

# GEOMET, INC.

## FORM 8-K

(Current report filing)

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Address	909 FANNIN, SUITE 3208 HOUSTON, TX 77010
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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 8-K**

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**CURRENT REPORT**

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

**Date of Report (Date of earliest event reported)**  
May 4, 2010

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**GeoMet, Inc.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or Other Jurisdiction  
of Incorporation)

**000-52155**  
(Commission  
File Number)

**76-0662382**  
(I.R.S. Employer  
Identification No.)

**909 Fannin, Suite 1850**  
**Houston, Texas 77010**  
(Address of principal executive offices including Zip Code)

**(713) 659-3855**  
(Registrant's telephone number, including area code)

**N.A.**  
(Former name or former address, if changed since last report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 1.01 Entry Into a Material Definitive Agreement.**

On May 4, 2010, GeoMet, Inc. (the “Company”) executed a commitment letter with Sherwood Energy, LLC (“Sherwood”), whereby Sherwood has agreed to preliminary terms of a commitment to purchase up to \$40 million of the Company’s preferred stock in the event that a proposed rights offering of the preferred stock is not fully subscribed by our common stockholders.

Under the terms of the rights offering contemplated in the Sherwood commitment letter, on the applicable record date the Company would distribute to the holders of its common stock rights to purchase up to an aggregate of 4,000,000 new shares of preferred stock at a subscription price of \$10.00 per share. The preferred stock would be convertible into shares of the Company’s common stock at a conversion price of \$1.30 per share, subject to customary adjustments. In the event that the Company’s stockholders do not subscribe for all 4,000,000 shares of preferred stock offered, Sherwood would purchase the remaining unsubscribed shares of preferred stock pursuant to the terms of a definitive investor agreement to be negotiated between the Company and Sherwood.

Other preliminary terms of the Company’s preferred stock to be issued in connection with the proposed rights offering include the following:

- Dividends payable quarterly either in cash at an annual rate of 8.0% for the first three years and thereafter at the annual rate of 9.6% or, until the fifth anniversary of the closing date, in additional shares of preferred stock at an annual rate of 12.5%, at the option of the Company;
- After the third anniversary of the closing date, the Company may elect, subject to certain limitations based on recent trading volume in the Company’s common stock, to convert portions of the preferred stock if the average trading price of the Company’s common stock exceeds 225% of the conversion price (\$2.93 based on a conversion price of \$1.30);
- Redeemable at the option of the holder upon the earlier of (i) a liquidation event or (ii) the eighth anniversary of the closing date, and the redemption price for each share of preferred stock will be equal to the price paid for such share plus any accrued and unpaid dividends on such share.
- A liquidation preference that would entitle the holder of preferred stock to receive an amount equal to the greater of:
  - (i) the original purchase price for each share of preferred stock held, including shares issued as dividends, plus any accrued and unpaid dividends; or
  - (ii) a per share amount equal to the liquidation distribution payable with respect to shares of the Company’s common stock.

As additional consideration for its commitment to backstop the proposed rights offering, Sherwood would be entitled to appoint two members to our board of directors so long as it held a threshold amount of preferred stock. In addition, so long as a threshold amount of preferred stock remains outstanding, the Company 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 Sherwood.

Under the terms set forth in the commitment letter, Sherwood is entitled to receive a backstop fee of \$1.2 million upon the closing of the rights offering and backstop commitment. An initial \$250,000 payment already made by the Company will be credited against the backstop fee. In addition, in the event that less than \$30 million of preferred stock is available for Sherwood to purchase following the rights offering, the Company will be required to pay Sherwood an additional fee of 3% of the shortfall (i.e., the difference between \$30 million and the amount of preferred stock actually purchased). The Company has agreed to pay or reimburse Sherwood for all reasonable costs and out-of-pocket expenses relating to its commitment.

In the event of a default by the Company under the proposed investment agreement, Sherwood would have the right to appoint a majority of the members of the Company’s 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 would have the right to require the Company to redeem its shares of preferred stock at the redemption price described above.

Under the terms of the commitment letter, the Company has agreed to indemnify Sherwood for any and all losses, claims, liabilities, damages and expenses incurred by Sherwood arising out of or relating to the commitment letter and proposed investment agreement, other than those incurred by reason of Sherwood’s gross negligence or willful misconduct. Further, the Company has agreed to pay or reimburse Sherwood for all reasonable costs and out-of-pocket expenses incurred in connection with the negotiation, preparation, administration and enforcement of the commitment letter and proposed investment agreement.

The commitment letter represents the preliminary agreement among the parties with respect to the basic terms of the preferred stock and the investor agreement. The commencement of a rights offering by the Company is subject to the execution of a definitive investor agreement between the Company and Sherwood, completion of due diligence satisfactory to Sherwood, the approval of our stockholders and other terms and conditions. The terms of the commitment letter include a provision under which the Company has agreed not to solicit a competing offer from, or otherwise engage in any discussions or negotiations with anyone concerning any alternative proposal for a potential financing transaction, other than to the extent required by fiduciary obligations under Delaware law.

This current report on Form 8-K does not constitute an offer to sell or the solicitation of an offer to buy any securities of GeoMet, Inc. nor shall there be any sale of such securities in any state or other jurisdiction in which such an offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state or other jurisdiction

The foregoing description of the Sherwood commitment letter is a summary of the material terms of the letter. For additional details, please reference the text of the agreement, a copy of which is filed with this current report on Form 8-K as Exhibit 10.1. The proposed investor agreement will be negotiated between Sherwood and the Company and the final terms of any such agreement may vary when and if actually executed by Sherwood and the Company.

#### **Item 1.02. Termination of a Material Definitive Agreement.**

On March 29, 2010, the Company executed commitment letters with NGP Capital Resources Company, or NGPC, and North Shore Energy, LLC, or North Shore, an affiliate of our largest stockholder, whereby NGPC and North Shore had 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 our common stockholders. NGPC and North Shore each received an initial non-refundable payment of \$250,000 from the Company in exchange for the commitment letters.

During the course of its negotiations of a definitive agreement with NGPC and North Shore, the Company received an alternative proposal for a \$40 million backstop commitment described under Item 1.01 of this current report and referred the proposal to a Special Committee of the Board of Directors of the Company, which had been established in August 2009 to, among other things, review and evaluate the terms of any potential financing transaction. Based upon its review, the Special Committee recommended that the Board of Directors approve the alternative proposal. The Board subsequently determined that the alternative proposal, with certain modifications, was in the best interests of our stockholders and superior to the transaction proposed by NGPC and North Shore. Consequently, the Board instructed management to discontinue the negotiation of a definitive backstop agreement with NGPC and North Shore.

Under the terms of the commitment letters with NGPC and North Shore, the Company must reimburse NGPC and North Shore for reasonable costs and out-of-pocket expenses incurred by them in connection with the commitment letters. Additionally, the Company may not recoup the \$500,000 payment to NGPC and North Shore, delivered by the Company upon execution of the commitment letters.

Yorktown Energy Partners VIII, L.P., which is a partnership managed by Yorktown Partners LLC and organized to make direct investments in the energy industry on behalf of certain institutional investors, is the controlling shareholder of North Shore. Our largest shareholder, Yorktown Energy Partners IV, L.P., is also managed by Yorktown Partners LLC. One of our directors, W. Howard Keenan, Jr., is a member and a manager of Yorktown Partners LLC. Mr. Keenan disclaims beneficial ownership of all shares held by Yorktown Energy Partners IV, L.P., except to the extent of his pecuniary interest therein, and we expected Mr. Keenan to disclaim ownership of any shares of the Company's capital stock that would have been acquired by North Shore pursuant to the proposed transaction.

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**Item 7.01. Regulation FD Disclosure.**

A copy of GeoMet's news release announcing the discontinuance of negotiations with NGPC and North Shore and the execution of a commitment letter with Sherwood Energy, LLC is attached as Exhibit 99.1 to this report and incorporated into this report by reference.

*Cautionary Statements*

This current report includes "forward-looking statements." All statements other than statements of historical facts included or incorporated herein may constitute forward-looking statements. Actual results could vary significantly from those expressed or implied in such statements and are subject to a number of risks and uncertainties. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. The forward-looking statements involve risks and uncertainties that affect our operations, financial performance and other factors as discussed in our filings with the Securities and Exchange Commission ("SEC"). Among the factors that could cause results to differ materially are those risks discussed in our Form 10-K for the year ended December 31, 2009, as amended and filed with the SEC. You are urged to carefully review and consider the cautionary statements and other disclosures made in our SEC filings, specifically those under the heading "Risk Factors." We do not undertake any duty to update any forward-looking statement except as required by law.

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits.

<u>Exhibit No.</u>	<u>Document</u>
10.1	Commitment Letter dated effective May 4, 2010 by and between Sherwood Energy, LLC and GeoMet, Inc.
99.1	Press Release dated May 5, 2010

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**SIGNATURES**

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

**GeoMet, Inc.**  
(Registrant)

Dated: May 6, 2010

By: /S/ William C. Rankin  
Name: William C. Rankin  
Title: Executive Vice President and Chief Financial Officer

May 3, 2010

GeoMet, Inc.  
909 Fannin Street  
Suite 1850  
Houston, TX 77010

Attention: J. Darby Seré

**CONFIDENTIAL**

Subject: \$40,000,000 Backstop Commitment to Purchase Convertible Redeemable Preferred Stock (“Preferred Stock”)

Gentlemen:

We are pleased to inform you that Sherwood Energy, LLC (“**Sherwood**”) has approved a backstop commitment (the “**Backstop Commitment**”) to purchase up to \$40,000,000 of Preferred Stock of GeoMet, Inc., a Delaware corporation (“**GeoMet**” or the “**Issuer**”) in the event that GeoMet’s proposed rights offering of Preferred Stock to its current stockholders (the “**Rights Offering**”) is not fully subscribed by such stockholders. The Backstop Commitment is more specifically described in the Summary of Terms and Conditions dated as of May 3, 2010, attached hereto and incorporated herein by this reference (the “**Term Sheet**”). The Backstop Commitment is subject to the terms and conditions specified in this letter, the Term Sheet and the Confidential Payment Letter referred to below, and is subject to the execution of the final documentation.

Prior to Sherwood becoming obligated to purchase any shares of Preferred Stock pursuant to the Backstop Commitment in the event the Rights Offering is not fully subscribed by GeoMet’s existing stockholders, the Issuer shall execute, or cause to be executed, and shall deliver to Sherwood, a backstop agreement (the “**Backstop Agreement**”) and all agreements and other documents and instruments deemed appropriate by Sherwood to evidence the Backstop Commitment and all terms and conditions described in this commitment letter. All such agreements, instruments, and other documents shall be in form and substance satisfactory to Sherwood.

In addition to the conditions to the Backstop Commitment or closing set forth in the Term Sheet, the Confidential Payment Letter between the Issuer and Sherwood dated May 3, 2010 (the “**Confidential Payment Letter**”) and final documentation, the Backstop Commitment is subject to (i) the satisfactory completion of Sherwood’s due diligence with respect to the oil and gas assets owned, leased and/or to be acquired by GeoMet (collectively, the “Assets”), including but not limited to a satisfactory review of title documentation pertaining to the Assets and the underlying data supporting those reports and documents, as well as a satisfactory business and legal review of the other assets and liabilities, businesses and operations, proposed organization and legal structure, and tax, labor, environmental, financial, ERISA, litigation, significant contracts, including, but not limited to, marketing contracts, contract operating agreements, oil and gas leases, transportation arrangements and other matters relating thereto; (ii) no change, occurrence or development shall have occurred or become known to us since the date hereof that could reasonably be expected to have a material adverse effect on the business, condition (financial or otherwise), operations, performance, assets or prospects of the Issuer or the Assets; (iii) the absence of any material adverse conditions in the financial, banking, loan syndication or capital markets; (iv) execution and delivery of an extension of the Issuer’s senior debt facility on terms that are acceptable to Sherwood; (v) resolution of the CNX litigation; and (vi) the payment in full of all payments, expenses and other amounts payable to us under this commitment letter and the Confidential Payment Letter.

Whether or not the transactions contemplated hereby are consummated, the Issuer hereby agrees to indemnify and hold harmless Sherwood and its affiliates and their respective directors, officers, employees, agents and attorneys (each, an “indemnified person”) from and against any and all losses, claims, damages, liabilities (or actions or other proceedings commenced or threatened in respect thereof) and expenses, including, without limitation, any loss, claim, damage or liability alleged by the Issuer or any of its owners or affiliates, that arise out of, result from or in any way relate to this commitment letter, the Confidential Payment Letter, or the provisions of the Backstop Agreement, and to reimburse each indemnified person, upon its demand for all reasonable legal or other expenses (including but not limited to the reasonable fees and expenses of outside counsel) incurred in connection with investigating, defending or participating in any such loss, claim, damage, liability or action or other proceeding (whether or not such indemnified person is a party to any action or proceeding out of which any such expenses arise), **in all cases, whether or not caused or arising, in whole or in part, out of the comparative, contributory or sole negligence of any indemnified person**, other than any of the foregoing claimed by any indemnified person to the extent incurred by reason of the gross negligence or willful misconduct of such person. Sherwood shall not be responsible or liable to the Issuer or any other person for any consequential, indirect, special or punitive damages which may be alleged. The obligations contained in this paragraph will survive the closing of the Backstop Agreement or the expiration of this commitment letter.

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Whether or not the Backstop Agreement or any similar agreement with the Issuer is executed, the Issuer shall pay and reimburse Sherwood, immediately upon demand, for all reasonable costs and out-of-pocket expenses (including but not limited to the reasonable fees and expenses of outside counsel) expended or incurred by Sherwood in connection with the negotiation, preparation, administration (including waivers and amendments), and enforcement of this commitment letter, the Confidential Payment Letter, the Backstop Agreement and the purchase documents contemplated hereby. At Sherwood's option, the Issuer shall pay such fees directly to the attorneys or other professionals as directed by Sherwood, and shall report such payment(s) to the payees as required by section 6045 of the Internal Revenue Code of 1986, as amended.

Your acknowledgment and acceptance of this commitment letter and the Confidential Payment Letter will constitute acceptance of the terms and conditions set forth herein and therein. The terms of the Confidential Payment Letter are an integral part of our Backstop Commitment hereunder, and constitute part of this commitment letter for all purposes. Each of the amounts described in the Confidential Payment Letter shall be non-refundable when paid, shall be due and payable in U.S. dollars in Houston, Texas and, in the case of the amounts payable at Closing, at our discretion, shall be deducted from the purchase price payable by Sherwood for shares of Preferred Stock. Unless you accept this commitment letter or it is otherwise terminated by Sherwood prior to Sherwood's receipt of your acceptance, this commitment letter will expire on May 4, 2010, at 5:00 p.m. CDT. If you accept this commitment letter, it will remain effective until the execution of a definitive Backstop Agreement by Sherwood and Issuer, whereupon it will expire; provided, however, if a Backstop Agreement is not executed by May 21, 2010 despite the reasonable best efforts of all parties, this commitment letter will lapse and will no longer be effective unless the parties agree otherwise and Sherwood shall have no further obligation under this commitment letter after that date. The parties acknowledge and agree that if a Backstop Agreement is not executed by May 21 2010, Sherwood shall be entitled to retain the \$250,000 payment set forth in the Confidential Payment Letter and shall be entitled to reimbursement of its expenses as set forth therein. Provided that you accept this commitment letter by May 4, 2010, Sherwood will commence due diligence immediately on your acceptance of this commitment letter and will complete the due diligence process by May 11, 2010; provided that the terms of this commitment letter are expressly conditioned on satisfactory completion of such due diligence process.

To encourage Sherwood to proceed immediately with the due diligence process and to use its reasonable best efforts to enter into a definitive Backstop Agreement by May 21, 2010, during the term of this commitment letter the Issuer will not, and will use reasonable efforts to ensure that its affiliates and representatives do not, directly or indirectly, solicit any offer from, initiate or engage in any discussions or negotiations with, or provide any information other than publicly available information to, any corporation, partnership, person, or other entity or group (other than Sherwood and its affiliates and representatives) concerning any possible proposal regarding a sale of capital stock of the Issuer or other financing transaction by the Issuer; *provided, however*, that to the extent required by fiduciary obligations under Delaware law, as advised by counsel to the Company, the Company and such other persons shall be entitled to respond to an unsolicited written bona fide proposal relating to an alternative transaction if Issuer's board of directors, or a committee thereof, has concluded in good faith that such proposal is, or is reasonably likely to result in, a superior proposal. The Issuer will promptly advise Sherwood orally and in writing of the terms of any superior proposal by a third party regarding such a transaction and shall not accept such a superior proposal without first giving Sherwood three (3) business days to respond with a revised offer for this transaction.

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You represent and warrant that (i) all information that has been or will hereafter be made available to us by you or any of your representatives in connection with the transactions contemplated hereby is and will be complete and correct in all material respects and does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such statements were or are made; and (ii) all financial projections, if any, that have been or will be prepared by you and made available to us have been or will be prepared in good faith based upon reasonable assumptions. You agree to supplement such information and projections from time to time so that the representations and warranties contained in this paragraph remain correct.

In issuing this commitment letter, we are relying on the accuracy of the information furnished to us by you or your affiliates or otherwise on your or their behalf, without independent verification thereof.

The Backstop Commitment is personal to the Issuer, and may not be transferred or assigned without the prior written consent of Sherwood. No third party beneficiaries are intended in connection with this commitment letter. You may not disclose or exhibit any portion of this commitment letter to any person or entity (other than the Issuer's counsel, employees, agents, and representatives) without prior written consent of Sherwood; no such consent shall create any third-party beneficiary as to the Backstop Commitment.

The Backstop Commitment may be satisfied by the execution and delivery of the Backstop Agreement by Sherwood or, in the alternative, by one of its affiliates, as Sherwood may determine in its discretion. If such other affiliate or subsidiary elects to assume the obligations of Sherwood hereunder, it shall, upon execution and delivery of such final loan documentation, be deemed to replace Sherwood for purposes of this commitment letter (and Sherwood shall be released thereby) and shall be entitled to all rights and privileges accorded Sherwood herein and therein.

This commitment letter is not meant to be, nor shall it be, construed as an attempt to define all of the terms and conditions of the Backstop Agreement described herein. Rather, it is intended only to outline certain basic points of understanding around which the legal documentation is to be structured. Further negotiations will not be precluded by the issuance of this commitment letter and its acceptance by the Issuer.

You hereby irrevocably (i) submit to the nonexclusive jurisdiction of any Texas state or federal court sitting in Harris County, Texas, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this commitment letter; (ii) agree that all claims in respect of such action or proceeding may be heard and determined in such Texas state court or in such federal court; (iii) waive, to the fullest extent you may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding; (iv) irrevocably consent to the service of any and all process in any such action or proceeding by the mailing of copies of such process to you at your address specified above or in any other manner permitted by law; and (v) agree that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

This commitment letter may not be amended or modified except in writing signed by both parties hereto. You may not assign or delegate any of your rights or obligations hereunder without our written consent.

This commitment letter shall be governed by, and construed in accordance with, the laws of the State of New York. Except as otherwise specifically set forth herein, this commitment letter sets forth the entire agreement between the parties with respect to the matters addressed herein and supersedes all prior communications, written or oral between you and us. This commitment letter may be executed in any number of counterparts, each of which, when so executed, shall be deemed to be an original and all of which, when taken together, shall constitute one and the same commitment letter. Delivery of an executed counterpart of a signature page to this commitment letter by electronic mail shall be as effective as delivery of a manually executed counterpart of this commitment letter. Your obligations under the paragraphs relating to payments, indemnification, costs and expenses, confidentiality and jurisdiction shall survive the expiration or termination of this commitment letter.

You and we irrevocably waive all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this commitment letter or the transactions contemplated hereby or the actions of any of us in the negotiation, administration, performance or enforcement hereof.

**THIS WRITTEN AGREEMENT (WHICH INCLUDES THE TERM SHEET) AND THE CONFIDENTIAL PAYMENT LETTER REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.**

Please indicate your acceptance of the provisions hereof by signing the enclosed copy of this commitment letter and the Confidential Payment Letter and returning them to Michael McGovern, Sherwood Energy, LLC, 4 Houston Center, 1221 Lamar Street, 10th Floor, Suite 1001, Houston, Texas, 77010 (email: mcgovern@cadentenergy.com) at or before 5:00 p.m. CDT on May 4, 2010, the time at which the Backstop Commitment (if not so accepted prior thereto) will expire. If you elect to deliver this commitment letter by electronic mail, please arrange for the executed original to follow by next-day courier.

Sincerely,

SHERWOOD ENERGY, LLC

By: /s/ Michael McGovern

Name: Michael McGovern

Title: President

Accepted and agreed this 4<sup>th</sup> day of May  
2010.

ISSUER:

GeoMet, Inc.

By: /s/ J. Darby Seré

Name: J. Darby Seré

Title: President and CEO

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**CONVERTIBLE REDEEMABLE PREFERRED STOCK  
SUMMARY OF INDICATIVE TERMS AS OF MAY 3, 2010**

THESE PROPOSED TERMS AND CONDITIONS ARE PROVIDED FOR DISCUSSION PURPOSES ONLY AND DO NOT CONSTITUTE AN OFFER, AGREEMENT, COMMITMENT TO PURCHASE, OR COMMITMENT TO SEEK INVESTMENT APPROVAL. THE ACTUAL TERMS AND CONDITIONS UPON WHICH SHERWOOD ENERGY, LLC OR ITS AFFILIATE MIGHT OFFER FINANCING TO THE ISSUER ARE SUBJECT TO SATISFACTORY COMPLETION OF DUE DILIGENCE, MANAGEMENT APPROVAL, SATISFACTORY REVIEW OF DOCUMENTATION AND SUCH OTHER TERMS AND CONDITIONS AS ARE DETERMINED BY SHERWOOD ENERGY, LLC.

<b>Issuer:</b>	GeoMet, Inc., a Delaware Corporation (the “Issuer” or the “Company”).
<b>Investors:</b>	Sherwood Energy, LLC, together with its affiliates (“Sherwood”).
<b>Type of Security:</b>	Shares of Convertible Redeemable Preferred Stock (“Preferred Shares”). Amount of shares issued will be based on Offering Price and subject to anti-dilution and other customary protections.
<b>Amount and Purpose:</b>	\$40,000,000 (“Funding Amount”) to be used to repay a portion of the Company’s senior secured credit facility.
<b>Sherwood Backstop Commitment:</b>	Sherwood agrees to provide a backstop commitment (“Commitment”) under which Sherwood agrees to purchase up to \$40,000,000 of Preferred Shares, subject to the rate of subscription of the rights offering for which this Commitment is being executed (the “Rights Offering”).
<b>Offering Price:</b>	The offering price will be \$10 per Preferred Share (“Offering Price”). Sherwood nor its affiliates have engaged and Sherwood agrees not to engage in any short sales of the Issuer’s common stock (“Common Stock”) on or after November 17, 2009, until such time as the Preferred Shares are converted into Common Stock or are redeemed as provided below.
<b>Conversion Price:</b>	The Conversion Price will be \$1.30 per share. The initial Conversion Price will be subject to adjustment as provided below.
<b>Conversion:</b>	The Preferred Shares shall be convertible at any time after the closing date of the Rights Offering (the “Closing Date”), in whole or in part, at the option of Sherwood. The Preferred Shares shall convert into Common Stock, at the Conversion Price, based upon 100% of the Accrued Value (the Funding Amount, plus PIK Preferred Shares, as defined below, at the Offering Price, plus accrued but unpaid Dividends). The Conversion Price and resulting number of common shares issued upon conversion of Preferred Shares shall be adjusted to reflect stock splits and similar events and will be entitled to full anti-dilution adjustments for any dividends paid on common stock in cash or in common stock, the issuance of additional equity securities at a price less than the Conversion Price (including rights and options but excluding any shares, rights or options issued pursuant to the Company’s 2006 Long Term Incentive Plan or any similar long term incentive plan subsequently approved by the Company’s stockholders) on a “weighted average basis”, and the occurrence of material corporate transactions at a per share valuation less than the Conversion Price.

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**Optional Early Conversion:**

The Issuer shall have the right, at any time after three years from the Closing Date but no sooner than 90 days after a previous Forced Conversion Notice to convert into Common Stock at the Conversion Price the number of Preferred Shares to be converted as specified in the Forced Conversion Notice and subject to the limitations as set forth herein; *provided* that in order for the Issuer to exercise such option on the Forced Conversion Notice Date, (i) the VWAP of the Common Stock must be greater than 225% of the Conversion Price, for 20 out of the trailing 30 trading days ending on the last trading day prior to a Forced Conversion Notice (the "Reference Period"). The maximum number of shares of Common Stock to be issued to the holders of the Preferred Shares subject to Optional Early Conversion in connection with any Forced Conversion Notice Date will be equal to, either (i) in the case that the VWAP of the Common Stock is greater than 225% but less than 250% of the Conversion Price during the Reference Period, the greater of 3.0 million shares of Common Stock, as adjusted for any Common Stock splits, Common Stock dividends on Common Stock or a similar event subsequent to the Closing Date, or 10 times the average daily trading volume ("ADTV") of the Common Stock during the Reference Period, or (ii) in the case that the VWAP of the Common Shares is greater than or equal to 250% of the Conversion Price during the Reference Period, the greater of 6.0 million shares of Common Stock, as adjusted for any Common Stock splits, Common Stock dividends on Common Stock or similar event subsequent to the Closing Date, or 10 times the ADTV of the Common Stock during the Reference Period.

**Forced Conversion Notice Date:**

To convert the Preferred Shares into shares of Common Stock pursuant to the Optional Early Conversion, the Issuer shall give written notice (a "Forced Conversion Notice", and the date of such notice, a "Forced Conversion Notice Date") to each holder of Preferred Shares stating that the Issuer elects to force conversion of such Preferred Shares pursuant to the Optional Early Conversion and shall state therein (i) the number of Preferred Shares to be converted, (ii) the VWAP of the Common Stock during the Reference Period, and (iii) the Issuer's computation of the number of shares of Common Stock to be received by the holder upon the Conversion Date.

**Dividends:**

Dividends will be paid quarterly on the Preferred Shares (and any PIK Preferred Shares, hereinafter defined), which in the Company's sole discretion and in any combination hereof, may be paid either in the form of cash, in which case the applicable annual rate will be equal to 8.0% for the first three years after closing and thereafter 9.6%, or, until the fifth anniversary of the Closing Date, in additional Preferred Shares ("PIK Preferred Shares") in which case the applicable annual rate will be equal to 12.5%. All dividends will be cumulative and all unpaid dividends will compound on a quarterly basis at the 12.5% rate.

**Redemption:**

If not converted, the Preferred Shares (including any PIK Preferred Shares) will be redeemable upon a Liquidation Event. In the absence of a Liquidation Event, if not converted, the Preferred Shares (including any PIK Preferred Shares) will be redeemable, at the option of Sherwood, in whole or in part, on or after eight (8) years from the Closing Date, upon 30 days prior written notice to the Company by any holder of the Preferred Shares electing to redeem.

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<b>Redemption Price:</b>	Upon any redemption of Preferred Shares by the Company, as of the effective date of the redemption, the Company will pay to each holder of Preferred Shares, including holders of PIK Preferred Shares, the Offering Price per Preferred Share held plus any accrued but unpaid dividends.
<b>Backstop Agreement:</b>	Sherwood will be entitled to customary investor rights including, but not limited to, piggyback rights, tag along rights, anti-dilution provisions and covenants pursuant to a satisfactory backstop agreement (“Backstop Agreement”).
<b>Preemptive Rights:</b>	Sherwood will have the right to participate (“Right of Participation”) in all future public and private debt securities (excluding bank debt) or preferred equity securities issued by the Company after the Closing Date in an amount not to exceed \$30 million.
<b>Liquidation Preference:</b>	Upon the occurrence of any of the events that customarily would entitle the holders of preferred stock to a liquidation preference (each such event, a “Liquidation Event”), then holders of Preferred Shares will be entitled to receive, prior and in preference to any payment, or segregation for payment, of any consideration to any holder of any equity security of the Company, an amount equal to the greater of (i) the Funding Amount, plus the PIK Preferred Shares at the Offering Price, plus any accrued but unpaid Dividends and (ii) a per share amount equal to any liquidation distribution payable with respect to shares of common stock. The Preferred Shares will also rank senior to all other preferred stock and other equity securities with respect to liquidation preference and payment of dividends. Furthermore, the holders of the Preferred Shares will vote as a class to approve the sale or the merger of the Company or the sale of substantially all of the Company’s assets and the approval of such transaction will require the consent of at least 66 2/3% of the holders.
<b>Board Rights:</b>	Sherwood shall be entitled to appoint two members to Issuer’s Board of Directors for so long as Sherwood holds at least 40% of the Preferred Shares purchased in this transaction (as adjusted for splits, reverse splits, stock dividends or other recapitalizations). Issuer’s Board of Directors shall be comprised of not more than nine members.

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**Special Voting Rights Upon Default:**

If Sherwood has declared an event of default under the Backstop Agreement or any other material default under the terms of the governing documents for the Preferred Shares occurs, the Issuer's Board of Directors will be expanded such that Sherwood and any other party to the Backstop Agreement would be entitled to appoint such number of additional directors as necessary to constitute a majority of the Board of Directors. This result may also be accomplished by the Issuer securing the resignations of a sufficient number of existing directors. Once the default(s) are cured or waived (in the case of default under the Backstop Agreement), the board representation will be reduced or increased to pre-default levels. In the event the default continues for more than 12 months without being cured and the parties to the Backstop Agreement have not agreed, in their sole discretion, to a waiver of such default, the parties to the Backstop Agreement will have the right, acting independently, to require the Company to purchase all their outstanding Preferred Shares at the Offering Price including the PIK Preferred Shares plus any accrued but unpaid Dividends. Furthermore, if for any reason, the Issuer is not able to effectuate the expansion of the board and appointment of directors contemplated, then the holders of the Preferred Shares who are parties to the Backstop Agreement shall have the right to require that the Issuer immediately redeem such Preferred Shares at the Redemption Price specified above.

**Covenants:**

The Backstop Agreement will require the approval of the parties to the Backstop Agreement, for so long as any one of them holds Preferred Shares with an aggregate Offering Price that is greater than 30% of the aggregate Offering Price of the Preferred Shares originally purchased, prior to the Company undertaking certain material actions, including the following:

- incurrence of material debt;
- issuance of equity securities senior to or pari passu to Preferred Shares;
- redemption or repurchases of equity securities;
- material acquisitions, or other fundamental change transactions;
- entering into any material transaction with a related party;
- any alteration or change in the rights, preferences or privileges of the Preferred Stock on increase or decrease in the authorized number of shares of Preferred Stock;
- any amendment or waiver of any provision of the Issuer's articles of incorporation or bylaws that adversely affects the rights of the Preferred Stock; or
- any material change in the nature of the Issuer's business from a company engaged in the exploration, exploitation, development and production of oil and natural gas and related activities.

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**Conditions Precedent:**

- Completion of satisfactory title and environmental due diligence;
- Execution and delivery of an extension of the Company's senior debt facility on terms that are acceptable to Sherwood;
- Confirmation of the absence of any material adverse change in the Company and its prospects;
- Completion of satisfactory documentation pursuant to the Backstop Agreement containing customary representations, warranties, conditions, covenants, and indemnities; and
- Resolution of the CNX litigation.

**Fees and Expenses:**

There will be an Initial Payment in the amount of \$250,000 payable upon acceptance of a binding Financial Commitment Letter. In addition, the Company will pay a Backstop Fee equal to \$1,200,000 to Sherwood on the Closing Date. **The Initial Payment will be credited against the Backstop Fee due to Sherwood at Closing**. These fees are non-refundable. In the event that Sherwood does not purchase a minimum of \$30,000,000 of Preferred Shares, the Company will pay Sherwood an Additional Backstop Fee of 3% of the difference between \$30,000,000 and the aggregate Offering Price of Preferred Shares actually purchased. The Company will in all events reimburse Sherwood for all expenses incurred in connection with this transaction. Further, whether or not Sherwood makes an investment in the Company, the fees and expenses of Sherwood's counsel, including preparation of documentation and due diligence associated with a potential investment in the Company by Sherwood, will be paid by the Company. Sherwood's counsel will draft the Backstop Agreement and the terms of Preferred Shares in addition to performing all legal due diligence and reviewing other documentation associated with any potential investment in the Company by Sherwood. Subsequent to the Closing Date, any fees and expenses (including fees and expenses of counsel) incurred in connection with any amendments to the documentation and the enforcement or rights thereunder will be paid by the Company.

**Confidentiality:**

This Summary of Indicative Terms (this "Summary") is not a commitment by Sherwood to provide or arrange a financing and shall not be disclosed to any person or persons other than Management or its advisors. Sherwood acknowledges that after the binding Commitment Letter is accepted by Issuer, Issuer will be required to file with the SEC the Commitment Letter and this Summary as exhibits to a Form 8-K and Issuer will be required to disclose the Commitment Letter and this Summary to its bank group.

**Governing Law:**

The transaction contemplated herein will be governed by the laws of the state of New York and the parties hereto agree that proper venue would be in Harris County, Texas. Jury trial to be waived by all parties.

May 3, 2010

GeoMet, Inc.  
909 Fannin Street  
Suite 1850  
Houston, TX 77002

Attention: J. Darby Seré

**CONFIDENTIAL**

Subject: \$40,000,000 Backstop Commitment to Purchase Convertible Redeemable Preferred Stock ("Preferred Stock")

Gentlemen:

This letter is the Confidential Payment Letter referred to in the commitment letter from Sherwood Energy, LLC ("**Sherwood**") to GeoMet, Inc., a Delaware corporation ("**GeoMet**" or the "**Issuer**") dated May 3, 2010 (the "**Commitment Letter**"), setting forth Sherwood's commitment, subject to the terms and conditions contained therein, to provide a backstop commitment (the "**Backstop Commitment**") to purchase up to \$40,000,000 of Preferred Stock of GeoMet in the event that GeoMet's proposed rights offering of Preferred Stock to its current stockholders (the "**Rights Offering**") is not fully subscribed by such stockholders. If not otherwise expressly defined herein, terms in this Confidential Payment Letter shall have the meanings defined in the Commitment Letter.

As an inducement to Sherwood to enter into the Commitment Letter, and as a condition precedent to the effectiveness thereof, the Issuer agrees to pay to Sherwood the following:

1. a nonrefundable amount equal to \$250,000, payable upon acceptance of the commitment letter (to be credited against the amounts payable under section 2 below);
2. a Backstop Fee in an amount equal to \$1,200,000, payable at the Closing;
3. if Sherwood does not purchase a minimum of \$30,000,000 of Preferred Stock in the Rights Offering pursuant to its Backstop Commitment, an Additional Backstop Fee in an amount equal to 3% of the difference between \$30,000,000 and the aggregate purchase price of Preferred Stock actually purchased by Sherwood, payable at the Closing;
4. all attorneys' fees, engineering fees, consultants' fees, other professional fees and out of pocket costs associated with the negotiation and documentation of the Backstop Commitment and the Backstop Agreement incurred by Sherwood, payable at the Closing, to the extent then invoiced, and thereafter as invoiced.

The Issuer shall also pay the fees and expenses set forth in the Commitment Letter, without set-off, deduction, recoupment or counterclaim and free and clear of any and all taxes. The amount referred to in section 1 above shall be paid to Sherwood in immediately available funds to an account to be specified by Sherwood to you in writing. Such amounts shall be in addition to, and shall not be credited against, any and all other fees and expenses that may be described in any documentation relating to the Backstop Commitment or the Backstop Agreement (except that the amount payable under section 1 above shall be credited against the amount payable under section 2). Except as expressly set forth above, the amounts paid under this Confidential Payment Letter shall not be refundable under any circumstances.

This Confidential Payment Letter may not be amended or any provision hereof waived or modified except by an instrument in writing signed by Sherwood and the Issuer.

**The terms of this Confidential Payment Letter shall be governed by the internal laws of the State of New York .** This Confidential Payment Letter may be signed in one or more counterparts and shall not be deemed to be superseded by any other letter or documentation, including any ultimate loan documentation for the Backstop Commitment, unless such other letter or documentation is executed by Sherwood and the Issuer, expressly makes reference to this Confidential Payment Letter and states that this Confidential Payment Letter is superseded thereby.

If you are in agreement with the foregoing, please sign and return the enclosed counterparts of this Confidential Payment Letter to us no later than 5:00 p.m. CDT on May 4, 2010, whereupon this Confidential Payment Letter shall become effective and shall constitute a binding agreement between Sherwood and the Issuer.

Sincerely,

SHERWOOD ENERGY, LLC

By: /s/ Michael McGovern

Name: Michael McGovern

Title: President

Accepted and agreed this 4<sup>th</sup> day of May  
2010.

ISSUER:

GeoMet, Inc.

By: /s/ J. Darby Seré

Name: J. Darby Seré

Title: President and CEO



### GeoMet Announces New Commitment for Additional Financing

**Houston, Texas – May 5, 2010 - GeoMet, Inc. (NASDAQ: GMET)** (the “Company”) announced today that it has received and accepted a commitment letter from Sherwood Energy, LLC (“Sherwood”), whereby Sherwood has agreed to the preliminary terms of a commitment to purchase up to \$40 million of the Company’s preferred stock in the event that a proposed rights offering of the preferred stock is not fully subscribed by our stockholders.

The Company previously announced receipt of commitment letters for up to \$40 million in financing in an April 1, 2010 press release. However, a Special Committee of the Company’s Board of Directors and the Board determined that the terms of the Sherwood commitment are more favorable to the Company and its shareholders in a number of material respects and therefore has directed the Company to discontinue negotiations with the parties to the previously announced commitment letters.

Under the terms of the rights offering contemplated in the Sherwood commitment letter, on the applicable record date the Company would distribute to the holders of its common stock rights to purchase up to an aggregate of 4,000,000 new shares of preferred stock at a subscription price of \$10.00 per share. The preferred stock would be convertible into shares of the Company’s common stock at a conversion price of \$1.30 per share, subject to customary adjustments. In the event that the Company’s stockholders do not subscribe for all 4,000,000 shares of preferred stock offered, Sherwood would purchase the remaining unsubscribed shares of preferred stock pursuant to the terms of a definitive investor agreement to be negotiated between the Company and Sherwood.

The preliminary terms of the Company’s preferred stock to be issued in connection with the proposed rights offering include the following:

- Dividends payable quarterly either in cash at an annual rate of 8.0% for the first three years and thereafter at the annual rate of 9.6% or, until the fifth anniversary of the closing date, in additional shares of preferred stock at an annual rate of 12.5%, at the option of the Company;
- After the third anniversary of the closing date, the Company may elect, subject to certain limitations based on recent trading volume in its common stock, to convert portions of the preferred stock if the average trading price of the Company’s common stock exceeds 225% of the conversion price (\$2.93 based on a conversion price of \$1.30);
- Redeemable at the option of the holder upon the earlier of (i) a liquidation event or (ii) the eighth anniversary of the closing date, and the redemption price for each share of preferred stock will be equal to the price paid for such share plus any accrued and unpaid dividends on such share.

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The commitment letter represents the preliminary agreement among the parties with respect to the basic terms of the preferred stock and the investor agreement. The commencement of a rights offering by the Company is subject to the execution of a definitive investor agreement between the Company and Sherwood, completion of due diligence satisfactory to Sherwood, the approval of our stockholders and other terms and conditions. The terms of the commitment letter include a provision under which the Company has agreed not to solicit a competing offer from, or otherwise engage in any discussions or negotiations with anyone concerning any alternative proposal for a potential financing transaction, other than to the extent required by fiduciary obligations under Delaware law.

This press release does not constitute an offer to sell or the solicitation of an offer to buy any securities of GeoMet, Inc. nor shall there be any sale of such securities in any state or other jurisdiction in which such an offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state or other jurisdiction.

### **Forward-Looking Statements Notice**

This press release contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are subject to certain risks, trends and uncertainties that could cause actual events or results to differ materially from the events or results described in the forward-looking statements. In addition, the Company cannot assure that it will be successful in obtaining additional financing on the terms outlined in this press release or otherwise. Careful consideration should be given to the risk factors and other cautionary statements included in our most recent annual report on Form 10-K filed with the Securities and Exchange Commission. GeoMet undertakes no duty to update or revise these forward-looking statements.

### **About GeoMet, Inc.**

GeoMet, Inc. is an independent energy company primarily engaged in the exploration for and development and production of natural gas from coal seams (“coalbed methane”) and non-conventional shallow gas. Our principal operations and producing properties are located in the Cahaba Basin in Alabama and the Central Appalachian Basin in West Virginia and Virginia. We also control coalbed methane and oil and gas development rights, principally in Alabama, British Columbia, Virginia, and West Virginia.

For more information please contact Stephen M. Smith at (713) 287-2251 (ssmith@geometcbm.com), John Baldissera with BPC Financial at (800) 368-1217, or visit our website at [www.geometinc.com](http://www.geometinc.com).