GeoMet, Inc.
Form DEFM14A
March 27, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

o	Preliminary Proxy Statement
o	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material under §240.14a-12

GeoMet, Inc.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

o	No fee required.	
o	Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.	
	(1)	Title of each class of securities to which transaction applies:
	(2)	Aggregate number of securities to which transaction applies:
	(3)	Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
	(4)	Proposed maximum aggregate value of transaction:
	(5)	Total fee paid:
x	Fee paid previously with preliminary materials.	
o	Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.	
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	(2)	Form, Schedule or Registration Statement No.:
	(3)	Filing Party:
	(4)	Date Filed:

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GeoMet, Inc.

909 Fannin Street, Suite 1850

Houston, Texas 77010

March 27, 2014

Dear Fellow Stockholder:

A Special Meeting of the stockholders of GeoMet, Inc., a Delaware Corporation (GeoMet), will be held on May 5, 2014 at 10:00 a.m., local time, in the San Jacinto Room at 2 Houston Center, located at 909 Fannin St., Level P2, Houston, Texas 77010.

At the Special Meeting, you will be asked to consider and vote upon the following proposals:

1. To authorize the sale (the Asset Sale) by GeoMet of substantially all of its assets pursuant to the Asset Purchase Agreement, dated February 13, 2014, by and among GeoMet, GeoMet Operating Company, Inc., and GeoMet Gathering Company, LLC, as Sellers, and ARP Mountaineer Production, LLC, as Buyer, and, for the sole purpose of Section 7.21 of the Asset Purchase Agreement, Atlas Resource Partners, L.P. (the Asset Purchase Agreement), as more fully described in the enclosed Proxy Statement; and

2. To transact such other business as may properly come before the meeting and any postponements or adjournments thereof.

After careful consideration, our board of directors determined that the Asset Purchase Agreement and the transactions contemplated thereby are expedient, fair to, and in the best interests of GeoMet and its stockholders. Our board of directors recommends that you vote **FOR** the authorization of the Asset Sale.

The enclosed Notice of Special Meeting and Proxy Statement explains the Asset Sale and provides specific information concerning the Special Meeting. Please read these materials (including the annexes) carefully.

Your vote is very important, regardless of the number of shares you own. Under Section 271 of the General Corporation Law of the State of Delaware and GeoMet s Certificate of Designation, the Asset Sale must be approved by the holders of (i) at least fifty percent (50%) of the outstanding shares of GeoMet s Series A Convertible Redeemable Preferred Stock (the Preferred Stock) and (ii) a majority of the outstanding shares of GeoMet s common stock (the Common Stock) including the outstanding shares of Preferred Stock on an as-converted basis voting together with the holders of Common Stock as a single class. In connection with the execution of the Asset Purchase Agreement, certain of our stockholders entered into a Voting Agreement with the Buyer (the Voting Agreement) pursuant to which, subject to certain exceptions, they have agreed to vote their shares in favor of the Asset Sale. Such stockholders included Sherwood Energy, LLC, who is the largest holder of our outstanding shares of Preferred Stock and currently owns approximately 58.6% of our Preferred Stock, Yorktown Energy Partners IV, L.P., who is the largest holder of our outstanding shares of Common Stock and currently owns approximately 30.6% of our Common Stock, and all of the members of our board of directors and our senior management. Collectively, these stockholders own approximately 48.9% of the combined voting power of our Common Stock and Preferred Stock (on an as-converted basis) treated as a single class and approximately 59.6% of the voting power of our Preferred Stock.

If you do not return your proxy card, submit a proxy via the Internet or by telephone or attend the Special Meeting and vote in person, it will have the same effect as if you voted **AGAINST** the Asset Sale. Abstentions and Broker non-votes, if any, will also have the effect of a vote **AGAINST** the Asset Sale. Only stockholders who owned shares of GeoMet s Common Stock or Preferred Stock at the close of business on March 26, 2014, the record date for the Special Meeting, will be entitled to vote at the Special Meeting. To vote your shares, you may return your proxy card, submit a proxy via the Internet or by telephone or attend the Special Meeting and vote in person. Even if you plan to attend the Special Meeting, we urge you to promptly submit a proxy for your shares via the Internet or by telephone or by completing, signing, dating and returning the enclosed proxy card.

On behalf of our board of directors, thank you for your continued support.

Very truly yours,

William C. Rankin
Chief Executive Officer

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GeoMet, Inc.

909 Fannin Street, Suite 1850

Houston, Texas 77010

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD

To the Stockholders of GeoMet, Inc.:

A Special Meeting of Stockholders of GeoMet, Inc., a Delaware corporation (GeoMet), will be held on May 5, 2014 at 10:00 a.m., local time, in the San Jacinto Room at 2 Houston Center, located at 909 Fannin St., Level P2, Houston, Texas 77010, to consider and act upon the following matters:

1. To authorize the sale (the Asset Sale) by GeoMet of substantially all of its assets pursuant to the Asset Purchase Agreement, dated February 13, 2014, by and among GeoMet, GeoMet Operating Company, Inc., and GeoMet Gathering Company, LLC, as Sellers, and ARP Mountaineer Production, LLC, as Buyer, and, for the sole purpose of Section 7.21 of the Asset Purchase Agreement, Atlas Resource Partners, L.P. (the Asset Purchase Agreement), as more fully described in the enclosed Proxy Statement; and

2. To transact such other business as may properly come before the meeting and any postponements or adjournments thereof.

Stockholders entitled to notice of and to vote at the Special Meeting shall be determined as of March 26, 2014, the record date fixed by our board of directors for such purpose. The Asset Sale will constitute the sale of substantially all of the property and assets of GeoMet within the meaning of Section 271 of the General Corporation Law of the State of Delaware (the DGCL). Consequently, pursuant to the DGCL and GeoMet s Certificate of Designation, the Asset Sale must be approved by the holders of (i) at least fifty percent (50%) of the outstanding shares of GeoMet s Series A Convertible Redeemable Preferred Stock (the Preferred Stock) and (ii) a majority of the outstanding shares of GeoMet s common stock (the Common Stock) including the outstanding shares of Preferred Stock on an as-converted basis voting together with the holders of Common Stock as a single class.

Please read the enclosed Proxy Statement carefully. Whether or not you plan to attend the Special Meeting, please complete, date, sign and return, as promptly as possible, the enclosed proxy card in the accompanying reply envelope, or submit your proxy by telephone or the Internet. If you have Internet access, we encourage you to submit your proxy via the Internet. If you attend the Special Meeting and

vote in person, your vote by ballot will revoke any proxy previously submitted.

By Order of the Board of Directors,

Stephen M. Smith
Secretary

March 27, 2014

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GeoMet, Inc.

909 Fannin Street, Suite 1850

Houston, Texas 77010

PROXY STATEMENT

FOR

SPECIAL MEETING OF STOCKHOLDERS

March 27, 2014

INTRODUCTION

This Proxy Statement is being furnished in connection with the solicitation of proxies by the board of directors of GeoMet, Inc. (hereinafter we, us, our, the Company or GeoMet) for use at a Special Meeting of Stockholders to be held on May 5, 2014 (the Special Meeting) at 10:00 a.m local time, in the San Jacinto Room at 2 Houston Center, located at 909 Fannin St., Level P2, Houston, Texas 77010, and any postponements or adjournments thereof. This Proxy Statement was first made available to stockholders on or about March 27, 2014.

At the Special Meeting, our stockholders will consider and act upon the following matters:

1. To authorize the sale (the Asset Sale) by GeoMet of substantially all of its assets (the Assets) pursuant to the Asset Purchase Agreement, dated February 13, 2014, by and among GeoMet, GeoMet Operating Company, Inc., and GeoMet Gathering Company, LLC, as Sellers, and ARP Mountaineer Production, LLC, as Buyer, and, for the sole purpose of Section 7.21 of the Asset Purchase Agreement, Atlas Resource Partners, L.P. (Atlas) (the Asset Purchase Agreement), as more fully described in this Proxy Statement; and

2. To transact such other business as may properly come before the meeting and any postponements or adjournments thereof.

Only stockholders of record as of March 26, 2014 (the Record Date) will be entitled to vote at the Special Meeting and any postponements or adjournments thereof. As of that date, 40,652,317 shares of our common stock, $0.001 par value (the Common Stock), and 6,000,571 shares of our Series A Convertible Redeemable Preferred Stock, $0.001 par value (the Preferred Stock) were outstanding and eligible to be voted. Under Section 271 of the General Corporation Law of the State of Delaware (the DGCL) and GeoMet s Certificate of Designation, the Asset Sale must be approved by the holders of (i) at least fifty percent (50%) of the outstanding shares of Preferred Stock entitled to vote at the Special Meeting and (ii) a majority of the outstanding shares of Common Stock including the outstanding shares of Preferred Stock on an as-converted basis voting together with the holders of Common Stock as a single class (such vote, the Requisite Stockholder Vote) entitled to vote at the Special Meeting. In connection with the execution of the Asset Purchase Agreement, certain of our stockholders entered into a Voting Agreement with the Buyer pursuant to which, subject to certain exceptions, they have agreed to vote their shares in favor of the Asset Sale (the Voting Agreement). Such stockholders included Sherwood Energy, LLC (Sherwood), who is the largest holder of our outstanding shares of Preferred Stock and currently owns approximately 58.6% of our Preferred Stock, Yorktown Energy Partners IV, L.P. (Yorktown), who is the largest holder of our outstanding shares of Common Stock and currently owns approximately 30.6% of our Common Stock, and all of the members of our board of directors and our senior management. Collectively, these stockholders own approximately 48.9% of the combined voting power of our Common Stock and Preferred Stock (on an as-converted basis) treated as a single class and approximately 59.6% of our Preferred Stock voting power. Each holder of Common Stock is entitled to one vote per share and each holder of Preferred Stock is entitled one vote per share of Common Stock into which the holder s Preferred Stock is convertible on all matters submitted to a vote of the holders of our Common Stock at the Special Meeting.

Stockholders may vote in person or by proxy. Execution of a proxy will not in any way affect a stockholder s right to attend the Special Meeting and vote in person. Any proxy may be revoked by a stockholder at any time before it is exercised by delivery of a written revocation or a later executed proxy to the Secretary of GeoMet or by attending the Special Meeting and voting in person.

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The costs of preparing, assembling and mailing this Proxy Statement and the other material enclosed and all clerical and other expenses of solicitation will be paid by GeoMet. In addition to the solicitation of proxies by use of the mails, directors, officers and employees of GeoMet, without receiving additional compensation, may solicit proxies by personal interview, mail, e-mail, telephone, facsimile or other means of communication. GeoMet also will request brokerage houses and other custodians, nominees and fiduciaries to forward soliciting material to the beneficial owners of Common Stock and Preferred Stock held of record by such custodians and will reimburse such custodians for their expenses in forwarding soliciting materials.

Neither the United States Securities and Exchange Commission (SEC) nor any state securities commission has approved or disapproved of the Asset Purchase Agreement or the Voting Agreement, passed upon the merits or fairness of the transactions contemplated thereby or passed upon the adequacy or accuracy of the disclosure in this Proxy Statement. Any representation to the contrary is a criminal offense.

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SUMMARY TERM SHEET

This summary highlights information included elsewhere in this Proxy Statement. This summary may not contain all of the information you should consider before voting on the Asset Sale. You should read the entire Proxy Statement carefully, including the annexes attached hereto. For your convenience, we have included cross references to direct you to a more complete description of the topics described in this summary.

- *The Asset Sale.* We have agreed to sell substantially all of our assets for $107 million, subject to certain purchase price adjustments. See Proposal: The Asset Sale The Asset Purchase Agreement beginning on page 47.

- *Reasons for the Asset Sale*. We are selling substantially all of our assets primarily because of the pending maturity of our bank credit agreement and, based on conversations with our existing bank lenders and other potential lenders, an inability to refinance our existing borrowings. In addition, we were unable to find alternative debt or equity financing on terms that were in the best interests of our stockholders, or a merger candidate or corporate transaction. We believe that our efforts to successfully engage in a strategic corporate transaction were severely constrained and hampered by depressed natural gas prices, low price expectations for dry gas, excessive supplies of dry gas, and our highly leveraged and complex capital structure. After considering the available alternatives, our board of directors determined that the Asset Sale provides the best opportunity for satisfying our liabilities and returning value to our stockholders. See Proposal: The Asset Sale Reasons for the Asset Sale beginning on page 31.

- *Material Provisions of the Asset Purchase Agreement*. In addition to the cash consideration we will receive at the closing of the Asset Sale, the Asset Purchase Agreement contains other important terms and provisions, including:

  - an assumption by the Buyer of certain of GeoMet s environmental obligations and liabilities (including plugging and abandonment);

  - indemnity provisions (subject to maximum limits and time limitations) obligating GeoMet or the Buyer, as the case may be, to indemnify the other;

  - termination provisions allowing termination by either party following the occurrence of certain events, including, without limitation: (i) failure of GeoMet to obtain the Requisite Stockholder Vote, (ii) termination by our board of directors following receipt of a competing or rival offer for the assets to be sold (or as may otherwise be required by relevant law) and (iii) the aggregate amount of title and environmental defects affecting the Assets, or excluded from the Assets, exceed fifteen percent (15%) of the final purchase price;

  - in the event the Asset Purchase Agreement is terminated for select reasons by the Buyer or GeoMet, GeoMet s obligation to pay a termination fee to the Buyer in the amount of $4,280,000;

- in the event GeoMet has breached its representations or warranties prior to the closing of the Asset Sale, the Buyer holds the option to reduce the purchase price by an amount of up to $7,000,000, depending on the amount of claims arising from such breach;

- a $100,000 threshold for each claim and an aggregate deductible of $2,000,000 for all claims by the Buyer for each of environmental defects and title defects affecting the Assets; and

- a non-solicitation provision prohibiting GeoMet from soliciting competing offers from persons other than the Buyer, subject to certain exceptions permitting our board of directors to consider certain unsolicited acquisition proposals.

See Proposal: The Asset Sale The Asset Purchase Agreement beginning on page 46.

- *Indemnification of Buyer*. GeoMet will be obligated to indemnify the Buyer for certain Seller Indemnified Claims (as defined in the Asset Purchase Agreement), subject to a time limitation and fixed maximum on GeoMet s total indemnity exposure. See Proposal: The Asset Sale The Asset Purchase Agreement Indemnification of the Buyer beginning on page 47.

- *Opinion of GeoMet s Financial Advisor.* On February 13, 2014, GeoMet s financial advisor, FBR Capital Markets & Co. (FBRC), rendered its oral opinion to the GeoMet board of directors (which was subsequently confirmed in writing by delivery of FBRC s written opinion addressed to the GeoMet board of directors dated the same date), as to the fairness, from a financial point of view, as of the date of the opinion, to GeoMet of the consideration of $107 million to be received by GeoMet for the Assets subject to the assumed liabilities in the Asset Sale pursuant to the Asset Purchase Agreement.

FBRC s opinion, dated February 13, 2014, was directed to the GeoMet board of directors (in its capacity as such), and only addressed the fairness, from a financial point of view, to GeoMet of the consideration to be received by GeoMet for the Assets subject to the assumed liabilities in the Asset Sale pursuant to the Asset Purchase Agreement and did not address any other aspect or implication of the Asset Sale. The summary of FBRC s opinion in this Proxy Statement is qualified in its entirety by reference to the full text of FBRC s written opinion, which is included as *Annex C* to this Proxy Statement and sets forth the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by FBRC in preparing its opinion. However, neither FBRC s written opinion nor the summary of its opinion and the related analyses set forth in this Proxy Statement are intended to be, and they do not constitute, advice or a recommendation to the GeoMet board of directors, GeoMet, the Sellers, any security holder of GeoMet or any other person as to how to act or vote on any matter relating to the Asset Sale or otherwise.

See The Asset Sale Opinion of GeoMet s Financial Advisor beginning on page 32.

- *Use of Proceeds; Estimated Remaining Net Proceeds.* Pursuant to the Asset Purchase Agreement, we will sell the Assets for $107 million in cash, subject to certain purchase price adjustments specified in the Asset Purchase Agreement to account for cash flows from the effective date of the Asset Purchase Agreement to closing. The Company plans to use the purchase price proceeds received at the closing of the Asset Sale to satisfy all of its outstanding liabilities, including repaying the outstanding balance under its credit agreement. The Company expects that the proceeds from the Asset Sale will exceed the Company s liabilities.

Assuming the Asset Sale closes at the end of the second quarter of 2014, the Company currently estimates that the purchase price will be adjusted downward approximately $7 million to account for cash flows from the effective date to closing, that the outstanding balance of its credit agreement will be approximately $66 million, and that the Company s other liabilities (including federal income taxes and hedge termination costs (which could vary substantially given volatility in prevailing natural gas prices)) will total approximately $4 million. The excess net proceeds will also be used to pay the Company s transaction costs and expenses (currently estimated to total approximately $3 million), and to make severance, retention and change of control payments to certain employees and members of the Company s senior management (currently estimated to total approximately $4 million).

Assuming, for these purposes only, that the foregoing estimates are accurate, we currently estimate that the remaining balance of the net proceeds would total approximately $23 million.

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The remaining balance of the net proceeds will be used for normal working capital and operating expense purposes while the Company evaluates its next steps. We currently anticipate that the Asset Sale would be followed by either a merger or a dissolution and distribution of our remaining assets in accordance with applicable law.

The terms of our outstanding 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 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 $60 million. Therefore, if the Company is dissolved following the Asset Sale, the estimated remaining net proceeds (approximately $23 million) would be less than the liquidation preference to which the holders of our Preferred Stock are currently entitled ($60 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 the Asset Sale or subsequent 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 merger. If our outstanding Preferred Stock is not entitled to a liquidation preference in the event of a merger, then the Preferred Stock might instead exercise its rights to convert into Common Stock, and then participate with the Common Stock in the proceeds of such transaction on an as-converted basis. Assuming the remaining net proceeds from the Asset Sale are approximately $23 million, this would mean that the holders of our Preferred Stock would receive less in a 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 merger, the Company would have to receive the approval of at least fifty percent (50%) of the outstanding shares of Preferred Stock voting separately as a class, in addition to the approval 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 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 merger.

See Proposal: The Asset Sale Activities of GeoMet Following the Asset Sale on page 43.

- *Conditions to the Asset Sale*. Completion of the Asset Sale requires the approval of our stockholders as well as the satisfaction or waiver of customary conditions set forth in the Asset Purchase Agreement. See Proposal: The Asset Sale The Asset Purchase Agreement Conditions to the Asset Sale beginning on page 52.

- *Required Vote*. The Asset Sale must be approved by the holders of at least fifty percent (50%) of the outstanding shares of GeoMet s Preferred Stock entitled to vote at the Special Meeting and the holders of a majority of the outstanding shares of GeoMet s Common Stock including the outstanding shares of Preferred Stock voting on an as-converted basis treated as a single class, entitled to vote at the Special Meeting. See The Special Meeting Required Vote beginning on page 17.

- *Voting Agreement*. In connection with the execution of the Asset Purchase Agreement, certain of our stockholders entered into the Voting Agreement with the Buyer pursuant to which, subject to certain exceptions, they have agreed to vote their shares in favor of the Asset Sale. Such stockholders included Sherwood, who is the largest holder of our outstanding shares of Preferred Stock and currently owns approximately 58.6% of our Preferred Stock, Yorktown, who is the largest holder of our outstanding shares of Common Stock and currently owns approximately 30.6% of our Common Stock, and all of the members of our board of directors and our senior management. Collectively, these stockholders own approximately 48.9% of the combined voting power of our Common Stock and Preferred Stock (on an as-converted basis) treated as a single class and approximately 59.6% of our Preferred Stock voting power. The Voting Agreement is attached to this Proxy Statement as *Annex B.* See Proposal: The Asset Sale Voting Agreement beginning on page 54.

- *No Appraisal Rights.* Stockholders may vote against the Asset Sale, but under Delaware law, appraisal rights will not be provided to stockholders in connection with the Asset Sale. See Proposal: The Asset Sale No Appraisal Rights beginning on page 44.

- *Recommendation of our Board of Directors*. Our board of directors unanimously recommends that our stockholders vote **FOR** the authorization of the Asset Sale. See Proposal: The Asset Sale Recommendation of Our Board of Directors beginning on page 32.

- *Termination of the Asset Purchase Agreement*. The Asset Purchase Agreement may be terminated prior to closing by the Buyer or by GeoMet following the occurrence of certain enumerated events. Following a termination by the Buyer or GeoMet under limited circumstances, GeoMet is obligated to pay a termination fee to the Buyer in the amount of $4,280,000. See Proposal: The Asset Sale The Asset Purchase Agreement Termination of the Asset Purchase Agreement beginning on page 52.

- *Solicitation of Proxies*. This proxy solicitation is being made and paid for by GeoMet on behalf of its board of directors. In addition, we have engaged Morrow & Co., LLC, 470 West Avenue, Stamford, Connecticut 06902, to assist in the solicitation. We will pay Morrow & Co., LLC up to $6,000 plus reasonable out-of-pocket expenses for its assistance. See The Special Meeting Solicitation of Proxies beginning on page 19.

- *U.S. Federal Income Tax Consequences*. Our stockholders will not recognize any gain or loss for U.S. federal income tax purposes as a result of the Asset Sale. See Proposal: The Asset Sale U.S. Federal Income Tax Consequences of the Asset Sale beginning on page 43.

- *Risk Factors*. The Asset Sale involves a number of risks, including:

  - The announcement and pendency of the Asset Sale, whether or not consummated, may adversely affect our business.

  - We cannot be sure if or when the Asset Sale will be completed.

  - Our executive officers and directors may have interests in the Asset Sale other than, or in addition to, the interests of our stockholders generally.

  - We will continue to incur the expenses of complying with public company reporting requirements following the closing of the Asset Sale.

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- While the Asset Sale is pending, it creates uncertainty about our future that could have a material adverse effect on our business, financial condition and results of operations, including:
  - the diversion of management and employee attention from our day-to-day business;
  - the potential disruption to business partners and other service providers; and
  - the possible inability to respond effectively to competitive pressures, industry developments and future opportunities.
- If the Asset Sale is not completed and the Asset Purchase Agreement is terminated, there may not be any other offers from potential acquirors.
- There is no guarantee that the holders of our Preferred Stock will receive any of the net cash proceeds from the proposed Asset Sale in the form of dividends, and we could spend or invest the net cash proceeds from the Asset Sale in ways in which our stockholders may not agree.
- Absent concessions from holders of our Preferred Stock, the holders of our Common Stock will not receive any of the proceeds from the Asset Sale.
- We may be exposed to litigation related to the Asset Sale from the holders of our Common Stock.
- If the Asset Sale is not consummated, we will likely file bankruptcy.
- If the Asset Sale is not consummated, our lenders will likely foreclose on all of our assets.
- We will incur significant expenses in connection with the Asset Sale and could be required to make significant payments if the Asset Purchase Agreement is terminated under certain conditions.
- The Asset Purchase Agreement requires us to pay certain costs if we accept an alternative to the Asset Sale.
- The Asset Purchase Agreement may expose us to contingent liabilities.

See Risk Factors beginning on page 13.

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE ASSET SALE

The following are some questions that you, as a stockholder of the Company, may have regarding the Special Meeting and the Asset Sale and brief answers to such questions. We urge you to carefully read this entire Proxy Statement, the annexes to this Proxy Statement and the documents referred to in this Proxy Statement because the information in this section does not provide all the information that may be important to you as a stockholder of the Company with respect to the Asset Sale. See Where You Can Find More Information beginning on page 95.

THE SPECIAL MEETING

Q. When and where will the Special Meeting take place?

A. The Special Meeting will be held on May 5, 2014 at 10:00 a.m., local time, in the San Jacinto Room at 2 Houston Center, located at 909 Fannin St., Level P2, Houston, Texas 77010.

Q. What is the purpose of the Special Meeting?

A. At the Special Meeting, you will be asked to vote upon: (1) the Asset Sale, and (2) such other matters as may properly come before the Special Meeting and any postponements or adjournments of the Special Meeting.

Q. What is the Record Date for the Special Meeting?

A. Holders of our Common Stock and Preferred Stock as of the close of business on March 26, 2014, the Record Date for the Special Meeting, are entitled to notice of, and to vote at, the Special Meeting and any postponements or adjournments of the Special Meeting.

Q. What is the quorum required for the Special Meeting?

A. The presence in person or representation by proxy of holders of (i) at least a majority of the issued and outstanding shares of our Common Stock and Preferred Stock (on an as-converted basis) treated as a single class and (ii) a majority of the issued and outstanding shares of our Preferred Stock, entitled to vote at the Special Meeting, is necessary to constitute a quorum for the transaction of business at the Special Meeting.

Q. What vote is required to approve the Asset Sale and any other proposal to be voted upon at the Special Meeting?

A. Under Section 271 of the DGCL and GeoMet s Certificate of Designation, the authorization of the Asset Sale must be approved by the holders of (i) at least fifty percent (50%) of the outstanding shares of the Preferred Stock and (ii) a majority of the outstanding shares of the Common Stock including the outstanding shares of Preferred Stock on an as-converted basis voting together with the holders of Common Stock as a single class. On an as-converted basis, our outstanding shares of Preferred Stock currently represent approximately 53.2% of the combined voting power of our Common Stock and Preferred Stock, and therefore would have the ability to control any vote requiring the approval of our stockholders. In connection with the execution of the Asset Purchase Agreement, certain of our stockholders entered into the Voting Agreement with the Buyer pursuant to which, subject to certain exceptions, they have agreed to vote their shares in favor of the Asset Sale. Such stockholders included Sherwood, who is the largest holder of our outstanding shares of Preferred Stock and currently owns approximately 58.6% of our Preferred Stock, Yorktown, who is the largest holder of our outstanding shares of Common Stock and currently owns approximately 30.6% of our Common Stock, and all of the members of our board of directors and our senior management. Collectively, these stockholders own approximately 48.9% of the combined voting power of our Common Stock and Preferred Stock (on an as-converted basis) treated as a single class and approximately 59.6% of our Preferred Stock voting power. The Voting Agreement is attached to this Proxy Statement as *Annex B*.

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Q. What are the effects of not voting or abstaining? What are the effects of broker non-votes?

A. If you do not vote by virtue of not being present in person or by proxy at the Special Meeting, it will have the effect of a vote **AGAINST** the Asset Sale. If you are present at the Special Meeting in person or by proxy but abstain from voting, it will have the effect of a vote **AGAINST** the Asset Sale. Broker non-votes, if any, will have the effect of a vote **AGAINST** the Asset Sale.

Q. What does it mean if I received more than one proxy card?

A. If your shares are registered differently or in more than one account, you will receive more than one proxy card. Sign and return all proxy cards to ensure that all of your shares are voted.

Q. Who can help answer my other questions?

A. If you have more questions about the Asset Sale or how to submit your proxy, or if you need additional copies of this Proxy Statement or the enclosed proxy card or voting instructions, please contact Investor Relations, GeoMet, Inc., Attn: Stephen M. Smith, Corporate Secretary, 909 Fannin Street, Suite 1850, Houston, Texas 77010, telephone number (713) 287-2251.

PROPOSAL: ASSET SALE

Q. Why did the Company enter into the Asset Purchase Agreement?

A. We are selling substantially all of our assets primarily because of the pending maturity of our bank credit agreement and, based on conversations with our existing bank lenders and other potential lenders, an inability to refinance our existing borrowings. In addition we were unable to find alternative debt or equity financing on terms that were in the best interests of our stockholders, or a merger candidate or corporate transaction. We believe that our efforts to successfully engage in a strategic corporate transaction were severely constrained and hampered by depressed natural gas prices, low price expectations for dry gas, excessive supplies of dry gas, and our highly leveraged and complex capital structure. After considering the available alternatives, our board of directors determined that the Asset Sale provides the best opportunity for satisfying our liabilities and returning value to our stockholders.

Q. What will happen if the Asset Sale is authorized by our stockholders?

A. If the Asset Sale is authorized by the Requisite Stockholder Vote and the other conditions to the consummation of the Asset Sale are satisfied, we will close the transactions contemplated under the Asset Purchase Agreement and sell the Assets for $107 million in cash, subject to certain purchase price adjustments. The final net proceeds will be reduced after accounting for the cash flows from January 1, 2014 to the closing date. We will then use a portion of the remaining cash proceeds to satisfy all of our outstanding liabilities, including repaying all outstanding amounts under our credit agreement. The Company expects that the proceeds from the Asset Sale will exceed the Company s liabilities.

Assuming the Asset Sale closes at the end of the second quarter of 2014, the Company currently estimates that the purchase price will be adjusted downward approximately $7 million to account for cash flows from the effective date to closing, that the outstanding balance of its credit agreement will be approximately $66 million, and that the Company s other liabilities (including federal income taxes and hedge termination costs (which could vary substantially given volatility in prevailing natural gas prices)) will total approximately $4 million. The excess net proceeds will also be used to pay the Company s transaction costs and expenses (currently estimated to total approximately $3 million), and to make severance, retention and change of control payments to certain employees and members of the Company s senior management (currently estimated to total approximately $4 million).

Assuming, for these purposes only, that the foregoing estimates are accurate, we currently estimate that the remaining balance of the net proceeds would total approximately $23 million.

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The remaining balance of the net proceeds will be used for normal working capital and operating expense purposes while the Company evaluates its next steps. We currently anticipate that the Asset Sale would be followed by either a merger or a dissolution and distribution of our remaining assets in accordance with applicable law.

The terms of our outstanding 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 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 $60 million. Therefore, if the Company is dissolved following the Asset Sale, the estimated remaining net proceeds (approximately $23 million) would be less than the liquidation preference to which the holders of our Preferred Stock are currently entitled ($60 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 the Asset Sale or subsequent 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 merger. If our outstanding Preferred Stock is not entitled to a liquidation preference in the event of a merger, then the Preferred Stock might instead exercise its rights to convert into Common Stock, and then participate with the Common Stock in the proceeds of such transaction on an as-converted basis. Assuming the remaining net proceeds from the Asset Sale are approximately $23 million, this would mean that the holders of our Preferred Stock would receive less in a 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 merger, the Company would have to receive the approval of at least fifty percent (50%) of the outstanding shares of Preferred Stock voting separately as a class, in addition to the approval 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 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 merger.

Q. What will happen if the Asset Sale is not authorized?

A. Pursuant to the terms of the Asset Purchase Agreement, if we fail to obtain the Requisite Stockholder Vote in favor of the Asset Sale, the Asset Sale will not occur. If the Asset Sale is not completed, our board of directors, in discharging its fiduciary obligations to our stockholders, will evaluate other strategic alternatives that may be available. Such other alternatives may not be as favorable to our stockholders as the Asset Sale. These may include remaining an operating company, potentially under the supervision of the United States Federal Bankruptcy Courts, which may reduce the cash and assets available to our stockholders in the event of a later dissolution. Any future sale of substantially all of the assets of the Company or other transactions may be subject to further stockholder approval.

In addition, following a termination of the Asset Purchase Agreement by the Buyer or GeoMet under limited circumstances, GeoMet will be obligated to pay a termination fee to the Buyer in the amount of $4,280,000.

Q. What is the purchase price to be received by the Company?

A. The consideration to be received by the Company in the Asset Sale is $107 million, subject to upward and downward adjustments in accordance with the Asset Purchase Agreement.

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Q. What are the material terms of the Asset Purchase Agreement?

A. In addition to the cash consideration we will receive at the closing of the Asset Sale, the Asset Purchase Agreement contains other important terms and provisions, including:

- an assumption by the Buyer of certain of GeoMet s environmental obligations and liabilities (including plugging and abandonment);

- indemnity provisions (subject to maximum limits and time limitations) obligating GeoMet or the Buyer, as the case may be, to indemnify the other;

- termination provisions allowing termination by either party following the occurrence of certain events, including, without limitation, (i) failure of GeoMet to obtain requisite stockholder or governmental approvals, (ii) termination by our board of directors following receipt of a competing or rival offer for the Assets (or as may otherwise be required by relevant law) and (iii) the aggregate amount of title and environmental defects affecting the Assets, or excluded from the Assets, exceed fifteen percent (15%) of the final purchase price;

- in the event the Asset Purchase Agreement is terminated for select reasons by the Buyer or GeoMet, GeoMet s obligation to pay a termination fee to the Buyer in the amount of $4,280,000;

- in the event GeoMet has breached its representations or warranties prior to the closing of the Asset Sale, an option held by the Buyer to reduce the purchase price by an amount up to $7,000,000;

- a $100,000 threshold for each claim and an aggregate deductible of $2,000,000 for all claims by the Buyer for each of environmental defects and title defects affecting the Assets; and

- a non-solicitation provision prohibiting GeoMet from soliciting competing offers from persons other than the Buyer, subject to certain exceptions permitting our board of directors to consider certain unsolicited acquisition proposals.

Q. What does our board of directors recommend regarding the Asset Sale?

A. Our board of directors has determined that the terms and conditions of the Asset Purchase Agreement and the transactions contemplated thereby, including the Asset Sale, are advisable to, and in the best interests of, GeoMet and its stockholders. This determination was made by a unanimous vote of all of the members of our board of directors. Our board of directors recommends that you vote **FOR** the Asset Sale.

Q. Why does our board of directors recommend voting FOR the Asset Sale?

A. Our board of directors recommends voting **FOR** the Asset Sale because it believes the Asset Sale represents the highest value and best terms available, and the Buyer demonstrated the strongest interest in proceeding aggressively to close the Asset Sale.

Q. Do I have appraisal rights in connection with the Asset Sale?

A. Under Delaware law, appraisal rights are not provided to stockholders in connection with the transactions contemplated by the Asset Purchase Agreement.

Q. Are there any risks to the Asset Sale?

A. Yes. You should carefully read the section entitled Risk Factors beginning on page 13.

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Q. What are the U.S. federal income tax consequences of the Asset Sale to our stockholders?

A. Our stockholders will not recognize any gain or loss for U.S. federal income tax purposes as a result of the Asset Sale. See Proposal: The Asset Sale U.S. Federal Income Tax Consequences of the Asset Sale beginning on page 43.

Q. When is the closing of the Asset Sale expected to occur?

A. If the Asset Sale is authorized by our stockholders and all conditions to completing the Asset Sale are satisfied or waived, the closing of the Asset Sale is expected to occur as soon as practicable after the Special Meeting.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Proxy Statement contains forward-looking statements that have been made pursuant to provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements represent our expectations or beliefs concerning future events, including any statements regarding; the satisfaction of certain closing conditions specified in the Asset Purchase Agreement, our ability to successfully close the Asset Sale and the timing of such closing, the diversion of management s focus and attention pending the completion of the Asset Sale, the impact of the announcement of the Asset Sale on the trading price of our Common Stock and Preferred Stock, our business and on our relationships with our customers, suppliers and employees, the receipt and use of the cash consideration to be received by us under the Asset Purchase Agreement, the amount of proceeds to be received from the sale of our assets, the sufficiency of our cash balances and cash used in operations, and financing and/or investing activities for our future liquidity and capital resource needs. Without limiting the foregoing, the words believes, intends, projects, plans, expects, anticipates, and similar expressions are intended to identify forward-looking statements. Actual events or results may differ materially from these projections. Information regarding the risks, uncertainties and other factors that could cause actual results to differ from the results in these forward-looking statements are discussed under the section Risk Factors in this Proxy Statement. Please carefully consider these factors, as well as other information contained herein and in our periodic reports and documents filed with the Securities and Exchange Commission. The forward-looking statements included in this Proxy Statement are made only as of the date of this Proxy Statement. We do not undertake any obligation to update or supplement any forward-looking statements to reflect subsequent events or circumstances, except as required by law.

RISK FACTORS

There are a number of factors that our stockholders should consider when deciding whether to vote to approve the Asset Sale.

The announcement and pendency of the Asset Sale, whether or not consummated, may adversely affect our business.

The announcement and pendency of the Asset Sale, whether or not consummated, may adversely affect the trading price of our Common Stock and Preferred Stock, our business or our relationships with customers, suppliers and employees. As a result of our announcement of the Asset Sale, third parties may be unwilling to enter into material agreements with respect to our business. New or existing customers may prefer to enter into agreements with our competitors who have not expressed an intention to sell their business because customers may perceive that such relationships are likely to be more stable. If we fail to complete the proposed Asset Sale, the failure to maintain existing business relationships or enter into new ones is likely to materially and adversely affect our business, results of operations and financial condition.

In addition, pending the completion of the Asset Sale, we may be unable to attract and retain key personnel and our management s focus and attention and employee resources may be diverted from operational matters during the pendency of the Asset Sale.

In the event that the Asset Sale is not completed, the announcement of the termination of the Asset Purchase Agreement may also adversely affect the trading price of our Common Stock and Preferred Stock, our business or our relationships with lenders, customers, suppliers and employees.

We cannot be sure if or when the Asset Sale will be completed.

The consummation of the Asset Sale is subject to the satisfaction or waiver of various conditions, including the authorization of the Asset Sale by our stockholders. We cannot guarantee that the closing conditions set forth in the Asset Purchase Agreement will be satisfied. If we are unable to satisfy the closing conditions in the Buyer s favor or if other mutual closing conditions are not satisfied, the Buyer will not be obligated to complete the Asset Sale.

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If the Asset Sale is not completed, our board of directors, in discharging its fiduciary obligations to our stockholders, will evaluate other strategic alternatives that may be available. Such other strategic alternatives may not be as favorable to our stockholders as the Asset Sale. These may include remaining an operating company, potentially under the supervision of the United States Federal Bankruptcy Courts, which may reduce cash and assets available to our stockholders in the event of a later dissolution. Any future sale of substantially all of our assets or other transactions may be subject to further stockholder approval.

Our executive officers and directors may have interests in the Asset Sale other than, or in addition to, the interests of our stockholders generally.

Members of our board of directors and our executive officers may have interests in the Asset Sale that are different from, or are in addition to, the interests of our stockholders generally. Our board of directors was aware of these interests and considered them, among other matters, in approving the Asset Purchase Agreement.

We will continue to incur the expenses of complying with public company reporting requirements following the closing of the Asset Sale.

After the Asset Sale, we will continue to be required to comply with the applicable reporting requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act), even though compliance with such reporting requirements is economically burdensome.

While the Asset Sale is pending, it creates uncertainty about our future that could have a material adverse effect on our business, financial condition and results of operations.

While the Asset Sale is pending, it creates uncertainty about our future. As a result of this uncertainty, our current or potential business partners may decide to delay, defer or cancel entering into new business arrangements with us pending completion or termination of the Asset Sale. In addition, while the Asset Sale is pending, we are subject to a number of risks, including:

- the diversion of management and employee attention from our day-to-day business;
- the potential disruption to business partners and other service providers; and
- the possible inability to respond effectively to competitive pressures, industry developments and future opportunities.

The occurrence of any of these events individually or in combination could have a material adverse effect on our business, financial condition and results of operation.

If the Asset Sale is not completed and the Asset Purchase Agreement is terminated, there may not be any other offers from potential acquirors.

If the Asset Sale is not completed and the Asset Purchase Agreement is terminated, we may seek another purchaser for the Assets. There can be no assurances that we would be able to enter into meaningful discussions or to otherwise complete any transaction with any other party who may have an interest in purchasing the Assets on terms acceptable to us. Additionally, the inability to complete the Asset Sale could make potential acquirors more reluctant to engage in a transaction with us.

There is no guarantee that the holders of our Preferred Stock will receive any of the net cash proceeds from the proposed Asset Sale in the form of dividends, and we could spend or invest the net cash proceeds from the Asset Sale in ways in which our stockholders may not agree.

The purchase price for the sale of the Assets will be paid directly to the Company. The Company plans to use the cash proceeds from the Asset Sale to satisfy all of its outstanding liabilities, including repaying the outstanding balance under its credit agreement. The Company expects the proceeds from the Asset Sale to exceed the

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Company s liabilities and any such excess amount will be used to make severance, retention and change of control payments to certain employees and members of the Company s senior management and for normal working capital and operating expense purposes. We currently anticipate that the Asset Sale would be followed by either a merger or a dissolution and distribution of our remaining assets in accordance with applicable law.

The terms of our outstanding Preferred Stock provide that the holders of the Preferred Stock would be entitled to a liquidation preference before the holders of our Common Stock would be entitled to receive any of the consideration in a merger or a distribution of remaining assets in the event of a dissolution. Currently, the liquidation preference to which the holders of our Preferred Stock are entitled totals approximately $60 million in the aggregate, which is more than the excess net proceeds anticipated to be received from the Asset Sale. Therefore, absent a concession from the holders of our Preferred Stock, the holders of our Common Stock will not receive any consideration as a result of the Asset Sale and the subsequent merger or dissolution.

Absent concessions from the holders of our Preferred Stock, the holders of our Common Stock will not receive any of the proceeds from the Asset Sale.

The purchase price for the Assets will be paid directly to us. We estimate that, if we complete the transactions contemplated in the Asset Purchase Agreement at the end of the second quarter of 2014, our remaining cash following the Asset Sale will be approximately $23 million, which is based on the purchase price of $107 million as adjusted by various estimated costs, including the cash flows for production months from the effective date to the anticipated closing date at the end of the second quarter, outstanding bank debt and other liabilities, transaction costs, federal income taxes, hedge termination costs, severance, retention and change of control payments to certain employees and members of the Company s senior management and other working capital requirements. The estimates and assumptions used have not taken into account any potential reduction in the purchase price due to preferential right exercises, title or environmental defects or other potential adjustments to the purchase price under the Asset Purchase Agreement. Therefore, because the holders of our Preferred Stock are entitled to an approximately $60 million liquidation preference, absent a concession from the holders of our Preferred Stock, no proceeds of the Asset Sale will be received by the holders of our Common Stock.

We may be exposed to litigation related to the Asset Sale from the holders of our Common Stock.

Transactions such as the Asset Sale are often subject to lawsuits by stockholders. Because the holders of our Common Stock will not receive any consideration from the Asset Sale, it is possible that they may sue the Company or its board of directors.

If the Asset Sale is not consummated, we will likely file bankruptcy.

If the Asset Sale is not consummated and we are unable to find another viable purchaser for our assets, we will likely file bankruptcy as we will have no operating assets to continue the business.

If the Asset Sale is not consummated, our lenders will likely foreclose on all of our assets.

As an accommodation to allow time to complete the Asset Sale, our lenders recently agreed to extend the maturity date of our credit facility from April 1, 2014 to the earliest to occur of: (i) June 30, 2014, (ii) the closing of the Asset Sale pursuant to the Asset Purchase Agreement, or the sale of the Assets pursuant to a substitute purchase agreement, or (iii) the termination of the Asset Purchase Agreement or any substitute purchase agreement. This extension required the unanimous consent of each of the six lenders in the credit facility. In the event the Asset Sale is not completed by June 30, 2014, and no further extensions of time are agreed to by the lenders, we would be in default under the credit agreement. Upon the occurrence of an event of default, the lenders could accelerate the repayment of all of our indebtedness. In such case, it is unlikely that we will have sufficient funds to pay the total amount of accelerated obligations, and our lenders could proceed against the collateral securing the credit facility. Any acceleration in the repayment of our indebtedness or related foreclosure would adversely affect our business and likely require us to seek protection under federal bankruptcy statutes.

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We will incur significant expenses in connection with the Asset Sale and could be required to make significant payments if the Asset Purchase Agreement is terminated under certain conditions.

If we are unable to close the Asset Sale due to an uncured breach of our representations, warranties, covenants or obligations under the Asset Purchase Agreement, we may owe contractual damages to the Buyer that would likely exhaust our cash reserves. In the event we breach our representations or warranties prior to the closing of the Asset Sale, the Buyer may reduce the purchase price by an amount up to $7,000,000. In addition, we expect to pay legal fees, accounting fees and proxy filing costs whether or not the Asset Sale closes. Any significant expenses or payment obligations incurred by us in connection with the Asset Sale could adversely affect our financial condition and cash position.

The Asset Purchase Agreement requires us to pay certain costs if we accept an alternative to the Asset Sale.

The Asset Purchase Agreement contains provisions that make it more difficult for us to sell our assets to a party other than the Buyer. In the event the Asset Purchase Agreement is terminated for select reasons by the Buyer or GeoMet, GeoMet is obligated to pay a termination fee to the Buyer in the amount of $4,280,000.

The Asset Purchase Agreement may expose us to contingent liabilities.

Under the Asset Purchase Agreement, we are required to indemnify the Buyer for certain Seller Indemnified Claims (as defined in the Asset Purchase Agreement), subject to a time limitation and fixed maximum on GeoMet s total indemnity exposure. Significant indemnification claims by the Buyer could have a material adverse effect on our financial condition.

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THE SPECIAL MEETING

Time, Date and Place

The Special Meeting will be held on May 5, 2014 at 10:00 a.m., local time, in the San Jacinto Room at 2 Houston Center, located at 909 Fannin St., Level P2, Houston, Texas 77010.

Proposals

At the Special Meeting, holders of shares of our Common Stock and Preferred Stock as of the Record Date will consider and vote upon:

- the Asset Sale; and
- such other matters as may properly come before the Special Meeting and any postponements or adjournments thereof.

A description of the Asset Sale is included in this Proxy Statement. A copy of the Asset Purchase Agreement is attached as *Annex A* to this Proxy Statement.

Required Vote

Proposal: The Asset Sale

Under Section 271 of the DGCL and GeoMet s Certificate of Designation, the authorization of the Asset Sale must be approved by the holders of (i) at least fifty percent (50%) of the outstanding shares of the Preferred Stock and (ii) a majority of the outstanding shares of our Common Stock including the outstanding shares of Preferred Stock voting on an as-converted basis as a single class. On an as-converted basis, our outstanding shares of Preferred Stock currently represent approximately 53.2% of the combined voting power of our Common Stock and Preferred Stock, and therefore would have the ability to control any vote requiring the approval of our stockholders. In connection with the execution of the Asset Purchase Agreement, certain of our stockholders entered into the Voting Agreement with the Buyer pursuant to which, subject to certain exceptions, they have agreed to vote their shares in favor of the Asset Sale Proposal. Such stockholders included Sherwood, who is the largest holder of our outstanding shares of Preferred Stock and currently owns approximately 58.6% of our Preferred Stock, Yorktown, who is the largest holder of our outstanding shares of Common Stock and currently owns approximately 30.6% of our Common Stock, and all of the members of our board of directors and our senior management. Collectively, these stockholders own approximately 48.9% of the combined voting power of our Common Stock and Preferred Stock (on an as-converted basis) treated as a single class and approximately 59.6% of our Preferred Stock voting power. The Voting Agreement is attached to this Proxy Statement as *Annex B*. You may vote **FOR**, **AGAINST** or **ABSTAIN**. Failures to vote, broker non-votes and abstentions, if any, will have the same effect as a vote **AGAINST** the Asset Sale.

Record Date

Holders of our Preferred Stock and Common Stock as of the close of business on March 26, 2014, the Record Date for the Special Meeting, are entitled to notice of, and to vote at, the Special Meeting and any postponements or adjournments of the Special Meeting. On the Record Date, there were 40,652,317 shares of Common Stock and 6,000,571 shares of Preferred Stock outstanding (a total of 86,810,555 shares of Common Stock, including Preferred Stock on an as-converted basis) and entitled to vote at the Special Meeting and any postponements or adjournments of the Special Meeting. No other shares of capital stock were outstanding on the Record Date.

Ownership of Directors and Executive Officers

As of the Record Date, our directors and executive officers beneficially held, in the aggregate, approximately 1.1% of the outstanding Common Stock and 37.7% of the outstanding Preferred Stock entitled to vote at the Special Meeting. In connection with the execution of the Asset Purchase Agreement, certain of our stockholders entered into the Voting Agreement with the Buyer pursuant to which, subject to certain exceptions,

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they have agreed to vote their shares in favor of the Asset Sale. Such stockholders included Sherwood, who is the largest holder of our outstanding shares of Preferred Stock and currently owns approximately 58.6% of our Preferred Stock, Yorktown, who is the largest holder of our outstanding shares of Common Stock and currently owns approximately 30.6% of our Common Stock, and all of the members of our board of directors and our senior management. Collectively, these stockholders own approximately 48.9% of the combined voting power of our Common Stock and Preferred Stock (on an as-converted basis) treated as a single class and approximately 59.6% of our Preferred Stock voting power. The Voting Agreement is attached to this Proxy Statement as *Annex B*.

Quorum and Voting

The presence in person or representation by proxy of the holders of (i) at least a majority of the issued and outstanding shares of our Common Stock and Preferred Stock (on an as-converted basis) treated as a single class and (ii) a majority of the issued and outstanding shares of our Preferred Stock, entitled to vote at the Special Meeting, is necessary to constitute a quorum. Each holder of Common Stock is entitled to one vote per share and each holder of Preferred Stock is entitled one vote per share of Common Stock into which the holder s Preferred Stock is convertible on all matters submitted to a vote of the holders of our Common Stock at the meeting. Shares of Preferred Stock are convertible at the rate of 7.692307692 shares of Common Stock per share of Preferred Stock, eliminating fractional shares. Consequently, for example, 100 shares of Preferred Stock would represent aggregate voting power of 769 shares of Common Stock after eliminating the remaining fractional share. On an as-converted basis, our outstanding shares of Preferred Stock currently represent approximately 53.2% of the combined voting power of our Common Stock and Preferred Stock, and therefore would have the ability to control any vote requiring the approval of our stockholders.

Proxies; Revocation of Proxies

If you are unable to attend the Special Meeting, we urge you to submit your proxy by completing and returning the enclosed proxy card or submit your proxy via the Internet or by telephone. If your shares of Common Stock or Preferred Stock are held in street name (i.e., through a bank, broker or other nominee), you will receive instructions from your broker, bank or other nominee that you must follow in order to have your shares voted. If you elect to vote in person at the Special Meeting and your shares are held by a broker, bank or other nominee, you must bring to the Special Meeting a legal proxy from the broker, bank or other nominee authorizing you to vote your shares of Common Stock or Preferred Stock.

Unless contrary instructions are indicated on the proxy card, all shares of Common Stock and Preferred Stock represented by valid proxies will be voted **FOR** the Asset Sale and will be voted at the discretion of the persons named as proxies in respect of such other business as may properly be brought before the Special Meeting. As of the date of this Proxy Statement, our board of directors knows of no other business that will be presented for consideration at the Special Meeting other than the Asset Sale.

You may revoke your proxy and change your vote at any time before the polls close at the Special Meeting by:

- giving written, dated notice to the Corporate Secretary of GeoMet stating that you would like to revoke your proxy;

- signing and returning to us in a timely manner another proxy card with a later date; or
- attending the Special Meeting in person and voting.

Simply attending the Special Meeting will not constitute a revocation of your proxy.

Adjournments

The Special Meeting may be adjourned by holders of a majority of the outstanding shares of GeoMet s Common Stock and outstanding shares of Preferred Stock (voting on an as-converted basis) treated as a single class, entitled to vote at the Special Meeting for any purpose, including for the purpose of obtaining a quorum or

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soliciting additional proxies if there are insufficient votes to authorize the Asset Sale, and adjourning the Special Meeting for the sole purpose of soliciting additional votes as to one proposal while closing the polls and registering the approval of the other proposal. Any adjournment may be made without notice (if the adjournment is not for more than thirty days and a new record date is not fixed for the adjourned meeting), other than by an announcement made at the Special Meeting of the time, date and place of the adjourned meeting. Any adjournment will allow our stockholders who have already sent in their proxies to revoke them at any time prior to their use at the Special Meeting as adjourned.

Broker Non-Votes

Broker non-votes occur when a broker holding stock in street name does not vote the shares on some or all matters. Brokers are permitted to vote on routine, non-controversial proposals in instances where they have not received voting instructions from the beneficial owner of the stock but are not permitted to vote on non-routine matters. Uncast votes on non-routine matters are referred to as broker non-votes. Because the Asset Sale is a non-routine matter, shares of our Common Stock as to which brokers have not received any voting instructions will not be deemed present for any purpose at the Special Meeting.

The inspector of elections will treat broker non-votes as shares that are not present and entitled to vote for the purpose of determining the presence of a quorum. Broker non-votes will have the same effect as a vote **AGAINST** the Asset Sale.

Solicitation of Proxies

This proxy solicitation is being made and paid for by GeoMet on behalf of its board of directors. In addition, we have engaged Morrow & Co., LLC, 470 West Avenue, Stamford, Connecticut 06902, to assist in the solicitation. We will pay Morrow & Co., LLC up to $6,000 plus reasonable out-of-pocket expenses for its assistance. Our directors, officers and employees may also solicit proxies by personal interview, mail, e-mail, telephone, facsimile or other means of communication. These persons will not be paid any additional compensation for their efforts. We will also request brokers and other fiduciaries to forward proxy solicitation material to the beneficial owners of shares of our Common Stock and to the beneficial owners of our Preferred Stock that the brokers and fiduciaries hold of record. Upon request, we will reimburse them for their reasonable out-of-pocket expenses. In addition, we will indemnify Morrow & Co., LLC against any losses arising out of that firm s proxy soliciting services on our behalf.

Questions and Additional Information

If you have more questions about the Asset Sale or how to submit your proxy, or if you need additional copies of this Proxy Statement or the enclosed proxy card or voting instructions, please contact Investor Relations, GeoMet, Inc., Attn: Stephen M. Smith, Corporate Secretary, 909 Fannin Street, Suite 1850, Houston, Texas 77010, telephone number (713) 287-2251.

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PROPOSAL: THE ASSET SALE

The following discussion is a summary of the material terms of the proposed Asset Sale. We encourage you to read carefully and in its entirety the Asset Purchase Agreement, which is attached to this Proxy Statement as Annex A, as it is the legal document that governs the proposed Asset Sale.

General Description of the Asset Sale

Under the Asset Purchase Agreement, for a sale price of $107 million (subject to adjustment under the Asset Purchase Agreement), GeoMet has agreed to sell substantially all of its assets, comprising coalbed methane leases and assets, including related gathering facilities, equipment, books and records and office leases located in West Virginia and Virginia. Such assets constitute substantially all of GeoMet s assets. The Asset Sale has an effective date of January 1, 2014 and the purchase price will be adjusted to reflect certain expenses made and revenues received in the period between the effective date and the closing date of the Asset Sale.

Parties to the Asset Sale

Sellers:

GeoMet, Inc.

909 Fannin Street, Suite 1850

Houston, Texas 77010

(713) 659-3855

GeoMet Operating Company, Inc.

5336 Stadium Trace Parkway, Suite 206

Birmingham, Alabama 35244

(205) 425-3855

GeoMet Gathering Company, LLC

5336 Stadium Trace Parkway, Suite 206

Birmingham, Alabama 35244

(205) 425-3855

Buyer:

ARP Mountaineer Production, LLC

Park Place Corporate Center One

1000 Commerce Drive, 4th Floor

Pittsburgh, PA 15275

(412) 489-0006

Atlas Resource Partners, L.P.

Park Place Corporate Center One

1000 Commerce Drive, 4th Floor

Pittsburgh, PA 15275

(412) 489-0006

Background of the Asset Sale

Our board of directors and members of our senior management team have regularly evaluated our business and operations, our long-term strategic goals and our future prospects. We have also regularly reviewed and assessed conditions affecting the natural gas industry and the economy in general, the Company s competitive market position and the availability and cost of debt and equity capital. As part of its ongoing review of the Company and

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its prospects, our board of directors has also regularly reviewed various strategic alternatives available to the Company to enhance stockholder value, including possible acquisitions, strategic investments, asset sales and divestitures.

Since the early 1990 s, the Company has been engaged in the exploration for and development and production of natural gas from coal seams (coalbed methane). Like other commodity-oriented industries, the economics of the natural gas industry are directly impacted by the relationship between supply and demand. Natural gas prices (as measured by the monthly closing price on the New York Mercantile Exchange (NYMEX)) peaked in July 2008 at a price of $13.11 per MMBtu and declined to less than $3 per MMBtu by the fall of 2009. These lower natural gas prices significantly impacted our operating cash flow. Additionally, a severe credit crisis developed in late 2008 in the United States and elsewhere. As a result of these events and the continued underperformance of our Gurnee field, we initiated efforts in the first quarter of 2009 to lower our cost structure, protect our operating margins and reduce borrowings outstanding. These efforts included personnel reductions and other cost reduction measures, increased natural gas price hedging and initiatives to sell assets. Although we believed that our estimated proved reserves continued to support a borrowing base of over $120 million, due to reduced operating cash flow our debt to EBITDA ratio was in excess of levels considered conforming by our banks, and it was necessary that we reduce our debt to EBITDA ratio to conforming levels in order to secure an extension of our credit agreement on a long-term basis. Our cost reduction and hedging programs were successful but we were not successful in selling assets as we did not receive interest at a price level sufficient to resolve our bank credit issues. As a result, we determined that the Company needed to secure capital from other sources in order to reduce bank debt and return to a conforming debt to EBITDA ratio.

In September and October 2009, the Company contacted eight energy investment firms regarding their interest in participating with a company affiliated with Yorktown, the largest holder of our Common Stock, in a potential financing transaction. Among those contacted was Cadent Energy Partners, LLC (Cadent). Cadent declined, in part, due to the status of the Company s ongoing disputes and litigation with CONSOL Energy, Inc. and certain of its affiliates, including CNX Gas Company LLC (the CONSOL/CNX Litigation).

In October 2009, a Special Committee of our board of directors directed the Company to hire Evercore Group L.L.C. (Evercore) as financial advisor to the Special Committee to assist it in evaluating the potential financing transaction. The Company continued to hold discussions with Natural Gas Partners, one of the eight energy investment firms contacted prior to the engagement of Evercore, and then with NGP Capital Resources Company (NGPC), an affiliate of Natural Gas Partners. None of the six potential investors contacted by Evercore at that time chose to pursue the investment opportunity. The CONSOL/CNX Litigation was settled in May 2010.

In early February 2010, NGPC delivered a preliminary term sheet to the Company outlining the terms of a proposed financing transaction in which NGPC and North Shore Energy, LLC (North Shore), an affiliate of Yorktown, would each purchase up to $20 million of the Company s Preferred Stock in the event that a proposed rights offering of the Preferred Stock was not fully subscribed by the holders of our Common Stock. The Special Committee, in consultation with its financial advisors, believed that the rights offering structure of the proposed financing was important. The Special Committee considered the dilutive impact that an equity financing would have on our existing stockholders, and believed that a rights offering structure could mitigate dilution of our existing stockholders by allowing them to participate in an offering of new equity in the Company. While the ownership percentage of stockholders who did not participate to the fullest extent in the rights offering would decrease, the Special Committee considered that the magnitude of this dilution would be substantially dependent upon the decision of each holder of common stock whether to subscribe for additional equity in the rights offering. After weighing these factors and the fact that the proposed rights offering and backstop commitment would generate $40 million in additional capital, before expenses, and seemed to the Special Committee to be the most viable option for raising that amount of additional capital, the Special Committee concluded that a rights offering with a full backstop commitment was in the best interests of the Company and our stockholders.

Over the course of the next several weeks, our management team, in frequent consultation with the Special Committee and its legal counsel and financial advisor, negotiated the material terms and conditions of the proposed financing, primarily with NGPC.

In March 2010, we executed commitment letters with NGPC and North Shore, whereby NGPC and North Shore each agreed to the preliminary terms of a commitment to purchase up to $20 million each ($40 million in the aggregate) of the Company s Preferred Stock in the event that a proposed rights offering of the Preferred Stock was not fully subscribed by the holders of our Common Stock. The Company, NGPC and North Shore commenced negotiations of the terms and provisions of a definitive backstop agreement which continued through April.

On April 30, 2010, we received a commitment letter from Sherwood, an affiliate of Cadent, whereby Sherwood offered to purchase up to $40 million of the Company s Preferred Stock in the event that a proposed rights offering of the Preferred Stock was not fully subscribed by the holders of our Common Stock. Although similar to the NGPC and North Shore proposed financing in some respects, the Sherwood proposal was considered by our Special Committee to be more favorable to the Company, particularly with regard to the cash dividend rate for the first two years, the ability of the Company to begin forcing conversion of the Preferred Stock to common stock two years earlier and at twice the rate and the absence of certain operational and financial covenants. At a meeting on May 1, 2010, the Special Committee briefed the board of directors by telephone conference regarding its preliminary findings and its recommendations for improving the terms of the Sherwood proposal. The board of directors authorized management to attempt to secure such improvements from Sherwood.

On May 3, 2010, the Company received a new commitment letter from Sherwood that contained some, but not all, of the improvements to the April 30, 2010 commitment letter that had been sought. The Special Committee met again on May 4, 2010 with its financial and legal advisors to further evaluate the Sherwood proposal and the potential termination of the financing commitments with NGPC and North Shore. After a lengthy discussion, the Special Committee determined that the proposed Sherwood commitment represented a superior proposal to the NGPC and North Shore commitments for the following reasons: (1) the cash dividend required under the Sherwood commitment was 8% for the first three years after closing as compared to 9.6% in the NGPC and North Shore commitments, (2) under the Sherwood commitment, the Company could begin forced conversion of the Preferred Stock two years earlier and at twice the quarterly rate, reducing the carrying costs and overhang of the Preferred Stock, and (3) the Sherwood commitment would impose considerably fewer covenants, giving management and the board of directors greater latitude to run the business and reducing the likelihood that defaults could occur for reasons outside the Company s control. The board of directors directed management to suspend negotiations with NGPC and North Shore and to execute the Sherwood commitment letter.

During that same period, the Company negotiated the terms and provisions of a definitive investment agreement with Sherwood. On June 2, 2010, the Company and Sherwood entered into the investment agreement. In June 2010, we also entered into a credit agreement with a group of five banks (the Pending Credit Agreement) that was made subject to the closing of a proposed issuance of the Preferred Stock, without which, the Pending Credit Agreement would lapse and our existing senior revolving credit facility would have terminated on October 1, 2010.

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In September 2010, the Company sold four million shares of Preferred Stock at a price of $10.00 per share pursuant to a rights offering made to, and approved by, the stockholders of the Company. The offering was not fully subscribed and, therefore, pursuant to its agreement, Sherwood purchased approximately 2.3 million shares (approximately 59%) of the Preferred Stock in the offering. The Preferred Stock ranks senior to our Common Stock. Upon the occurrence of liquidation, dissolution, or winding up of the Company resulting in a payment or distribution of assets to any of our capital stock holders, the holders of the Preferred Stock are entitled to receive such distribution in preference to any payment to any holder of any junior security in the Company. The Company is permitted to pay dividends in either cash or additional shares of Preferred Stock (PIK Dividends) until the fifth anniversary of the issue date (September 2015). The applicable dividend rate for dividends paid in cash is 8.0% for the first three years and 9.6% thereafter. The applicable rate for PIK Dividends is 12.5%. The Company s credit agreement has restricted the payment of cash dividends on the Preferred Stock and therefore all dividends on the Preferred Stock have been paid in PIK Dividends (except for fractional shares). As a result, the approximately six million shares of Preferred Stock outstanding as of the date of this Proxy Statement are entitled to a liquidation preference totaling approximately $60 million. The holders of the Preferred Stock are entitled to vote on all matters on which the holders of our Common Stock are entitled to vote, and will generally be entitled to vote (on an as-converted basis) on such matters with the holders of Common Stock as a single class. As of December 31, 2013, Sherwood held approximately 59% of the voting control of the Preferred Stock and holders of the Preferred Stock, in the aggregate, controlled approximately 53% of total voting shares on an as-converted basis. Certain major corporate actions, such as a sale of substantially all the Company s assets, also require a separate vote of the Preferred Stock. If not converted prior to the eighth anniversary of the closing of the rights offering, the Company is obligated, upon request of the holders of the Preferred Stock, to redeem the Preferred Stock at price of $10.00 per share plus any accrued and unpaid dividends.

The proceeds from the Preferred Stock offering were used to pay down indebtedness under the Company s existing credit facility. If the Preferred Stock had not been issued, the Company would have likely defaulted under its credit agreement and would have likely been forced to pursue either a restructuring of its indebtedness or file for protection under the U. S. Bankruptcy Code.

Natural gas prices began to improve at the end of 2010 and into 2011. In November 2011, in order to increase our production and reserves and to reduce per unit cost, the Company completed its acquisition of producing properties (the Vitruvian Acquisition) located in its existing areas of operation for approximately $90 million. This acquisition was financed entirely with bank debt, which raised our total outstanding bank indebtedness to approximately $162 million. The consummation of the Vitruvian Acquisition coincided with the beginning of another decline in natural gas prices in November 2011.

The winter of 2011 2012 was unusually warm as compared to historical norms, which contributed to significantly lower prices for natural gas. Natural gas prices between November 2011 and March 2012 averaged $3.02 per MMBtu, a decline of almost 25% below the same period in the prior year. Natural gas prices continued to decline, and reached a low of $2.04 per MMBtu in May 2012, a decline of approximately 85% from their July 2008 peak. This depressed natural gas price environment had an adverse effect on our cash flows, results of operations, financial condition, and liquidity. In addition, it impeded our growth and our ability to maintain compliance with our credit agreement covenants. On January 25, 2012, our board of directors held a meeting at which members of our senior management team participated and reviewed the status of the Company s operations, the Company s credit agreement, and prevailing market conditions. After extensive discussion, the determination was made that the Company needed to reduce spending and defer capital expenditures to the extent possible. The board of directors also concluded the Company should engage an investment banker to advise management and the board of directors with respect to strategic alternatives to enhance the Company s business prospects in the low natural gas price environment, including possible merger candidates, preferably dry gas producers that would, along with the Company, benefit from the creation of a larger, more efficient, dry gas

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producer that could weather the current low natural gas price environment and therefore create option value on natural gas prices for both companies stockholders. FBRC, an investment bank with which certain of our Company s officers and directors were familiar, was discussed as a good candidate because of its knowledge and experience providing financial advice and services to small cap exploration and production companies.

In early 2012, the Company announced that it was:

- Limiting capital spending to maintenance levels,
- Reducing operating and administrative costs,
- Continuing to monitor the forward natural gas markets for hedges and enter into hedging transactions opportunistically, and
- Seeking transactional opportunities to expand its natural gas reserves.

When granting a loan secured by a company s oil or gas properties, banks determine the amount they are willing to lend (the borrowing base) largely upon their expectation of future prices of oil and gas (their price deck) and the resulting expectation of cash flows projected to be generated from the properties. Banks reset their price decks periodically at least semi-annually and sometimes more often. In response to the decline in natural gas prices, our lenders significantly reduced their price decks in early 2012. Under the Company s credit agreement, our borrowing base was scheduled to be re-determined in June 2012 and we expected the new borrowing base to be reduced to an amount less than our outstanding borrowings, which could possibly result in a borrowing base deficiency. Under these circumstances, we would be required to repay the amount of the borrowing base deficiency. A failure to do so would cause a default under our credit agreement.

The Company engaged FBRC in February 2012 as its financial advisor to assist the Company in connection with its review of certain strategic alternatives including a potential merger or sale of the Company. As described above, the Company believed a merger transaction could be beneficial during this period of depressed natural gas prices by allowing it to spread its fixed costs over a larger production and reserve base and to mitigate the anticipated borrowing base deficiency under its credit agreement.

On March 28, 2012, our board of directors held a meeting at which members of our senior management team participated and representatives of FBRC were present. At the request of our board of directors, FBRC provided a preliminary overview of certain strategic alternatives that might be available to the Company. There was also a discussion among the members of our board of directors and members of senior management regarding a possible borrowing base deficiency under the Company s credit agreement at the next determination. Thereafter, at the request of our board of directors, FBRC began soliciting indications of interest from third parties regarding a potential acquisition or merger of the Company.

In June 2012, we were advised by the agent bank under our credit agreement that a borrowing base deficiency under our credit agreement in the amount of $33.6 million had been determined. Our credit agreement provides for certain remedies if a borrowing base deficiency exists, including; (i) making a payment of principal in an amount sufficient to eliminate such borrowing base deficiency, (ii) submitting additional oil and gas properties as collateral in an amount sufficient to eliminate such borrowing base deficiency, or (iii) eliminating such deficiency by making six equal consecutive payments of principal in an aggregate amount equal to such borrowing base deficiency.

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On July 30, 2012, our board of directors held a meeting at which members of our senior management team participated. During this meeting our board of directors reviewed and authorized management to seek an amendment to the Company s credit agreement addressing the borrowing base deficiency.

The Company was not in a position to eliminate the borrowing base deficiency as provided under its credit agreement and, in August 2012, we negotiated an amendment to our credit agreement that, among other things, extended the time available for the Company to cure the borrowing base deficiency, shortened the maturity date from November 2015 to April 2014, terminated our ability to make future borrowings, and obligated the Company to dedicate substantially all of its monthly cash flow to repay existing borrowings.

On August 10, 2012, our board of directors held a meeting at which members of our senior management team participated and representatives of FBRC were present. At the request of our board of directors, FBRC informed our board of directors that it had, on behalf of the Company, contacted potential merger partners and buyers, but had not received any offers.

On November 8, 2012, our board of directors held a meeting at which members of our senior management team participated and representatives of FBRC were present. At the request of our board of directors, FBRC updated the board of directors regarding its solicitation of potential merger partners and buyers and informed our board of directors that it had contacted a total of approximately 25 potential strategic and financial merger partners and buyers on behalf of the Company, but had not received any offers.

On February 21, 2013, our board of directors held a meeting at which members of our senior management team and representatives of Lantana Oil & Gas Partners (Lantana), a Houston-based divestiture firm, participated. There was extensive discussion of the efforts that had been undertaken by FBRC to solicit indications of interest in a potential acquisition of or merger with the Company. We believe the possible borrowing base deficiency under our credit agreement, poor expectations for natural gas prices in general and dry natural gas specifically, and the Company s complicated capital structure resulting from the Company s outstanding Preferred Stock were all contributing factors to the lack of interest. Based on such information, our board of directors instructed FBRC to suspend its solicitation of indications of interest from third parties regarding a potential acquisition of or merger with the Company. Our board of directors further concluded to pursue the possible sale of individual properties.

On February 22, 2013, the Company engaged Lantana to market all of the Company s coalbed methane interests located in the state of Alabama (the Alabama Assets). The Company s interests in these properties represented approximately 30% of the Company s net daily sales of natural gas at that time, 38% of operating income during the twelve months ending December 31, 2012, approximately 31% of the Company s estimated proved reserves, and 38% of the Company s estimated PV10 value at December 31, 2012, using SEC guidelines.

On April 18, 2013, our board of directors held a meeting with members of our senior management team at which they reviewed the status of the process and initial bids on the Alabama Assets sale.

On May 1, 2013, our board of directors held a meeting at which members of our senior management team and representatives of Lantana participated. At the request of our board of directors, Lantana reported that it had engaged in a broad marketing process that included making inquiries by email with over 5,500 contacts in its database to ascertain interest in our Alabama Assets. Lantana had also advertised in trade periodicals such as Hart s A&D and all PLS publications announcing the availability of our Alabama Assets. Through these marketing efforts, Lantana had identified 57 parties who they believed would have interest in the Alabama Assets and engaged in follow up discussions with such parties. As a result of these efforts, 27 confidentiality agreements were executed, 72 parties registered for access to the electronic data room, and 6 data room presentations were made by Lantana. The Company received a total of 10 bids for our Alabama Assets. Four of these bids were for

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the entire Alabama Assets package, and the remaining six bids were for various subsets of the asset package. The Company engaged in negotiations with the bidder with the highest value and most favorable terms and finalized a purchase and sale agreement. After extensive discussions, the board of directors approved the entering into of a purchase and sale agreement to sell the Alabama Assets for $63.2 million, subject to customary purchase price adjustments. On June 14, 2013, the transaction closed. At this board of directors meeting, our board of directors and senior management also discussed and approved a further amendment to the Company s credit agreement reflecting the application of a portion of the net proceeds of the asset sale to the repayment of the outstanding balance under the credit agreement.

The sale of our Alabama Assets resulted in net proceeds of approximately $62 million after customary purchase price adjustments of $1.2 million. Approximately $57 million of the net proceeds was used to repay outstanding borrowings under the Company s credit agreement, which eliminated the borrowing base deficiency under that agreement, and $5 million was held in reserve to pay transaction related costs and expenses, including the liquidation of certain natural gas hedge positions. After this repayment, the outstanding borrowings under our credit agreement totaled $77 million. However, the maturity date under the credit agreement was left unchanged at April 1, 2014.

On May 14, 2013, our board of directors held a meeting at which members of our senior management team participated and representatives of FBRC were present. At the request of our board of directors, FBRC discussed a preliminary overview of the Company after giving effect to the sale of the Alabama Assets and a potential timetable for renewing the pursuit of strategic alternatives, if our board of directors deemed appropriate.

On June 20, 2013, our board of directors held a meeting at which members of our senior management team evaluated the Company s remaining assets and operations following the sale of the Alabama Assets, as well as prevailing market conditions, the dilution of the Company s Common Stockholders through the payment of the PIK Dividends on the outstanding Preferred Stock, and other factors related to the Company s future prospects. While the Alabama Assets sale was successful in reducing our bank debt and eliminating the borrowing base deficiency, the Company remained unable to access, on acceptable terms, the additional capital from its banks or other parties necessary to strengthen its capital structure.

On August 12, 2013, our board of directors held a meeting at which members of our senior management team participated and a representative of FBRC was present. At the request of our board of directors, FBRC reviewed a potential timetable for renewing the pursuit of strategic alternatives.

On August 13, 2013, our board of directors held a meeting at which members of our senior management team participated and representatives of FBRC were present. Among other things, with the assistance of our management and its advisors, the board of directors discussed prevailing market conditions and the Company s operations and prospects following the sale of our Alabama Assets, including the Company s reduced cash flow, the pending maturity of the credit agreement, the dilution of the Company s Common Stockholders through the payment of the PIK Dividends on the Preferred Stock, the fact that the dividend obligation on the Preferred Stock would convert to cash pay at a rate of 9.6% in September 2015, and the obligation to redeem the Preferred Stock as early as September 2018. Our board of directors and senior management believed that these factors presented continuing obstacles to the Company s ability to obtain alternate debt financing or raise additional equity capital, particularly when current and projected cash flows of the Company were taken into consideration. The Company believed that the reduction in bank debt resulting from the sale of its Alabama Assets, together with a modest recovery of natural gas prices, might provide the Company an opportunity to renew the pursuit of a strategic transaction focused on a merger. Thereafter, in September 2013, our board of directors requested that FBRC solicit indications of interest from third parties regarding a potential acquisition of or merger with the Company.

In September 2013, the Company determined that at least $30 million in additional equity would be required to obtain a conforming credit agreement.

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Beginning in September 2013, FBRC contacted approximately 123 potential merger candidates on behalf of the Company. Nine parties signed confidentiality agreements and five parties submitted indications of interest. The two highest proposals contemplated a transaction at indicative values ranging from $72 million to $100 million for the Company or its assets on a debt free basis. The highest indication of interest was verbal and was presented as a range of value of $90 to $100 million. This bidder stated that they would firm up their value in writing within one week, but the bidder never followed up. Our board of directors did not find any of the proposals it received as a result of that process sufficiently attractive to pursue at that time.

In the fourth quarter of 2013, certain of our board of directors members began discussions with Yorktown, our largest holder of Common Stock, regarding the possibility of merging one or more of its portfolio companies into the Company. After preliminary discussions between representatives of the Company and representatives of Yorktown, our board of directors determined that this alternative was not sufficiently attractive to pursue and discussions with Yorktown regarding a potential transaction were terminated.

On October 28, 2013, our board of directors held a meeting at which members of our senior management team participated and reviewed the obstacles with obtaining new bank financing and discussed that FBRC s marketing efforts had not yet identified any opportunities. There was also extensive discussion regarding various alternatives if the efforts to find a merger partner for the Company were unsuccessful. This included the possibility of again marketing the Company s assets as an alternative to the efforts to find a merger partner.

On November 1, 2013, our board of directors held a meeting at which members of our senior management team participated and representatives of FBRC were present. At that meeting our board of directors discussed that FBRC had been unsuccessful in its efforts on behalf of the Company to solicit indications of interest in an acquisition of or merger with the Company. In addition, our management reported that the Company had outstanding bank debt in excess of $70 million (at least $30 million more than was supportable under a conforming credit agreement) and a pending maturity date of April 1, 2014. As a result, our board of directors and senior management concluded that the Company s remaining assets might be more attractive and bring a higher value if they were marketed in a broad asset divestiture process similar to the process that had been undertaken with Lantana with respect to our Alabama Assets. Our board of directors concluded that, rather than have FBRC continue to solicit indications of interest in an acquisition of or merger with the Company, the Company should engage Lantana to market the Company s remaining assets consisting of coalbed methane interests located in the Appalachian Basin. On November 4, the Company engaged Lantana to solicit interest in the Company s remaining assets.

In November 2013, the Company and FBRC amended the terms of FBRC s engagement to terminate FBRC s services as its financial advisor in connection with a potential transaction except and to the extent the Company requested that FBRC render an opinion with respect to the fairness of the consideration to be received in connection with a proposed transaction. In addition to any fees payable to FBRC in connection with such opinion, FBRC remained entitled to certain fees in the event the Company consummated a transaction with certain third parties.

On November 12, 2013, our board of directors held a meeting, at which members of our senior management team participated and discussed the elimination of future borrowing base determinations under the Company s credit agreement since it would mature on April 1, 2014. Management reported that Lantana had initiated the asset marketing process during the first week of November.

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Similar to its engagement in connection with the sale of our Alabama Assets, Lantana s marketing approach was designed to generate the maximum exposure for the sale of the Company s Appalachian Basin coalbed methane assets. Lantana engaged in a broad marketing process that included making inquiries by email to over 6,000 contacts in its database to ascertain interest in the Company s coalbed methane assets. Lantana also advertised in Hart s A&D and all PLS publications announcing the availability of our coalbed methane assets. Through these marketing efforts, Lantana identified and engaged in follow up discussions with 125 parties that might have interest in the Company s coalbed methane assets. As a result of these efforts, 25 confidentiality agreements were executed and 13 data room presentations were made. A total of four initial bids were received the week of December 9, 2013. The initial bids ranged in amount from $50 million to $108 million, although the $108 million bid was promptly reduced to $105 million. Lantana noted that the number of bids received was fewer than initially anticipated, with certain prospective bidders expressing concerns about the risk of regional natural gas price volatility.

The Company promptly commenced negotiations with the initial high bidder, and the initial high bidder indicated that it would promptly provide comments to the Company s proposed purchase and sale agreement.

On January 13, 2014, a representative of Atlas contacted Lantana to express an interest in the Company s coalbed methane assets, and Atlas and the Company entered into a confidentiality agreement.

On January 14, 2014, our board of directors held a meeting, at which members of our senior management team updated the board of directors on the status of the marketing process and negotiations with the high bidders.

On January 22, 2014, Lantana gave a sales presentation on the Company s coalbed methane assets to Atlas representatives, including Matthew Jones, President and Director, Mark Schumacher, Chief Operating Officer, Dave Leopold, Senior Vice President Operations, Will Ulrich, Vice President Corporate Development, Brad Eubanks, Vice President Land, Jack Crook, Vice President Environment, Health and Safety, and a representative from Wells Fargo.

While there were numerous discussions between the initial high bidder and our senior management commencing from when its bid was initially received, the initial high bidder did not provide its initial comments to the proposed purchase and sale agreement until several weeks later, on January 23, 2014. The initial high bidder s comments to the proposed purchase and sale agreement were substantial and materially altered the terms of the transaction from those initially proposed by the Company. On January 30, 2014, the Company delivered its response to the revised proposed purchase and sale agreement proposed by the initial high bidder.

On January 31, 2014, the Company received a proposal from Atlas in the amount of $101 million.

In February 2014, the Company and FBRC amended the terms of FBRC s engagement to clarify certain provisions in the event the Company requested that FBRC render an opinion with respect to the fairness of the consideration to be received in connection with a proposed transaction.

On February 2, 2014, Atlas provided a material issues list regarding its proposal to Lantana.

On February 3, 2014, representatives from Atlas, including Daniel Herz, Senior Vice President of Corporate Development and Strategy, and Messrs. Jones, Schumacher, and Ulrich, and our senior management participated in a conference call to discuss the transaction process. The same day, Lantana informed Atlas that it would need to increase its proposed price if Atlas was interested in continuing to participate in the process. Atlas informed Lantana that in order to raise its proposed price, it would need to conduct detailed due diligence as quickly as possible.

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On February 4, 2014, Atlas delivered its initial comments to the proposed purchase and sale agreement. Over the next several days, representatives of Atlas, including Messrs. Herz, Jones, Schumacher, Leopold, Ulrich, Eubanks, and Crook had a series of diligence calls with our senior management.

On February 6, 2014, as a result of its diligence investigation, Atlas increased its bid to $107 million. Atlas management, including Mr. Ulrich, met with representatives of the Company, including Mike McGovern, Chairman of the Board, Bill Rankin, President and Chief Executive Officer, and Tony Oviedo, Senior Vice-President Chief Financial Officer, at the Company s office to discuss Atlas s markup of the proposed purchase and sale agreement, and both parties expressed their desire to work as quickly as possible to try to finalize a definitive purchase and sale agreement that was agreeable to both parties. Between February 6, 2014 and February 13, 2014, Atlas engaged in field visits, and representatives of Atlas and our senior management continued to negotiate the terms of the proposed purchase and sale agreement and numerous revised drafts were exchanged back and forth between the parties.

During this period our senior management discussed whether to inquire with the initial high bidder as to its status, including that the initial high bidder had been very slow throughout its involvement in the process, that the initial high bidder s comments to the Company s proposed purchase and sale agreement had been substantial and materially altered the terms of the transaction from those initially proposed by the Company, that no response had been received from the initial high bidder to the Company s response to its comments to the proposed purchase and sale agreement, that the price proposed by the initial high bidder was less than the price being proposed by Atlas, and that with the April 1, 2014 maturity date of the Company s credit agreement the Company needed to move very quickly in its efforts to enter into a definitive purchase and sale agreement that was acceptable. Our management concluded to focus on Atlas since Atlas had offered a higher price, terms more consistent with those initially proposed by the Company, and was demonstrating significant efforts to quickly complete its due diligence and finalize the purchase and sale agreement.

On February 13, 2014, our board of directors held a meeting, at which members of our senior management team participated and representatives of Lantana, FBRC, and the Company s legal advisors were present. At that meeting, our board of directors, with the assistance of our management and the Company s legal and financial advisors, reviewed and discussed the proposed purchase and sale agreement with Atlas. At the request of our board of directors, our legal counsel reviewed with our board of directors the legal duties of the board of directors in connection with the proposed transaction. Following that discussion our legal counsel also reviewed and discussed with our board of directors the terms of the proposed purchase and sale agreement, including (i) the provisions that would generally restrict the Company or any of its representatives from continuing to solicit competing offers for the Company or for its assets, (ii) the circumstances under which the board of directors would have the ability to respond to certain inquiries if the board of directors determined that the failure to do so would be inconsistent with its fiduciary duties, (iii) that the board of directors would be required to support the proposed transaction with Atlas and recommend approval of such transaction by the Company s stockholders, provided that our board of directors would be permitted to withdraw its recommendation if (A) as a result of intervening events the board of directors concluded that the failure to change its recommendation would be inconsistent with its fiduciary duties or (B) a Superior Proposal had been received that our board of directors had determined to accept, provided that in each case Atlas would be provided at least four business days notice of the intended action and our board of directors would take into account any proposals made by Atlas during such period in evaluating the proposal or intervening events, and (iv) that, under certain circumstances, in the event that our board of directors determined to terminate the agreement with Atlas, the Company would be obligated to pay to Atlas a termination fee of $4,280,000. At the meeting there was also discussion of the fact that the initial high bidder had been very slow throughout its involvement in the process, that the initial high bidder s comments to

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the Company s proposed purchase and sale agreement had been substantial and materially altered the terms of the transaction from those initially proposed by the Company, that no response had been received from the initial high bidder to the Company s response to its comments to the proposed purchase and sale agreement, that the price proposed by the initial high bidder was less than the price being proposed by Atlas, and that with the April 1, 2014 maturity date of the Company s credit agreement the Company needed to move very quickly in its efforts to enter into a definitive purchase and sale agreement that was acceptable. FBRC then reviewed and discussed its financial analyses with respect to the Assets (as defined in the Asset Purchase Agreement) subject to the assumed liabilities and the proposed Asset Sale. Thereafter, at the request of our board of directors, FBRC rendered its oral opinion to our board of directors (which was subsequently confirmed in writing by delivery of FBRC s written opinion dated February 13, 2014) as to, as of February 13, 2014, the fairness, from a financial point of view, to the Company of the consideration to be received by the Company for the Assets subject to the assumed liabilities in the Asset Sale pursuant to the Asset Purchase Agreement. After further discussion among members of the board of directors, the board of directors unanimously approved the agreement with Atlas and the meeting was adjourned. Thereafter, the Company entered into the Asset Purchase Agreement to sell the Assets to Atlas for a purchase price of $107 million, subject to certain adjustments in accordance with the agreement. The effective date of the Asset Sale is January 1, 2014, and it is expected to close in the second quarter of 2014 subject to the satisfaction of closing conditions and stockholder approval. Our board of directors believes that Atlas demonstrated the strongest interest in proceeding aggressively to close, and that the transaction with Atlas represented the highest value and best terms available for the sale of the Company s remaining assets.

In connection with the execution of the Asset Purchase Agreement, certain stockholders of the Company entered into a Voting Agreement for the benefit of Buyer and Atlas (the Voting Agreement). Such stockholders included Sherwood, who is the largest holder of our outstanding shares of Preferred Stock and currently owns approximately 58.6% of our Preferred Stock, Yorktown, who is the largest holder of our outstanding shares of Common Stock and currently owns approximately 30.6% of our Common Stock, and all of the members of our board of directors and our senior management. Collectively, these stockholders own approximately 48.9% of the Common Stock voting power of the Company in the aggregate (including Preferred Stock held by such stockholders on an as-converted to Common Stock basis) and approximately 59.6% of the Preferred Stock voting power of the Company in the aggregate. The Voting Agreement generally (i) requires that the stockholders party to it vote all of their shares of the Company s Common Stock and Preferred Stock, as applicable, in favor of the Asset Sale and against alternative transactions, and (ii) prohibits them from transferring their shares. The Voting Agreement automatically terminates upon the earliest to occur of (i) the termination of the Asset Purchase Agreement, (ii) a change of recommendation by the Company s board of directors and (iii) the closing of the transactions contemplated by the Asset Purchase Agreement.

Our board of directors intends to continue to evaluate other strategic alternatives if the Asset Sale is approved by our stockholders. We currently anticipate that the Asset Sale would be followed by either a merger or a dissolution and distribution of our remaining assets in accordance with applicable law. Under Section 271 of the DGCL and GeoMet s Certificate of Designation, any subsequent merger or dissolution would require approval by (i) our board of directors, (ii) the holders of at least fifty percent (50%) of our Preferred Stock (voting separately as a class), and (iii) the holders of a majority of our outstanding shares with holders of the Preferred Stock voting with the Common Stock, treated as a single class, on an as-converted basis. On an as-converted basis, the Preferred Stock currently represents approximately 53.2% of the outstanding shares and therefore would have the ability to control any vote requiring the approval of our stockholders, including a vote to approve any subsequent merger or dissolution. We believe that the interests of the stockholders may best be served if a merger transaction can be identified and completed. No assurance can be made whether the Company will be successful in completing such a transaction. If we are unable to complete such a transaction, our board of directors intends to seek stockholder approval to dissolve the Company under Delaware law.

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The terms of our outstanding 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 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 $60 million. Therefore, if the Company is dissolved following the Asset Sale, the estimated remaining net proceeds (approximately $23 million) would be less than the liquidation preference to which the holders of our Preferred Stock are currently entitled ($60 million). Absent a concession from the holders of our Preferred Stock, our Common Stockholders would not receive any distributions as a result of the Asset Sale or subsequent 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 merger. If our outstanding Preferred Stock is not entitled to a liquidation preference in the event of a merger, then the Preferred Stock might instead exercise its rights to convert into Common Stock, and then participate with the Common Stock in the proceeds of such transaction on an as-converted basis. Assuming the remaining net proceeds from the Asset Sale are approximately $23 million, this would mean that the holders of our Preferred Stock would receive less in a 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 merger, the Company would have to receive the approval of at least fifty percent (50%) of the outstanding shares of Preferred Stock voting separately as a class, in addition to the approval 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 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 our Common Stockholders would not receive any distributions if the Asset Sale is followed by a merger.

Reasons for the Asset Sale

We are selling substantially all of our assets primarily because of the pending maturity of our bank credit agreement and, based on conversations with our existing bank lenders and other potential lenders, an inability to refinance our existing borrowings. In addition we have been unable to find alternative debt or equity financing on terms that were in the best interests of our stockholders, or a merger candidate or corporate transaction. We believe that our efforts to successfully engage in a strategic corporate transaction was severely constrained and hampered by depressed natural gas prices, low price expectations for dry gas, excessive supplies of dry gas, and our highly leveraged and complex capital structure. After considering the available alternatives, our board of directors determined that the Asset Sale provides the best opportunity for satisfying our liabilities and returning value to our stockholders.

The foregoing discussion of the factors considered by our board of directors is not intended to be exhaustive, but rather includes material factors considered by the directors. Our board of directors also considered other factors, including those described in the section entitled Risk Factors in this Proxy Statement, in deciding to approve, and unanimously recommending that our stockholders approve, the Asset Sale. In reaching its decision and recommendation to our stockholders, our board of directors did not quantify or assign any relative weights to the factors considered and individual directors may have given different weights to different factors. In addition, our board of directors did not undertake to make any specific determination as to whether any particular factor, or any aspect of any particular factor, was favorable or unfavorable to its ultimate determination, but rather conducted an overall analysis of the factors described above.

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Recommendation of Our Board of Directors

Our board of directors determined that the terms and conditions of the Asset Purchase Agreement and the transactions contemplated thereby, including the Asset Sale, are advisable to, and in the best interests of, GeoMet and its stockholders. This determination was made by a unanimous vote of all of the members of our board of directors, based on an evaluation of many factors, some of which included:

- given our financial condition and liquidity, the possibility of default under our credit agreement if an asset sale or strategic transaction did not occur before April 1, 2014, the maturity date at such time;

- the continual decline in natural gas prices starting in the summer of 2009, which had a significant impact on the Company s operating cash flow, results of operations, financial condition and liquidity;

- the PIK Dividends owed to the holders of our Preferred Stock, which has resulted in an ongoing, compounding, dilution of the holders of our Common Stock and impaired our ability to raise additional equity;

- the inability to refinance under the Company s credit agreement;

- the inability to find a viable strategic merger partner;

- the financial analysis reviewed and discussed with our board of directors by representatives of FBRC as well as the oral opinion of FBRC rendered to the GeoMet board of directors on February 13, 2014 (which was subsequently confirmed in writing by delivery of FBRC s written opinion addressed to our board of directors dated the same date) as to, as of February 13, 2014, the fairness, from a financial point of view, to GeoMet of the consideration to be received by GeoMet for the Assets subject to the assumed liabilities in the Asset Sale pursuant to the Asset Purchase Agreement; and

- the transaction with the Buyer represented the highest value and best terms available, and the Buyer demonstrated the strongest interest in proceeding aggressively to consummate the Asset Sale.

Our board of directors unanimously recommends that our stockholders vote **FOR** the authorization of the Asset Sale.

Opinion of GeoMet s Financial Advisor

On February 13, 2014, GeoMet s financial advisor, FBRC, rendered its oral opinion to the GeoMet board of directors (which was subsequently confirmed in writing by delivery of FBRC s written opinion addressed to the GeoMet board of directors dated the same date), as to the fairness, from a financial point of view, as of the date of the opinion, to GeoMet of the consideration of $107 million to be received by GeoMet for the Assets (as defined in the Asset Purchase Agreement) subject to the assumed liabilities in the Asset Sale pursuant to the Asset Purchase Agreement.

FBRC s opinion was directed to the GeoMet board of directors (in its capacity as such) and only addressed the fairness, from a financial point of view, to GeoMet of the consideration to be received by GeoMet for the Assets subject to the assumed liabilities in the Asset Sale pursuant to the Asset Purchase Agreement and did not address any other aspect or implication of the Asset Sale. The summary of FBRC s opinion in this Proxy Statement is qualified in its entirety by reference to the full text of FBRC s written opinion, which is included as *Annex C* to this Proxy Statement and sets forth the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by FBRC in preparing its opinion. However, neither FBRC s written opinion nor the summary of its opinion and the related analyses set forth in this Proxy Statement are intended to be, and they do not constitute, advice or a recommendation to the GeoMet board of directors, GeoMet, the Sellers, any security holder of GeoMet or any other person as to how to act or vote on any matter relating to the Asset Sale or otherwise.

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In arriving at its opinion, FBRC, among other things:

- reviewed a draft, dated February 11, 2014, of the Asset Purchase Agreement;
- reviewed certain publicly available business and financial information relating to GeoMet and the Assets;
- reviewed certain other business, financial and operating information relating to GeoMet and the Assets, including financial forecasts for the Assets, subject to the assumed liabilities, for the two fiscal years ended December 31, 2014 and December 31, 2015 prepared and provided to FBRC by management of GeoMet (which we refer to as the GeoMet Projections);
- reviewed certain other information relating to the Assets and the assumed liabilities provided to FBRC by GeoMet, including certain oil and gas reserve reports and data prepared by GeoMet s third-party oil and gas reserves consultants containing estimates with respect to GeoMet s proved oil and gas reserves and associated timings and riskings, including certain adjustments provided by Lantana and pricing assumptions provided by GeoMet (which we refer to as the Reserve Reports);
- met with certain members of the management of GeoMet to discuss the Assets and their prospects, the assumed liabilities and the proposed Asset Sale;
- reviewed certain financial data for the Assets subject to the assumed liabilities and compared that data with similar data for companies with publicly traded equity securities that FBRC deemed relevant;
- reviewed certain financial terms of the proposed Asset Sale and compared certain of those terms with the publicly available financial terms of certain business combinations and other transactions that FBRC deemed relevant; and
- considered such other information, financial studies, analyses and investigations and financial, economic and market criteria that FBRC deemed relevant.

In connection with its review, FBRC did not independently verify any of the foregoing information and FBRC assumed and relied upon such information being complete and accurate in all respects material to its analyses and its opinion. With respect to the GeoMet Projections, management of GeoMet advised FBRC, and FBRC assumed, that such projections were reasonably prepared in good faith on bases reflecting the best currently available estimates and judgments of the management of GeoMet with respect to the future financial performance of the Assets subject to the assumed liabilities, and FBRC expressed no view or opinion with respect to the GeoMet Projections or the assumptions upon which they were based. With respect to the Reserve Reports, FBRC was advised and assumed that the Reserve Reports were reasonably prepared in good faith on bases reflecting the best currently available estimates and judgments of GeoMet s third-party oil and gas reserves consultants as to the oil and gas reserves included in the Assets and associated timings and riskings and were advised by GeoMet and assumed that the Reserve Reports were a reasonable basis on which to evaluate the Assets subject to the assumed liabilities, and FBRC expressed no view or opinion with respect to the Reserve Reports or the assumptions upon which they were based. FBRC relied upon and assumed, without independent verification, that there had been no change in the business, assets, liabilities, financial condition, results of operations, cash flows or prospects relating to the Assets subject to the assumed liabilities since the Effective Date or, if earlier, the respective dates of the most recent financial statements and other information, financial or otherwise, provided to FBRC that would be material to its analyses or its opinion, and that there was no information or any facts or developments that would make any of the information reviewed by FBRC incomplete or misleading. FBRC also assumed, with GeoMet s consent, that (i) in the course of obtaining any regulatory or third party consents, approvals or agreements in connection with the Asset Sale, no delay, limitation, restriction or condition would be imposed that would have an adverse effect on GeoMet, the Assets or the contemplated

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benefits of the Asset Sale; (ii) the representations and warranties made by the parties in the Asset Purchase Agreement were accurate and complete in all respects material to its analyses and its opinion; (iii) each party to the Asset Purchase Agreement would perform all of its covenants and obligations thereunder; and (iv) the Asset Sale would be consummated in accordance with the terms of the Asset Purchase Agreement, including the form and structure of the Asset Sale contemplated thereby, without waiver, modification or amendment of any term, condition or provision of the Asset Purchase Agreement that was material to its analyses or its opinion. FBRC also assumed that the Asset Purchase Agreement, when executed by the parties thereto, would conform to the draft reviewed by FBRC in all respects material to its analyses.

For purposes of its analysis and its opinion, FBRC at GeoMet s direction treated the consideration to be collectively received by the Sellers in the Asset Sale pursuant to the Asset Purchase Agreement as being received by GeoMet. In addition, with GeoMet s consent, FBRC assumed for purposes of its analysis and its opinion, that any increase in the value of the Assets or reduction in the value of the assumed liabilities following January 1, 2014 and any adjustment to the consideration pursuant to the Asset Purchase Agreement or otherwise would not be material to its analysis or its opinion.

In its opinion, FBRC referenced the fact that the report of GeoMet s independent auditors included in GeoMet s Annual Report on Form 10-K for the year ended December 31, 2012, containing the most recent audited financial statements available at the time for GeoMet, included a statement by GeoMet s independent auditors that, among other things, the financial condition of GeoMet raised substantial doubt about GeoMet s ability to continue as a going concern. Furthermore, FBRC s opinion also referenced the fact that GeoMet s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2013 disclosed that (i) there could be no assurances that GeoMet would be able to refinance or repay the borrowings under its credit facility before it matures on April 1, 2014 which, among other things, raised substantial doubt about GeoMet s ability to continue as a going concern and (ii) if GeoMet became unable to continue as a going concern, GeoMet might be forced to liquidate its assets and the values GeoMet would receive for its assets in liquidation or dissolution could be significantly lower than the values reflected in its financial statements. FBRC noted, however, that, under the ownership of a company with adequate liquidity and capital, such as Buyer, the value of the Assets could substantially improve, resulting in significant returns to Buyer if the Asset Sale is consummated.

FBRC s opinion addressed only the fairness, from a financial point of view, to GeoMet of the consideration to be received by GeoMet for the Assets subject to the assumed liabilities in the Asset Sale pursuant to the Asset Purchase Agreement in the manner set forth above and did not address any other aspect or implication of the Asset Sale or any agreement, arrangement or understanding entered into in connection with the Asset Sale or otherwise, including, without limitation, the allocation of the consideration amongst the Assets subject to the assumed liabilities; the allocation of the consideration amongst the Sellers; the solvency or fair value of GeoMet or any other entity or person or their respective assets or liabilities under any state or federal laws relating to bankruptcy, insolvency, fraudulent conveyance or similar matters; any tax implications of the Asset Sale to GeoMet or its securityholders or any other party; GeoMet s or the Sellers potential use of the proceeds from the Asset Sale; any subsequent actions or transactions to which GeoMet may be a party; the fairness of any portion or aspect of the Asset Sale to the holders of any class of securities, creditors or other constituencies of GeoMet, or to any other party; or the fairness of the amount or nature of, or any other aspect relating to, any compensation or consideration to be received by or otherwise payable to any officers, directors, employees, securityholders or affiliates of any party to the Asset Sale, or class of such persons, relative to the consideration or otherwise. The issuance of FRB s opinion was approved by an authorized internal committee of FBRC.

FBRC expressed no opinion and provided no advice, counsel or interpretation, with respect to matters that require legal, regulatory, accounting, insurance, tax or other similar professional advice. FBRC assumed that any such opinions, advice, counsel or interpretations had been or would be obtained by GeoMet from appropriate professional sources. Furthermore, FBRC, with GeoMet s consent, relied upon the assessments by GeoMet and its other advisors as to all legal, regulatory, accounting, insurance and tax matters with respect to GeoMet, the Sellers, the Assets, the assumed liabilities and the Asset Sale.

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FBRC s opinion was necessarily based upon information made available to FBRC as of the date of its opinion and financial, economic, market and other conditions as they existed and could be evaluated on the date of its opinion. FBRC assumed no responsibility to update or revise its analysis or its opinion for information obtained or events or circumstances occurring after the date of its opinion. In addition, as GeoMet was aware, the GeoMet Projections and other information that FBRC reviewed relating to the future financial performance of the Assets subject to the assumed liabilities reflected certain assumptions regarding the energy industry and future commodity prices associated with the energy industry that are subject to significant uncertainty and volatility and that, if different than assumed, could have a material impact on FBRC s analyses and opinion. FBRC was previously engaged to assist GeoMet in evaluating certain strategic alternatives, including a possible sale of GeoMet and, in connection with such engagement, solicited indications of interest in acquiring GeoMet. FBRC s engagement to provide those financial advisory services was subsequently terminated in November, 2013 by mutual agreement, and FBRC understood that another financial advisor was engaged by GeoMet to solicit indications of interest in acquiring certain assets of GeoMet, including the Assets and, consequently, since the termination of its engagement to assist GeoMet in evaluating certain strategic alternatives, including a possible sale of GeoMet, FBRC had not been requested to, and did not, (i) solicit indications of interest from third parties with respect to an acquisition of all or any part of GeoMet or the Assets or any alternatives to the Asset Sale, (ii) negotiate the terms of the Asset Sale, or (iii) advise the GeoMet board of directors or any other party with respect to alternatives to the Asset Sale. FBRC s opinion did not address the relative merits of the Asset Sale as compared to alternative transactions or strategies that might be available to GeoMet or any other party to the Asset Sale, nor did it address the underlying business decision of the GeoMet board of directors, GeoMet, the Sellers or any other party to proceed with the Asset Sale. Furthermore, in connection with its opinion, FBRC was not requested to, and did not, make any physical inspection or independent appraisal or evaluation of any of the assets, properties or liabilities (contingent or otherwise) of GeoMet, the Sellers or any other party, nor was FBRC provided with any such appraisal or evaluation other than the Reserve Reports. FBRC did not estimate, and expressed no opinion regarding, the liquidation value of GeoMet, the Sellers or any other entity, whether before or after giving effect to the Asset Sale.

FBRC s opinion was for the information of the GeoMet board of directors (in its capacity as such) in connection with its consideration of the proposed Asset Sale and, in accordance with the terms of FBRC s engagement, was not intended to and should not be construed as creating any fiduciary duty on the part of FBRC to the GeoMet board of directors, GeoMet, the Sellers, any securityholder of GeoMet or any other party. FBRC s opinion does not constitute a recommendation to the GeoMet board of directors, GeoMet, the Sellers, any securityholder of GeoMet or any other person as to how to act or vote on any matter relating to the Asset Sale or otherwise.

In preparing its opinion to the GeoMet board of directors, FBRC performed a variety of analyses, including those described below. The summary of FBRC s financial analyses is not a complete description of the analyses underlying FBRC s opinion. The preparation of such an opinion is a complex process involving various quantitative and qualitative judgments and determinations with respect to the financial, comparative and other analytic methods employed and the adaptation and application of those methods to the unique facts and circumstances presented. As a consequence, neither FBRC s opinion nor the analyses underlying its opinion are readily susceptible to partial analysis or summary description. FBRC arrived at its opinion based on the results of all analyses undertaken by it and assessed as a whole and did not draw, in isolation, conclusions from or with regard to any individual analysis, analytic method or factor. Accordingly, FBRC believes that its analyses must be considered as a whole and that selecting portions of its analyses, analytic methods and factors, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying its analyses and opinion.

In performing its analyses, FBRC considered business, economic, industry and market conditions, financial and otherwise, and other matters as they existed on, and could be evaluated as of, the date of its opinion. No company, business or transaction used in FBRC s analyses for comparative purposes is identical to GeoMet, the Assets subject to the assumed liabilities or the proposed Asset Sale. While the results of each analysis were taken into account in reaching its overall conclusion, FBRC did not make separate or quantifiable judgments regarding individual analyses. The asset values and asset value reference ranges indicated by FBRC s financial analyses are

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illustrative and not necessarily indicative of actual values nor predictive of future results or values, which may be significantly more or less favorable than those suggested by the analyses. In addition, any analyses relating to the value of assets, businesses or securities do not purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold, which may depend on a variety of factors, many of which are beyond GeoMet s control and the control of FBRC. Much of the information used in, and accordingly the results of, FBRC s analyses are inherently subject to substantial uncertainty.

FBRC s opinion and analyses were provided to the GeoMet board of directors (in its capacity as such) in connection with its consideration of the proposed Asset Sale and were among many factors considered by the GeoMet board of directors in evaluating the proposed Asset Sale. Neither FBRC s opinion nor its analyses were determinative of the consideration or of the views of the GeoMet board of directors with respect to the proposed Asset Sale.

The following is a summary of the material financial analyses performed by FBRC in connection with the preparation of its opinion rendered to the GeoMet board of directors on February 13, 2014. The analyses summarized below include information presented in tabular format. The tables alone do not constitute a complete description of the analyses. Considering the data in the tables below without considering the full narrative description of the analyses, as well as the methodologies underlying, and the assumptions, qualifications and limitations affecting, each analysis, could create a misleading or incomplete view of FBRC s analyses.

For purposes of its analyses, FBRC reviewed a number of financial metrics including:

- ***Enterprise Value*** generally the value as of a specified date of the relevant company s outstanding equity securities (taking into account its options and other outstanding convertible securities) plus the value as of such date of its net debt (the value of its outstanding indebtedness, preferred stock and capital lease obligations less the amount of cash on its balance sheet). Enterprise Value in connection with asset sales such as the Asset Sale was generally calculated as the publicly disclosed purchase price of the assets.

- ***EBITDA*** generally the amount of the relevant company s earnings before interest, taxes, depreciation and amortization for a specified time period.

Unless the context indicates otherwise, (1) share prices for the selected companies used in the selected companies analysis described below were as of February 11, 2014; (2) estimates of financial performance of the Assets subject to the assumed liabilities for the calendar years ending December 31, 2014 and 2015 were based on the GeoMet Projections excluding corporate-level expenses and impacts of hedging, (3) estimates of financial performance for the selected companies listed below for the calendar years ending December 31, 2014 and 2015 were based on publicly available research analyst estimates for those companies, (4) proved reserves for the selected companies used in the selected companies analysis were based on reserve reports as of December 31, 2012, adjusted for certain publicly disclosed asset acquisitions and divestitures, and proved reserves for the target assets used in the selected transactions analysis were based on the most recent publicly available reserves information, (5) reserve data for the Assets reflect only proved, developed, producing, reserves, which we refer to as PDP reserves, (6) reserve data for the selected companies used in the selected companies analysis and for the target assets used in the selected transactions analysis include all proved reserve categories, and (7) production data for the selected companies used in the selected companies analysis and for the target assets used in the selected transactions analysis were based on production data for the most recent publicly available data, which in the case of the selected companies used in the selected companies analysis was generally the third quarter of 2013. The utility of reserve and production multiples in the analyses described below varies based on the composition of proved reserves, resource potential and net acres as between GeoMet, the selected companies used in the selected companies analysis and the target companies or assets used in the selected transactions analysis, as well as the oil and gas commodity mix.

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Net Asset Value Analysis

FBRC calculated the net asset value of PDP oil and gas reserves of the Assets to the end of their economic life based on the Reserve Reports. In performing this analysis, FBRC applied probability weighting of ninety-five percent (95%) to one-hundred percent (100%) and data from the Reserve Reports that applied a discount rate of ten percent (10%) to the projected unlevered free cash flows for the Assets. No value was assigned to any undeveloped acreage or identified drilling locations included in the Assets. For purposes of the net asset value analysis, FBRC used natural gas prices based on (1) NYMEX strip pricing, which we refer to as NYMEX Pricing, (2) the natural gas prices GeoMet informed FBRC it would use in the 2013 Reserve Reports to be filed with the SEC, which we refer to as SEC Pricing, and (3) consensus analyst estimates of future natural gas prices, which refer to as Analyst Pricing. We refer to NYMEX Pricing, SEC Pricing and Analyst Pricing as the Three Long Range Pricing Models. The implied value reference ranges for the Assets subject to the assumed liabilities indicated by the Net Asset Value Analysis were approximately $95 million to $100 million using NYMEX Pricing, $69 million to $73 million using SEC Pricing and $100 to $105 million using Analyst Pricing, respectively.

Selected Companies Analysis

FBRC considered certain financial data for selected coalbed methane companies and selected gas-weighted exploration and production companies with publicly traded equity securities FBRC deemed relevant. The financial and operating data reviewed included:

- Enterprise Value as a multiple of estimated 2014E EBITDA;
- Enterprise Value as a multiple of estimated 2015E EBITDA;
- Enterprise Value as a multiple of current proved reserves;
- Enterprise Value as a multiple of daily production; and
- Enterprise Value as a multiple of PV-10 of proved reserves.

The selected companies were:

- Warren Resources, Inc.

- Double Eagle Petroleum Co.
- EXCO Resources, Inc.
- Quicksilver Resources, Inc.
- Comstock Resources, Inc.
- Rex Energy Corporation
- Forest Oil Corporation
- PetroQuest Energy, Inc.

FBRC compared the high, mean, median and low multiples for the selected companies to the corresponding implied multiples for the proposed Asset Sale using (i) for the EBITDA multiples, natural gas prices for 2014 and 2015 based on NYMEX Pricing and Analyst Pricing for 2014 and 2015 as well as two additional pricing models for 2014 and 2015 provided by management of GeoMet and used by management of GeoMet in preparing the GeoMet Projections, which we refer to as GeoMet Management Pricing and GeoMet Management Alternative Pricing, respectively, and, together, as the Two Short Range Pricing Models, and (ii) for the operating multiples, natural gas prices for 2014 and 2015 based on SEC Pricing. The corresponding data were:

	Enterprise Value /	
	2014E EBITDA	**2015E EBITDA**
Indicated Multiples		
High*	6.3x	5.4x
Mean*	4.7x	4.0x
Median*	4.3x	3.8x
Low*	3.7x	3.1x
Implied Asset Sale Multiples based on:		
GeoMet Management Pricing	8.2x	8.8x
GeoMet Management Alternative Pricing	6.3x	6.0x
NYMEX Pricing	5.9x	8.6x
Analyst Pricing	7.9x	8.2x

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* Excludes Quicksilver Resources, Inc.

	Proved Reserves ($/MCf)	Enterprise Value / Current Production ($/MCf/d)	PV-10 of Proved Reserves
Indicated Multiples			
High*	$ 2.78	$ 11,769	3.7x
Mean*	2.03	7,786	1.9x
Median*	1.97	8,577	1.8x
Low*	1.38	4,371	0.7x
Implied Asset Sale Multiples	$ 1.05+	$ 5,035	1.5x+

* Excludes Quicksilver Resources, Inc.

+ Based on SEC Pricing

For illustrative purposes, FBRC also calculated the implied value of the Assets based on the mean and median multiples indicated by the selected companies analysis. The illustrative implied values of the Assets were:

	Implied Asset Value ($ millions)	
	Mean	Median
Estimated 2014E EBITDA based on GeoMet Management Pricing:	$ 61	$ 56
Estimated 2014E EBITDA based on GeoMet Management Alternative Pricing:	$ 80	$ 73
Estimated 2014E EBITDA based on NYMEX Pricing:	$ 85	$ 77
Estimated 2014E EBITDA based on Analyst Pricing:	$ 63	$ 58
Estimated 2015E EBITDA based on GeoMet Management Pricing:	$ 49	$ 46
Estimated 2015E EBITDA based on GeoMet Management Alternative Pricing:	$ 72	$ 68
Estimated 2015E EBITDA based on NYMEX Pricing:	$ 50	$ 48
Estimated 2015E EBITDA based on Analyst Pricing:	$ 52	$ 50
Current proved reserves based on SEC Pricing:	$ 206	$ 200
Daily production for the third quarter of 2013:	$ 165	$ 182
PV-10 of proved reserves based on SEC Pricing:	$ 138	$ 131

Selected Transactions Analysis

FBRC also considered the financial terms of certain business combinations and other transactions involving selected coalbed methane assets and selected gas-weighted exploration and production assets that FBRC deemed relevant. The financial data reviewed included the implied Enterprise Value (based on the purchase price paid in the transaction) as a multiple of:

- Proved reserves; and
- Daily production.

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The selected transactions were:

Date	Purchaser	Seller
8/28/13	Undisclosed	Energen Corporation
6/9/13	Atlas Resource Partners LP	EP Energy LLC
6/9/13	Atlas Resource Partners LP	EP Energy LLC
5/7/13	Saga Resource Partners LLC	GeoMet
2/4/13	Castleton Commodities International LLC	Constellation Energy Partners LLC
12/20/13	Triana Energy LLC	Dominion Resources, Inc.
10/31/13	CONSOL Energy Inc.; Noble Energy Inc.	Dominion Resources, Inc.
9/30/13	Antero Resources Corporation	Republic Energy Ventures LLC; Sancho Oil and Gas Corporation
9/30/13	Antero Resources Corporation	TransEnergy Inc.
12/20/13	Pardee Resources Company	Undisclosed Seller
12/9/13	Undisclosed	Cabot Oil &Gas Corporation
11/8/13	Enerplus Corporation	Undisclosed
9/30/13	EnerVest Management Partners Ltd.	Noble Energy Inc.
8/28/13	LSB; Troy Energy; Citrus Energy	Hat Creek Energy LLC
7/29/13	Questar Corporation	Undisclosed
5/28/13	NorthWestern Energy	Devon Energy Production Company, L.P.
5/3/13	EQT Corporation	Chesapeake Energy Corporation; Undisclosed
2/14/13	Harbinger Group Inc.; EXCO Resources, Inc.	BG Group plc
2/5/13	Caerus Oil and Gas LLC	PDC Energy Inc.
2/4/13	Castleton Commodities International LLC	Constellation Energy Partners LLC

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FBRC compared the high, mean, median and low multiples from the selected transactions analysis to the corresponding implied multiples for the proposed Asset Sale using the Three Long Range Pricing Models. The corresponding data were:

	Enterprise Value / Proved Reserves ($/MCf)
Indicated Multiples	
High	$ 2.35
Mean	1.36
Median	1.47
Low	0.70
Implied Asset Sale Multiple based on:	
NYMEX Pricing	1.12
SEC Pricing	1.05
Analyst Pricing	1.02

	Enterprise Value /	
	Proved Reserves ($/MCf)	Current Production ($/MCf/d)
Indicated Multiples		
High	$ 2.35	$ 8,200
Mean	1.36	5,589
Median	1.47	5,250
Low	0.70	3,643
Implied Asset Sale Multiple		5,035

Illustrative Stand-Alone Discounted Cash Flow Analysis

For illustrative purposes, FBRC also calculated the implied value of the Assets based on the mean and median multiples indicated by the selected transactions analysis using the Three Long Range Pricing Models. The illustrative implied values of the Assets were:

	Implied Asset Value ($ millions)	
	Mean	Median
Current proved reserves based on NYMEX Pricing:	$ 130	$ 140
Current proved reserves based on SEC Pricing:	$ 138	$ 149
Current proved reserves based on Analyst Pricing:	$ 142	$ 153
Daily production for the third quarter of 2013:	$ 119	$ 112

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Other Matters

Notwithstanding the termination of FBRC s engagement as a financial advisor to GeoMet in connection with its evaluation of certain strategic alternatives, FBRC remained engaged by GeoMet to, if requested by GeoMet, provide an opinion with respect to the fairness of the consideration to be received pursuant to certain potential transactions and became entitled to a fee of $300,000 upon the delivery of its opinion. GeoMet also agreed to indemnify FBRC and certain related parties for certain liabilities arising out of or related to FBRC s engagement and to reimburse FBRC for certain expenses incurred in connection with FBRC s engagement.

As discussed above, FBRC was previously engaged to assist GeoMet in evaluating certain strategic alternatives, including a possible sale of GeoMet, for which FBRC received aggregate compensation of $300,000. In addition, as specifically agreed with GeoMet in connection with the termination of its engagement to assist GeoMet in evaluating certain strategic alternatives, FBRC remained entitled to receive a transaction fee upon the consummation of potential transactions with certain potential purchasers that do not include Buyer or Atlas. FBRC and its affiliates may in the future provide financial advice and services to GeoMet or Atlas and their respective affiliates for which FBRC and FBRC s affiliates would expect to receive compensation. FBRC is a full service securities firm engaged in securities trading and brokerage activities as well as providing investment banking and other financial services. In the ordinary course of business, FBRC and its affiliates may acquire, hold or sell, for FBRC s and its affiliates own accounts and the accounts of customers, equity, debt and other securities and financial instruments (including bank loans and other obligations) of GeoMet, Atlas, certain of their affiliates and any other company that may be involved in the Asset Sale, as well as provide investment banking and other financial services to such companies and entities. FBRC has adopted policies and procedures designed to preserve the independence of its research and credit analysts whose views may differ from those of the members of the team of investment banking professionals that advised GeoMet.

GeoMet Selected Unaudited Prospective Financial Information

GeoMet does not as a matter of course make public long-term projections as to future revenues, earnings or other results due to, among other reasons, the uncertainty of the underlying assumptions and estimates. However, GeoMet is including this unaudited selected prospective financial information that was made available to its board of directors and to FBRC for use in providing financial advisory services to GeoMet. The inclusion of this information should not be regarded as an indication that any of GeoMet, its advisors or any other recipient of this information considered, or now considers, it to be necessarily predictive of actual future results.

The selected unaudited prospective financial information was, in general, prepared solely for internal use and is subjective in many respects. As a result, there can be no assurance that the prospective results will be realized or that actual results will not be significantly higher or lower than estimated. Since the selected unaudited prospective financial information covers multiple years, such information by its nature becomes less predictive with each successive year. GeoMet stockholders are urged to review the SEC filings of GeoMet for a description of risk factors with respect to the business of GeoMet. See Cautionary Statement Regarding Forward-Looking Statements and Where You Can Find More Information. The selected unaudited prospective financial information was not prepared

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with a view toward public disclosure, nor was it prepared with a view toward compliance with published guidelines of the SEC, the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information, or GAAP. Neither the independent registered public accounting firm of GeoMet, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the selected unaudited prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability.

The following table presents selected unaudited prospective financial data for the fiscal years ending 2014 and 2015.

	Management Budget		Alternative Management Budget		Budget with NYMEX Strip Pricing		Budget with Wall St Consensus Pricing	
	2014	2015	2014	2015	2014	2015	2014	2015
Avg. Gas Price ($/Mcf)	$ 3.97	$ 4.17	$ 4.50	$ 5.00	$ 4.64	$ 4.21	$ 4.03	$ 4.29
Production (MMcf)	7,949	7,386	7,949	7,386	7,949	7,386	7,949	7,386
Revenue	$ 31,649	$ 30,834	$ 35,844	$ 37,003	$ 36,978	$ 31,166	$ 32,185	$ 31,759
Consolidated EBITDA	$ 6,963	$ 6,261	$ 9,415	$ 9,383	$ 9,454	$ 6,237	$ 7,358	$ 7,039
General and Administrative expense	5,145	5,145	5,145	5,145	5,145	5,145	5,145	5,145
Accretion expense	740	709	740	709	740	709	740	709
Realized cash (gains) loss on hedges	141	74	1,651	2,738	2,682	410	252	164
Field Level EBITDA	**$ 12,988**	**$ 12,189**	**$ 16,950**	**$ 17,975**	**$ 18,021**	**$ 12,501**	**$ 13,494**	**$ 13,056**

For purposes of the selected unaudited prospective financial information presented herein, Consolidated EBITDA is calculated as net income (loss) plus (i) depletion, depreciation and amortization, (ii) interest expense and (iii) income tax expense, all of which as attributable to GeoMet.

In preparing the foregoing selected unaudited projected financial information, GeoMet made a number of assumptions regarding, among other things, various natural gas price scenarios, production decline curves based on historical experience, production expenses and other expenses based on historical experience adjusted for current known changes. GeoMet management believed such assumptions were reasonable at the time made.

No assurances can be given that the assumptions made in preparing the above selected unaudited prospective financial information will accurately reflect future conditions. The estimates and assumptions underlying the selected unaudited prospective financial information involve judgments with respect to, among other things, future economic, competitive, regulatory and financial market conditions and future business decisions which may not be realized and that are inherently subject to significant business, economic, competitive and regulatory uncertainties and contingencies, including, among others, risks and uncertainties described under Risk Factors and Cautionary Statement Regarding Forward-Looking Statements, all of which are difficult to predict and many of which are beyond the control of GeoMet. There can be no assurance that the underlying assumptions will prove to be accurate or that the projected results will be realized, and actual results likely will differ, and may differ materially, from those reflected in the selected unaudited prospective financial information.

In addition, although presented with numerical specificity, the above selected unaudited prospective financial information reflects numerous assumptions and estimates as to future events made by the management of GeoMet. Such estimates are inherently uncertain and are subject to a wide variety of significant business, economic, regulatory and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the prospective financial information. Accordingly, there can be no assurances that the prospective financial information is necessarily predictive of actual future performance of GeoMet.

Readers of this document are cautioned not to place undue reliance on the selected unaudited prospective financial information set forth above. No representation is made by GeoMet or any other person to any GeoMet stockholder regarding the ultimate performance of GeoMet compared to the information included in the above selected unaudited prospective financial information. The inclusion of selected unaudited prospective financial information in this document should not be regarded as an indication that such selected unaudited prospective financial information will be an accurate prediction of actual future events, and such information should not be relied on as such.

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GEOMET DOES NOT INTEND TO UPDATE OR OTHERWISE REVISE THE ABOVE SELECTED UNAUDITED PROSPECTIVE FINANCIAL INFORMATION TO REFLECT CIRCUMSTANCES EXISTING AFTER THE DATE WHEN MADE OR TO REFLECT THE OCCURRENCE OF FUTURE EVENTS, EVEN IN THE EVENT THAT ANY OR ALL OF THE ASSUMPTIONS UNDERLYING SUCH PROSPECTIVE FINANCIAL INFORMATION ARE NO LONGER APPROPRIATE, EXCEPT AS MAY BE REQUIRED BY LAW.

Activities of GeoMet Following the Asset Sale

We currently anticipate that the Asset Sale would be followed by either a merger or a dissolution and distribution of our remaining assets in accordance with applicable law. The terms of our outstanding 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 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 $60 million. Therefore, if the Company is dissolved following the Asset Sale, the estimated remaining net proceeds (approximately $23 million) would be less than the liquidation preference to which the holders of our Preferred Stock are currently entitled ($60 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 the Asset Sale or subsequent 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 merger. If our outstanding Preferred Stock is not entitled to a liquidation preference in the event of a merger, then the Preferred Stock might instead exercise its rights to convert into Common Stock, and then participate with the Common Stock in the proceeds of such transaction on an as-converted basis. Assuming the remaining net proceeds from the Asset Sale are approximately $23 million, this would mean that the holders of our Preferred Stock would receive less in a 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 merger, the Company would have to receive the approval of at least fifty percent (50%) of the outstanding shares of Preferred Stock voting separately as a class, in addition to the approval 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 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 merger.

U.S. Federal Income Tax Consequences of the Asset Sale

The following discussion is a general summary of the anticipated U.S. federal income tax consequences of the Asset Sale. The following discussion is based upon the Internal Revenue Code of 1986, as amended (the Code), its legislative history, currently applicable and proposed Treasury regulations under the Code and published rulings and decisions, all as currently in effect as of the date of this Proxy Statement, and all of which are subject to change, possibly with retroactive effect. Tax considerations under state, local and non-U.S. laws, or federal laws other than those pertaining to income tax, are not addressed in this Proxy Statement. The following discussion has no binding effect on the United States Internal Revenue Service or the courts.

The proposed Asset Sale will be treated for U.S. federal income tax purposes as a sale of corporate assets by GeoMet in exchange for cash and the assumption of certain liabilities. The proposed Asset Sale will be a taxable transaction to GeoMet for U.S. federal income tax purposes, and

GeoMet anticipates that it will recognize gain for

U.S. federal income tax purposes as a result of the Asset Sale. GeoMet anticipates that its tax attributes will be available to offset at least a portion (or potentially all) of GeoMet s U.S. federal income tax liability resulting from such gain. However, the determination of whether GeoMet will recognize gain or loss on the proposed Asset Sale and whether and to what extent GeoMet s tax attributes will be available to offset U.S. federal income tax liability from gain on the proposed Asset Sale is highly complex and is based in part upon facts that will not be known until the completion of the proposed Asset Sale. Therefore, it is possible that the proposed Asset Sale will generate a U.S. federal income tax liability to GeoMet and, in this case, any such tax liability could reduce the cash available for distribution to GeoMet s stockholders. Our estimate of our remaining net proceeds after the Asset Sale includes an estimated federal income tax liability of approximately $2 million. See Summary Term Sheet Use of Proceeds; Estimated Remaining Net Proceeds beginning on page 4.

There should be no U.S. federal income tax consequence to the stockholders of GeoMet as a result of the proposed Asset Sale, as the proposed Asset Sale by GeoMet is entirely a corporate action. As a result, our stockholders will not recognize any gain or loss for U.S. federal income tax purposes as a result of the proposed Asset Sale.

Accounting Treatment of the Asset Sale

The Asset Sale will be accounted for as a sale by GeoMet, as that term is used under accounting principles generally accepted in the United States, for accounting and financial reporting purposes.

Government Approvals

We believe that the notification and waiting period requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act), do not apply to the Asset Sale and that we will not be required to make any filings with the Department of Justice s Antitrust Division or the Federal Trade Commission (FTC). However, the FTC and the Antitrust Division frequently scrutinize the legality under the antitrust laws of transactions such as the Asset Sale. At any time before or after the consummation of the Asset Sale, the FTC or the Antitrust Division could take such action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the transaction or seeking the divestiture of substantial assets of the Buyer, GeoMet or their respective subsidiaries. Private parties, state attorneys general or foreign governmental entities may also bring legal action under antitrust laws under certain circumstances. Based upon an examination of information available relating to the businesses in which the Buyer, GeoMet and their respective subsidiaries are engaged, the parties believe that the Asset Sale will not violate the antitrust laws. Nevertheless, there can be no assurance that a challenge to the Asset Sale on antitrust grounds will not be made or, if such a challenge is made, what the result would be.

We believe we are not required to make any other material filings or obtain any material governmental consents or approvals before the consummation of the Asset Sale. If any approvals, consents or filings are required to consummate the Asset Sale, we will seek or make such consents, approvals or filings as promptly as possible.

No Appraisal Rights

Stockholders may vote against the authorization of the Asset Sale but, under Delaware law, appraisal rights are not available to stockholders in connection with the Asset Sale.

Interests of Certain Persons in the Asset Sale

As described below, members of our board of directors and our executive officers may have interests in the Asset Sale that are different from, or are in addition to, the interests of our stockholders generally. Our board of directors was aware of these interests and considered them, among other matters, in approving the Asset Purchase Agreement.

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Executive Officer Employment Agreements

Effective May 14, 2012, each of Messrs. Rankin and Oviedo, entered into amended and restated employment agreements that replaced their previous employment agreements. Mr. Brett S. Camp, the Company s Senior Vice President Operations, also entered into an employment agreement effective May 14, 2012.

Under their respective employment agreements, Messrs. Rankin, Oviedo and Camp are entitled to severance payments if their employment is terminated under certain circumstances. The amount of the compensation is contingent upon a number of factors, including the circumstances under which employment is terminated. The table below quantifies the amount that would become payable to each of Messrs. Rankin, Oviedo and Camp as a result of his termination of employment. The amounts shown assume that such termination was effective on December 31, 2012 and are estimates of the amounts that would be paid. The actual amounts that would be paid can only be determined at the time of the officer s termination of employment. While the Company currently contemplates that Messrs. Rankin, Oviedo and Camp will continue to be employed, at least for some period of time, following the closing of the Asset Sale while we continue to evaluate strategic alternatives following such closing, we anticipate that their employment will be terminated some time in the near future. Therefore, our estimate of our remaining net proceeds after the Asset Sale includes approximately $2.4 million of severance payments for Messrs. Rankin, Oviedo and Camp. See Summary Term Sheet Use of Proceeds; Estimated Remaining Net Proceeds beginning on page 4.

Awards of stock options and restricted stock under the 2006 Long-Term Incentive Plan prescribe the treatment of those awards under certain events including termination for Cause and termination following or in connection with a Corporate Change. For purposes of those awards, Cause is defined as a finding by the Compensation, Nominating, Corporate Governance and Ethics Committees of acts or omissions constituting (a) a breach of duty by the executive in the course of his employment or service involving fraud, acts of dishonesty (other than inadvertent acts or omissions), disloyalty to the Company, or moral turpitude constituting criminal felony; (b) conduct by the executive that is materially detrimental to the Company, monetarily or otherwise, or reflects unfavorably on the Company or the executive to such an extent that the Company s best interests reasonably require the termination of the executive s employment or service; (c) acts or omissions of the executive materially in violation of his obligations under any written employment or other agreement between the executive and the Company or at law; (d) the executive s failure to comply with or enforce Company policies concerning equal employment opportunity, including engaging in sexually or otherwise harassing conduct; (e) the executive s repeated insubordination; (f) the executive s failure to comply with or enforce, in any material respect, all other personnel policies of the Company; (g) the executive s failure to devote his full (or other required) working time and best efforts to the performance of his responsibilities to the Company; or (h) the executive s conviction of, or entry of a plea agreement or consent decree or similar arrangement with respect to a felony or any violation of federal or state securities laws.

The 2006 Long-Term Incentive Plan defines a Corporate Change as (a) the dissolution or liquidation of the Company; (b) a reorganization, merger or consolidation of the Company with one or more corporations (other than a merger or consolidation effecting a reincorporation of the Company in another state or any other merger or consolidation in which the stockholders of the surviving corporation and their proportionate interests therein immediately after the merger or consolidation are substantially identical to the stockholders of the Company and their proportionate interests therein immediately prior to the merger or consolidation) (collectively, a Corporate Change Merger); (c) the sale of all or substantially all of the assets of the Company; or (d) the occurrence of a Change in Control. The term Corporate Change does not include any public offering of equity of the Company pursuant to a registration statement that is effective under the Securities Act of 1933, as amended. A Change in Control shall be deemed to have occurred if (a) individuals who were directors of the Company immediately prior to a Control Transaction shall cease, within two years of such Control Transaction to constitute a majority of the Company s board of directors (or of the board of directors of any successor to the Company or to a company which has acquired all or substantially all its assets) other than by reason of an increase in the size of the membership of the applicable board of directors that is approved by at least a majority of the individuals who were directors of the Company immediately prior to such Control Transaction or (b) any entity, person or Group acquires shares of the Company in a transaction or series of transactions that result in such entity, person or Group directly or indirectly owning beneficially fifty percent (50%) or more of the outstanding shares of Common Stock. The term Control Transaction means (a) any tender offer for or acquisition of capital stock of the Company

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pursuant to which any person, entity, or Group directly or indirectly acquires beneficial ownership of twenty percent (20%) or more of the outstanding shares of Common Stock; (b) any Corporate Change Merger of the Company; (c) any contested election of directors of the Company; or (d) any combination of the foregoing, any one of which results in a change in voting power sufficient to elect a majority of the board of directors. As used herein, Group means persons who act in concert as described in Sections 13(d)(3) and/or 14(d)(2) of the Exchange Act.

Name and Triggering Event(1)	Cash Severance Payment(2)	Welfare and Similar Benefits(3)	Stock Awards(4)	Option Awards(5)	Total
William C. Rankin					
Death		$ 35,927			$ 39,478
Disability		$ 35,927			$ 39,478
Voluntary termination or termination with cause		$ 16,006			$ 16,006
Involuntary termination without cause	$ 1,024,000	$ 35,927	$ 20,609	$ 4,639	$ 1,088,726
Good reason termination	$ 1,024,000	$ 35,927	$ 20,609	$ 4,639	$ 1,088,726
After a CIC:					
Voluntary termination or termination with cause		$ 16,006			$ 16,006
Involuntary termination without cause	$ 1,024,000	$ 35,927	$ 20,609	$ 4,639	$ 1,088,726
Good reason termination	$ 1,024,000	$ 35,927	$ 20,609	$ 4,639	$ 1,088,726
Tony Oviedo					
Death		$ 37,767			$ 33,988
Disability		$ 37,767			$ 33,988
Voluntary termination or termination with cause		$ 17,847			$ 17,847
Involuntary termination without cause	$ 630,000	$ 37,767	$ 13,846	$ 2,586	$ 680,420
Good reason termination	$ 630,000	$ 37,767	$ 13,846	$ 2,586	$ 680,420
After a CIC:					
Voluntary termination or termination with cause		$ 17,847			$ 17,847
Involuntary termination without cause	$ 630,000	$ 37,767	$ 13,846	$ 2,586	$ 680,420
Good reason termination	$ 630,000	$ 37,767	$ 13,846	$ 2,586	$ 680,420
Brett S. Camp					
Death		$ 32,643			$ 32,853
Disability		$ 32,643			$ 32,853
Voluntary termination or termination with cause		$ 4,002			$ 4,002
Involuntary termination without cause	$ 630,000	$ 32,643	$ 15,124	$ 2,531	$ 680,508
Good reason termination	$ 630,000	$ 32,643	$ 15,124	$ 2,531	$ 680,508
After a CIC:					
Voluntary termination or termination with cause		$ 4,002			$ 4,002
Involuntary termination without cause	$ 630,000	$ 32,643	$ 15,124	$ 2,531	$ 680,508
Good reason termination	$ 630,000	$ 32,643	$ 15,124	$ 2,531	$ 680,508

(1) Amounts in the table represent obligations of the Company under agreements currently in place and valued as of December 31, 2012.

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(2) Amounts listed under cash severance payment are payable under the terms of certain named executive officers employment or severance agreements.

(3) Amounts under Welfare and Similar Benefits include accrued vacation and the amount that would be paid to each named executive officer whose employment agreement or severance agreement provides for continued medical insurance for a period of time.

(4) The amounts listed under Stock Awards would be the result of the acceleration of the vesting of previously awarded restricted stock and restricted stock units as a result of an involuntary termination without cause or a good reason termination within one year of a Corporate Change event.

(5) The number of shares of Common Stock underlying options for which vesting is accelerated upon an involuntary termination without cause or a good reason termination within one year of a Corporate Change event for Messrs. Rankin, Oviedo and Camp were 79,069, 44,492 and 42,843, respectively.

The amounts shown above with respect to outstanding Company stock option and restricted stock awards were calculated based on a variety of assumptions, including the following: (a) a Corporate Change event occurred on December 31, 2012; (b) a stock price of the Company s Common Stock equal to $0.14, which was the closing price of the Company s shares on December 31, 2012; and (c) upon a Corporate Change, all unvested stock options and restricted stock vest, including those with vesting provisions tied to performance measures which vest as if target performance was achieved.

Indemnification of Officers and Directors

We have entered into indemnification agreements with each of our directors and Mr. William Rankin, Mr. Tony Oviedo, Mr. Brett Camp and Mr. Stephen Smith. These agreements provide that we will, among other things, indemnify such persons against certain liabilities that may arise by reason of their status or service as directors or officers, to advance their expenses incurred as a result of a proceeding to which they may be indemnified and to cover such person under any directors and officers liability insurance policy we choose, in our discretion, to maintain. These indemnification agreements are intended to provide indemnification rights to the fullest extent permitted under applicable indemnification rights statutes in the State of Delaware and are in addition to any other rights such person may have under our amended and restated certificate of incorporation, amended and restated bylaws and applicable law. We believe these indemnification agreements enhance our ability to employ knowledgeable and experienced executives and independent, non-management directors.

The Asset Purchase Agreement

Below and elsewhere in this Proxy Statement is a summary of the material terms of the Asset Purchase Agreement, a copy of which is attached to this Proxy Statement as *Annex A*. We encourage you to carefully read the Asset Purchase Agreement in its entirety as the summaries contained herein may not contain all of the information about the Asset Purchase Agreement that is important to you.

The Asset Purchase Agreement has been attached to this Proxy Statement as Annex A to provide you with information regarding its terms, and we recommend that you carefully read the Asset Purchase Agreement in its entirety. Except for its status as a contractual document that establishes and governs the legal relations among the parties thereto with respect to the Asset Sale, we do not intend for its text to be a source of factual, business or operational information about us. The Asset Purchase Agreement contains representations, warranties and covenants that are qualified and limited, including by information in the disclosure schedule referenced in the

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Asset Purchase Agreement that the parties delivered in connection with the execution of the Asset Purchase Agreement. Representations and warranties may be used as a tool to allocate risks between the respective parties to the Asset Purchase Agreement, including where the parties do not have complete knowledge of all facts, instead of establishing such matters as facts. Furthermore, the representations and warranties may be subject to different standards of materiality applicable to the contracting parties, which may differ from what may be viewed as material to stockholders. These representations may or may not have been accurate as of any specific date and do not purport to be accurate as of the date of this Proxy Statement. Moreover, information concerning the subject matter of the representations and warranties may have changed since the date of the Asset Purchase Agreement and subsequent developments or new information qualifying a representation or warranty may have been included in this Proxy Statement. You should not rely on its representations, warranties or covenants as characterizations of the actual state of facts or condition of GeoMet or any of its affiliates.

The Asset Sale

Divested Assets

The Assets of GeoMet to be purchased by the Buyer include all of GeoMet s interests in the coalbed methane leases and assets, including all easements, rights of way, related gathering facilities, equipment, improvements, books and records and office leases located in West Virginia and Virginia, commonly referred to as the Pond Creek Prospect, Lasher Prospect and Pinnate Prospect properties. The Assets constitute substantially all of GeoMet s assets.

Excluded Assets

The Buyer will not purchase, and GeoMet will retain, certain excluded assets, including: (i) corporate minute books, (ii) accounts and receivables, including insurance proceeds, relating to periods prior to the effective date of the Asset Sale, (iii) proprietary software, patents, trade secrets, copyrights, trademarks and other intellectual property and (iv) any swap or derivative transaction.

Assumed Liabilities

Other than the following specified liabilities related to the Assets, the Asset Purchase Agreement expressly provides that the Buyer will not assume any other of our liabilities:

All of GeoMet s liabilities, obligations and duties with respect to (i) the Assets; (ii) the oil and gas contracts (other than for breach by GeoMet of any oil and gas contract (excluding the leases) prior to the effective date); (iii) any legal requirements (including, for the avoidance of doubt, any environmental statute); and (iv) any claims for which GeoMet is obligated to indemnify the Buyer to the extent that GeoMet s indemnity obligation thereunder has expired or terminated, including, without limitation, all of GeoMet s liabilities and obligations with respect to plugging, replugging and abandonment of any wells and remediation of any of the Assets.

Excluded Liabilities

We will retain all liabilities other than the assumed liabilities, including the following specified liabilities: (i) all liabilities or obligations arising from a breach of any of the covenants of GeoMet under the Asset Purchase Agreement, (ii) all liabilities or obligations relating to any excluded asset (see above) and (iii) all liabilities or obligations arising from a breach by GeoMet of any oil and gas contract (excluding the leases) prior to the effective date of the Asset Purchase Agreement.

Consideration to be Received by GeoMet

Upon closing of the Asset Sale, GeoMet will receive cash consideration in the amount of $107 million, as adjusted upwards or downwards in accordance with the Asset Purchase Agreement, including, without limitation, the following adjustments:

The purchase price shall be adjusted upwards by (i) the amount of maintenance and lease operating costs and expenditures incurred during the period between the effective date and the closing and (ii) imbalances where GeoMet is the underdelivered or underproduced party. The purchase price shall be adjusted downward by (i)

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proceeds from production after the effective date received by GeoMet, (ii) imbalances where GeoMet is the overdelivered or overproduced party and (iii) agreed damages related to GeoMet s breach of its representations or warranties.

The purchase price may be further adjusted downward to the extent the Assets are determined to have title, environmental or casualty defects, or if portions of the Assets are subject to preferential rights that have been exercised or consents to assignment that have not been received prior to the closing date.

GeoMet is obligated to prepare and deliver to the Buyer GeoMet s calculation of the final purchase price, after giving effect to all adjustments (the Final Purchase Price), within 95 days following the closing date of the Asset Sale.

Indemnification of the Buyer

GeoMet is obligated to indemnify the Buyer for certain Seller Indemnified Claims (as defined in the Asset Purchase Agreement), including, without limitation any excluded assets (see above), any breach by GeoMet of any representation or covenant under the Asset Purchase Agreement, failure to pay royalties and taxes and breaches of certain material contracts prior to the closing of the Asset Sale.

GeoMet s indemnity obligations under the Asset Purchase Agreement (i) expire 90 days following the closing of the Asset Sale (except the indemnity obligation with respect to certain fundamental representations, which expires one year following the closing of the Asset Sale) and (ii) are limited to, in the aggregate, twenty percent (20%) of the purchase price (excluding breaches of certain fundamental representations, which indemnity obligation may not exceed one-hundred percent (100%) of the purchase price).

Indemnification of the Company

The Buyer is obligated to indemnify GeoMet for the Buyer Indemnified Claims (as defined in the Asset Purchase Agreement), including, without limitation, any breach by the Buyer of any representation or covenant under the Asset Purchase Agreement and with respect to any assumed liabilities (see above).

The Buyer s indemnity obligations under the Asset Purchase Agreement (i) expire 90 days following the closing of the Asset Sale (except the indemnity obligation with respect to certain fundamental representations, which expires one year following the closing of the Asset Sale) and (ii) are limited to, in the aggregate, twenty percent (20%) of the purchase price (excluding indemnity obligations with respect to breaches of certain fundamental representations, which may not exceed one-hundred percent (100%) of the purchase price).

Representations and Warranties

The Asset Purchase Agreement contains certain representations and warranties made by GeoMet regarding, among other things; due organization and authorization, no litigation, payment of taxes, operation of the Assets in compliance with applicable laws, payment of all royalties to lessors then due and owing, maintenance of material permits, no imbalances other than as disclosed to the Buyer, title to personal property and certain employee matters. Many of our representations and warranties contained in the Asset Purchase Agreement are qualified by materiality.

In addition, the Buyer made representations and warranties to us regarding, among other things: due organization and authorization, no litigation, and as of closing, all required permits, insurance and bonds.

Covenants Relating to the Conduct of the Business

We have agreed in the Asset Purchase Agreement that we, between signing and closing of the Asset Purchase Agreement, will: (i) obtain the prior written consent of the Buyer with respect to all decisions related to the Assets involving proposed expenditures in excess of $50,000 and entering into any oil and gas contracts which are not terminable on thirty (30) days notice, (ii) continue to operate and maintain the Assets in the ordinary course of business and act in good faith and in accordance with our business judgment in relation to the same, (iii)

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not transfer, sell, hypothecate, encumber or otherwise dispose of any of the Assets (excluding the sale and disposal of hydrocarbons in the ordinary course of business), (iv) not take any action with respect to the Assets that would create any material liabilities, and (v) not modify, terminate, renew, suspend or abrogate any of the oil and gas contracts without the written consent of the Buyer.

No Solicitation

The Asset Purchase Agreement requires that we immediately cease, and cause our subsidiaries to immediately cease, any existing discussions or negotiations regarding any Acquisition Proposal (as defined below) and, until the termination of the Asset Purchase Agreement, we will not, and will cause our subsidiaries, and our respective officers, directors, employees and representatives not to, directly or indirectly do any of the following: (i) initiate, solicit or knowingly encourage (including by way of furnishing information or assistance), or knowingly induce, or take any other action designed to, or that would reasonably be expected to, result in the making, submission or announcement of, any proposal or offer that constitutes an Acquisition Proposal, (ii) enter into any agreement relating to an Acquisition Proposal, (iii) enter into, continue or otherwise participate in any discussions or negotiations regarding, furnish to any person any information or data or access to its properties with respect to, or otherwise cooperate with or take any other action to facilitate, (A) any Acquisition Proposal or (B) or any proposal that by its terms requires GeoMet to abandon, terminate or fail to consummate the transactions contemplated by the Asset Purchase Agreement, or (iv) submit to the stockholders of GeoMet for their approval any Acquisition Proposal, or agree or publicly announce an intention to take any of the foregoing actions. Notwithstanding the foregoing, we may furnish information about the Company and participate in discussions or negotiations with a third party that makes a bona fide written unsolicited Acquisition Proposal if our board of directors determines in good faith, after consultation with its outside counsel, that (i) such action is necessary in order for our board of directors to act in a manner consistent with its fiduciary duties under Delaware law and (ii) the unsolicited acquisition proposal constitutes a Superior Proposal (as defined below).

As defined in the Asset Purchase Agreement, Acquisition Proposal means any inquiry, offer, or proposal, or any indication of interest in making an offer or proposal (whether or not in writing), made by any person (other than the Buyer) relating to any direct or indirect:

- acquisition or purchase, in one transaction or a series of transactions, of any assets or businesses of GeoMet equal to fifteen percent (15%) or more of the fair market value of GeoMet s consolidated assets or to which fifteen percent (15%) or more of GeoMet s net revenues or net income on a consolidated basis are attributable;

- acquisition of fifteen percent (15%) or more of the equity interests of GeoMet;

- tender offer or exchange offer that would result in any person (other than Buyer) beneficially owning fifteen percent (15%) or more of the equity interests of GeoMet;

- merger, consolidation, business combination, recapitalization or similar transaction involving GeoMet, pursuant to which such person (other than Buyer) would acquire fifteen percent (15%) or more of any class of securities of GeoMet that represents fifteen percent (15%) or more of the consolidated assets, net revenues, or net income of GeoMet, taken as a whole, or of any resulting parent company of GeoMet; or

- any combination of the foregoing.

As defined in the Asset Purchase Agreement, Superior Proposal means any bona fide written Acquisition Proposal that did not result from a breach of the Asset Purchase Agreement, (provided, that for purposes of the definition of Superior Proposal references to fifteen percent (15%) in the definition of Acquisition Proposal are deemed to be references to fifty percent (50%)), that the GeoMet board of directors determines in good faith (after consultation with outside legal counsel and financial advisors) is more favorable to GeoMet and the

GeoMet stockholders than the transactions contemplated by the Asset Purchase Agreement (taking into account all factors the GeoMet board of directors deems relevant (including financial, legal, regulatory and other aspects of such Acquisition Proposal), and including all of the terms and conditions of such proposal and the transactions contemplated by the Asset Purchase Agreement, the Asset Purchase Agreement, or any revisions to the terms of the Asset Purchase Agreement proposed by the Buyer during the notice period set forth in the Asset Purchase Agreement.

Stockholders Meeting

GeoMet has agreed to, in accordance with Delaware law and our amended and restated certificate of incorporation, as amended, and our amended and restated bylaws, establish a record date for, duly call, give notice of, convene and hold a meeting of our stockholders as promptly as practicable to vote on a proposal to authorize the Asset Sale. We have agreed to use our reasonable best efforts to solicit proxies from our stockholders in favor of the authorization of the Asset Sale. We have agreed in the Asset Purchase Agreement to include a recommendation of our board of directors that our stockholders vote in favor of the approval of the Asset Sale; provided, however, that our board of directors may withdraw (or modify or qualify in a manner adverse to Buyer) such recommendation or otherwise take any action or make any public statement in connection with the Asset Sale that is inconsistent with such recommendation, and will not be required to include such recommendation in the Proxy Statement, if it determines (i) in good faith, after consultation with its outside counsel and financial advisors, that failure to take such action would be reasonably likely to be inconsistent with its fiduciary duties under Delaware law or (ii) to accept a Superior Proposal and terminate the Asset Purchase Agreement.

Even if our board of directors changes its recommendation to our stockholders to vote in favor of the authorization of the Asset Sale, we have agreed, unless the Asset Purchase Agreement is terminated in accordance with its terms, to submit the approval of the Asset Sale pursuant to the terms and subject to the conditions of the Asset Purchase Agreement and the transactions contemplated thereby to our stockholders at the Special Meeting, whether or not any Acquisition Proposal or Superior Proposal is publicly proposed, announced or otherwise submitted to us.

Preferential Rights and Consents

Certain of the Assets are subject to preferential rights to purchase and/or obligations to obtain consents to assign such Assets in favor of third parties. To the extent any consents required to assign any of the Assets are not obtained prior to closing, the purchase price may be reduced by the value allocated to the Assets affected by such consents and GeoMet will use its reasonable commercial efforts to obtain any such consents promptly after the closing of the Asset Sale. If the holder of any preferential right to purchase elects to exercise its purchase right, the portion of the Assets subject to such right will be excluded from the Asset Purchase Agreement and the purchase price will be reduced by the value allocated to such affected Assets.

Employee Matters

The Buyer has the right to interview and, contemporaneous with closing of the Asset Sale, hire certain field-level employees of GeoMet. The Buyer s offer of employment to any GeoMet employees is subject to Buyer s usual hiring procedures and standards and is required to include base pay for the twelve month period following the closing date of the Asset Sale not less than that paid by GeoMet to such employees prior to the closing date of the Asset Sale.

Signs; Use of Names

The Buyer is obligated to remove GeoMet s name and signs from the Assets as soon as reasonably practicable following closing. The Buyer is not acquiring any trademark, logo or company name of GeoMet.

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Expenses

Whether or not the Asset Sale is completed, each party to the Asset Purchase Agreement will bear its own legal, accounting and other fees incurred in connection with the Asset Purchase Agreement, the Asset Sale and the conduct of due diligence.

Conditions to the Asset Sale

GeoMet and the Buyer will not be obligated to complete the Asset Sale unless a number of conditions are satisfied or waived. These joint closing conditions include the approval of the Asset Sale by the Requisite Stockholder Vote.

In addition, the obligation of GeoMet to consummate the Asset Sale is subject to the satisfaction or waiver of additional closing conditions, including: (i) the representations and warranties of the Buyer are true and correct in all material respects, (ii) the Buyer has performed all obligations and agreements required under the Asset Purchase Agreement, (iii) no suit or action by a third party or governmental authority is pending or threatened that seeks material damages from GeoMet or that would restrain or prohibit the Asset Sale and (iv) GeoMet s lenders under its credit facility have approved the Asset Sale.

In addition, the obligation of the Buyer to consummate the Asset Sale is subject to the satisfaction or waiver of additional closing conditions, including: (i) the representations and warranties of GeoMet are true and correct in all material respects, (ii) GeoMet has performed all obligations and agreements required under the Asset Purchase Agreement and (iii) no suit or action by a third party or governmental authority is pending or threatened that seeks material damages from the Buyer or that would restrain or prohibit the Asset Sale.

Termination of the Asset Purchase Agreement

We may mutually agree with the Buyer at any time to terminate the Asset Purchase Agreement, even after our stockholders have authorized the Asset Sale pursuant to the Asset Purchase Agreement.

The Asset Purchase Agreement may also be terminated by either the Buyer or GeoMet under certain circumstances, including if (i) the transaction is prohibited by a governmental authority, or (ii) the Requisite Stockholder Vote is not obtained.

The Buyer may terminate the Asset Purchase Agreement if (i) GeoMet fails to deliver required closing documents following the satisfaction of its conditions precedent, (ii) GeoMet breaches a material provision of the Asset Purchase Agreement, (iii) the aggregate title defects and environmental defects related to the Assets equals or exceeds fifteen percent (15%) of the purchase price, (iv) the aggregate casualty defects affecting the Assets equals or exceeds fifteen percent (15%) of the purchase price or (v) closing of the Asset Sale has not occurred on or prior to September 30, 2014. The Buyer may also terminate the Asset Purchase Agreement if the board of directors of GeoMet withdraws (or modifies or qualifies in any manner adverse to Buyer) its approval of the Asset Sale and recommendation to the stockholders of GeoMet to approve the Asset Sale, adopts or approves any Acquisition Proposal or fails to reaffirm its approval of the Asset Sale and recommendation to the stockholders of GeoMet to approve the Asset Sale following GeoMet s receipt of an Acquisition Proposal.

GeoMet may terminate the Asset Purchase Agreement if (i) the Buyer fails to deliver required closing documents following the satisfaction of the its conditions precedent, (ii) the Buyer breaches a material provision of the Asset Purchase Agreement, (iii) the aggregate title defects and environmental defects related to the Assets equals or exceeds fifteen percent (15%) of the purchase price, (iv) the aggregate casualty defects affecting the Assets equals or exceeds fifteen percent (15%) of the purchase price or (v) closing of the Asset Sale has not occurred on or prior to September 30, 2014. GeoMet may also terminate the Asset Purchase Agreement if the board of directors of GeoMet accepts a Superior Proposal in compliance with the terms and conditions of the Asset Purchase Agreement.

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Termination Fee

We will be required to pay Buyer a termination fee in the amount of $4,280,000 if:

- the Buyer terminates the Asset Purchase Agreement because (i) the board of directors of GeoMet withdraws (or modifies or qualifies in any manner adverse to Buyer) its approval of the Asset Sale and recommendation to the stockholders of GeoMet to approve the Asset Sale or adopts or approves any Acquisition Proposal or (ii) fails to reaffirm its approval of the Asset Sale and recommendation to the stockholders of GeoMet to approve the Asset Sale following GeoMet s receipt of an Acquisition Proposal;

- GeoMet terminates the Asset Purchase Agreement because the board of directors of GeoMet accepts a Superior Proposal in compliance with the terms and conditions of the Asset Purchase Agreement;

- the Buyer terminates the Asset Purchase Agreement if the Requisite Stockholder Vote is not obtained; and

- GeoMet materially breaches the Asset Purchase Agreement, or closing does not occur on or before September 30, 2014; and

- an Acquisition Proposal was publicly disclosed or otherwise communicated to GeoMet and not withdrawn prior to the termination of the Asset Purchase Agreement; and

- within twelve (12) months of the termination of the Asset Purchase Agreement, GeoMet consummates any Acquisition Proposal (provided, that for purposes of the termination fee payment, references to fifteen percent (15%) in the definition of Acquisition Proposal are deemed to be references to fifty percent (50%)); or

- the Buyer or GeoMet terminates the Asset Purchase Agreement if the Requisite Stockholder Vote is not obtained; and

- an Acquisition Proposal was publicly disclosed or otherwise communicated to GeoMet and not withdrawn prior to the Special Meeting; and

- within twelve (12) months of the termination of the Asset Purchase Agreement, GeoMet consummates any Acquisition Proposal (provided, that for purposes of the termination fee payment, references to fifteen percent (15%) in the definition of Acquisition Proposal are deemed to be references to fifty percent (50%)).

If the termination fee is payable, GeoMet must pay the fee within two (2) business days following the termination by the Buyer under circumstances where the termination fee is payable and in the case of termination by us, concurrently with the termination of the Asset Purchase Agreement or prior to the consummation of any alternative acquisition as described above.

Amendment and Waiver

GeoMet and the Buyer may mutually amend or waive any provision of the Asset Purchase Agreement at any time. No amendment or waiver of any provision of the Asset Purchase Agreement will be valid unless it is in writing and signed by each of GeoMet and the Buyer. No waiver by either party of any default, misrepresentation or breach of warranty or covenant under the Asset Purchase Agreement, whether intentional or not, will be deemed to extend to any prior or subsequent default, misrepresentation or breach of warranty or covenant under the Asset Purchase Agreement or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

The foregoing summary of the Asset Purchase Agreement is subject to, and qualified in its entirety by reference to, the Asset Purchase Agreement attached hereto as *Annex A*.

Transition Services Agreement

In connection with the closing of the Asset Sale, GeoMet will also enter into a transition services agreement with the Buyer pursuant to which GeoMet will provide certain services to the Buyer for up to three (3) months following the date of the closing of the Asset Sale.

Voting Agreement

Below and elsewhere in this Proxy Statement is a summary of the material terms of the Voting Agreement, a copy of which is attached to this Proxy Statement as *Annex B*. We encourage you to carefully read the Voting Agreement in its entirety as the summaries contained herein may not contain all of the information about the Voting Agreement that is important to you. In connection with the execution of the Asset Purchase Agreement, certain of our stockholders entered into the Voting Agreement with the Buyer pursuant to which, each stockholder party to the voting agreement agreed to vote its shares of GeoMet Common Stock and Preferred Stock:

- in favor of the adoption of a resolution authorizing the Asset Purchase Agreement and the transactions contemplated thereby;

- in favor of the approval of any proposal to adjourn or postpone the meeting of GeoMet stockholders to consider the Asset Purchase Agreement to a later date if there are not sufficient votes for adoption of the Asset Purchase Agreement on the date on which such meeting is held;

- in favor of any other matter submitted to the GeoMet stockholders for approval that is necessary for the consummation of the transactions contemplated by the Asset Purchase Agreement that is considered at any such meeting;

- against any action, agreement or transaction submitted to the GeoMet stockholders for approval that would reasonably be expected to adversely affect, in any material respect, the consummation of the transactions contemplated by the Asset Purchase Agreement;

- against any takeover proposal and any action in furtherance of any takeover proposal submitted to the GeoMet stockholders for approval;

- except as required pursuant to the third bullet above, against any merger, acquisition, sale, consolidation, reorganization, recapitalization, extraordinary dividend, dissolution, liquidation, or winding up of or by GeoMet, or any other extraordinary transaction involving GeoMet, in each case that is submitted to the GeoMet stockholders for approval;

- against any action, proposal, transaction or agreement submitted to the GeoMet stockholders for approval that would reasonably be expected to result in a breach, in any material respect, of any covenant, representation or warranty, or any other obligation or agreement of such stockholder under the Voting Agreement; and

- against any other action, proposal, transaction or agreement submitted to the GeoMet stockholders for approval that would reasonably be expected to result in the failure of any condition to the Asset Sale set forth in Article VI of the Asset Purchase Agreement to be satisfied on or before the closing date of the Asset Purchase Agreement.

Each stockholder party to the Voting Agreement granted Buyer an irrevocable proxy to vote its shares of GeoMet Common Stock and Preferred Stock in accordance with the Voting Agreement.

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The Voting Agreement provides that, except as provided under the Voting Agreement, each stockholder party to the Voting Agreement will not (nor permit any person under such stockholder s control to), directly or indirectly:

- grant any proxies or powers of attorney with respect to the right to vote, rights of first offer or refusal, or enter into any voting trust or voting agreement or arrangement, with respect to any of such stockholder s shares of GeoMet Common Stock or Preferred Stock;

- sell (including short sell), assign, transfer, tender, pledge, encumber, grant a participation interest in, hypothecate or otherwise dispose of (including by gift) any of such stockholder s shares of GeoMet Common Stock or Preferred Stock; or

- enter into any contract providing, directly or indirectly, for any action described in the immediately preceding bullet.

The Voting Agreement terminates automatically upon the earliest to occur of (i) termination of the Asset Purchase Agreement, (ii) a change of recommendation (as defined in the Asset Purchase Agreement) by our board of directors with respect to the Asset Sale and (iii) the closing of the Asset Sale.

The stockholders that are party to the Voting Agreement own approximately 48.9% of the combined voting power of our Common Stock and Preferred Stock (on an as-converted basis) treated as a single class and approximately 59.6% of the voting power of our Preferred Stock.

The foregoing summary of the Voting Agreement is subject to, and qualified in its entirety by reference to, the Voting Agreement attached hereto as *Annex B*.

Consummation of the Asset Sale

We expect to complete the Asset Sale as promptly as practicable after our stockholders authorize the Asset Sale.

RECOMMENDATION

OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE FOR PROPOSAL NO. 1 TO AUTHORIZE THE ASSET SALE.

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INFORMATION ABOUT GEOMET

Business and Properties

Overview

GeoMet is primarily engaged in the exploration for and development and production of natural gas from coal seams (coalbed methane or CBM). All of our production is 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 have been active as an operator, developer and producer of coalbed methane properties since 1993. Our operations are concentrated 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 have historically made substantial capital expenditures in the exploration, development and acquisition of natural gas reserves. Our capital expenditures have been financed primarily with internally generated cash flows from operations, bank borrowing and equity raises.

As previously disclosed, GeoMet engaged FBRC in February 2012 as GeoMet s financial advisor to assist GeoMet in connection with its review of certain strategic alternatives including a potential sale of GeoMet. At the request of GeoMet s board of directors, FBRC solicited indications of interest from third parties regarding a potential acquisition of GeoMet. In November 2012, GeoMet instructed FBRC to suspend its solicitation of indications of interest from third parties regarding a potential acquisition of GeoMet.

Developments in 2013

Natural gas prices in 2012 were depressed compared with prices generally prevailing during prior years and historically low natural gas prices have continued in 2013. The low natural gas prices in 2012 and 2013 had pervasive adverse consequences to our business, including a borrowing base deficiency under our credit agreement. On August 8, 2012, we amended our credit agreement to include a conforming tranche equal to the borrowing base, and a non-conforming tranche in the amount of outstanding loans in excess of the borrowing base. The amendment required that we use all of our excess cash flows, as defined, to reduce outstanding borrowings under our credit agreement and significantly limited our capital expenditures.

In February 2013, GeoMet engaged Lantana to assist GeoMet in connection with the sale of GeoMet s assets in the Black Warrior Basin of Alabama. On June 14, 2013, we closed the sale of the Alabama properties and used approximately $57.0 million of the proceeds to repay outstanding borrowings under our credit agreement. After this repayment, borrowings outstanding under our credit agreement totaled $77 million. In connection with this repayment the non-conforming portion of borrowings was repaid and the Company no longer has a borrowing base deficiency under the Credit Agreement. As of December 31, 2013, the interest rates applied to borrowings was 3.24%. At that time, our credit agreement had a maturity date of April 1, 2014.

In September 2013, GeoMet s board of directors requested that FBRC solicit indications of interest from third parties regarding a potential acquisition of GeoMet. GeoMet s board of directors did not find any of the proposals it received as a result of that process sufficiently attractive to pursue at that time. In November 2013, we concluded that process, and engaged Lantana to assist us in pursuing the sale of all or substantially all of our assets. In November 2013, GeoMet and FBRC amended the terms of FBRC s engagement to terminate FBRC s services as its financial advisor in connection with a potential transaction except and to the extent GeoMet requested that FBRC render an opinion with respect to the fairness of the consideration to be received in connection with a proposed transaction. In addition to any fees payable to FBRC in connection with such opinion, FBRC remained entitled to certain fees in the event GeoMet consummated a transaction with certain third parties.

Recent Developments

On February 13, 2014, the Sellers entered into the Asset Purchase Agreement to sell the Assets located in the Appalachian Basin in McDowell, Harrison, Wyoming, Raleigh, Barbour and Taylor Counties, West Virginia and Buchanan County, Virginia, which comprise substantially all of the Sellers assets, to the Buyer for a purchase price of $107 million, subject to various purchase price adjustments. Atlas has provided an irrevocable guaranty of the Buyer s performance of its obligations under the Asset Purchase Agreement. The effective date of the Asset Sale is January 1, 2014, and it is expected to close in the second quarter of 2014 subject to the satisfaction of certain closing conditions, which includes obtaining the Requisite Stockholder Vote.

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In anticipation of the GeoMet board of director s consideration of the Asset Purchase Agreement, GeoMet and FBRC amended the terms of FBRC s engagement to clarify certain provisions in the event GeoMet requested that FBRC render an opinion with respect to the fairness of the consideration to be received in connection with the Asset Sale pursuant to the Asset Purchase Agreement. On February 13, 2014, at the meeting of the GeoMet board of directors to consider and approve the Asset Purchase Agreement, FBRC rendered its opinion to the GeoMet board of directors as to, as of February 13, 2014, the fairness, from a financial point of view, to GeoMet of the consideration of $107 million to be received by GeoMet for the Assets, subject to the assumed liabilities, in the Asset Sale pursuant to the Asset Purchase Agreement. Upon the rendering of its opinion to the GeoMet board of directors, FBRC became entitled under the terms of its engagement to a fee of $300,000 which was paid by GeoMet on February 27, 2014.

The Asset Purchase Agreement contains customary representations and warranties of the parties and covenants of the Sellers. The Asset Purchase Agreement also provides for the parties to indemnify each other with respect to certain matters, subject to certain limitations on time and amount.

The Asset Purchase Agreement includes certain termination rights, including, among others, the right of (i) the Buyer to terminate if GeoMet s board of directors makes a change in recommendation regarding the Asset Sale, (ii) the Company to terminate if GeoMet s board of directors elects to pursue a Superior Proposal, or (iii) either the Buyer or GeoMet to terminate if GeoMet s stockholders do not approve the Asset Sale. Under certain circumstances, the termination of the Purchase Agreement will result in the payment of a termination fee to the Buyer.

The final net proceeds will be reduced after accounting for the cash flows from the effective date to the closing date. The Company plans to use the cash proceeds to liquidate all of its outstanding liabilities, including repaying the outstanding balance under its credit agreement. The Company expects the proceeds from the Asset Sale to exceed the Company s liabilities and any such excess amount shall be used to make severance, retention and change of control payments to certain employees and members of the Company s senior management and for normal working capital and operating expense purposes as the Company continues to evaluate strategic alternatives.

Approval of the Asset Sale will be submitted to our stockholders for their consideration, and the Company will file this Proxy Statement to be used to solicit stockholder approval of the transaction with the SEC.

On February 28, 2014, we amended our credit agreement to extend the maturity date from April 1, 2014 to the earliest to occur of: (i) June 30, 2014, (ii) the closing of the Asset Sale pursuant to the Asset Purchase Agreement, or the sale of the Assets pursuant to a substitute purchase agreement; or (iii) the termination of the Asset Purchase Agreement or any substitute purchase agreement, in order to allow a reasonable time to properly close the Asset Sale. In connection with this amendment, we paid the bank group a fee of $133,125.

Areas of Operation

Our core areas of operations are in the Central Appalachian Basin of Virginia and West Virginia. The Central Appalachian Basin is a mountainous region where coal mining is prevalent. We 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 coal bed methane properties located in Alabama.

Central Appalachia

Pond Creek and Lasher Fields We are the operator of 298 producing vertical CBM wells in which we own a 99.0% average working interest in the Pond Creek and Lasher fields located in southern West Virginia and southwestern Virginia. At December 31, 2013, approximately 91% of our preliminary estimated proved developed reserves, or 92.5 Bcf, is in the Pond Creek field. Our natural gas production from the Pond Creek field is delivered into the Jewell Ridge pipeline system owned by East Tennessee Natural Gas, LLC (ETNG). We have 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 is delivered into the Columbia Gas Transmission pipeline with firm transportation for 500 MMBtu s per day. We also own and operate a 12 mile, 8 inch high-pressure steel pipeline and gas treatment and compression facilities through which the Pond Creek field natural gas production is gathered, dehydrated, and compressed for delivery into the Jewell Ridge Lateral of the East Tennessee pipeline system. In addition, we own and operate a disposal well to dispose of produced water from both the Pond Creek and Lasher fields.

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Pinnate Horizontal Wells We are the operator of 44 producing pinnate horizontal CBM wells in which we own a 71.6% average working interest in central and northern West Virginia. We also have a 33.7 % average working interest in 67 non-operated pinnate horizontal wells in central West Virginia. At December 31, 2013, approximately 6% of our preliminary estimated proved developed reserves, or 6.1 Bcf, is associated with these pinnate horizontal wells. We are party to two firm transportation agreements with total maximum daily capacity of 18,500 MMBtu per day and primary terms expiring from April 2013 through November 2024 which can be automatically extended at GeoMet s option at the maximum tariff rate. We are also party to a 10,000 MMBtu per day gathering contract that is currently in a month-to-month evergreen term. In some cases, our natural gas sales volumes are delivered to market under transportation agreements controlled by our working interest partners. Generally, our natural gas sales volumes are sold at a delivery point into the respective interstate pipeline system utilized.

Alabama

On June 14, 2013, the Company closed the sale of all of its coal bed methane properties located in Alabama. Net daily sales of natural gas from our Alabama properties averaged 9.7 MMcf per day through June 14, 2013.

Preliminary Estimated Proved Reserves

Preliminary estimated proved natural gas reserves as of December 31, 2013, totaled approximately 102 Bcf. The preliminary present value of future net cash flows attributable to preliminary estimated proved reserves, discounted at 10%, was approximately $66.3 million at December 31, 2013. A price of $3.75 per Mcf was used at December 31, 2013. Our preliminary estimated proved reserves at December 31, 2013 are 100% coalbed methane and 100% proved developed.

The following table presents information related to our preliminary estimated proved reserves as of December 31, 2013:

Field	**Proved Developed Producing (MMcf)**	**Proved Developed Non-Producing (MMcf)**	**Proved Undeveloped (MMcf)**	**Total Proved (MMcf)**
Central Appalachia:				
Pond Creek and Lasher fields	95,854			95,854
Pinnate wells	6,087			6,087
Totals	101,941			101,941

We annually review all proved undeveloped reserves (PUDs) to ensure an appropriate plan for development exists. We expect to convert our PUDs to proved developed reserves within five years of the date they are first booked as PUDs. There are no PUD reserves at December 31, 2013 and 2012 included in our preliminary estimated proved reserves at December 31, 2013.

Productive Wells and Acreage

The following table sets forth our interest in undeveloped acreage, developed acreage and productive wells in which we owned a working interest as of December 31, 2013. Gross represents the total number of acres or wells in which we owned a working interest. Net represents our proportionate working interest resulting from our ownership in the gross acres or wells. Productive wells are wells in which we have a working interest and that are producing or capable of producing natural gas.

The following table sets forth our interest in undeveloped acreage, developed acreage and productive wells in which we owned a working interest as of December 31, 2013:

	Productive Wells		**Developed Acres**		**Undeveloped Acres**	
Area	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
Pond Creek and Lasher fields	298.0	295.1	19,595	19,595	11,138	9,348
Pinnate wells	111.0	54.1	35,546	24,070	38,808	22,535
Total	409.0	349.2	55,141	43,665	49,946	31,883

Our material undeveloped leases are in the Pond Creek, Triangle, and Crab Orchard fields of the Central Appalachian Basin. Generally, the undeveloped acreage expires on various dates from 2014 through 2015. The terms of the undeveloped acreage may be extended by drilling and production operations or through negotiation with lessors. However, we have no current plans in place to develop any of our lease acreage or to negotiate extensions of these leases.

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Liquidity and Capital Resources

Cash Flows and Liquidity

As of December 31, 2012, the Company had a working capital deficit of $4.7 million, a retained deficit of $302.0 million and stockholders deficit of $107.3 million. Natural gas prices in 2012 were depressed compared with prices generally prevailing over the last several years. The depressed natural gas prices resulted in significant property impairments and full valuation of our deferred tax assets during 2012. Low natural gas prices also caused the amounts outstanding under our credit facility to exceed the borrowing base under the facility. As discussed below, on August 8, 2012, we amended the credit facility to provide for a conforming tranche in the amount of our borrowing base, and a non-conforming tranche in the amount of the excess of the outstanding borrowings over the borrowing base. The borrowing base deficiency adversely impacted our working capital by reclassifying Long-Term Debt to short-term for the next twelve months required payments. Our credit facility matures on April 1, 2014, and there can be no assurances that we will be able to refinance or repay the credit facility when it matures. As a result, on April 2, 2013, all amounts outstanding under our credit facility will be re-classified as current.

Management s current business plan is primarily focused on eliminating our borrowing base deficiency, maintaining compliance with the amended credit facility, maintaining production levels and keeping costs under control. In addition, management recently packaged all of the Company s Alabama properties to be marketed for sale by an asset divestiture firm. If successful, management expects that substantially all the net proceeds from a sale will go toward reducing the outstanding borrowings under the credit facility. Management remains open to possible corporate strategic transactions. There can be no assurance that the Company will be able to engage in a strategic transaction, sell properties or realize enough proceeds from the sale of our properties to eliminate the borrowing base deficiency. In addition, our credit facility matures on April 1, 2014, and there can be no assurances that we will be able to refinance or repay the credit facility when it matures.

Credit Facility

We have a credit facility with a group of lenders. Under the credit facility, our outstanding borrowings may not exceed a borrowing base determined by the lenders under the credit facility. During 2012, the amounts borrowed under our credit facility exceeded the borrowing base. On August 8, 2012, in connection with the excess of borrowings over the borrowing base, we amended the credit facility. Borrowings under the credit facility at August 8, 2012 totaled $148.6 million. The amended credit facility provided for a tranche A loan in the amount of our borrowing base and a tranche B loan in the amount of the excess. The borrowing base, determined as of December 15, 2012, is currently $115.0 million. The tranche B loan was $21.8 million as of March 1, 2013. The borrowing base will be re-determined as of each June and December with the next determination scheduled to be completed by June 15, 2013. Upon any re-determination of the borrowing base, the re-determined amount of the conforming borrowing base will constitute a new tranche A loan, with any decrease in tranche A causing an automatic corresponding increase in tranche B, subject to certain limitations described below, and any increase in tranche A causing an automatic corresponding decrease in tranche B. At the next and any subsequent borrowing base determination, tranche B may not increase by more than 25% of the amount of the principal payments made on tranche B loans since the prior redetermination of the borrowing base. If a future determination of the borrowing base results in the outstanding amount of the tranche B loan exceeding the amount permitted under the credit facility, we have 30 days to repay such excess. The credit facility no longer provides for loans to be available on a revolving basis up to the amount of the borrowing base. As a result, the current outstanding loans, once repaid, may not be re-borrowed by the Company. All outstanding borrowings under the credit facility are due and payable on April 1, 2014. In addition, the credit facility obligates us to reduce our borrowings monthly by substantially all of our available excess cash flow. The credit facility provides for interest to accrue at a rate calculated, at our option, at the Adjusted Base Rate plus a margin of 2.00% on tranche A loans and 4.00% on tranche B loans or the London Interbank Offered Rate (the LIBOR Rate) plus a margin of 3.00% on tranche A loans and 5.00% on tranche B loans. Adjusted Base Rate is defined to be the greater of (i) the agent s base rate or (ii) the federal funds rate plus one half of one percent or (iii) the LIBOR Rate plus a margin of 1.00%. The credit facility requires an additional payment to the lenders based on the amount of tranche B loans as follows:

Calculation Date	Fee Amount (basis points)	Date Payable
2/25/2013	100 bps	3/1/2013
5/25/2013	125 bps	6/1/2013
8/25/2013	150 bps	9/1/2013
11/25/2013	175 bps	12/1/2013

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All financial covenants were deleted by the Amendment and were replaced with a capital expenditure covenant (a maximum of $1.5 million in 2012 and $1.0 million in 2013) and a maximum debt covenant as follows:

Quarter Ending		Maximum Principal Outstanding
12/31/2012	$	139,300,000
3/31/2013	$	136,000,000
6/30/2013	$	132,700,000
9/30/2013	$	131,500,000
12/31/2013	$	129,000,000

Deferred financing costs were $0.8 million for the year ended December 31, 2012, respectively, which included an amendment fee of 50 basis points on the amount of tranche B loans which was capitalized in deferred financing costs in the amount of $0.2 million on August 8, 2012 in connection with the execution of the amendment to the credit facility. Deferred financing costs of $1.4 million as of August 8, 2012 related to the credit facility prior to the amendment were written off upon execution of the amendment.

Capital Expenditures

The following table is a summary of our capital expenditures on an accrual basis by category for the years ended December 31, 2012 and 2011:

	2012		2011	
Capital expenditures:				
Asset acquisition (the Acquisition)	$		$	70,837
Leasehold acquisition		717		1,290
Exploration				3
Development		(27)		12,880
Asset retirement obligations		4,853		66
Capitalized overhead		134		881
Other items		99		397
Total capital expenditures	$	5,776	$	86,354

In 2012, we revised our estimates primarily related to the costs to plug and abandonment our horizontal Pinnate wells, resulting in a $4.8 million non-cash charge to our full cost pool, offset by an increase to our asset retirement obligation. We are limited under the Credit Agreement to spend no more than $1.0 million in 2013.

Natural Gas Price Risk and Related Hedging Activities

The energy markets have historically been volatile, and there can be no assurance that future natural gas prices will not be subject to wide fluctuations. In an effort to reduce the effects of the volatility of the price of natural gas on our operations, management has adopted a policy of hedging 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 limits the downside risk of adverse price movements, it also limits future gains from favorable movements. Our price risk management policy strictly prohibits the use of derivatives for speculative positions.

We enter into hedging transactions, generally for forward periods up to two years or more, which increase the probability of achieving our targeted level of cash flows. Our Credit Agreement limits amounts of future natural gas production that we may hedge. At December 31, 2012, we do not have the ability to enter into additional natural gas hedges because we do not have the credit capacity with our existing natural gas hedge counterparties.

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 incur accounting losses on derivatives during periods where prices are rising and gains during periods where prices are falling which may cause significant fluctuations in our Consolidated Balance Sheets and Consolidated Statements of Operations.

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Commodity Price Risk and Related Hedging Activities

At December 31, 2012, we had the following natural gas collar positions:

Period	Volume (MMBtu)		Sold Ceiling		Bought Floor		Fair Value
January 2014 through December 2015	3,650,000	$	4.30	$	3.60	$	(556,636)
January 2014 through December 2015	3,650,000	$	4.20	$	3.50		(796,266)
	7,300,000					$	(1,352,902)

At December 31, 2012, we had the following natural gas swap positions:

Period	Volume (MMBtu)		Fixed Price		Fair Value
January through March 2013	360,000	$	6.42		1,100,395
January through March 2013	540,000	$	5.50		1,156,734
January 2013 through March 2014	3,640,000	$	3.81		613,675
January 2013 through March 2014	3,640,000	$	3.82		648,264
January 2013 through December 2013	2,190,000	$	3.60		127,253
April 2013 through December 2013	2,750,000	$	3.25		(919,572)
	13,120,000			$	2,726,749

At December 31, 2012, we had the following forward sales at NYMEX plus a fixed basis:

Period	Volume (MMBtu)		Fixed Basis
January through March 2013	450,000	$	0.19
January through March 2013	918,000	$	0.22
	1,368,000		

We have hedged approximately 90% of our forecasted production for 2013 at a fixed price of $3.80 per Mcf. As a result, we expect changes in natural gas prices to have a minimal impact on our cash flows through the end of 2013.

Operating Lease Commitments

We have operating leases for office space, office equipment and field compressors expiring in various years through 2019. Future minimum lease commitments as of December 31, 2012 under non-cancelable operating leases having remaining terms in excess of one year are as follows:

Year Ended December 31,		Amount
2013	$	1,300,262
2014		994,314
2015		619,850
2016		616,275
2017 and thereafter		580,784
Total future minimum lease commitments	$	4,111,485

Total rental expenses under operating leases were approximately $2.8 million and $1.5 million for the years ended December 31, 2012 and 2011, respectively.

Transportation Contracts As of December 31, 2012, under the following firm transportation contracts, we can transport maximum daily volumes of (1) 500 MMBtu s continuing until October 31, 2015, (2) 15,000 MMBtu s continuing until April 1, 2022, (3) 10,000 MMBtu s continuing until April 1, 2017, (4) 15,000 MMBtu s continuing until October 31, 2024, (5) 10,000 MMBtu s continuing until June 30, 2017, and (6) 3,500 MMBtu s continuing until April 30, 2012. We have a right to extend each of these contracts at the maximum tariff rate. As of December 31, 2012, the maximum commitment remaining under the transportation contracts is approximately $21.2 million.

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Recent Accounting Pronouncements

In February 2013, the FASB issued Accounting Standards Update (ASU) No. 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, to improve the transparency of reporting reclassifications out of accumulated other comprehensive income. The update requires an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under GAAP to be reclassified in its entirety to net income. For other amounts that are not required under GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required under GAAP that provide additional detail about those amounts. The amendments are effective prospectively for reporting periods beginning after December 15, 2012. The Company does not expect the adoption of ASU 2012-02 to impact its operating results, financial position or cash flows.

In January 2013, the FASB issued ASU No. 2013-01, Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. The amendments in this update clarify that the scope of ASU 2011-11 applies to derivatives accounted for in accordance with ASC 815, Derivatives and Hedging, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with ASC 210-20-45 or ASC 815-10-45 or subject to an enforceable master netting arrangement or similar agreement. The amendments are effective during interim and annual periods beginning on or after January 1, 2013. The Company does not expect the adoption of ASU 2012-02 to impact its operating results, financial position or cash flows.

In July 2012, the FASB issued ASU 2012-02, which amends the guidance in ASC 350-30 on testing indefinite-lived intangible assets, other than goodwill, for impairment. The FASB issued the ASU in response to feedback on ASU 2011-08, which amended the goodwill impairment testing requirements by allowing an entity to perform a qualitative impairment assessment before proceeding to the two- step impairment test. Similarly, under ASU 2012-02, an entity testing an indefinite-lived intangible asset for impairment has the option of performing a qualitative assessment before calculating the fair value of the asset. Although ASU 2012-02 revises the examples of events and circumstances that an entity should consider in interim periods, it does not revise the requirements to test indefinite-lived intangible assets (1) annually for impairment and (2) between annual tests if there is a change in events or circumstances. ASU 2012-02 is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted. The Company does not expect the adoption of ASU 2012-02 to impact its operating results, financial position or cash flows.

In June 2011, the FASB issued ASU 2011-05, Presentation of Comprehensive Income, which revises the manner in which entities present comprehensive income in their financial statements. The new guidance removes the presentation options in ASC 220 and requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. The ASU does not change the items that must be reported in other comprehensive income. The amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company has adopted and applied the provisions of this update for the year ended December 31, 2012.

In May 2011, the FASB issued ASU 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (IFRS). The ASU is the result of joint efforts by the FASB and IASB to develop a single, converged fair value framework that is, converged guidance on how (not when) to measure fair value and on what disclosures to provide about fair value measurements. Thus, there are few differences between the ASU and its international counterpart, IFRS 13. While the ASU is largely consistent with existing fair value measurement principles in U.S. GAAP, it expands ASC 820 s existing disclosure requirements for fair value measurements and makes other amendments. Many of these amendments were made to eliminate unnecessary wording differences between U.S. GAAP and IFRS. However, some could change how the fair value measurement guidance in ASC 820 is applied. The ASU is effective for interim and annual periods beginning after December 15, 2011. The Company has adopted and applied the provisions of this update for the year ended December 31, 2012. See disclosure provided in the Notes to Audited Consolidated Financial Statements.

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Management s Discussion and Analysis of Financial Condition and Results of Operations

(As Filed on our Quarterly Report on Form 10-Q for quarterly period ended September 30, 2013)

Statement Regarding Forward-Looking Information

Included in this quarterly report are certain forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). All statements, other than statements of historical fact, included in this quarterly report that address activities, events or developments that we expect or anticipate will or may occur in the future are forward-looking statements, including statements regarding our reserve quantities and the present value thereof, our ability to continue as a going concern, planned capital expenditures, our ability to continue in compliance with our Credit Agreement, or to refinance our Credit Agreement, future cash flows and borrowings, our financial position, business strategy and other plans and objectives for future operations. We use the words may, will, expect, anticipate, estimate, believe, continue, intend, plan, budget and other s identify forward-looking statements. You should read statements that contain these words carefully and should not place undue reliance on these statements. Although we believe that the expectations reflected in these forward-looking statements are reasonable, they do involve certain assumptions, risks and uncertainties. Our results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, among others:

- the continued oversupply of natural gas in the US markets, which depresses the price we receive for our natural gas production and makes our properties less valuable and more difficult to sell;
- further declines in the prices we receive for our natural gas adversely affecting our operating results, cash flows and credit capacity;
- our ability to refinance or repay our indebtedness;
- general international and domestic economic conditions that may be less favorable than expected;
- changes in our business strategy;
- changes in our financial position, including our cash flow and liquidity;
- our ability to sell any or all of our assets, if at all, on terms acceptable to us;
- the effects of our indebtedness, which could adversely restrict our ability to operate, could make us vulnerable to general adverse economic and industry conditions, could place us at a competitive disadvantage compared to our competitors that have less debt, and could have other adverse consequences;
- volatility in the international and domestic capital and credit markets, including fluctuations in interest rates and availability of capital;
- uncertainties in estimating our natural gas reserves;
- our ability to replace our natural gas reserves;

- uncertainties in exploring for and producing natural gas;
- new natural gas development projects and exploration for natural gas in areas where we have little or no proven natural gas reserves;
- our ability to acquire water supplies needed for drilling, or our ability to dispose of water used or removed from strata at a reasonable cost and within applicable environmental rules;
- other persons could have ownership rights in our advanced natural gas extraction techniques which could force us to cease using those techniques or pay royalties;
- availability of drilling and production equipment and field service providers;
- disruptions, capacity constraints in, or other limitations on the pipeline systems that deliver our natural gas;
- our need to use unproven technologies to extract coalbed methane in some properties;
- our ability to retain key members of our senior management and key technical employees;
- the outcomes of legal proceedings in which we may become involved;
- the possibility that the industry may be subject to future regulatory or legislative actions (including changes to existing tax rules and regulations and changes in environmental regulation);
- the effects of government regulation and permitting and other legal requirements;
- other economic, competitive, governmental, legislative, regulatory, geopolitical and technological factors may negatively impact our businesses, operations or pricing; and
- our ability to operate effectively in a state or jurisdiction where land ownership and coalbed methane rights are complicated or unresolved.

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Other factors which could affect the events discussed in our forward looking statements are described under Item 1A. Risk Factors in our annual report on Form 10-K, which is filed with the SEC, and can be reviewed at www.sec.gov. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements in this paragraph and elsewhere in this quarterly report. All forward-looking statements speak only as of the date of this quarterly report. Other than as required under securities laws, we do not assume a duty to update these forward-looking statements, whether as a result of new information, subsequent events or circumstances, changes in expectations or otherwise.

Overview

GeoMet, Inc. is primarily engaged in the exploration for and development and production of natural gas from coal seams (coalbed methane or CBM). All of our production is 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 have been active as an operator, developer and producer of coalbed methane properties since 1993.

Natural gas prices in 2012 were depressed compared with prices generally prevailing during prior years and historically low natural gas prices have continued in 2013. The low natural gas prices in 2012 and 2013 had pervasive adverse consequences to our business, including a borrowing base deficiency under our Credit Agreement. On August 8, 2012, we amended our Credit Agreement to include a conforming tranche equal to the borrowing base, and a non-conforming tranche in the amount of outstanding loans in excess of the borrowing base. The amendment required that we use all of our excess cash flows, as defined, to reduce outstanding borrowings under the Credit Agreement and significantly limited our capital expenditures. On June 14, 2013, we closed the sale of the Alabama properties and used approximately $57.0 million of the proceeds to repay outstanding borrowings under our Credit Agreement. After this repayment, borrowings outstanding under the Credit Agreement totaled $77.0 million. In connection with this repayment the non-conforming portion of borrowings was repaid and the Company no longer has a borrowing base deficiency under the Credit Agreement. The next scheduled borrowing base determination is expected to occur on or around December 15, 2013 and will be based on the Company s reserves at June 30, 2013. As of September 30, 2013, the interest rates applied to borrowings was 3.24%. The Credit Agreement continues to have a maturity date of April 1, 2014.

Additionally, depressed natural gas prices resulted in significant property impairments and full valuation of our net deferred tax asset during 2012. We believe that low natural gas prices and our indebtedness contributed to our Common Stock being delisted by NASDAQ as we had no remaining equity and the market price of our Common Stock had diminished.

We previously disclosed our engagement of FBR Capital Markets & Co. to assist the Company in exploring strategic alternatives. We have concluded that process, and have engaged Lantana Oil & Gas Partners to assist us in pursuing the possible sale of all or substantially all of our assets.

No assurance can be given that a suitable proposal for the sale of all or substantially all of our assets will be presented, that any sale transaction will be consummated, or the terms or structure of any transaction if such a sale transaction is consummated. We currently anticipate that any such transaction would be followed by a liquidation and a distribution of our remaining assets in accordance with applicable law. This would include the repayment of amounts outstanding under our credit facilities. The terms of our outstanding Preferred Stock provide that the holders of the Preferred Stock would be entitled to a liquidation preference before the remaining assets, if any, were distributed to the holders of our Common Stock.

It is possible that a prospective purchaser will prefer that a sale be achieved pursuant to a Chapter 11 bankruptcy process. We also intend to explore the possibility of merging with a viable candidate after completing the sale of all or substantially all of our assets.

Any such sale of assets, and subsequent liquidation, would be subject to approval by our board of directors and by holders of a majority of our outstanding shares, with holders of the Preferred Stock voting with the Common Stock on an as-converted basis. On an as-converted basis, the Preferred Stock currently represents a majority of the outstanding shares.

In connection with the conclusion of our pursuit of strategic alternatives, we are in the process of terminating our engagement of FBR Capital Markets & Co. (FBRC) and expect to pay FBRC $250,000 in settlement of our payment obligations under our engagement agreement with FBRC. In addition, we would expect to pay a contingent payment of $300,000 to FBRC for a fairness opinion if requested by us, and a second contingent payment of $300,000 if any assets are sold to certain parties that FBRC identified during their engagement and with whom we signed confidentiality agreements prior to the termination of the engagement.

During 2011 and the first five months of 2012, prices received for natural gas in the United States continued to decline significantly which we believe, among other things, was due to an over-supply of natural gas, primarily resulting from shale drilling

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and reduced demand due to a much warmer winter than normal. On April 21, 2012, the Henry Hub spot price closed at $1.825/ MMBtu, its lowest in over ten years. Presented below are the NYMEX Settle Prices for the period January 2011 through November 2013 and the NYMEX Forward Curve Prices (as of November 6, 2013) for natural gas for the period December 2013 through December 2014.

On June 14, 2013, the Company closed the sale of all of its coal bed methane properties located in Alabama. The sale resulted in proceeds of approximately $62.0 million after purchase price adjustments of $1.2 million to account for net cash flows from the effective date to the closing date. Approximately $57.0 million of the sales proceeds was used to repay outstanding borrowings under the Company s Credit Agreement and $5.0 million was held in reserve to pay transaction related costs and expenses, including the liquidation of certain natural gas hedge positions.

GeoMet s net interest in the coalbed methane properties in Alabama produced approximately 9,700 Mcf of natural gas per day during the month of March 2013, or approximately 29% of GeoMet s total production for March 2013. As of March 31, 2013 and based on Securities and Exchange Commission guidelines, GeoMet s net proved reserves attributable to the coalbed methane properties in Alabama sold were estimated to be approximately 43 Bcf, all classified as proved developed reserves.

Areas of Operation

Subsequent to the asset sale, our core area of operations is the Central Appalachian Basin of Virginia and West Virginia. The Central Appalachian Basin is a mountainous region where coal mining is prevalent. We also own additional coalbed methane and oil and gas development rights, principally in Virginia and West Virginia. As of September 30, 2013, we own a total of approximately 91,000 net acres of coalbed methane and oil and gas development rights.

Central Appalachia

Pond Creek and Lasher Fields We are the operator of 298 producing vertical CBM wells in which we own 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 15.8 MMcf per day for the nine months ended September 30, 2013. Our natural gas production from the Pond Creek field is delivered into the Jewell Ridge pipeline system owned by East Tennessee Natural Gas, LLC (ETNG). We have 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 is delivered into the Columbia Gas Transmission pipeline with firm transportation for 500 MMBtus per day. We also own and operate a 12 mile, 8 inch high-pressure steel pipeline and gas treatment and compression facilities through which the Pond Creek field natural gas production is gathered, dehydrated, and compressed for delivery into the Jewell Ridge Lateral of the East Tennessee pipeline system.

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Pinnate Horizontal Wells We are the operator of 44 producing pinnate horizontal CBM wells in which we own a 71.6% average working interest in central and northern West Virginia. We also have a 33.7% average working interest in 67 non-operated pinnate horizontal wells in central West Virginia. Net daily sales of natural gas averaged 7.7 MMcf per day for the nine months ended September 30, 2013. We are party to two firm transportation agreements with total maximum daily capacity of 18,500 MMBtu per day and primary terms expiring from April 2013 through November 2024 which can be automatically extended at GeoMet s option at the maximum tariff rate. We are also party to a 10,000 MMBtu per day gathering contract that is currently in a month-to-month evergreen term. In some cases, our natural gas sales volumes are delivered to market under transportation agreements controlled by our working interest partners. Generally, our natural gas sales volumes are sold at a delivery point into the respective interstate pipeline system utilized.

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 September 30, 2013.

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Natural Gas Production Operations Summary

The table below presents information on gas sales, net sales volumes, production expenses and per Mcf data for the nine months ended September 30, 2013 and 2012. This table should be read in conjunction with the discussion of the results of operations for the periods presented below (in thousands, except per Mcf amounts).

	Nine Months Ended September 30,			
	2013		2012	
Gas sales	$	30,324	$	27,465
Lease operating expenses	$	10,615	$	13,350
Compression and transportation expenses		5,486		6,758
Production taxes		1,617		1,276
Total production expenses	$	17,718	$	21,384
Net sales volumes (Consolidated) (MMcf)		8,088		10,468
Pond Creek field (Central Appalachian Basin) (MMcf)		4,209		4,402
Other Central Appalachian Basin fields (MMcf)		2,224		2,941
Gurnee field (Cahaba Basin) (MMcf)		723		1,325
Black Warrior Basin fields (MMcf)		932		1,800
Per Mcf data ($/Mcf):				
Average natural gas sales price realized (Consolidated)(1)	$	3.85	$	3.92
Average natural gas sales price (Consolidated)	$	3.75	$	2.62
Pond Creek field (Central Appalachian Basin)	$	3.78	$	2.70
Other Central Appalachian Basin fields	$	3.69	$	2.48
Gurnee field (Cahaba Basin) (2)	$	3.77	$	2.63
Black Warrior Basin fields (2)	$	3.73	$	2.68
Lease operating expenses (Consolidated)	$	1.31	$	1.28
Pond Creek field (Central Appalachian Basin)	$	1.12	$	1.07
Other Central Appalachian Basin fields	$	1.41	$	1.40
Gurnee field (Cahaba Basin) (2)	$	2.84	$	2.67
Black Warrior Basin fields (2)	$	0.74	$	0.53
Compression and transportation expenses (Consolidated)	$	0.68	$	0.64
Pond Creek field (Central Appalachian Basin)	$	0.66	$	0.59
Other Central Appalachian Basin fields	$	1.03	$	1.17
Gurnee field (Cahaba Basin) (2)	$	0.29	$	0.27
Black Warrior Basin fields (2)	$	0.18	$	0.20
Production taxes (Consolidated)	$	0.20	$	0.12
Pond Creek field (Central Appalachian Basin)	$	0.21	$	0.15
Other Central Appalachian Basin fields	$	0.19	$	0.07
Gurnee field (Cahaba Basin) (2)	$	0.18	$	0.11
Black Warrior Basin fields (2)	$	0.23	$	0.16
Total production expenses (Consolidated)	$	2.19	$	2.04

Pond Creek field (Central Appalachian Basin)	$	1.99	$	1.81
Other Central Appalachian Basin fields	$	2.63	$	2.64
Gurnee field (Cahaba Basin) (2)	$	3.31	$	3.05
Black Warrior Basin fields (2)	$	1.13	$	0.89
Depletion (Consolidated)	$	0.45	$	0.87

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(1) Average natural gas sales price realized includes the effects of realized gains and losses on derivative contracts.

(2) On June 14, 2013, the Company closed the sale of all of its coal bed methane properties located in the state of Alabama.

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Results of Operations

Nine months ended September 30, 2013 compared with nine months ended September 30, 2012

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

	Nine months ended September 30, 2013	2012	Change
	(In thousands)		
Gas sales	$ 30,324	$ 27,465	10%
Lease operating expenses	$ 10,615	$ 13,350	-20%
Compression expense	$ 3,403	$ 3,620	-6%
Transportation expense	$ 2,082	$ 3,138	-34%
Production taxes	$ 1,617	$ 1,276	27%
Depreciation, depletion and amortization	$ 3,747	$ 9,460	-60%
Impairment of gas properties	$	$ 83,467	NM
General and administrative	$ 3,456	$ 3,765	-8%
Realized gains on derivative contracts	$ (814)	$ (13,600)	NM
Unrealized losses from the change in market value of open derivative contracts	$ 1,574	$ 13,259	NM
Gain on the sale of Properties in Alabama	$ 36,948	$	NM
Interest expense	$ 4,093	$ 4,058	1%
Income tax expense	$ 19	$ 44,037	NM
Discontinued operations, net of tax	$	$ 722	NM

NM-Not Meaningful

Gas sales. Gas sales increased by $2.9 million, or 10%, to $30.3 million compared to the prior year period. Gas sales increased $5.0 million resulting from higher natural gas prices in the current year period, offset by a $2.1 million decrease due to the sale of our Alabama properties on June 14, 2013 (the Asset Sale).

Lease operating expenses. Lease operating expenses decreased by $2.7 million, or 20%, to $10.6 million compared to the prior year period. Lease operating expenses decreased $1.8 million due to the Asset Sale, $0.8 million resulting from the reversal of over-accrued ad valorem taxes paid in August 2013, and $0.1 million due to natural production declines in the remaining properties.

Compression expense. Compression expense decreased by $0.2 million, or 6%, to $3.4 million compared to the prior year period due to the Asset Sale.

Transportation expense. Transportation expense decreased by $1.1 million, or 34%, to $2.1 million compared to the prior year period. Transportation expense decreased $0.2 million due to the Asset Sale and $0.9 million due to contract expirations or renegotiations.

Production taxes. Production taxes increased by $0.3 million, or 27%, to $1.6 million compared to the prior year period. Production taxes increased by $0.4 million due to the increase over time as our West Virginia exemptions diminish, offset by a decrease of $0.1 million due to the Asset Sale.

Depreciation, depletion and amortization. Depreciation, depletion and amortization decreased by $5.7 million, or 60%, to $3.7 million compared to the prior year period. This decrease was primarily due to the $95.7 million in impairments recorded to our gas properties in 2012 and the sale of our Alabama properties on June 14, 2013.

General and administrative. General and administrative expense decreased by $0.3 million, or 8%, to $3.5 million compared to the prior year period. Included in general and administrative expense was a decrease in professional fees, offset by non-recurring executive compensation. In November 2012, the Compensation Committee approved the payment of a contingent bonus in the amount of $0.4 million to be paid to the named executive officers in connection with the elimination of the borrowing base deficiency that existed under the Company s Credit Agreement.

Realized gains on derivative contracts. Realized gains on derivative contracts were $0.8 million in the current year period which

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included a $1.2 million realized loss related to natural gas swap positions terminated in order to prevent the Company from being over-hedged after the closing of the sale of its coalbed methane properties in Alabama. Realized losses represent net cash flow settlements paid to the contract counterparty, while realized gains represent net cash flow settlements paid to us from the contract counterparty. Realized losses occur when natural gas prices exceed the derivative ceiling prices. Conversely, realized gains occur when natural gas prices go below the derivative floor prices.

Unrealized losses from the change in market value of open derivative contracts. Unrealized losses on open derivative contracts were $1.6 million in the current year period. Unrealized gains and losses are non-cash transactions that occur when the corresponding asset or liability derivative contracts are marked-to-market at the end of each reporting period.

Gain on the sale of Properties in Alabama. On June 14, 2013, the Company closed the sale of all of its coal bed methane properties located in the state of Alabama, recording a gain on the sale of $36.9 million, as described in Note 2 Sale of Coalbed Methane Properties in Alabama in the Notes to Consolidated Financial Statements (Unaudited).

Interest expense. Interest expense remained flat compared to the prior year period.

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 $14.2 million reduction of the valuation allowance on our deferred tax asset. A reconciliation of the effective tax rate to the statutory rate for the nine months ended September 30, 2013 is as follows:

		Total	
Amount computed using statutory rates	$	12,738,152	34.00%
State income taxes net of federal benefit		883,815	2.36%
Reduction of valuation allowance		(14,194,949)	-37.89%
Nondeductible items and other		591,732	1.58%
Income tax provision	$	18,750	0.05%

Liquidity and Capital Resources

Cash Flows and Liquidity

As of September 30, 2013, we had a working capital deficit of $68.3 million, a retained deficit of $264.6 million and stockholders deficit of $75.0 million. Natural gas prices in 2012 were depressed compared with prices generally prevailing during prior years. Such natural gas prices resulted in significant property impairments, a full valuation of our net deferred tax asset, and a borrowing base deficiency under our Credit Agreement during 2012. Natural gas prices continue to be depressed in 2013 as compared to periods prior to 2012.

Our Credit Agreement matures on April 1, 2014, and there can be no assurances that we will be able to refinance or repay the borrowings under our Credit Agreement before it matures. As a result, on April 2, 2013, all amounts outstanding under our Credit Agreement were re-classified as current. These and other factors raise substantial doubt about our ability to continue as a going concern for the next twelve months. Our ability to continue as a going concern is dependent upon our ability to generate sufficient cash flows and sales proceeds or other sources of capital sufficient to repay or refinance our indebtedness, continue our operations and fund our long-term capital needs.

Cash flows provided by operations for the nine months ended September 30, 2013 were $7.6 million, down $6.0 million from the prior year period. The decrease was primarily due to a $4.1 million decrease in revenues resulting from a decrease in production volumes and $1.2 million in realized hedging losses related to natural gas swap positions terminated in order to prevent the Company from being over-hedged after the closing of the sale of its coalbed methane properties in Alabama. Cash flows provided by operations of $7.6 million for the nine months ended September 30, 2013 and the net proceeds from the sale of our Properties in Alabama of $60.7 million were sufficient to fund net cash used in financing activities of $65.3 million, consisting almost entirely of repayments of borrowings under our Credit Agreement.

Credit Agreement

Under our Credit Agreement, outstanding borrowings may not exceed a borrowing base determined by the lenders. During 2012, the amounts borrowed under our 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 excess.

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On June 14, 2013, we closed the sale of all of our coal bed 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. The next scheduled borrowing base determination is expected to occur on or around December 15, 2013 and will be based on the Company s reserves at June 30, 2013.

The Credit Agreement no longer provides for loans to be available on a revolving basis up to the amount of the borrowing base. As a result, the current outstanding loans, once repaid, may not be re-borrowed. All outstanding borrowings under the Credit Agreement are due and payable on April 1, 2014. The Credit Agreement provides for interest to accrue at a rate calculated, at our option, at the Adjusted Base Rate plus a margin of 2.00% or the London Interbank Offered Rate (the LIBOR Rate) plus a margin of 3.00%. Adjusted Base Rate is defined to be the greater of (i) the agent s base rate or (ii) the federal funds rate plus one half of one percent or (iii) the LIBOR Rate plus a margin of 1.00%. All financial covenants were deleted by the Amendment and were replaced with a capital expenditure covenant (a maximum of $1.5 million in 2012 and $1.5 million in 2013). As of September 30, 2013, we had $74.0 million of borrowings outstanding under our Credit Agreement. As of September 30, 2013, the interest rates applied to borrowings were 3.24%.

Natural Gas Price Risk and Related Hedging Activities

The energy markets have historically been volatile, and there can be no assurance that future natural gas prices will not be subject to wide fluctuations. At September 30, 2013, we do not have the ability to enter into natural gas hedges because we do not have the credit capacity with our existing natural gas hedge counterparties.

In an effort to reduce the effects of the volatility of the price of natural gas on our operations, management has 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 limits the downside risk of adverse price movements, it also limits 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 prohibits 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 incur accounting losses on derivatives during periods where prices are rising and gains during periods where prices are falling which may cause significant fluctuations in our Consolidated Balance Sheets (Unaudited) and Consolidated Statements of Operations (Unaudited).

Commodity Price Risk and Related Hedging Activities

At September 30, 2013, we had the following natural gas collar positions:

Period	Volume (MMBtu)		Sold Ceiling		Bought Floor		Fair Value
January 2014 through December 2015	3,650,000	$	4.30	$	3.60	$	(133,860)
January 2014 through December 2015	3,650,000	$	4.20	$	3.50		(368,537)
	7,300,000					$	(502,397)

At September 30, 2013, we had the following natural gas swap positions:

Period	Volume (MMBtu)		Fixed Price		Fair Value
October 2013 through December 2013	552,000	$	3.60		2,406
October 2013	248,000	$	3.81		77,362
November 2013 through March 2014 (1)	1,208,000	$	3.81		60,100
October 2013 through March 2014	1,096,000	$	3.82		162,168
	3,104,000			$	302,036

(1) On October 2, 2013, the Company terminated the $3.81 swap position for a total of 1,208,000 MMBtus for the period November 2013 through March 2014 for which the Company received $60,100.

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Giving effect for the swaps terminated on October 2, 2013, we have hedged approximately 73% of our remaining forecasted production for 2013 at a fixed price of $3.74 per Mcf.

Capital Expenditures and Capital Resources

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

	Nine months ended September 30, 2013		2012	
Capital expenditures:				
Leasehold acquisition (1)	$	102,766	$	593,368
Development (2)(3)		154,658		26,022
Asset retirement obligations		51,779		247,440
Other items (primarily capitalized overhead)		10,006		226,919
Total capital expenditures	$	319,209	$	1,093,749

(1) 2013 includes $22,794 in leasing expense reimbursements received in August 2013

(2) 2013 includes a reversal of $334,177 in accrued capital costs.

(3) 2012 includes losses on inventory sold less insurance refunds related to our gas properties.

Contractual Commitments

We have numerous contractual commitments in the ordinary course of business, debt service requirements and operating lease commitments. There has been no material changes in those commitments disclosed in Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Contractual Commitments of our 2012 Annual Report on Form 10-K that we filed with the SEC on March 28, 2013.

Recent Pronouncements

In July 2013, the FASB issued ASU No. 2013-10, Derivatives and Hedging (Topic 815): Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes. The amendments in ASU 2013-10 permit the Fed Funds Effective Swap Rate (OIS) to be used as a U.S. benchmark interest rate for hedge accounting purposes under Topic 815, in addition to UST and LIBOR. The amendments also remove the restriction on using different benchmark rates for similar hedges. The amendments are effective prospectively for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013. We are presently assessing the potential impact of ASU 2013-11.

In March 2013, the FASB issued ASU 2013-07, Presentation of Financial Statements (Topic 205): Liquidation Basis of Accounting. The amendments require an entity to prepare its financial statements using the liquidation basis of accounting when liquidation is imminent. Liquidation is imminent when the likelihood is remote that the entity will return from liquidation and either (a) a plan for liquidation is approved by the person or persons with the authority to make such a plan effective and the likelihood is remote that the execution of the plan will be blocked by other parties or (b) a plan for liquidation is being imposed by other forces (for example, involuntary bankruptcy). If a plan for liquidation was specified in the entity s governing documents from the entity s inception (for example, limited-life entities), the entity should apply the liquidation basis of accounting only if the approved plan for liquidation differs from the plan for liquidation that was specified at the entity s inception. The amendments require financial statements prepared using the liquidation basis of accounting to present relevant information about an entity s expected resources in liquidation by measuring and presenting assets at the amount of the expected cash proceeds from liquidation. The entity should include in its presentation of assets any items it had not previously recognized under U.S. GAAP but that it expects to either sell in liquidation or use in settling liabilities (for example, trademarks). The amendments are effective for entities that determine liquidation is imminent during annual reporting periods beginning after December 15, 2013, and interim reporting periods therein. Entities should apply the requirements prospectively from the day that liquidation becomes imminent. Early adoption is permitted.

In February 2013, the FASB issued ASU No. 2013-04, Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date. ASU 2013-04 provides guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date, except for obligations addressed within existing guidance. The update is effective for interim and annual periods beginning after December 15, 2013 and is required to be applied retrospectively to all prior periods presented for those obligations that existed upon adoption of ASU 2013-04. We are presently assessing the potential impact of ASU 2013-04.

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In February 2013, the FASB issued ASU No. 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, to improve the transparency of reporting reclassifications out of accumulated other comprehensive income. The update requires an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under accounting principles generally accepted in the United States (GAAP) to be reclassified in its entirety to net income. For other amounts that are not required under GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required under GAAP that provide additional detail about those amounts. The amendments are effective prospectively for reporting periods beginning after December 15, 2012. The Company has adopted and applied the provisions of ASU 2012-02 which did not impact its operating results, financial position or cash flows.

In January 2013, the FASB issued ASU No. 2013-01, Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. The amendments in this update clarify that the scope of ASU 2011-11 applies to derivatives accounted for in accordance with ASC 815, Derivatives and Hedging, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with ASC 210-20-45 or ASC 815-10-45 or subject to an enforceable master netting arrangement or similar agreement. The amendments are effective during interim and annual periods beginning on or after January 1, 2013. The Company has adopted and applied the provisions of ASU 2013-01. See disclosure provided in Note 9 Derivative Instruments and Hedging Activities in the Notes to Consolidated Financial Statements (Unaudited).

Environmental Regulations

Our exploration and production operations are 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 are 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 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.

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Management s Discussion and Analysis of Financial Condition and Results of Operations

(As Filed on our Annual Report on Form 10-K for Year Ended December 31, 2012)

Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the financial statements and the related notes and other information included elsewhere in this report.

Overview

GeoMet, Inc. is primarily engaged in the exploration for and development and production of natural gas from coal seams (coalbed methane or CBM). All of our production is 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 have been active as an operator, developer and producer of coalbed methane properties since 1993. Our principal operations and producing properties are located in the Cahaba and Black Warrior Basins in Alabama and the central Appalachian Basin in Virginia and West Virginia. We also own additional coalbed methane and oil and gas development rights, principally in Alabama, Virginia, and West Virginia. As of December 31, 2012, we own a total of approximately 144,000 net acres of coalbed methane and oil and gas development rights.

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

Developments in 2012

Natural gas prices in 2012 were depressed compared with prices generally prevailing over the last several years. The low natural gas prices had pervasive adverse consequences to our business. Low gas prices caused a borrowing base deficiency under our credit facility when the amounts outstanding under our credit facility exceeded the borrowing base under the facility. On August 8, 2012, we amended the facility to include a conforming tranche equal to the borrowing base, and a non-conforming tranche in the amount of the excess. The amendment requires that we use all of our excess cash flows to reduce outstanding borrowings under the non-conforming tranche, and significantly limits our capital expenditures. The amended credit amendment has higher interest rates and increased bank fees and professional fees. The maturity date was amended to April 1, 2014. While the amendment provided time to seek a strategic corporate transaction, we believe these efforts have been impeded because of the borrowing base deficiency. The borrowing base deficiency has also adversely impacted our ability to hedge additional volumes of gas, thereby exhausting our hedging credit capacity. Retaining and attracting competent personnel has been challenging and is likely to worsen. The need to cut cost due to lower natural gas prices and operating margins creates vulnerability in conducting our business.

In addition, the depressed natural gas prices resulted in significant property impairments and full valuation of our deferred tax assets during 2012. Low natural gas prices and our indebtedness contributed to our common stock being delisted by NASDAQ as we had no remaining equity and diminished the market price of our common stock.

Current Business Plan

Management s current business plan is primarily focused on eliminating our borrowing base deficiency, maintaining compliance with the amended credit facility, maintaining production levels and keeping costs under control. In addition, management recently packaged all of the Company s Alabama properties to be marketed for sale by an asset divestiture firm. If the sale is successful, management expects that substantially all the net proceeds from the sale will go toward reducing the outstanding borrowings under the credit facility. Management remains open to possible corporate strategic transactions. There can be no assurance that the Company will be able to engage in a strategic transaction, sell properties or realize enough proceeds from the sale of our properties to eliminate the borrowing base deficiency. In addition, our credit facility matures on April 1, 2014, and there can be no assurances that we will be able to refinance or repay the credit facility when it matures.

Natural gas prices continue to adversely affect the natural gas industry and GeoMet in particular by reducing our cash flows, capital expenditures and debt capacity. During 2011 and the first five months of 2012, prices received for natural gas in the United States continued to decline significantly which we believe, among other things, was due to an over-supply of natural gas, primarily resulting from shale drilling and reduced demand due to a much warmer winter than normal. On April 21, 2012, the Henry Hub spot price closed at $1.825/ MMBtu, its lowest in over ten years. Presented below are the NYMEX Settle Prices for the period January 2012 through March 2013 and the NYMEX Forward Curve Prices (as of March 18, 2013) for natural gas for the period April 2013 through December 2013.

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The NASDAQ Capital Market

On May 10, 2012, we received approval from NASDAQ to transfer the listing of our common stock and preferred stock from The NASDAQ Global Market to The NASDAQ Capital Market. Our common stock and preferred stock began trading on The NASDAQ Capital Market at the opening of the market on May 14, 2012. On August 3, 2012, we received a notice from NASDAQ advising us that our common stock had failed to regain compliance with the $1.00 minimum bid price requirement for continued listing on The NASDAQ Capital Market and, as a result, our common stock was delisted from The NASDAQ Capital Market at the opening of business on August 13, 2012. Our preferred stock continues to be traded on The NASDAQ Capital Market under the symbol GMETP . Our common stock now trades on the OTCQB under the symbol GMET .

Other Developments

Management and Board of Director Changes

On April 30, 2012, J. Darby Seré resigned from the positions of Chairman of the Board, President and Chief Executive Officer of the Company. The Company and Mr. Seré entered into a separation agreement that provides for certain payments to Mr. Seré, including a lump sum payment of $499,500, $2,000 per month for 18 months which is the cost of medical insurance premiums for continued coverage under the Company s group medical plan for that period and $30,000 per month as a consulting fee for up to nine months. The separation agreement further provided for certain adjustments to equity awards owned by Mr. Seré.

On May 1, 2012, the Board of Directors of the Company appointed Michael Y. McGovern as the Company s Chairman of the Board; William C. Rankin, as a director and President and Chief Executive Officer; and Tony Oviedo, as the Company s Senior Vice President, Chief Financial Officer, Chief Accounting Officer and Controller.

On July 2, 2012, Phil Malone resigned from his position on the Board of Directors in connection with his retirement from the Company. Mr. Malone receives $1,221 per month for 18 months which is the cost of medical insurance premiums for continued coverage under the Company s group medical plan for that period and $10,175 per month as a consulting fee for up to nine months.

In response to the Company s continuing efforts to reduce its cost structure to deal with depressed natural gas prices, Robert E. Creager resigned from his position on the Board of Directors effective January 22, 2013. Additionally, Charles D. Haynes is not expected to be nominated for election to the Board of Directors at the Company s 2013 annual meeting of stockholders.

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Strategic Alternatives

In February 2012, the Company retained FBR Capital Markets & Co. (FBRC) as its advisor to review strategic alternatives, primarily focused on identifying potential merger partners. The Company continues to believe a merger transaction would be beneficial during the current natural gas price environment, allowing it to spread fixed costs over a larger production and reserve base, although as long as we have a borrowing base deficiency, we believe a merger transaction is not likely. The Company has not entered into substantive negotiations with any person in connection with its review of strategic alternatives, although it may do so in the future.

On February 26, 2013, the Company announced that it engaged Lantana Oil & Gas Partners, a Houston based divestiture firm, to market all of the Company s coal bed methane interests located in the state of Alabama. The Company has non-operating interests in 1,058 wells located in the Black Warrior Basin. All of these wells have royalty and/or overriding royalty interests and additionally 498 of these wells include a 15% working interest. The Company also has a 100% working interest and operates 252 wells in the Cahaba Basin. The interests in these properties represented 30% of the Company s net daily sales of natural gas and 38% of operating income during the twelve months ending December 31, 2012. At December 31, 2012, using Securities and Exchange Commission guidelines, the interests in these wells represented approximately 31% of the Company s proved reserves and 38% of the PV10. If we sell these properties, net proceeds from the sale of these properties will be used to reduce the Company s borrowings under its bank credit agreement. The engagement term is one year and we have paid Lantana a retainer of $35,000. If Lantana is successful in selling our Alabama properties, they will receive a fee equal to one percent of the sales proceeds upon closing of the transaction.

C*eiling Write-Down*

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, as allowed by the guidelines of the SEC. For the twelve months ended December 31, 2012, the unweighted arithmetic average of the Henry Hub spot market price on the first day of each month was $2.78 per Mcf, resulting in a natural gas price of $2.91 per Mcf when adjusted for regional price differentials. For the year ended December 31, 2012, we recorded $95.7 million in write-downs of the carrying value of our full cost pool.

Deferred Tax Asset

As of March 31, 2012, as part of our assessment of the realization of our net deferred tax asset, we considered all available negative and positive evidence. We had incurred a cumulative pre-tax loss of $117.6 million, including ceiling impairment charges of $141.3 million, over the three year period ended March 31, 2012. We evaluated all available evidence including historical operating results, historical pricing, natural gas reserves as estimated and appraised by an independent third party engineer, the forward natural gas price curve, and the length of the carryforward period available. Upon the completion of that assessment, we established a full valuation allowance for our net deferred tax assets at March 31, 2012 of $47.3 million. These tax benefits will be available, prior to the expiration of carryforwards, to reduce future income tax expense resulting from earnings or increases in deferred tax liabilities.

Areas of Operation

Our core areas of operations are in the Central Appalachian Basin of Virginia and West Virginia and the Black Warrior and Cahaba Basins in Alabama. The Central Appalachian Basin is a mountainous region where coal mining is prevalent. The Black Warrior and Cahaba Basins are hilly, gently rolling regions and coal mining is also present but less active.

Central Appalachia

Pond Creek and Lasher Fields We are the operator of 298 producing vertical CBM wells in which we own a 99.0% average working interest in the Pond Creek and Lasher fields located in southern West Virginia and southwestern Virginia. At December 31, 2012, approximately 64% of our estimated proved developed reserves, or 87.6 Bcf, is in the Pond Creek field. Net daily sales of gas averaged 16.5 MMcf per day for 2012. Our natural gas production from the Pond Creek field is delivered into the Jewell Ridge pipeline system owned by East Tennessee Natural Gas, LLC (ETNG). We have 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 is delivered into the Columbia Gas Transmission pipeline with firm transportation for 500 MMBtu s per day. We also own and operate a 12 mile, 8 inch high-pressure steel pipeline and gas treatment and compression facilities through which the Pond Creek field natural gas production is gathered, dehydrated, and compressed for delivery into the Jewell Ridge Lateral of the East Tennessee pipeline system. In addition, we own and operate a disposal well to dispose of produced water from both the Pond Creek and Lasher fields. Water produced from these fields averaged 625 barrels per day for 2012.

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Pinnate Horizontal Wells We are the operator of 44 producing pinnate horizontal CBM wells in which we own a 71.6% average working interest in central and northern West Virginia. We also have a 33.7% average working interest in 67 non-operated pinnate horizontal wells in central West Virginia. At December 31, 2012, approximately 5% of our estimated proved developed reserves, or 6.5 Bcf, is associated with these pinnate horizontal wells. Net daily sales of natural gas averaged 10.1 MMcf per day for 2012. We are party to two firm transportation agreements with total maximum daily capacity of 18,500 MMBtu per day and primary terms expiring from April 2013 through November 2024 which can be automatically extended at GeoMet s option at the maximum tariff rate. We are also party to a 10,000 MMBtu per day gathering contract that is currently in a month-to-month evergreen term. In some cases, our natural gas sales volumes are delivered to market under transportation agreements controlled by our working interest partners. Generally, our natural gas sales volumes are sold at a delivery point into the respective interstate pipeline system utilized.

Alabama

Gurnee Field We are the operator of 217 producing vertical CBM wells, of which we own a 100.0% working interest, in the Gurnee field located in the Cahaba Basin in central Alabama. At December 31, 2012, approximately 19% of our estimated proved developed reserves, or 26.7 Bcf, is located within the Gurnee field. Net daily sales of gas averaged 4.8 MMcf for 2012. Our natural gas sales volumes from the Cahaba Basin are delivered and sold into the Southern Natural Gas pipeline system and no firm transportation arrangements are necessary. We own and operate a water gathering system which includes an approximately 39 mile pipeline to the Black Warrior River for disposal of produced water under a permit issued by the Alabama Department of Environmental Management. We also own and operate an approximately 17 mile, 12 inch high-pressure steel pipeline and gas treatment and compression facilities through which we gather, dehydrate, and compress natural gas for delivery into the Southern Natural Gas pipeline system.

Black Warrior Basin We own working, overriding royalty or royalty interests in 1,056 non-operated producing vertical CBM wells in the Black Warrior Basin in central Alabama. All of these non-operated vertical wells have an average royalty and or overriding royalty interest of 12.0%. We also own an average working interest of 15.4% in 498 of these wells. At December 31, 2012, approximately 12% of our estimated proved developed reserves, or 16.3 Bcf, is located in these Warrior Basin properties. Net daily sales of gas averaged 6.4 MMcf for 2012. Our gas sales volumes from the Black Warrior Basin are delivered and sold into the Southern Natural Gas pipeline system under transportation arrangements controlled by the operators of the properties.

Canada

On June 20, 2012, we sold Hudson s Hope Gas, Ltd., which held our Canadian gas properties, in exchange for two million shares of Canada Energy Partners, Inc. which we are restricted from selling before June 20, 2013. In connection with the sale we recognized a non-cash loss of $0.7 million; however, this disposition will reduce our cash flow losses and future obligations such as plugging and abandonment.

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Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements that have been prepared in accordance with GAAP. The preparation of our financial statements requires us to make assumptions and estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. We base our estimates on historical experience and various other assumptions that we believe are reasonable; however, actual results may differ. Our significant accounting policies are described in Note 3 to our audited consolidated financial statements included elsewhere in this annual report. We believe the following critical accounting policies involve significant judgments, estimates, and a high degree of uncertainty in the preparation of our financial statements.

Reserves. Our most significant financial estimates are based on estimates of proved gas reserves. Proved gas reserves represent estimated quantities of gas that geological and engineering data demonstrate, with reasonable certainty, to be recoverable in future years from known reservoirs under economic and operating conditions existing at the time the estimates were made. There are numerous uncertainties inherent in estimating quantities of proved reserves and in projecting future revenues, rates of production, and timing of development expenditures, including many factors beyond our control. The estimation process relies on assumptions and interpretations of available geologic, geophysical, engineering, and production data and, the accuracy of reserve estimates is a function of the quality and quantity of available data, engineering and geologic interpretation, and judgment. In addition, as a result of changing market conditions, natural gas prices and future development costs will change from year to year, causing estimates of proved reserves to also change. Estimates of proved reserves are key components of our most significant financial estimates involving our unevaluated properties, our rate for recording depreciation, depletion and amortization and our full cost ceiling limitation. Our reserves are fully engineered on an annual basis by D&M and Ryder Scott, independent petroleum engineers.

Gas Properties The method of accounting for gas properties determines what costs are capitalized and how these costs are ultimately matched with revenues and expenses. We use the full cost method of accounting for gas properties as prescribed by the SEC. Under this method, all direct costs and certain indirect costs associated with the acquisition, exploration, and development of our gas properties are capitalized.

Gas properties are depleted using the units-of-production method. The depletion expense is significantly affected by the unamortized historical and future development costs and the estimated proved gas reserves. Estimation of proved gas reserves relies on 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 the future reporting period. 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 future net revenues, discounted at 10% per annum, 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 impacts 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 limitation test is calculated using natural gas prices in effect as of the balance sheet date and adjusted for regional price differentials, held constant over the life of the reserves. In addition, subsequent to the adoption of Accounting Standards Codification (ASC) 410-20-25, the future cash outflows associated with settling asset retirement obligations are not included in the computation of the discounted present value of future net revenues for the purposes of the ceiling limitation test calculation.

Asset Retirement Obligations We adopted ASC 410-20-25, effective January 1, 2003. It establishes accounting and reporting standards for retirement obligations associated with tangible long-lived assets that result from the legal obligation to plug, abandon and dismantle existing wells and facilities that we have acquired, constructed or developed. It requires that the fair value of the liability for asset retirement obligations be recognized in the period in which it is incurred. Upon initial recognition of the asset retirement obligation, the asset retirement cost is capitalized by increasing the carrying amount of the long-lived asset by the same amount as the liability. The liability is accreted to its then present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Periodically, we update the cost assumptions resulting from changes in market and environmental regulation and revise the liability recorded accordingly.

Income Taxes We record our income taxes using an asset and liability approach in accordance with the provisions of ASC 740. This results in the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary

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differences between the book carrying amounts and the tax bases of assets and liabilities using enacted tax rates at the end of the period. Under ASC 740, the effect of a change in tax rates of deferred tax assets and liabilities is recognized in the year of the enacted change. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. This assessment includes extensive analysis performed by the Company at the end of each reporting period. At December 31, 2012, a full valuation allowance has been recorded against our net deferred tax asset.

Estimating the amount of valuation allowance is dependent on estimates of future taxable income, alternative minimum tax income, and changes in stockholder ownership that could trigger limits on use of net operating losses under Internal Revenue Code Section 382. We have a significant deferred tax asset associated with net operating loss carryforwards (NOL s).

ASC 740 also clarifies the accounting for uncertainty in income taxes recognized in an entity s financial statements and prescribes a consistent threshold and measurement attribute for financial statement recognition and disclosure of tax positions taken, or expected to be taken, on a tax return. The adoption of this pronouncement did not have a significant impact on the Company s consolidated financial statements.

Revenue Recognition and Gas Balancing We derive revenue primarily from the sale of produced natural gas. We use the sales method of accounting for the recognition of gas revenue whereby revenues, net of royalties, are recognized as the production is sold to a purchaser. The amount of gas sold may differ from the amount to which the Company is entitled based on its working interest or net revenue interest in the properties. In instances where we have wellhead imbalances, we use the entitlements method. A ready market for natural gas allows us to sell our natural gas shortly after production at various pipeline receipt points at which time title and risk of loss transfers to the buyer. Revenue is recorded when title is transferred based on our nominations and net revenue interests. Pipeline imbalances occur when our production delivered into the pipeline varies from the gas we nominated for sale or depending on the agreement in place, imbalances may be made up in future production or are settled with cash approximately thirty days from date of production and are recorded as either a reduction or increase of revenue depending upon whether we are over-delivered or under-delivered.

Settlements of gas sales occur after the month in which the gas was produced. We estimate and accrue for the value of these sales using information available at the time financial statements are generated. Differences are reflected in the accounting period during which payments are received from the purchaser.

Derivative Instruments and Hedging Activities Our hedging activities consist of derivative instruments entered into in order to hedge against changes in natural gas prices and changes in interest rates related to outstanding debt under our credit facility primarily through the use of fixed price swap agreements, basis swap agreements, three-way collars, and traditional collars. Consistent with our hedging policy, we have entered into a series of derivative instruments to hedge a significant portion of our expected natural gas production through 2014. We also entered into an interest rate swap agreement to hedge interest rates associated with a portion of our variable rate debt through January 2011. Typically, these derivative instruments require payments to (receipts from) counterparties based on specific indices as required by the derivative agreements. These transactions are recorded in our audited consolidated financial statements in accordance with ASC 815. Although not risk free, we believe this policy will reduce our exposure to natural gas price fluctuations and changes in interest rates and thereby achieve a more predictable cash flow. As a result, our derivative instruments are cash flow hedge transactions in which we are hedging the variability of cash flow related to a forecasted transaction. We do not enter into derivative instruments for trading or other speculative purposes. At December 31, 2012, we do not have the ability to enter into additional natural gas hedges because we do not have the credit capacity with our existing natural gas hedge counterparties.

In accordance with ASC 815-20-25, as amended, all our derivative instruments are recorded on the balance sheet at fair value and changes in the fair value of the derivatives are recorded each period in current earnings for the natural gas derivatives or other comprehensive income (loss) for our interest rate swaps. The natural gas derivatives have not been designated as hedge transactions while the interest rate swaps qualify and have been designated as such in accordance with ASC 815-20-25.

At the inception of a derivative contract, we may designate the derivative as a cash flow hedge. For all derivatives designated as cash flow hedges, we document the relationship between the derivative instrument and the hedged items as well as the risk management objective for entering into the derivative instrument. To be designated as a cash flow hedge transaction, the relationship between the derivative and hedged items must be highly effective in achieving the offset of changes in cash flows attributable to the risk both at the inception of the derivative and on an ongoing basis.

Mezzanine Equity Our Series A Convertible Redeemable Preferred Stock has been classified within the mezzanine (temporary) equity section of the Consolidated Balance Sheets because the shares are redeemable at the option of the holder and therefore do not qualify for permanent equity.

Fair Value Measurement Effective January 1, 2008, we adopted ASC 820-10-55, which provides a framework for measuring fair value under GAAP. ASC 820-10-55 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820-10-55 also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 3 inputs are derived from unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. See disclosure provided in the Notes to Consolidated Financial Statements.

Stock-Based Compensation We follow the fair value recognition provisions of ASC 718. The application of ASC 718 requires the use of an option pricing model, such as the Black Scholes model, to measure the estimated fair value of the options and as a result various assumptions must be made by management that require judgment and the assumptions could be highly uncertain. For share-based awards outstanding prior to the adoption of ASC 718, we will continue using the accounting principles originally applied to those awards before adoption. Therefore, we do not recognize any equity compensation cost on these prior awards in the future unless such awards are modified, repurchased or cancelled.

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Natural Gas Production Operations Summary

The table below presents information on gas revenues, sales volumes, production expenses and per Mcf data for the years ended December 31, 2012 and 2011. This table should be read with the discussion of the results of operations for the periods presented below.

	Year Ended December 31, 2012	Year Ended December 31, 2011
Gas sales	$ 39,147	$ 35,335
Lease operating expenses	$ 17,489	$ 12,713
Compression and transportation expenses	8,356	4,591
Production taxes	1,962	1,536
Total production expenses	$ 27,807	$ 18,840
Net sales volumes (Consolidated) (MMcf)	13,808	8,511
Pond Creek and Lasher fields	6,025	5,796
Pinnate wells (Central Appalachian Basin)	3,692	591
Gurnee field (Cahaba Basin)	1,743	1,803
Black Warrior Basin fields	2,349	308
Per Mcf data ($/Mcf):		
Average natural gas sales price (Consolidated)	$ 2.83	$ 4.15
Pond Creek and Lasher fields	$ 2.92	$ 4.28
Pinnate wells (Central Appalachian Basin)	$ 2.69	$ 3.40
Gurnee field (Cahaba Basin)	$ 2.83	$ 4.10
Black Warrior Basin fields	$ 2.86	$ 3.43
Average natural gas sales price realized (Consolidated)(1)	$ 4.02	$ 5.28
Lease operating expenses (Consolidated)	$ 1.27	$ 1.49
Pond Creek and Lasher fields	$ 1.07	$ 1.17
Pinnate wells (Central Appalachian Basin)	$ 1.35	$ 1.21
Gurnee field (Cahaba Basin)	$ 2.68	$ 2.67
Black Warrior Basin fields	$ 0.57	$ 0.47
Compression and transportation expenses (Consolidated)	$ 0.60	$ 0.54
Pond Creek and Lasher fields	$ 0.58	$ 0.55
Pinnate wells (Central Appalachian Basin)	$ 1.07	$ 1.12
Gurnee field (Cahaba Basin)	$ 0.26	$ 0.34
Black Warrior Basin fields	$ 0.19	$ 0.16
Production taxes (Consolidated)	$ 0.14	$ 0.18
Pond Creek and Lasher fields	$ 0.16	$ 0.19
Pinnate wells (Central Appalachian Basin)	$ 0.11	$ 0.06
Gurnee field (Cahaba Basin)	$ 0.12	$ 0.20
Black Warrior Basin fields	$ 0.17	$ 0.21
Total production expenses (Consolidated)	$ 2.01	$ 2.21
Pond Creek and Lasher fields	$ 1.81	$ 1.91
Pinnate wells (Central Appalachian Basin)	$ 2.53	$ 2.39
Gurnee field (Cahaba Basin)	$ 3.06	$ 3.21
Black Warrior Basin fields	$ 0.93	$ 0.84
Depletion (Consolidated)	$ 0.81	$ 0.91

(1) Average natural gas sales price realized includes the effects of realized gains and losses on derivative contracts.

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Results of Operations

Year Ended December 31, 2012 compared with Year Ended December 31, 2011

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

	Year Ended December 31,				
	2012		2011		Change
			(in thousands)		
Gas sales volume (MMcf)		13,808		8,511	62%
Gas sales	$	39,147	$	35,335	11%
Lease operating expenses	$	17,483	$	12,600	39%
Compression expense	$	4,670	$	2,949	58%
Transportation expense	$	3,679	$	1,633	125%
Production taxes	$	1,962	$	1,536	28%
Depreciation, depletion and amortization	$	11,532	$	7,908	46%
Impairment of intangible asset	$	782	$		NM
Impairment of gas properties	$	95,729	$	7,940	NM
General and administrative	$	4,851	$	4,861	0%
Acquisition costs	$		$	956	NM
Restructuring costs	$	1,083	$		NM
Realized gains on derivative contracts	$	16,383	$	9,571	71%
Unrealized losses (gains) from the change in market value of open derivative contracts	$	11,967	$	(4,067)	NM
Interest expense	$	5,828	$	3,698	58%
Write off of debt issuance costs	$	1,378	$		NM
Discontinued operations	$	736	$	380	94%
Income tax expense	$	44,043	$	1,996	NM

NM-Not Meaningful

Gas sales. Gas sales increased by $3.8 million, or 11%, to $39.1 million compared to the prior year period. The increase in gas sales was primarily the result of higher production volumes, of which 5.1 Bcf was due to the properties acquired in November 2011, while 0.2 Bcf was due to increased production in our previously existing properties, partially offset by a 32% decrease in natural gas prices, excluding hedging transactions

Lease operating expenses. Lease operating expenses increased by $4.9 million, or 39%, to $17.5 million compared to the prior year period. The $4.9 million increase in lease operating expenses consisted of $5.5 million increase in expenses related to the properties acquired in November 2011, partially offset by a $0.5 million decrease in our previously existing properties.

Compression expense. Compression expense increased by $1.7 million, or 58%, to $4.7 million compared to the prior year period. The increase was primarily attributable to the $1.5 million increase in expenses related to the properties acquired in November 2011 combined with an increase of $0.2 million related to our previously existing properties. The increase in compression expenses in our previously existing properties was due to increased production.

Transportation expense. Transportation expense increased by $2.0 million, or 125%, to $3.7 million compared to the prior year period. The increase was primarily due to the properties acquired in November 2011. Transportation expenses remained relatively flat in our previously existing gas properties.

Production taxes. Production taxes increased by $0.4 million, or 28%, to $1.9 million compared to the prior year period. The increase was primarily attributable to the $0.7 million increase in expenses related to the properties acquired in November 2011, partially offset by a decrease of $0.3 million related to our previously existing properties.

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Depreciation, depletion and amortization. Depreciation, depletion and amortization increased by $3.6 million, or 46%, to $11.5 million compared to the prior year period. This increase was primarily due to the $3.9 million increase in expenses related to the properties acquired in November 2011, partially offset by a decrease of $0.3 million related to our previously existing natural gas properties.

Impairment of intangible asset. During the current year period, the remaining value of $0.8 million related to a drilling license was written off due to no future drilling plans in place resulting from the depressed natural gas price environment.

Impairment of gas properties. During the current year period, the gross carrying value of the Company s gas properties exceeded the full cost ceiling limitations measured quarterly and, as such, a $95.7 million aggregate impairment of gas properties was recorded.

General and administrative. General and administrative expenses remained flat compared to the prior year period.

Acquisition costs. During the prior year period, we incurred approximately $1.0 million of costs related to our recent acquisition of coalbed methane gas properties in Alabama and West Virginia. No such expenses were incurred in the current year.

Restructuring costs. Restructuring activities consist of senior management and board of directors realignment. The restructuring costs for the current year period of $1.1 million included cash payments to our former CEO of $0.8 million under separation and consulting agreements, share-based awards conveyed to our former CEO of $0.1 million and other costs of $0.2 million. No such expenses were incurred in the prior year period.

Realized gains on derivative contracts. Realized gains on derivative contracts increased by $6.8 million, or 71%, to $16.4 million compared to the prior year period. Realized losses represent net cash flow settlements paid to the contract counterparty, while realized gains represent net cash flow settlements paid to us from the contract counterparty. Realized losses occur when natural gas prices exceed the derivative ceiling prices. Conversely, realized gains occur when natural gas prices go below the derivative floor prices.

Unrealized gains from the change in market value of open derivative contracts. Unrealized losses on open derivative contracts were $12.0 million in the current year period as compared to unrealized gains of $4.1 million in the prior year period. The current year period unrealized loss position was made up of $1.4 million in unrealized net losses on derivative contracts acquired as part of our coalbed methane gas property acquisition in November 2011, in addition to unrealized net losses of $10.5 million on pre-acquisition or recently executed derivative contracts. Unrealized gains and losses are non-cash transactions that occur when the corresponding asset or liability derivative contracts are marked-to-market at the end of each reporting period.

Interest expense. Interest expense increased by $2.1 million, or 58%, to $5.8 million compared to the prior year period. The increase was primarily due to a higher average outstanding balance under our Credit Agreement in the current year period resulting from the properties acquired in November 2011.

Write off of debt issuance costs. Deferred financing costs of $1.4 million as of August 8, 2012 related to the Credit Agreement prior to the Amendment were written off upon execution of the Amendment.

Income tax expense. The income tax expense for the year ended December 31, 2012 was different than the amount computed using the statutory rate primarily due to an $83.5 million valuation allowance on our deferred tax asset. A reconciliation of the effective tax rate to the statutory rate is as follows:

	U.S.		Canada		Total	
Amount computed using statutory rates	$ (36,004,892)	34.00%	$ (3,307)	25.00%	$ (36,008,199)	34.00%
State income taxes net of federal benefit	(3,319,194)	3.14%		0.00%	(3,319,194)	3.13%
Valuation Allowance	83,537,181	-78.89%	3,307	-25.00%	83,540,488	-78.88%
Nondeductible items and other	(169,895)	0.16%		0.00%	(169,895)	0.16%
Income tax provision	$ 44,043,200	-41.59%	$	0.00%	$ 44,043,200	-41.59%

Discontinued operations, net of tax. During the current year period, we incurred a loss of $0.7 million related to the disposal of our Canadian subsidiary, Hudson s Hope Gas, Ltd.

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Unaudited Pro Forma Consolidated Financial Information

The following unaudited pro forma consolidated balance sheet as of September 30, 2013 has been derived from our historical financial statements as if the sale of our Central Appalachian assets, which are subject to the Asset Sale, occurred on September 30, 2013. The following unaudited pro forma consolidated statements of operations for the nine months ended September 30, 2013 and for the years ended December 31, 2012 and 2011 have been derived from our historical financial statements as if both the sale of our Central Appalachian assets, which are subject to the Asset Sale, and the disposition of all of our other assets (all of which were disposed prior to September 30, 2013) occurred on January 1, 2011.

The preparation of the unaudited pro forma consolidated financial information is based on financial statements prepared in accordance with accounting principles generally accepted in the United States of America. The pro forma adjustments reflected in the accompanying unaudited pro forma consolidated financial information reflects estimates and assumptions that the Company s management believes to be reasonable. Actual results may differ from those estimates. Pro forma adjustments related to the unaudited pro forma financial information presented below were computed assuming both the sale of our Central Appalachian assets, which are subject to the Asset Sale, and the disposition of all of our other assets were consummated on January 1, 2011 and include adjustments which give effect to events that are (i) directly attributable to the Asset Sale, (ii) expected to have a continuing impact on the Company, and (iii) factually supportable.

The unaudited pro forma consolidated financial information is provided for illustrative purposes only and does not purport to represent what the actual results of operations would have been had the transactions occurred on the respective dates assumed, nor is it necessarily indicative of the Company s future operating results. This unaudited pro forma condensed consolidated financial information and the accompanying unaudited notes should be read in conjunction with the Company s consolidated financial statements and notes thereto contained in *Annex D*.

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GEOMET INC. AND SUBSIDIARIES

PRO FORMA CONSOLIDATED BALANCE SHEET

(unaudited)

	As Filed September 30, 2013	Sale of Central Appalachian Assets	Pro Forma September 30, 2013
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 9,704,630	$ 21,540,125(1)	$ 31,244,755
Accounts receivable, net of allowance of $14,744	2,613,257	(2,613,257)(2)	
Derivative asset natural gas contracts	371,025	(371,025)(7)	
Other current assets	941,331	(440,847)(3)	500,484
Total current assets	13,630,243	18,114,996	31,745,239
Gas properties utilizing the full cost method of accounting:			
Proved gas properties	333,396,454	(333,396,454)(2)	
Other property and equipment	3,294,083	(683,598)(2)	2,610,485
Total property and equipment	336,690,537	(334,080,052)	2,610,485
Less accumulated depreciation, depletion, amortization and impairment of gas properties	(293,173,690)	290,701,761(2)	(2,471,929)
Property and equipment net	43,516,847	(43,378,291)	138,556
Other noncurrent assets:			
Deferred income taxes	105,733	(105,733)(7)	
Other	1,100,268	(618,251)(2)	482,017
Total other noncurrent assets	1,206,001	(723,984)	482,017
TOTAL ASSETS	$ 58,353,091	$ (25,987,279)	$ 32,365,812
LIABILITIES, MEZZANINE AND STOCKHOLDERS DEFICIT			
Current Liabilities:			
Accounts payable	$ 3,146,338	$ (2,601,138)(2)	$ 545,200
Royalties payable	3,622,600	(3,622,600)(17)	
Income taxes payable		1,192,029(4)	1,192,029
Accrued liabilities	913,335	4,586,665(8)	5,500,000
Deferred income taxes	105,733	(105,733)(7)	
Asset retirement obligations	180,183	(180,183)(2)	
Current portion of long-term debt	74,000,000	(74,000,000)(5)	
Total current liabilities	81,968,189	(74,730,960)	7,237,229
Asset retirement obligations	9,490,684	(7,071,672)(2)	2,419,012
Derivative liability natural gas contracts	571,386	(571,386)(7)	
Other long-term accrued liabilities	120,996		120,996
TOTAL LIABILITIES	92,151,255	(82,374,018)	9,777,237
Commitments and contingencies (Note 16)			
Mezzanine equity:			
Series A Convertible Redeemable Preferred Stock	41,197,933		41,197,933
Stockholders Deficit:			
Common stock	40,663		40,663
Treasury stock	(94,424)		(94,424)
Paid-in capital	189,690,990		189,690,990
Accumulated other comprehensive loss	(22,233)		(22,233)

Retained deficit		(264,611,093)		56,386,739(6)		(208,224,354)
Total stockholders deficit		(74,996,097)		56,386,739		(18,609,358)
TOTAL LIABILITIES, MEZZANINE AND STOCKHOLDERS DEFICIT	$	58,353,091	$	(25,987,279)	$	32,365,812

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GEOMET INC. AND SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	As Filed Nine Months Ended September 30, 2013	**Sale of Central Appalachian Assets**	**Disposition of Other Remaining Assets**	**Pro Forma Nine Months Ended September 30, 2013**
Revenues:				
Gas sales	$ 30,324,181	$ (24,125,706)(12)	$ (6,198,475)(9)	$
Operating fees	104,394	(60,713)(12)	(43,681)(9)	
Total revenues	30,428,575	(24,186,419)	(6,242,156)	
Operating expenses:				
Lease operating expense	10,615,069	(7,859,446)(12)	(2,755,623)(9)	
Compression and transportation expense	5,485,553	(5,104,516)(12)	(381,037)(9)	
Production taxes	1,617,249	(1,288,645)(12)	(328,604)(9)	
Depreciation, depletion and amortization	3,746,930	(2,964,909)(10)	(739,825)(10)	42,196
General and administrative	3,456,126			3,456,126
Restructuring costs	93,584			93,584
Losses on natural gas derivatives	760,142	(604,606)(11)	(155,536)(11)	
Total operating expenses	25,774,653	(17,822,122)	(4,360,625)	3,591,906
Gain on the sale of Properties in Alabama	36,948,313		(36,948,313)(21)	
Operating income (loss)	41,602,235	(6,364,297)	(38,829,844)	(3,591,906)
Other income (expense):				
Interest income	1,280			1,280
Interest expense	(4,093,452)	3,149,965(13)	943,487(13)	
Other	(44,910)	(3,145)(14)		(48,055)
Total other income (expense):	(4,137,082)	3,146,820	943,487	(46,775)
Income (loss) before income taxes	37,465,153	(3,217,477)	(37,886,357)	(3,638,681)
Income tax expense	(18,750)			(18,750)
Net income (loss)	$ 37,446,403	$ (3,217,477)	$ (37,886,357)	$ (3,657,431)
Accretion of Preferred Stock	(1,624,984)			(1,624,984)
Paid-in-kind dividends on Preferred Stock	(3,721,062)			(3,721,062)
Cash dividends paid on Preferred Stock	(1,835)			(1,835)
Net income (loss) available to common stockholders	$ 32,098,522	$ (3,217,477)	$ (37,886,357)	$ (9,005,312)
Net income (loss) per common share basic	$ 0.79			$ (0.22)
Net income (loss) per common share diluted	$ 0.45			$ (0.22)
Weighted average number of common shares:				
Basic	40,473,460			40,473,460
Diluted	82,707,070			40,473,460

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GEOMET INC. AND SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	As Filed For The Year Ended December 31, 2012	Sale of Central Appalachian Assets	Disposition of Other Remaining Assets	Pro Forma For The Year Ended December 31, 2012
Revenues:				
Gas sales	$ 39,146,723	$ (27,452,357)(12)	$ (11,694,366)(9)	$
Operating fees	236,364	(76,513)(12)	(159,851)(9)	
Total revenues	39,383,087	(27,528,870)	(11,854,217)	
Operating expenses:				
Lease operating expense	17,482,709	(11,462,358)(12)	(6,020,351)(9)	
Compression and transportation expense	8,349,799	(7,697,801)(12)	(651,998)(9)	
Production taxes	1,961,804	(1,346,439)(12)	(615,365)(9)	
Depreciation, depletion and amortization	11,531,565	(8,073,119)(10)	(3,397,475)(10)	60,971
Impairment of intangible asset	782,462	(782,462)(15)		
Impairment of gas properties	95,728,981	(66,995,923)(20)	(28,733,058)(20)	
General and administrative	4,851,193			4,851,193
Restructuring costs	1,083,018			1,083,018
Gains on natural gas derivatives	(4,415,617)	3,108,244(11)	1,307,373(11)	
Total operating expenses	137,355,914	(93,249,858)	(38,110,874)	5,995,182
Operating loss	(97,972,827)	65,720,988	26,256,657	(5,995,182)
Other income (expense):				
Interest income	5,527			5,527
Interest expense	(5,827,659)	3,741,613(13)	2,086,046(13)	
Write off of debt issuance costs	(1,377,520)	884,428(19)	493,092(19)	
Other	(1,463)	(3,298)(14)	5,182(16)	421
Total other income (expense):	(7,201,115)	4,622,743	2,584,320	5,948
Loss before income taxes from continuing operations	(105,173,942)	70,343,731	28,840,977	(5,989,234)
Income tax expense	(44,043,200)	17,215,416(22)	26,802,784(22)	(25,000)
Loss from continuing operations	(149,217,142)	87,559,147	55,643,761	(6,014,234)
Discontinued operations	(736,025)		736,025(18)	
Net loss	$ (149,953,167)	$ 87,559,147	$ 56,379,786	$ (6,014,234)
Accretion of Preferred Stock	(1,913,134)			(1,913,134)
Paid-in-kind dividends on Preferred Stock	(3,934,094)			(3,934,094)
Cash dividends paid on Preferred Stock	(2,757)			(2,757)
Net loss available to common stockholders	$ (155,803,152)	$ 87,559,147	$ 56,379,786	$ (11,864,219)
Net loss per common share basic	$ (3.88)			$ (0.30)
Net loss per common share diluted	$ (3.88)			$ (0.30)
Weighted average number of common shares:				
Basic	40,123,608			40,123,608
Diluted	40,123,608			40,123,608

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GEOMET INC. AND SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

		As Filed For The Year Ended December 31, 2011		Sale of Central Appalachian Assets		Disposition of Other Remaining Assets		Pro Forma For The Year Ended December 31, 2011
Revenues:								
Gas sales	$	35,334,515	$	(26,837,558)(12)	$	(8,496,957)(9)	$	
Operating fees		280,646		(69,078)(12)		(211,568)(9)		
Total revenues		35,615,161		(26,906,636)		(8,708,525)		
Operating expenses:								
Lease operating expense		12,600,278		(7,501,873)(12)		(5,098,405)(9)		
Compression and transportation expense		4,582,210		(3,882,681)(12)		(699,529)(9)		
Production taxes		1,535,532		(1,108,082)(12)		(427,450)(9)		
Depreciation, depletion and amortization		7,908,128		(5,847,913)(10)		(1,953,363)(10)		106,852
Impairment of gas properties		7,939,713		(2,865,037)(20)		(5,074,676)(20)		
General and administrative		4,861,439						4,861,439
Acquisition costs		956,100						956,100
Gains on natural gas derivatives		(13,637,867)		10,233,928(11)		3,403,939(11)		
Total operating expenses		26,745,533		(10,971,658)		(9,849,484)		5,924,391
Operating income (loss)		8,869,628		(15,934,978)		1,140,959		(5,924,391)
Other income (expense):								
Interest income		16,869						16,869
Interest expense		(3,697,649)		2,906,925(13)		790,724(13)		
Other		2,299		(3,463)(14)				(1,164)
Total other income (expense):		(3,678,481)		2,903,462		790,724		15,705
Income (loss) before income taxes from continuing operations		5,191,147		(13,031,516)		1,931,683		(5,908,686)
Income tax expense		(1,996,417)		(18,434,321)(23)		(26,757,627)(23)		(47,188,365)
Income (loss) from continuing operations		3,194,730		(31,465,837)		(24,825,944)		(53,097,051)
Discontinued operations		(380,323)				380,323(18)		
Net income (loss)	$	2,814,407	$	(31,465,837)	$	(24,445,621)	$	(53,097,051)
Accretion of Preferred Stock		(1,766,653)						(1,766,653)
Paid-in-kind dividends on Preferred Stock		(6,293,065)						(6,293,065)
Cash dividends paid on Preferred Stock		(2,794)						(2,794)
Net loss available to common stockholders	$	(5,248,105)	$	(31,465,837)	$	(24,445,621)	$	(61,159,563)
Net loss per common share basic	$	(0.13)					$	(1.54)
Net loss per common share diluted	$	(0.13)					$	(1.54)
Weighted average number of common shares:								
Basic		39,610,761						39,610,761
Diluted		39,610,761						39,610,761

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GEOMET INC. AND SUBSIDIARIESAND SUBSIDIARIES

Notes to Unaudited Pro Forma Consolidated Financial Statements

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(1) Reflects the pro forma impact of the cash proceeds of the Asset Sale of $107.0 million less the following: (i) repayment of $74.0 million in outstanding borrowings under our credit agreement, (ii) estimated $7.3 million in post-effective date net cash flows that will be due to the acquirer, (iii) payment of royalties totaling $3.6 million described in footnote (17), (iv) payment of Lantana transaction costs totaling $1.1 million representing 1% of the gross cash proceeds, and v) $0.2 million used to liquidate the natural gas hedging contracts described in footnote (7); plus $0.7 million in deposits to be refunded to us related to the disposed assets.

(2) Reflects the pro forma adjustment to reflect the assets sold and liabilities assumed by the buyer related to the sale of our Central Appalachian assets.

(3) Reflects the pro forma write-off of unamortized debt financing costs.

(4) Reflects the pro forma adjustment to record federal income tax payable that is estimated to result from the transaction and be due and payable with the filing of the Company s federal income tax return for fiscal year 2014. The amount represents alternative minimum tax. No regular income tax is expected to result from the transaction as we estimate sufficient net operating losses will be carried forward from prior years to offset the estimated gain.

(5) Reflects the pro forma repayment of the outstanding borrowings under our credit agreement.

(6) Reflects the pro forma adjustment relating to the impact on retained earnings of disposing of all remaining natural gas assets of the Company on September 30, 2013.

(7) Reflects the pro form adjustment for the liquidation of our natural gas hedging contracts (and the related deferred tax asset/liability). All contracts would be required to be liquidated under Company policy as no production volumes would remain after the Asset Sale.

(8) Reflects the pro forma adjustment for costs resulting from the Asset Sale that would be reported in future periods, including $4.0 million in severance/retention related payments to employees, of which $2.4 million relates to severance payments to our executive officers, and $1.5 million in transaction related professional fees.

(9) Reflects the pro forma adjustment for amounts related solely to our operating activities in Alabama.

(10) Reflects the pro forma adjustment for amounts related to depletion allocated based on natural gas production volumes.

(11) Reflects the pro forma adjustment for amounts related to hedging activities allocated based on natural gas sales volumes. All natural gas hedging contracts would be required to be liquidated under Company policy as no production volumes would remain after the Asset Sale.

(12) Reflects the pro forma adjustment for amounts related solely to our operating activities in the Central Appalachian region.

(13) Assuming the use of all sales proceeds to repay all outstanding borrowings under the credit agreement on January 1, 2011, the pro form adjustment reflects amounts related to interest expense allocated based on the average net present value of future cash flows discounted at 10% for the period.

(14) Reflects the pro forma adjustment for gas marketing income related solely to our Central Appalachian region.

(15) Reflects the pro forma adjustment for the Pinnate drilling license related solely to our Central Appalachian wells that was written off in 2012.

(16) Reflects the pro forma adjustment for the loss on the disposition of furniture, fixtures and equipment in Alabama.

(17) Reflects the pro forma adjustment for amounts held in suspense for royalties payable related to our Central Appalachian properties.

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(18) Reflects the pro forma adjustment for discontinued operations related to Hudson s Hope Gas, Ltd. disposed on June 20, 2012 which is assumed to have been disposed on January 1, 2011.

(19) Assuming the use of all sales proceeds to repay all outstanding borrowings under our credit agreement on January 1, 2011, the pro form adjustment reflects amounts related to debt financing costs allocated based on the average net present value of future cash flows discounted at 10% for the period.

(20) Reflects the pro forma adjustment for the impairment of gas properties allocated based on the net present value of future cash flows discounted at 10% at the period end.

(21) Reflects the pro forma adjustment for the gain recorded on the sale of the Alabama properties on June 14, 2013 which is assumed to have been completed on January 1, 2011.

(22) Reflects the pro forma adjustment for the 2012 full valuation of our deferred tax asset assumed to have occurred on January 1, 2011 as described in footnote (23) and allocated on the same basis.

(23) Reflects the pro forma adjustment for the full valuation of our deferred tax asset that would remain after recording the disposition of all our productive assets assumed to have occurred on January 1, 2011, allocated based on costs capitalized to the full cost pool at January 1, 2011 calculated as follows:

	Sale of Central Appalachian Assets	**Disposition of Other Remaining Assets**	**Total**
Deferred Tax Asset as of January 1, 2011	$ 19,662,509	$ 28,540,354	$ 48,202,863
Deferred Tax Liability as of January 1, 2011	(900,069)	(1,306,460)	(2,206,529)
Net Deferred Tax Asset to be Written Off	$ 18,762,440	$ 27,233,894	$ 45,996,334
Reversal of 2011 Income Tax Expense - As Reported	(814,362)	(1,182,055)	(1,996,417)
Income Tax Related to the Asset Sale (AMT)	486,243	705,788	1,192,031
Net Pro Forma Adjustment-2011 Income Tax Expense	$ 18,434,321	$ 26,757,627	$ 45,191,948

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MARKET PRICE AND DIVIDEND DATA

Common Stock

Our Common Stock currently trades on the OTCQB under the symbol GMET . Previously, until August 13, 2012, our Common Stock traded under the same symbol on the NASDAQ Capital Market. On February 12, 2014, the last trading day prior to the public announcement of our entry into the Asset Purchase Agreement, our Common Stock closed at a price of $0.10 per share. On March 26, 2014, the latest practicable trading day prior to the date of this Proxy Statement, our Common Stock closed at a price of $0.01 per share. The table below shows the high and low closing prices of our Common Stock for the periods indicated.

	High	Low
Fiscal Year 2012:		
Quarter ended March 31, 2012	$ 0.98	$ 0.64
Quarter ended June 30, 2012	$ 0.64	$ 0.23
Quarter ended September 30, 2012	$ 0.35	$ 0.13
Quarter ended December 31, 2012	$ 0.19	$ 0.14
Fiscal Year 2013:		
Quarter ended March 31, 2013	$ 0.18	$ 0.14
Quarter ended June 30, 2013	$ 0.24	$ 0.13
Quarter ended September 30, 2013	$ 0.17	$ 0.12
Quarter ended December 31, 2013	$ 0.14	$ 0.05

Approximately 1,500 stockholders of record as of March 1, 2013 held our Common Stock. In many instances, a registered stockholder is a broker or other entity holding shares in street name for one or more customers who beneficially own the shares. Holders of our Common Stock are entitled to receive dividends if, as and when such dividends are declared by our board of directors out of assets legally available therefore after payment of dividends required to be paid on shares of Preferred Stock, if any. We have not declared or paid any dividends on our shares of Common Stock and do not currently anticipate paying any dividends on our shares of Common Stock in the future. Currently our plan is to retain any future earnings for use in the operations and to reduce our outstanding borrowings. Our credit agreement prohibits us from paying any cash dividends.

Preferred Stock

On September 14, 2010, we issued and sold 4,000,000 shares of Preferred Stock at a price of $10.00 per share, pursuant to a rights offering. The Preferred Stock is our most senior equity security. The Preferred Stock ranks senior to our Common Stock and junior to all of our existing indebtedness. Our Preferred Stock is listed on the NASDAQ Global Market under the symbol GMETP . On February 6, 2014, the last day on which GMETP was traded prior to the public announcement of our entry into the Asset Purchase Agreement, our Preferred Stock closed at a price of $8.50 per share. On March 26, 2014, the latest practicable trading day prior to the date of this Proxy Statement, our Preferred Stock closed at a price of $3.34 per share. The table below shows the high and low closing prices of our Preferred Stock for the periods indicated.

	High	Low
Fiscal Year 2012:		

Quarter ended March 31, 2012	$	10.37	$	8.25
Quarter ended June 30, 2012	$	9.98	$	3.95
Quarter ended September 30, 2012	$	5.80	$	2.50
Quarter ended December 31, 2012	$	9.00	$	4.99
Fiscal Year 2013:				
Quarter ended March 31, 2013	$	7.75	$	6.00
Quarter ended June 30, 2013	$	8.10	$	5.90
Quarter ended September 30, 2013	$	8.00	$	6.40
Quarter ended December 31, 2013	$	8.75	$	6.69

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The applicable annual rate for dividends paid in cash is 8.0% for the first three years and 9.6% thereafter. The applicable annual rate for PIK Dividends, which can be paid until the fifth anniversary of the closing of the Preferred Stock offering, is 12.5%. All dividends are cumulative and all unpaid dividends compound on a quarterly basis at a 12.5% annual rate. Our credit agreement contains a restrictive covenant which influences our ability to pay cash dividends. Cash dividends in excess of $2 million are permitted only if our ratio of debt-to-trailing twelve-month EBITDA, as defined in the revolving credit agreement and after giving effect to such cash dividend payment, is 3.5 to 1.0 or less.

In 2010, we entered into an agreement with Sherwood in connection with a rights offering of Preferred Stock made to our stockholders, pursuant to which Sherwood agreed to acquire any shares of Preferred Stock not acquired by our stockholders pursuant to the rights offering. Sherwood currently owns 58.6% of our Preferred Stock and owns 31.1% of our Common Stock on an as-converted basis. Sherwood is entitled to appoint two members to our board of directors so long as it beneficially owns more than 40% of our Preferred Stock, or beneficially owns 20% or more of our Common Stock, on an as-converted basis. Sherwood may appoint one member to our board of directors so long as it beneficially owns 40% of the Preferred Stock it acquired, or beneficially owns 10 % or more of our Common Stock, on an as-converted basis. Sherwood is entitled to appoint one of its designated directors to our Audit and Compensation Committees, provided that the director meets applicable independence requirements.

In addition, such agreement provides that, for so long as Sherwood beneficially owns more than 40% of our Preferred Stock, or beneficially owns 10% or more of our Common Stock, on an as-converted basis, we may not incur additional material debt, issue additional equity securities senior to or pari passu with the Preferred Stock, engage in any material acquisitions or other significant corporate transactions, or engage in certain other activities without the consent of the director(s) designated by Sherwood.

If we default under such agreement, Sherwood has the right to appoint a majority of the members of our board of directors until such default is cured or waived by Sherwood. If the default continues for more than 12 months (absent a cure or waiver), Sherwood has the right to require us to redeem its shares of Preferred Stock at the redemption price.

Such agreement also grants Sherwood a participation right to purchase its pro rata share, up to $30,000,000, of authorized but unissued debt securities and Preferred Stock, and all rights, options or warrants to purchase shares and securities of any type convertible into or exchangeable for debt securities or Preferred Stock.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information, as of March 1, 2014, with respect to beneficial ownership of our Common Stock by: (i) each person who, to our knowledge, beneficially owned more than 5% of the shares of our Common Stock outstanding as of such date, (ii) each of our directors, (iii) our Chief Executive Officer, Chief Financial Officer and the three most highly compensated executive officers other than the Chief Executive Officer and the Chief Financial Officer and (iv) all directors and executive officers as a group.

For purposes of the following table, beneficial ownership is determined in accordance with the rules of the SEC. Except as otherwise noted in the footnotes below, we believe that each person or entity named in the table has sole voting and investment power with respect to all shares of its Common Stock and Preferred Stock shown as beneficially owned by them, subject to applicable community property laws. The percentage of shares of Common Stock outstanding is based on 40,652,317 shares of Common Stock outstanding as of March 1, 2014. The percentage of shares of Preferred Stock outstanding is based on 6,000,571 shares of Preferred Stock outstanding as of March 1, 2014. In computing the number of shares beneficially owned by a person named in the following table and the percentage ownership

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of that person, shares of Common Stock that are subject to options held by that person that are currently exercisable or exercisable within 60 days of March 1, 2014 are deemed outstanding. These shares are not, however, deemed outstanding for the purpose of computing the percentage ownership of any other person.

Name and Address of Beneficial Owner	**Number of Common Shares Beneficially Owned (1)(2)**	**% Of Total Common Shares Outstanding (2)**	**Number of Series A Preferred Shares Beneficially Owned**	**% Of Total Series A Preferred Shares Outstanding**	**Number of Total Voting Shares (3)**	**% Of Total Voting Shares (3)**
Sherwood Energy, LLC (4) 1221 Lamar Street, 10th Floor, Suite 1001 Houston, Texas 77010		%	3,513,659	58.6%	27,028,146	31.1%
Yorktown Energy Partners IV, L.P. 410 Park Avenue New York, New York 10022	12,437,072	30.6%			12,437,072	14.3%
W. Howard Keenan, Jr. (5) 410 Park Avenue New York, New York 10022	12,536,872	30.8%	14,082	0.2%	12,645,195	14.6%
T. Rowe Price Associates, Inc. (6) 100 East Pratt Street Baltimore, Maryland 21202	180,000	0.4%	616,541	10.3%	4,922,623	5.7%
Brett S. Camp (7) 5336 Stadium Trace Parkway, Suite 206 Birmingham, Alabama 35244	1,091,623	2.7%	18,749	0.3%	1,123,995	1.3%
William C. Rankin (8) 909 Fannin Street, Suite 1850 Houston, Texas 77010	912,790	2.2%			725,133	0.8%
Stanley L. Graves (9) 909 Fannin Street, Suite 1850 Houston, Texas 77010	187,519	0.5%	8,696	0.1%	254,410	0.3%
James C. Crain (10) 909 Fannin Street, Suite 1850 Houston, Texas 77010	186,519	0.5%	7,038	0.1%	240,657	0.3%
Gary S. Weber 1221 Lamar Street, 10 th Floor, Suite 1001 Houston, Texas 77010	106,125	0.3%	14,996	0.2%	221,478	0.3%
Tony Oviedo (11) 909 Fannin Street, Suite 1850 Houston, Texas 77010	186,791	0.5%			123,317	0.1%
Michael Y. McGovern 1221 Lamar Street, 10th Floor, Suite 1001 Houston, Texas 77010	106,125	0.3%			106,125	0.1%

All executive officers and directors as a group (eight persons)	15,314,364	37.7%	63,561	1.1%	15,440,310	17.8%

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(1) Unless otherwise indicated, all outstanding shares of Common Stock are held directly with sole voting and investment power. The number of common shares includes shares of Common Stock which the owner shown above has the right to acquire within 60 days of March 1, 2014 pursuant to the exercise of outstanding stock options.

(2) Excludes shares of Common Stock issuable on conversion of shares of Preferred Stock.

(3) Our outstanding Preferred Stock votes on an as-converted basis with the Common Stock. As of March 1, 2014, we had outstanding 40,652,317 shares of Common Stock and 6,000,571 shares of Preferred Stock, which were entitled to 46,158,238 votes, for a total of 86,810,555 voting shares. The total voting shares owned represents the number of votes that the person indicated in the table is entitled to vote by reason of such person s ownership of Common Stock and Preferred Stock as of March 1, 2014. The percent of total voting shares represents the number of votes the person is entitled to vote divided by the total number of votes that may be cast as of March 1, 2014.

(4) Based on a Schedule 13D filed on September 14, 2010, the reported shares are owned directly by Sherwood, a Delaware limited liability company. The Schedule 13D states that, because of their relationships to Sherwood, the following persons may be deemed to indirectly beneficially own the reported shares: Cadent Energy Partners II, L.P., a Delaware limited partnership, Cadent Energy Partners II-GP, L.P., a Delaware limited partnership, CEP II-GP, LLC, a Delaware limited liability company, Cadent Energy Partners, LLC, a Delaware limited liability company, Paul McDermott and Bruce Rothstein. Indirect beneficial ownership may be attributed to the persons other than Sherwood solely because of their control relationship with respect to Sherwood. Mr. McGovern is an executive officer of Sherwood, and disclaims beneficial ownership of the reported shares.

(5) Includes 12,437,072 shares of Common Stock beneficially owned by Yorktown. Mr. Keenan is a member and a manager of the general partner of Yorktown. Mr. Keenan disclaims beneficial ownership of all shares held by Yorktown, except to the extent of his pecuniary interest therein.

(6) Represents shares of Common Stock and shares of Preferred Stock owned at December 31, 2013 based on information contained in a Schedule 13G/A filed on January 10, 2014 with the SEC. These shares are owned by various individual and institutional investors for which T. Rowe Price Associates, Inc. (Price Associates) serves as an investment advisor with power to direct investments and/or sole power to vote the shares. For the purposes of the reporting requirements of the Securities Exchange Act of 1934, Price Associates is deemed to be a beneficial owner of such shares; however Price Associates expressly disclaims that it is, in fact, the beneficial owner of such shares.

(7) Includes options to purchase up to 111,851 shares of Common Stock and 443,684 shares of Common Stock that are held by Mr. Camp s wife.

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(8) Includes options to purchase up to 187,657 shares of Common Stock, 1,216 shares of Common Stock that are held by a limited liability company wholly owned by Mr. Rankin and for which he holds voting control and dispositive power, and 212,325 shares of Common Stock that are held in a limited partnership under the control of Mr. Rankin, and for which he holds voting control and dispositive power.

(9) Includes 5,000 shares of Common Stock and 686 shares of Preferred Stock that are held in an SEP account in the name of Mr. Graves, 6,000 shares of Common Stock and 827 shares of Preferred Stock that are held jointly with Mr. Graves wife and options to purchase up to 2,000 shares of Common Stock.

(10) Includes 1,500 shares of Common Stock that are held in a family trust of which Mr. Crain is the trustee and has dispositive power and voting control and options to purchase up to 2,000 shares of Common Stock.

(11) Includes options to purchase up to 63,474 shares of Common Stock.

STOCKHOLDER PROPOSALS

It is contemplated that the 2014 annual meeting of stockholders of the Company will take place in mid-2014. To be eligible for inclusion in the Proxy Statement to be furnished to all stockholders entitled to vote at our 2014 annual meeting of stockholders, proposals of stockholders were required to be received at our principal executive offices not later than December 24, 2013 and otherwise satisfy the conditions established by the SEC for stockholder proposals to be included in our Proxy Statement for that meeting. In order to curtail any controversy as to the date on which a proposal is received by us, it is suggested that proponents submit their proposals by Certified Mail, Return Receipt Requested, to GeoMet, Inc., Attn: Stephen M. Smith, Corporate Secretary, 909 Fannin Street, Suite 1850, Houston, Texas 77010, telephone number (713) 287-2251.

In the event that the date of the 2014 annual meeting of stockholders is changed by more than 30 days from the date of the 2013 annual meeting (which was May 14, 2013), then proposals must be received a reasonable time in advance of the meeting.

TRANSACTION OF OTHER BUSINESS

At the date of this Proxy Statement, the only business which the board of directors intends to present or knows that others will present at the Special Meeting is as set forth above. If any other matter or matters are properly brought before the Special Meeting, or an adjournment or postponement thereof, it is the intention of the persons named in the accompanying form of proxy to vote the proxy on such matters in accordance with their best judgment.

HOUSEHOLDING OF PROXY STATEMENT

The rules promulgated by the SEC permit companies, brokers, banks or other intermediaries to deliver a single copy of our proxy materials to households at which two or more stockholders reside (Householding). Stockholders sharing an address who have been previously notified by their broker, bank or other intermediary and have consented to Householding, either affirmatively or implicitly by not objecting to Householding, received only one copy of our proxy materials. A stockholder who wishes to participate in Householding in the future must contact his or her broker, bank or other intermediary directly to make such request. Alternatively, a stockholder who wishes to revoke his or her consent to Householding and receive separate proxy materials for each stockholder sharing the same address must contact his or her broker, bank or other intermediary to revoke such consent. Stockholders may also obtain a separate Proxy Statement or may receive a printed or an e-mail copy of this Proxy Statement without charge by sending a written request to GeoMet, Inc., Attn: Stephen M. Smith, Corporate Secretary, 909 Fannin Street, Suite 1850, Houston, Texas 77010, telephone number (713) 287-2251. We will promptly deliver a copy of this Proxy Statement upon request. Householding does not apply to stockholders with shares registered directly in their name.

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WHERE YOU CAN FIND MORE INFORMATION

GeoMet files annual, quarterly and current reports, proxy statements and other information with the SEC under the Exchange Act. You may read and copy this information at, or obtain copies of this information by mail from, the SEC s Public Reference Room, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates.

Please call the SEC at (800) SEC-0330 for further information about the public reference room. GeoMet s filings with the SEC are also available to the public from commercial document retrieval services and at the web site maintained by the SEC at http://www.sec.gov.

Any person, including any beneficial owner, to whom this Proxy Statement is delivered may request copies of proxy statements and or other information concerning us, without charge, by written request directed to GeoMet, Inc., Attn: Stephen M. Smith, Corporate Secretary, 909 Fannin Street, Suite 1850, Houston, Texas 77010, telephone number (713) 287-2251.

THIS PROXY STATEMENT DOES NOT CONSTITUTE THE SOLICITATION OF A PROXY IN ANY JURISDICTION TO OR FROM ANY PERSON TO WHOM OR FROM WHOM IT IS UNLAWFUL TO MAKE SUCH PROXY SOLICITATION IN THAT JURISDICTION. YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROXY STATEMENT TO VOTE YOUR SHARES AT THE SPECIAL MEETING. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION THAT IS DIFFERENT FROM WHAT IS CONTAINED IN THIS PROXY STATEMENT. THIS PROXY STATEMENT IS DATED MARCH 27, 2014. YOU SHOULD NOT ASSUME THAT THE INFORMATION CONTAINED IN THIS PROXY STATEMENT IS ACCURATE AS OF ANY DATE OTHER THAN THAT DATE, AND THE MAILING OF THIS PROXY STATEMENT TO STOCKHOLDERS DOES NOT CREATE ANY IMPLICATION TO THE CONTRARY.

ANNEX A

ASSET PURCHASE AGREEMENT

AMONG

GEOMET, INC.,

GEOMET OPERATING COMPANY, INC.,

AND

GEOMET GATHERING COMPANY, LLC,

AS SELLERS,

AND

ARP MOUNTAINEER PRODUCTION, LLC,

AS BUYER,

AND, FOR THE SOLE PURPOSE OF SECTION 7.21,

ATLAS RESOURCE PARTNERS, L.P.

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