of tax of \$710 and \$0 for the three months ended June 30, 2014 and 2013, respectively	\$ 60,327	\$ 43,843	38%
Income tax expense	\$ 6	\$ 6	%

NM-Not Meaningful

*Depreciation, depletion and amortization.* All assets not classified as Assets related to discontinued operations were fully depreciated as of March 31, 2014. As such, there was no Depreciation, depletion and amortization for the three months ended June 30, 2014.

*General and administrative.* General and administrative expense decreased by \$0.5 million, or 35%, to \$0.9 million compared to the prior year period. This decrease primarily resulted from the reduction in employee expenses (primarily salaries and wages) resulting from the June 2013 sale of our Alabama assets and the May 2014 sale of substantially all of our remaining assets.

*Lease termination costs.* Lease termination costs in the current year period resulted from the termination of our Houston office leases.

*Discontinued operations, net of tax.* Included in Discontinued operations, net of tax was a \$61.2 million gain resulting from the Asset Sale. Included in Discontinued operations, net of tax in the prior year quarter was a \$37.1 million gain resulting from the June 2013 sale of our Alabama assets.

*Income tax expense.* The income tax expense in the current year period was different than the amount computed using the statutory rate primarily due to a \$22.4 million reduction of the valuation allowance on our deferred tax asset. A reconciliation of the effective tax rate to the statutory rate for the three months ended June 30, 2014 is as follows:

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Amount computed using statutory rates	\$	20,294,613	34.00%
State income taxes net of federal benefit		2,029,515	3.40%
Valuation Allowance		(22,363,601)	-37.47%
Stock-based compensation shortfall		636,443	1.07%
Nondeductible items and other		118,999	0.19%
Income tax provision	\$	715,969	1.19%
Income tax expense discontinued operations		(709,719)	
Income tax expense continuing operations	\$	6,250	

*Six months ended June 30, 2014 compared with six months ended June 30, 2013*

The following are selected items derived from our Consolidated Statement of Operations (Unaudited) and their percentage changes from the comparable period are presented below.

	Six Months Ended June 30,		Change
	2014	2013 (in thousands)	
Depreciation, depletion and amortization	\$ 114	\$ 69	65%
General and administrative	\$ 1,947	\$ 2,407	-19%
Lease termination costs	\$ 428	\$	NM%
Discontinued operations, net of tax of \$710 and \$0 for the six months ended June 30, 2014 and 2013, respectively	\$ 62,344	\$ 39,226	59%
Income tax expense	\$ 13	\$ 13	%

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NM-Not Meaningful

*Depreciation, depletion and amortization.* Depreciation, depletion and amortization increased by \$0.04 million, or 65%, to \$0.11 million compared to the prior year period. This increase was primarily due to the \$0.09 million in accelerated depreciation of all remaining furniture, fixtures and equipment at March 31, 2014.

*General and administrative.* General and administrative expense decreased by \$0.5 million, or 19%, to \$1.9 million compared to the prior year period. This decrease primarily resulted from the reduction in employee expenses (primarily salaries and wages) resulting from the June 2013 sale of our Alabama assets and the May 2014 sale of substantially all of our remaining assets.

*Lease termination costs.* Lease termination costs in the current year period resulted from the termination of our Houston office leases.

*Discontinued operations, net of tax.* Included in Discontinued operations, net of tax was a \$61.2 million gain resulting from the Asset Sale. Included in Discontinued operations, net of tax in the prior year period was a \$39.2 million gain resulting from the June 2013 sale of our Alabama assets.

*Income tax expense.* The income tax expense in the current year period was different than the amount computed using the statutory rate primarily due to a \$22.7 million reduction of the valuation allowance on our deferred tax asset. A reconciliation of the effective tax rate to the statutory rate for the six months ended June 30, 2014 is as follows:

Amount computed using statutory rates	\$	20,585,349	34.00%
State income taxes net of federal benefit		2,066,374	3.41%
Valuation Allowance		(22,707,501)	-37.51%
Stock-based compensation shortfall		636,443	1.05%
Nondeductible items and other		141,554	0.23%
Income tax provision	\$	722,219	1.18%
Income tax expense discontinued operations		(709,719)	
Income tax expense continuing operations	\$	12,500	

***Liquidity and Capital Resources***

Cash flows used in operating activities for the six months ended June 30, 2014 were \$7.0 million, as compared to \$6.3 million provided by operating activities in the prior year period. The decrease was primarily due to reduced cash flows resulting from the June 2013 sale of our Alabama assets and the May 2014 sale of substantially all of our remaining assets. Proceeds from the sale of assets of \$95.4 million were sufficient to repay all outstanding borrowing under the Credit Agreement of \$69.1 million, as well as the \$7.0 million used in operating activities for the six months ended June 30, 2014. We believe we have adequate cash on hand to fund corporate activities for the next twelve months.

*Closing of the Asset Sale*

On May 12, 2014, we closed the Asset Sale. The purchase price of \$107.0 million was adjusted downward \$10.0 million to account for purchase price adjustments, resulting in net proceeds of \$97.0 million. The final settlement statement is expected to be provided to the Buyer on August 15, 2014. The Buyer has 10 days after receipt of the final settlement statement, or through August 25, 2014, to review and make any objections.

Immediately following the closing of the Asset Sale, GeoMet, the Administrative Agent, and the banks party thereto terminated the Credit Agreement. Immediately prior to termination of the Credit Agreement, we repaid all amounts owed to the lenders party to the Credit Agreement, which amounts totaled approximately \$69.1 million. As a result, we satisfied all of our obligations under the Credit Agreement. We were not required to pay a termination penalty or other fee in connection with the termination of the Credit Agreement.

Additionally, we settled all of our remaining outstanding natural gas hedge positions for approximately \$3.1 million.



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In connection with the Asset Sale, all of our employees who accepted employment with the Buyer following the consummation of the Asset Sale first resigned their employment with us. Our board of directors adopted a plan of termination effective as of the closing of the Asset Sale, pursuant to which we terminated all employment agreements, change of control agreements and plans, and benefit plans including its long-term incentive plan, and, in exchange for releases, paid approximately \$4 million to such employees. The remaining employees, including our named executive officers, remain employed on an at-will basis.

The remaining balance of the net proceeds from the Asset Sale totaled approximately \$24 million. These funds continue to be held by the Company and used for normal working capital and operating expense purposes while we evaluate our next steps. We are currently contemplating a business combination/merger or a dissolution and distribution of our remaining assets in accordance with applicable law.

The terms of our outstanding Series A Convertible Redeemable Preferred Stock, par value \$.001 per share (the Preferred Stock) provide that in the event of a liquidation or dissolution of the Company, the holders of our Preferred Stock would be entitled to a liquidation preference before the holders of our common stock, par value \$0.001 (the Common Stock) would be entitled to receive any distributions from the Company. The liquidation preference is equal to the original investment amount of the Preferred Stock (\$40 million) plus paid-in-kind shares plus accrued and unpaid dividends, and currently totals approximately \$64 million. Therefore, if the Company was dissolved as of June 30, 2014, the estimated remaining cash of approximately \$24 million would be less than the liquidation preference to which the holders of our Preferred Stock are currently entitled of \$64 million. Absent a concession from the holders of our Preferred Stock, the holders of our Common Stock would not receive any distributions as a result of a dissolution of the Company.

It is not clear that the terms of our outstanding Preferred Stock would entitle the holders of our Preferred Stock to a liquidation preference in the event the Company was to engage in a business combination/merger. If our outstanding Preferred Stock is not entitled to a liquidation preference in the event of a business combination/merger, then the holders of the Preferred Stock might instead exercise their rights to convert their shares into shares of Common Stock, and then participate with the holders of Common Stock in the proceeds of such transaction on an as-converted basis. As the estimated remaining cash as of June 30, 2014 is approximately \$24 million, this would mean that the holders of our Preferred Stock would receive less in a business combination/merger than the holders of our Preferred Stock would receive in a dissolution as a result of their liquidation preference. In order for the Company to engage in a business combination/merger, the Company would have to receive the approval of the holders of at least fifty percent (50%) of the outstanding shares of Preferred Stock voting separately as a class, in addition to the approval of the holders of a majority of the outstanding shares of Common Stock including the outstanding shares of Preferred Stock voting on an as-converted basis treated as a single class.

The Company has been advised by the holders of more than fifty percent (50%) of our Preferred Stock that they will not vote in favor of a business combination/merger unless the terms of the transaction provide that the holders of our Preferred Stock will be entitled to receive at least the same value or distributions as such holders would have been entitled to receive in a dissolution pursuant to the liquidation preference to which the holders of the Preferred Stock are entitled. As a result, absent a concession from the holders of our Preferred Stock, it is likely that the holders of our Common Stock would not receive any distributions if the Asset Sale is followed by a business combination/merger.

*Capital Expenditures*

The following table is a summary of our capital expenditures on an accrual basis by category:

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	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Capital expenditures:				
Leasehold acquisition	\$ 19,546	\$ 14,626	\$ 99,876	\$ 110,892
Development	(415)	399,785	(17,825)	377,797
Asset retirement obligations	(5,790)		(5,790)	
Other items (primarily capitalized overhead)		3,969		10,006
Total capital expenditures	\$ 13,341	\$ 418,380	\$ 76,261	\$ 498,695

*Natural Gas Price Risk and Related Hedging Activities*

Prior to the Asset Sale, in an effort to reduce the effects of the volatility of the price of natural gas on our operations, management had historically hedged natural gas prices primarily using derivative instruments in the form of three-way collars, traditional collars

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and swaps. While the use of these hedging arrangements limited the downside risk of adverse price movements, it also limited future gains from favorable movements. We entered into hedging transactions, generally for forward periods up to two years or more, which increased the probability of achieving our targeted level of cash flows. Our price risk management policy strictly prohibited the use of derivatives for speculative positions.

Swaps exchange floating price risk in the future for a fixed price at the time of the hedge. Costless collars set both a maximum ceiling (a sold ceiling) and a minimum floor (a bought floor) future price. We have accounted for these transactions using the mark-to-market accounting method. Generally, we incurred accounting losses on derivatives during periods where prices were rising and gains during periods where prices were falling which caused significant fluctuations in our Consolidated Balance Sheets (Unaudited) and Consolidated Statements of Operations (Unaudited).

Simultaneously with the closing of the Asset Sale on May 12, 2014, we settled all of our remaining outstanding natural gas hedge positions for approximately \$3.1 million. At June 30, 2014, we had no remaining natural gas collar positions.

**Contractual Commitments**

We had numerous contractual commitments in the ordinary course of business, debt service requirements and operating lease commitments. As a result of the completion of the Asset Sale on May 12, 2014, all material commitments disclosed in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Contractual Commitments of our 2013 Annual Report on Form 10-K that we filed with the SEC on June 30, 2014 have been settled or conveyed to the Buyer.

**Recent Pronouncements**

In April 2014, the Financial Accounting Standards Board ( FASB ), issued Accounting Standards Update ( ASU ), No. 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. The ASU changes the requirements for reporting discontinued operations in Subtopic 205-20. A discontinued operation may include a component of an entity or a group of components of an entity. A disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results when an entity meets the criteria to be classified as held for sale, the component of an entity or group of components of an entity is disposed of by sale, or the component of an entity or group of components of an entity is disposed of other than by sale. ASU 2014-08 should be applied when any of these occur within annual periods beginning on or after December 15, 2014. Early adoption is permitted; however, the Company elected not to early adopt the ASU. The ASU requires entities to separately present assets and liabilities of a discontinued operation for all periods presented in the balance sheet. The impact of adopting the ASU would be the reclassification of all of the assets included in the Asset Sale as Assets held for sale and all related liabilities as Liabilities held for sale, both in our Consolidated Balance Sheet (Unaudited) as of December 31, 2013.

**Environmental Regulations**

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Prior to the closing of the Asset Sale, our exploration and production operations were subject to significant federal, state, and local environmental laws and regulations governing environmental protection as well as the discharge of substances into the environment. These laws and regulations may restrict the types, quantities, and concentrations of various substances that can be released into the environment as a result of natural gas drilling, production, and processing activities; suspend, limit or prohibit construction, drilling and other activities in certain lands lying within wilderness, wetlands and other protected areas or that impact protected species; require permits or other governmental authorization before commencing certain activities and require the installation of pollution control measures as a condition of such permits or authorizations; require remedial measures to mitigate pollution from historical and on-going operations such as the use of pits and plugging of abandoned wells; and restrict injection of liquids into subsurface strata that may contaminate groundwater. Governmental authorities have the power to enforce compliance with their laws, regulations and permits, and violations are subject to injunctive relief, as well as administrative, civil and even criminal penalties. The effects of these laws and regulations, as well as other laws or regulations that are adopted in the future could have a material adverse impact on our operations.

We believe that we were in substantial compliance with existing applicable environmental laws and regulations. However, it is possible that new environmental laws or regulations or the modification of existing laws or regulations could have a material adverse effect on our operations. As a general matter, the recent trend in environmental legislation and regulation is toward stricter standards, and this trend will likely continue. To date, we have not been required to expend extraordinary resources in order to satisfy existing applicable environmental laws and regulations. However, costs to comply with existing and any new environmental laws and regulations could become material. Moreover, a serious incident of pollution may result in the suspension or cessation of operations in the affected area or in substantial liabilities to third parties. Although we maintain insurance coverage against costs of clean-up

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operations, no assurance can be given that we are fully insured against all such potential risks. The imposition of any of these liabilities or compliance obligations on us may have a material adverse effect on our financial condition and results of operations.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

*Commodity Price Risk.* Prior to the closing of the Asset Sale, our major commodity price risk exposure was to the prices received for our natural gas production. Realized commodity prices received for our production were the spot prices applicable to natural gas. Prices received for natural gas were volatile and unpredictable and beyond our control. For the three months ended June 30, 2014, a 10% decrease in the prices received for natural gas production would have decreased our gas revenues by approximately \$0.40 million, which would have been offset by approximately \$0.16 million by increased realized gas hedging gains. For the six months ended June 30, 2014, a 10% decrease in the prices received for natural gas production would have decreased our gas revenues by approximately \$1.36 million, which would have been offset by approximately \$0.69 million by increased realized gas hedging gains.

*Interest Rate Risk.* On May 12, 2014, we repaid all outstanding borrowing under the Credit Agreement. Prior to the repayment, we had long-term debt subject to the risk of loss associated with movements in interest rates. For the period April 1, 2014 through May 12, 2014, interest on the borrowings averaged 5.48% per annum. All of the debt outstanding under the Credit Agreement accrued interest at floating or market rates. Fluctuations in market interest rates would have caused our interest costs to fluctuate. Based upon the weighted average balance outstanding under the Credit Agreement, a 1% increase in market interest rates would have increased interest expense and negatively impacted our cash flows for the three and six months ended June 30, 2014 by approximately \$0.06 million and \$0.17 million, respectively.

**Item 4. Controls and Procedures**

*Evaluation of Disclosure Controls and Procedures*

In accordance with Securities Exchange Act of 1934 (the Exchange Act) Rules 13a-15(e) and 15d-15(e), we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2014 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Our disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

*Changes in Internal Control Over Financial Reporting*

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There were no changes in our internal control over financial reporting that occurred during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### Part II. OTHER INFORMATION

#### Item 1. Legal Proceedings

From time to time we are a party to litigation in the normal course of business. While the outcome of lawsuits or other proceedings against us cannot be predicted with certainty, management does not believe that the adverse effect on our financial condition, results of operations or cash flows, if any, will be material.

#### *Environmental and Regulatory*

As of June 30, 2014, there were no known environmental or other regulatory matters related to our operations that are reasonably expected to result in a material liability to us.

#### Item 1A. Risk Factors

There has been no changes from the risk factors disclosed in the Risk Factors section of our Annual Report on Form 10-K for the year ended December 31, 2013.

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**Item 6. Exhibits**

The information required by this Item 6 is set forth in the Index to Exhibits accompanying this quarterly report on Form 10-Q.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**GeoMet, Inc.**

Date: August 14, 2014

By

/S/ TONY OVIEDO  
**Tony Oviedo, Senior Vice President, Chief  
Financial Officer, Chief Accounting Officer and  
Controller  
(Principal Financial Officer)**



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**INDEX TO EXHIBITS**

<b>Exhibit Number</b>	<b>Exhibits</b>
3.1	Amended and Restated Certificate of Incorporation of GeoMet, Inc. (incorporated herein by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1 filed on July 25, 2006 (Registration No. 333-131716)).
3.2	Certificate of Designations of Series A Convertible Redeemable Preferred Stock, par value \$0.001 per share, of GeoMet, Inc. (incorporated herein by reference to Appendix B to the Company's Definitive Proxy Statement on Schedule 14A filed on June 24, 2010).
3.3	Certificate of Amendment to the Certificate of Designations of Series A Convertible Redeemable Preferred Stock, par value \$0.001 per share, of GeoMet, Inc. (incorporated herein by reference to Exhibit 3.1 to the Company's Form 8-K filed on December 28, 2010).
3.4	Amended and Restated Bylaws of GeoMet, Inc. (Adopted as of September 14, 2010) (incorporated herein by reference to Exhibit 3.1 of the Company's Form 8-K filed on September 20, 2010).
31.1*	Certification of the Company's Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 7241).
31.2*	Certification of the Company's Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 7241).
32*	Certification of the Company's Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350).
101**	Interactive Data Files.

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\* Attached hereto.

\*\* Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability.