

GEOPETRO RESOURCES CO  
Form 10-K  
March 31, 2014  
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-K

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

For the fiscal year ended December 31, 2013

OR

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

For the transition period from                      to

Commission File Number 001-16749

GeoPetro Resources Company

(Exact name of registrant as specified in its charter)

California  
(State of incorporation)

94-3214487  
(IRS Employer Identification Number)

150 California Street, Suite 600

94111

San Francisco, CA

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(Address of principal executive offices) (Zip Code)

**(415) 398-8186**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<b>Title of Each Class</b>	<b>Name of Each Exchange on Which Registered</b>
Common Stock, No Par Value	OTCQB US

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act.

Large accelerated filer   Accelerated filer

Non-accelerated filer   Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes   No

The aggregate market value of the registrant’s common stock held by non-affiliates was approximately \$3,669,425 based on the closing sale price of \$0.07 per share as reported by NYSE MKT on June 28, 2013.

The number of shares of the registrant’s common stock outstanding on March 31, 2014 was 68,491,074.

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## **CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS**

We are including the following discussion to inform our existing and potential security holders generally of some of the risks and uncertainties that can affect our company and to take advantage of the “safe harbor” protection for forward-looking statements that applicable federal securities law affords.

From time to time, our management or persons acting on our behalf may make forward-looking statements to inform existing and potential security holders about our company. All statements other than statements of historical facts included in this report regarding our financial position, business strategy, plans and objectives of management for future operations, industry conditions, and indebtedness covenant compliance are forward-looking statements. When used in this report, forward-looking statements are generally accompanied by terms or phrases such as “estimate,” “project,” “predict,” “believe,” “expect,” “anticipate,” “target,” “plan,” “intend,” “seek,” “goal,” “will,” “should,” “may” or other similar expressions that convey the uncertainty of future events or outcomes. Items contemplating or making assumptions about actual or potential future sales, market size, collaborations, and trends or operating results also constitute such forward-looking statements.

Forward-looking statements involve inherent risks and uncertainties, and important factors (many of which are beyond our company’s control) that could cause actual results to differ materially from those set forth in the forward-looking statements, including the following: general economic or industry conditions, nationally and/or in the communities in which our company conducts business, changes in the interest rate environment, legislation or regulatory requirements, geological, geophysical, and engineering uncertainties, timing of operating activities, estimates of reserves and production, conditions of the securities markets, our ability to raise capital, changes in accounting principles, policies or guidelines, financial or political instability, acts of war or terrorism, other economic, competitive, governmental, regulatory and technical factors affecting our company’s operations, products, services and prices.

We have based these forward-looking statements on our current expectations and assumptions about future events. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. Accordingly, results actually achieved may differ materially from expected results in these statements. Forward-looking statements speak only as of the date they are made. You should consider carefully the statements in “Item 1A. Risk Factors” and other sections of this report, which describe factors that could cause our actual results to differ from those set forth in the forward-looking statements. Our company does not undertake, and specifically disclaims, any obligation to update any forward-looking statements to reflect events or circumstances occurring after the date of such statements.

Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. We assume no obligation to update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this report, other than as may be required by applicable law or regulation. Readers are urged to carefully review and consider the various disclosures made by us in our reports filed with the United States Securities and Exchange Commission (“SEC”) which attempt to advise interested parties of the risks and factors that may affect our business, financial condition, results of operation and cash flows. If one or more of these risks or uncertainties materialize, or if the underlying assumptions prove incorrect, our actual results may vary materially from those expected or projected.

**GEOPETRO RESOURCES COMPANY**

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## **PART I**

### **Item 1. *Business***

We were incorporated in the State of Wyoming in August 1994 under the name GeoPetro Company as an oil and gas exploration, development drilling and production company. In June 1996, we merged with our wholly-owned subsidiary, GeoPetro Resources Subsidiary Company, a California corporation, and the resulting merged company is incorporated in the state of California under the California General Corporation Law under the name GeoPetro Resources Company (“GeoPetro”). Our principal and registered office is located at 150 California Street, Suite 600, San Francisco, California, USA 94111. We maintain a website located at [www.geopetro.com](http://www.geopetro.com).

On February 28, 2013, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”), with MCW Energy Group Limited, an Ontario corporation (“MCW”), and MCW CA SUB, a California corporation and a wholly-owned subsidiary of Parent (“Merger Sub”). On April 4, 2013, the Company entered into an amendment (the “Amendment”) to the Merger Agreement. Pursuant to the Merger Agreement and subject to the terms and conditions set forth therein, Merger Sub will merge with and into the Company (the “Merger”) and the Company will survive the Merger and continue as a subsidiary of MCW. The Merger Agreement has been approved by Boards of Directors of each of the Company, MCW and Merger Sub. The merger is subject to customary closing conditions, including regulatory and shareholder approval. A material consideration for GeoPetro to pursue the merger was the Parent Financing of \$20,000,000 which was to be completed prior to closing. As of March 31, 2014, MCW has yet to complete the Parent Financing contemplated by the Merger Agreement. Since the merger did not close by September 30, 2013, either party may terminate the Merger Agreement.

### **Inter-Corporate Relationships**

We hold 100% of the shares of Redwood Energy Company (“Redwood”), a Texas corporation. Redwood is the general partner of, and holds a 5% interest in, Redwood Energy Production, L.P. (“Redwood LP”), a Texas limited partnership. We are the sole limited partner of Redwood LP and own the remaining 95% partnership interest in Redwood LP. Redwood also holds a 100% interest in Madisonville Midstream LLC (“Madisonville Midstream”), a Texas limited liability company.

We hold a 100% interest in GeoPetro Alaska LLC (“GeoPetro Alaska”), an Alaska limited liability company; a 100% interest in GeoPetro Pacific LLC (“GeoPetro Pacific”), a Delaware limited liability company; and a 100% interest in South Texas GeoPetro, LLC (“South Texas GeoPetro”), a Texas limited liability company.



We also hold 100% of the shares of GeoPetro Canada Ltd. (“GeoPetro Canada”), an Alberta corporation; and 100% of the shares of GeoPetro International Ltd., a British Virgin Islands company.

In addition, we hold a 12% interest in Continental-GeoPetro (Bengara II) Ltd. (“C-G Bengara”), a British Virgin Islands company.

### **General Development of the Business**

We have conducted leasehold acquisition and exploration activities on our North American prospects. These projects currently consist of mineral leases and exploration permits that give us the right to explore for, develop and produce oil and natural gas. Some of these properties are in the exploration, appraisal or development drilling phase and have not begun to produce revenue from the sale of oil and natural gas.

In December 2000, we acquired working interests in oil and natural gas leases in the Madisonville Field in Madison County, Texas, including interests in the Rodessa Formation. Also included in the acquisition was the Magness Well, an existing well that had been drilled, cased and production tested in the Rodessa Formation. In October 2001, we re-completed and tested the Magness Well. In October 2002, we drilled, completed and successfully tested an injection well to dispose of waste products resulting from the treating process for gas produced from the Rodessa Formation. The Madisonville Field gas treatment plant and associated pipelines, which were built specifically for this project, were placed into service in May 2003, and the Magness Well began production in late May 2003. The first development well in the Madisonville Field, the Fannin Well, was drilled in 2005. In 2006, we drilled the Wilson and Mitchell wells. We own a 100% working interest in the four wells. Since 2003, substantially all of our revenue has been generated from natural gas sales derived from the Madisonville Field, and the Madisonville Project was our primary source of revenue in 2012. On December 31, 2008, GeoPetro acquired the gas treatment plant, as well as the related gas gathering pipelines and facilities. This acquisition has allowed the Company to improve operating efficiencies by consolidating the upstream and midstream portions of the Madisonville project. By owning the midstream portion of the Madisonville project, we not only expect better net price realizations and operational efficiencies (i.e. improved volume realizations), but we also control the timing and design of the expansion of the plant facilities as well as future expansions, if needed. Historically, our wells have been production constrained at certain times by the gas treatment plant at the Madisonville Field, which has a design treating capacity limit of approximately 18 MMcf/d. See “Properties — Description of the Properties — Texas — The Madisonville Gas Treatment Plant and Gathering Facilities.”



## Growth Strategy

Our growth strategy is to maximize shareholder value through the exploration and development drilling of oil and natural gas prospects. To carry out this philosophy we employ the following business strategies:

identify and pursue potential projects which individually have the potential to be “company makers” which we define as projects which could generate a minimum unrisksed net present value of \$50 million net to our interest using a 10% discount factor;

perform geological, geophysical and engineering evaluations;

gain control of key acreage;

generate high quality

drillable  
exploration  
and  
development  
drilling  
prospects;

retain a large  
working  
interest in  
those  
projects  
which  
involve low  
risk  
development  
drilling,  
appraisal or  
exploration  
of proved,  
probable and  
possible  
reserves; and

minimize  
early  
investment  
and  
exploration  
risk in higher  
risk  
exploratory  
prospects  
through  
farm-outs  
and sale of  
assets to  
other oil and  
natural gas  
companies  
and maintain  
meaningful  
interests with  
a “carry”  
through the  
exploration  
phase.

## **Risks Associated With Operations**

Our business activities are subject to political and economic risks, including: loss of revenue, property and equipment as a result of unforeseen events like expropriation, nationalization, war, terrorist attacks and insurrection; risks of increases in import, export and transportation regulations and tariffs, taxes and governmental royalties; various regulatory approvals required to conduct drilling and other operations; renegotiation of contracts with governmental entities; exchange controls, and numerous other factors. Any one or more of such political or economic conditions could change to our detriment. For a related discussion of the risks attendant with our foreign operations, see “Risk Factors.”

## **Regulations**

Domestic exploration, production and sale of oil and gas are extensively regulated at both the federal and state levels. Our business is and will be directly or indirectly affected by numerous governmental laws and regulations applicable to the energy industry, including:

Federal  
environmental  
laws and  
regulations

State  
environmental  
laws and  
regulations

Local  
environmental  
laws and  
regulations

Federal energy  
laws and  
regulations

Conservation  
laws and  
regulations

Tax and other  
laws and  
regulations  
pertaining to  
the energy  
industry

Legislation, rules and regulations affecting the oil and gas industry are under constant review for amendment or expansion, frequently increasing the regulatory burden. Any changes in the existing legislation, rules or regulations could adversely affect our business. The regulatory burdens are often costly to comply with and carry substantial penalties for failure to comply.

Our operations and activities are subject to numerous federal, state and local environmental laws and regulations. These laws and regulations:

require the acquisition of permits;

restrict the type, quantities and concentration of various substances that can be discharged into the environment;

limit or prohibit drilling and other activities on wetlands and other designated, protected areas;

regulate the generation, handling, storage, transportation, disposal and treatment of waste materials; and

impose criminal or civil liabilities for pollution resulting from oil and natural gas operations

We expect that with increases in our exploratory and development drilling activities, the impact of environmental laws and regulations on our business and operations will also increase. We may be required in the future to make substantial outlays of money to comply with environmental laws and regulations. Additional changes in operating procedures and expenditures to comply with future environmental laws cannot be predicted.

We do not operate all of the oil and gas properties in which we own an interest. In those instances, we are not in a position to exert direct control over compliance with most of the rules and regulations discussed above. We are substantially dependent on the operators of our non-operated oil and gas properties to monitor, administer and oversee such compliance. The failure of the operator to comply with such rules and regulations could result in substantial liabilities to us.

As the operator of the Madisonville Project, among other various environmental laws and regulations, we are subject to the U.S. Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") and any comparable legislation adopted by Texas which imposes strict, joint and several liability on owners and operators of properties and on persons who dispose of or arrange for the disposal of "hazardous substances" found on or under the sites of such properties.

Under CERCLA, one owner, lessee or other party, having responsibility for and an interest in a site requiring cleanup may, under certain circumstances, be required to bear a disproportionate share of liability for the cost of such cleanup if payments cannot be obtained from other responsible parties. The Resource Conservation and Recovery Act ("RCRA") and comparable rules adopted by Texas and other states regulate the generation, management and disposal of hazardous oil and gas waste.

The Railroad Commission of Texas ("RRC") has been delegated the responsibility and authority to regulate and prevent pollution from oil and gas operations, including the prevention of pollution of surface or subsurface water resulting from the drilling of oil and gas wells and the production of oil and gas. In addition to regulating the generation, management and disposal of hazardous oil and gas waste, the RRC has been delegated authority to regulate underground hydrocarbon storage, saltwater disposal pits and injection wells.

The drilling of oil and gas wells in Texas requires operators to obtain drilling permits, file an organization report, issue a performance bond or other form of financial security, such as a letter of credit, and obtain a permit to maintain pits to store and dispose of drilling fluids, saltwater and waste as well as other types of pits for other purposes. The issuance of such permits is conditioned upon the RRC's determination that these pits will not result in waste or pollution of surface or subsurface water.

Other states in which we have an interest in oil and gas properties may impose similar or more stringent regulations than imposed under CERCLA or RCRA.



To date, we have re-completed an existing producing well and drilled three additional wells and an injection well in the Madisonville Project as operator. In addition, we may drill oil, gas and disposal wells in the future as the operator and will be required to obtain local government and other permits to drill such wells. There can be no assurance that such permits will be available on a timely basis or at all. Texas and other states have statutes or regulations pertaining to conservation matters which, among other matters, regulate the unitization or pooling of gas properties and the spacing, plugging and abandonment of such wells and set limits on the maximum rates of natural gas that can be produced from gas wells.

In re-completing the existing well on the Madisonville Project, we were required to drill a well for injection or disposal of produced waste gas from the wells. Injection wells are subject to regulation under the Safe Drinking Water Act (“SDWA”) and the regulations and procedures which have been adopted by the Environmental Protection Agency (“EPA”) under that Act. Generally, enforcement procedures under the SDWA are administered by the EPA unless such authority has been delegated by the EPA to a state which has primary enforcement responsibility based on the EPA’s determination that the state has adopted drinking water regulations no less stringent than the national primary drinking water regulations and meets certain other criteria. Underground injection wells not used for the underground injection of natural gas for storage are generally unlawful and subject to penalties under the SWDA unless authorized by:

permit issued  
by the EPA or  
a state having  
primary  
enforcement  
responsibility,  
or

rule pursuant  
to an  
underground  
injection  
control  
program  
established by  
a state or the  
EPA.

To the extent our pipelines transport natural gas in interstate commerce, the rates, terms and conditions of that transportation service are subject to regulation by the Federal Energy Regulatory Commission (“FERC”), pursuant to Section 311 of the Natural Gas Policy Act of 1978 (“NGPA”), which regulates, among other things, the provision of transportation services by an intrastate natural gas pipeline on behalf of an interstate natural gas pipeline. Under the Energy Policy Act of 2005, the FERC has authority to impose penalties for violations of the Natural Gas Act, up to \$1 million per day for each violation and disgorgement of profits associated with any violation.

The regulatory burden on the oil and natural gas industry increases our cost of doing business. Future developments, such as stricter requirements of environmental or health and safety laws and regulations affecting our business or more stringent interpretations of, or enforcement policies with respect to, such laws and regulations, could adversely affect us. To meet changing permitting and operational standards, we may be required, over time, to make site or operational modifications at our facilities, some of which might be significant and could involve substantial capital expenditures. There can be no assurance that material costs or liabilities will not arise from these or additional environmental matters that may be discovered or otherwise may arise from future requirements of law. See “Risk Factors — Risks Related to Our Business”

## Foreign Regulations

In the exploration, drilling and development of any Non-US property, we will be required to comply with the environmental, conservation, tax and other laws and regulations in those jurisdictions.

## Technology

We participate in projects utilizing economically feasible exploration technology in our exploration and development drilling activities to reduce risks, lower costs, and more efficiently produce oil and gas. We believe that the availability of cost effective 2-D and 3-D seismic data makes its use in exploration and development drilling activities attractive from a risk management perspective in certain areas.

Briefly, through the use of a seismograph, a seismic survey sends pulses of sound from the surface down into the earth, and records the echoes reflected back to the surface. By calculating the speed at which sound travels through the various layers of rock, it is possible to estimate the depth to the reflecting surface. It then becomes possible to infer the structure of rock deep below the earth's surface. We evaluate substantially all of our exploratory prospects using 2-D seismic data. In addition, we own a license as to approximately 12 square miles of 3-D seismic data covering our leasehold and adjacent lands in the Madisonville Project.

The use of seismic technology does not entirely remove the risk of exploration and development drilling of oil and natural gas deposits. It is important to consider the following:

we may not  
recognize  
significant  
geological  
features due to  
errors in  
interpretation,  
processing  
limitations,  
the presence  
of certain  
geological  
environments  
that are out of  
our control or

other factors;

seismic  
generally  
becomes less  
reliable with  
increasing  
depth of the  
geological  
horizon; and

the use of this  
technology  
may increase  
our finding  
cost.

## **Principal Products**

Our principal product is natural gas produced from a property in which we own a 100% working interest. We also have interests in other undeveloped oil and gas properties. See “Properties” for a general description of these properties.

During the last two fiscal years, 100% of our revenues have been derived from the sale of natural gas. Substantially all of our natural gas sales have been generated by three producing wells located in the Madisonville Field in East Texas. Natural gas produced by the wells is delivered via a gathering pipeline to a nearby gas treatment plant where the gas is treated to remove impurities. From the plant, the natural gas is transported approximately nine miles to one of two common carrier pipelines. This delivery point is where all natural gas sales occur. The price received for the natural gas is the Houston Ship Channel price index less certain adjustments.

## **Reserves**

The volume of production from oil and natural gas properties generally declines as reserves are depleted, with the rate of decline depending on reservoir characteristics. Our proved reserves will decline as reserves are produced from our properties unless we are able to acquire or develop new reserves.

## **Acquisition of Producing Properties**

We may supplement our exploration efforts with acquisitions of producing oil and gas properties. We may seek to acquire producing properties that are underperforming relative to their potential.

## **Patents, Trademarks, Licenses, and Franchises Held**

Permits and licenses are important to our operations, since they allow the search for and the extraction of any oil, gas and minerals discovered on the areas covered.. See “Properties” for a general description of the permits and licenses under which we operate.

## **Seasonality of Business**

Our business is not seasonal.

### **Working Capital Items**

The majority of our current assets are in the form of cash received from the sale of natural gas from our Madisonville Project in Texas, amounts received from the sale of common and preferred stock in private placements, cash received from the issuance of debt instruments and cash received from the disposition of our interests in oil and gas properties. We use this cash to pay for the cost of our operations, service of debt facilities, and other administrative activities. For further information see “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

### **Customers**

Substantially all of our revenues are derived from sales to two customers, Luminant Energy Company, LLC and ETC Katy Pipeline, Ltd., of natural gas produced from our Madisonville Project in Texas. We contract to sell the gas with spot-market based contracts that vary with market forces. We have not committed any forward sales of our natural gas. During 2012 all of our revenue was derived from one customer. The loss of this customer could result in the loss of our revenues, which would have a material adverse effect on our results of operations. See “Risk Factors”.

## **Competition**

The oil and natural gas industry is intensely competitive and speculative in all of its phases. We encounter competition from other oil and natural gas companies in all areas of our operations. In seeking suitable oil and natural gas properties for acquisition, we compete with other companies operating in our areas of interest, including large oil and natural gas companies and other independent operators, which have greater financial resources and in many instances, have been engaged in the exploration and production business for a much longer time than we have. Many of our competitors also have substantially larger operating staffs than we do. Many of these competitors not only explore for and produce oil and natural gas but also market oil and natural gas and other products on a regional, national or worldwide basis. These competitors may be able to pay more for productive oil and natural gas properties and exploratory prospects and define, evaluate, bid for and purchase a greater number of properties and prospects than us. In addition, these competitors may have a greater ability to continue exploration activities during periods of low market prices. Our ability to acquire additional properties and to discover reserves in the future will depend on our ability to evaluate and select suitable properties and to consummate transactions in a highly competitive environment.

The prices of our natural gas production are controlled by market forces. However, competition in the oil and natural gas exploration industry also exists in the form of competition to acquire leases and obtain favorable transportation prices. Our Company is relatively small and may have difficulty acquiring additional acreage and/or projects and may have difficulty arranging for the transportation of our production. We also face competition in obtaining oil and natural gas drilling rigs and in sourcing the manpower to run them and provide related services.

## **Employees**

We have 4 employees. We use the services of independent consultants and contractors to perform various professional services, including geologic, geophysical, petroleum, reservoir & drilling engineering, land, legal, environmental and tax services. On those properties where we are not the operator, we rely on outside operators to drill, produce and market our oil and natural gas.

## **Available Information**

We maintain a website located at <http://www.geopetro.com> and electronic copies of our annual, quarterly and current reports, and any amendments to those reports, as well as our code of ethics, are available free of charge under the Investor Relations link on our website. This information is available on our website, as soon as practicable after such material is filed with, or furnished to, the SEC.

**Item 1A. Risk Factors**

In addition to risks and uncertainties in the ordinary course of business that are common to all businesses, important factors that are specific to our industry and our company could materially impact our future performance and results of operations. We have provided below a list of these risk factors that should be reviewed when considering our securities. These are not all the risks we face and other factors currently considered immaterial or unknown to us may impact our future operations.

**Risks Related to Our Business**

*Because of our historic losses from operations since inception, there is substantial doubt about our ability to continue as a going concern.*

In their report dated March 31, 2014, our independent registered public accounting firm stated that our financial statements for the year ended December 31, 2013, were prepared assuming that we would continue as a going concern. We have incurred recurring losses that have resulted in an accumulated deficit attributable to common shareholders of approximately \$53,000,000 as of December 31, 2013. Although we had approximately \$10,000 of available cash at December 31, 2013, that amount is not adequate to meet our capital expenditure and operating requirements over the next 12 months. These factors raise substantial doubt about the ability of the Company to continue as a going concern. We are dependent upon obtaining funds from financing sources to meet our cash flow requirements. If we are unsuccessful in doing so, we would be required to substantially reduce our business plan or our business could be substantially impaired.



***As of December 31, 2013, we have gross capitalized costs totaling \$65.3 million as proved and unproved oil and gas properties and gas processing plant whereas we have generated revenues of only \$44.5 million since January 1, 2003 and no revenues during the fiscal year ended December 31, 2013.***

Since inception, our activities have been primarily related to acquiring and exploring leasehold interests in oil and natural gas properties. We have incurred substantial acquisition and exploration costs and overhead expenses in our operations, and until 2003, excluding minor interest and dividend income, our only significant cash inflows were the recovery of capital invested in projects through sale or other divestitures of interests in oil and gas prospects to industry partners. As a result, we have sustained an accumulated deficit through December 31, 2013 of \$53.0 million. Our production activities commenced in May 2003. Since May 2003, over 98% of our revenue has been generated from natural gas sales derived from wells in the Madisonville Field in Texas. It is possible that in the future we will be unable to continue to generate revenues from our sales of natural gas from our Madisonville Field wells because our proved reserves decline as reserves are produced from the wells. The drilling of exploratory oil and natural gas wells is highly speculative and often unproductive. Our participation in future drilling activities to explore, develop and exploit the properties in which we have an interest, or in which we may acquire interests, may be unsuccessful, may fail to generate positive cash flow, and may not enable us to maintain profitability in the future.

***We may be unable to successfully expand the capacity of the Madisonville Gas Treatment Plant.***

We own and operate, through Madisonville Midstream, gathering pipelines and a dedicated natural gas treatment plant (which we refer to as the Madisonville Gas Treatment Plant), to treat impurities in the natural gas generated by our Madisonville Project. We plan to expand the Madisonville Gas Treatment Plant's treatment capacity from 18 MMcf/d to 30 MMcf/d. There can be no assurance that we will be able to accomplish the expansion and achieve a full treatment capacity of 30 MMcf/d.

***Even if we are able to successfully complete the expansion of the Madisonville Gas Treatment Plant from 18 MMcf/d to 30 MMcf/d, third parties may seek access to the plant through regulatory proceedings, which could limit our use of the Plant and disrupt our production operations.***

Third parties have, and may in the future, seek access to the Madisonville Gas Treatment Plant through regulatory proceedings, which could restrict our access to the Plant, disrupt our production operations and negatively impact our revenues. An example of such a proceeding is the complaint that was filed by Crimson Exploration Inc. ("Crimson") with the Railroad Commission of Texas in 2006 described under "Properties — Description of the Properties — Texas — The Madisonville Gas Treatment Plant and Gathering Facilities."

Substantially all of our revenues have been generated from natural gas sales derived from wells in the Madisonville Field, and 100% of our natural gas generated from the wells in the Madisonville Field is treated at the Madisonville Gas Treatment Plant. If our ability to treat natural gas at the Madisonville Gas Treatment Plant is limited for any reason, including but not limited to increased demands by third parties, our revenues may be adversely affected.

*All of our current revenues are generated by our interest in the Madisonville Project. Delays or interruptions of the Madisonville Project natural gas drilling and production operations including, but not limited to, events beyond our control or the failure of third parties on which we rely to provide key services, could negatively impact our revenues.*

All of our natural gas revenues for 2012 were derived from the Madisonville Project. In connection with that project, we have contracted with Gateway-Madisonville Pipeline, LLC (“Gateway”) which operates a sales pipeline for natural gas.

The failure of Gateway to perform its contractual obligations to us could impose delays or interruptions in our production operations and prevent us from generating revenues. In addition, events which are beyond our control, or that of Gateway, could affect our production operations. Such events include, but are not limited to:

events  
referred to as  
force  
majeure, such  
as an act of  
God, act of a  
public  
enemy, war,  
blockade,  
public riot,  
lightning,  
fire, storm,  
flood,  
explosion  
and any other  
causes  
whether of  
the kind  
enumerated  
or otherwise  
not  
reasonably  
within the  
control of  
Gateway;

the inability  
to secure raw  
materials or  
equipment;

transportation  
accidents;  
and

labor  
disputes and  
equipment  
failures.

10

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***We do not own all of the land on which our pipelines and facilities are located, and we are therefore subject to the possibility of not being able to retain necessary land use and associated increased costs.***

We have the right to operate our pipelines on land owned by third parties for specified periods of time. Our loss of these rights, through our inability to renew rights-of-way contracts, leases or otherwise, could result in the suspension of our operations, or increased costs related to continuing operations elsewhere, which would have a material adverse effect on our business, results of operations and financial condition.

***If third-party pipelines and other facilities interconnected to our natural gas pipelines and processing facilities become partially or fully unavailable to transport natural gas, our revenues could be adversely affected.***

We depend upon third party pipelines and other facilities to provide delivery options from the Madisonville Gas Treatment Plant to our customers. If any of these third party pipelines become unavailable to transport the natural gas produced at the Plant, or if the gas quality specifications for these pipelines or facilities change, we would be required to find alternate means to transport our natural gas out of the Plant, which could increase our costs, reduce the revenues we might obtain from the sale of our natural gas or reduce our ability to process natural gas at the Plant.

***100% of our revenue in 2012 was derived from sales to a single customer. The loss of this customer could have a material adverse impact on our oil and gas revenues.***

100% of our natural gas sales and revenue for the year ended December 31, 2012 were derived from the Madisonville Project, and 100% of our revenue was derived from sales to one customer, Luminant Energy Company, LLC. The loss of this customer could impact the price we receive for our gas sold due to lessened competition. The loss of, or material nonpayment by the customer could result in a loss of revenue. Our customer may be subject to their own operating risks which could increase the risk that they could default on their obligation to us.

***Unless we replace our oil and natural gas reserves, our reserves and production will decline.***

The volume of production from oil and natural gas properties generally declines as reserves are depleted, with the rate of decline depending on reservoir characteristics. Our proved reserves will decline as reserves are produced from our properties unless we are able to acquire or develop new reserves. The business of exploring for, developing or acquiring reserves is capital intensive. For example, as of December 31, 2013 we have capitalized costs of \$65.3 million as proved and unproved oil and gas properties and gas processing plant. To the extent cash flow from operations is reduced and external sources of capital become limited or unavailable, our ability to make the necessary

capital investment to maintain or expand our asset base of oil and natural gas reserves will be impaired. Even if we are able to raise capital to develop or acquire additional properties, no assurance can be given that our future exploration and development drilling activities will result in the discovery of any reserves.

***Our exploration and development drilling activities may not be commercially successful. The drilling of exploratory oil and natural gas wells is expensive, highly speculative and often unproductive.***

Exploration for oil and natural gas on unproven prospects is expensive, highly speculative and involves a high degree of risk, including the risk that no commercially productive oil or natural gas reservoirs will be encountered. Reserves are dependent on our ability to successfully complete drilling activity on proven prospects.

The cost of drilling, completing and operating wells is often uncertain, and drilling operations may be curtailed, delayed or cancelled as a result of a variety of factors, including:

unexpected  
drilling  
conditions,  
pressure or  
irregularities  
in formations;

subsurface  
conditions or  
formations  
encountered  
during the  
drilling of  
wells, whether  
natural or  
mechanical,  
including but  
not limited to  
blowout,  
igneous rock,  
salt, saltwater  
flow, loss of  
circulation,  
loss of hole,  
abnormal  
pressures, or  
any other  
impenetrable  
substance or

adverse  
condition,  
which renders  
further  
drilling of a  
well  
impossible or  
impractical;

equipment  
failures or  
accidents,  
adverse  
weather  
conditions;

compliance  
with  
governmental  
requirements;  
and

shortages or  
delays in the  
availability of  
drilling rigs,  
the delivery of  
equipment,  
and  
availability of  
qualified  
manpower.

***Our evaluations of the oil and gas prospects of our properties may be wrong.***

With the exception of the Madisonville Project, the properties in which we have an interest are prospects in which the presence of oil and natural gas reserves in commercial quantities has not been established. Any decision to engage in exploratory drilling or other activities on any of these properties will be dependent in part on the evaluation of data compiled by petroleum engineers, geologists and geophysicists and obtained through geophysical testing and geological analysis.

Reservoir engineering, geophysics and geology are not exact sciences and the results of studies and tests used to make such evaluations are sometimes inconclusive or subject to varying interpretations. As such, there is no certain way to know in advance whether any of our prospects will yield oil and natural gas in commercial quantities. Further, it is possible that we will participate in the drilling of more dry holes than productive wells or that all or substantially all of the wells drilled will be dry holes. The drilling of dry holes on prospects in which we have an interest could adversely affect their values and our decision to undertake further exploration and development drilling of such prospects. It is not certain or predictable whether, and no assurance can be made that, the wells drilled on the properties in which we have an interest will be productive or, if productive, that we will recover all or any part of our investment in the properties. In summary, our participation in future drilling activities may not be successful and, if unsuccessful, such failure may negatively impact our revenues and have a material adverse effect on our results of operations and financial condition. Furthermore, as of December 31, 2013 we have net capitalized costs totaling approximately \$23 million as proved and unproved oil and gas properties and gas processing plant. Should our future drilling activities be unsuccessful, we may then be required to record an impairment charge equal to a portion of, or all, of the capitalized costs resulting in an immediate adverse impact on our results of operations and financial position.

***Our business may be harmed by failures of third party operators on which we rely.***

Our ability to manage and mitigate the various risks associated with certain exploration and operations in Alaska and Australia is limited since we rely on third parties to operate our projects. We are a non-operating interest owner in our Alaskan and Australian properties. With respect to our interests in Alaska and Australia, we have entered into agreements with third party operators for the conduct and supervision of drilling, completion and production operations. In the event that commercial quantities of oil and natural gas are discovered on one of our properties, the success of the oil and natural gas operations on that property depends in large measure on whether the operator of the property properly performs its obligations. The failure of such operators and their contractors to perform their services in a proper manner could result in materially adverse consequences to the owners of interests in that particular property, including us.

***Our working interest in properties, and our ability to realize any profits from such properties, will be diminished to the extent that we enter into farm-out arrangements with unaffiliated third parties.***

We have previously entered into, and may in the future enter into, farm-out arrangements with third parties willing to drill oil and natural gas wells on leaseholds in which we originally acquired working interests, in exchange for our assignment of part or all of our leasehold interests. As a consequence of these arrangements, our retained interests in properties which are subject to farm-out arrangements have been or may be diminished. Our opportunity to realize revenues and profits from properties which are successfully developed under farm-out arrangements will be diminished to the extent of our reduced interests.

***Competition with other oil and natural gas exploration and development drilling companies for viable oil and natural gas properties may limit our success.***

It is likely that in seeking future property acquisitions, we will compete with companies which have substantially greater financial and management resources. Our competition comes primarily from three sources:

those  
competitors  
that are seeking  
oil and gas  
fields for  
expansion,  
(1) further drilling,  
or increased  
production  
through  
improved  
engineering  
techniques;

income-seeking  
entities  
purchasing a  
predictable  
stream of  
(2) earnings based  
upon historic  
production  
from fields  
being acquired;  
and

(3) junior  
companies  
seeking  
exploration



opportunities in  
unknown,  
unproven  
territories.

Our competitors may be able to pay more for productive oil and natural gas properties and may be able to define, evaluate, bid for and purchase a greater number of properties and prospects than we can. Our ability to acquire additional properties in the future will depend upon our ability to conduct efficient operations, evaluate and select suitable properties, implement advanced technologies and consummate transactions in a highly competitive environment.

***Estimates of oil and natural gas reserves are inherently imprecise. Any material inaccuracies in these reserve estimates or underlying assumptions will affect materially the quantities and present value of our reserves.***

Estimates of proved oil and natural gas reserves and the future net cash flows attributable to those reserves are prepared by independent petroleum engineers and geologists. There are numerous uncertainties inherent in estimating quantities of proved oil and natural gas reserves and cash flows attributable to such reserves, including factors beyond our control and that of our engineers. Reserve engineering is a subjective process of estimating underground accumulations of oil and natural gas that cannot be measured in an exact manner. Different reserve engineers may make different estimates of reserves and cash flows based on the same available data. The accuracy of an estimate of quantities of reserves, or of cash flows attributable to such reserves, is a function of the available data, assumptions regarding future oil and natural gas prices and expenditures for future development drilling and exploration activities, and of engineering and geological interpretation and judgment. Additionally, reserves and future cash flows may be subject to material downward or upward revisions, based upon production history, development drilling and exploration activities and prices of oil and natural gas. Actual future production, revenue, taxes, development drilling expenditures, operating expenses, underlying information, quantities of recoverable reserves and the value of cash flows from such reserves may vary significantly from the assumptions and underlying information set forth herein.

***Competitive pressures may force us to implement new technologies at substantial cost and our limited financial resources may limit our ability to implement such technologies at the same rate as our competitors.***

The oil and gas industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other oil and gas companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before we do. There can be no assurance that we will be able to respond to such competitive pressures and implement such technologies on a timely basis or at all. One or more of the technologies currently utilized by us or implemented in the future may become obsolete.

***We will require additional capital to fund our future activities. Our ability to pursue our business plan may be restricted by our access to additional financing.***

Until such time as the properties in which we own interests are generating sufficient cash flow to fund planned capital expenditures, we will be required to raise additional capital through the issuance of additional securities, debt and/or otherwise sell or farm-out interests in our oil and natural gas properties to third parties. If and when the properties in which we own interests become productive and have adequate reserves, we may borrow funds to finance our future oil and natural gas operations and exploratory and development drilling activities. We may not be able to raise additional funds in the future from any source or, if such additional funds are made available to us, we may not be able to obtain such additional financing on terms acceptable to us. To the extent such funds are not available from any of those sources, our operations and activities will be limited to those operations and activities we can afford with the funds

then available to us. Our larger competitors, by reason of their size and relative financial strength, may be more easily able to access capital markets than us.

***The volatility in crude oil and natural gas prices could adversely affect our financial results and ability to raise additional capital.***

Our revenues, cash flows and profitability are substantially dependent on prevailing prices for both oil and natural gas. Decreases in natural gas prices will decrease revenues and cash flows from the Madisonville Project and our other producing properties, if any, and decreases in oil and natural gas prices could deter potential investors from investing in our company and generally impede our ability to raise additional financing to fund our exploration and development drilling activities. Historically, oil and natural gas prices and markets have been volatile, and they are likely to continue to be volatile in the future. Prices for oil and natural gas are subject to wide fluctuations in response to relatively minor changes in the supply of, and demand for, oil and natural gas, market uncertainty and a variety of additional factors that are beyond our control. These factors include, but are not limited to, political conditions in the Middle East and other regions, internal and political decisions of OPEC and other oil and natural gas producing nations to decrease or increase production of crude oil, domestic and foreign supplies of oil and natural gas, consumer demand, weather conditions, domestic and foreign government regulations and taxation, transportation costs, the price and availability of alternative fuels, the impact of energy conservation efforts and overall economic conditions.

***Risks associated with recent economic trends have adversely affected, and could further adversely affect our financial performance.***

The global financial markets experienced volatility in the past few years, including diminished liquidity and credit availability. We believe these conditions have adversely impacted our financial position as of December 31, 2013 and our liquidity for the twelve months ended December 31, 2013. Our financial condition and performance could be further negatively impacted if there is further deterioration in financial markets and major economies.

***We are subject to a number of operational risks beyond our control against which we may not have, or be able to obtain insurance.***

Our operations are subject to the many risks and hazards incident to exploring and drilling for, and producing and transporting, oil and natural gas, including among other risks:

blowouts,  
fires,  
craterings,  
pollution and  
equipment  
failures that  
may result in  
damage to or  
destruction of  
wells,  
pipelines,  
producing  
formations,  
production  
facilities and  
equipment;

damage to  
pipelines,  
facilities and  
properties  
caused by  
hurricanes,  
tornados,  
floods and  
other natural

disasters;

personal  
injuries or  
death due to  
accidents,  
human error or  
acts of God;

unavailability  
of materials  
and equipment  
to drill and  
complete or  
re-complete  
wells;  
unfavorable  
weather  
conditions;  
engineering  
and  
construction  
delays;

unfavorable  
regulatory  
conditions  
resulting in  
delays;

fluctuations in  
product  
markets and  
prices;  
proximity and  
capacity of  
pipeline, and  
trucking or  
termination  
facilities to our  
oil and natural  
gas reserves;  
hazards  
resulting from  
unusual or  
unexpected  
geological or  
environmental  
conditions;  
environmental  
regulations

and  
requirements;

accidental  
leakage of  
toxic or  
hazardous  
materials, such  
as petroleum  
liquids or  
drilling fluids  
into the  
environment,  
remediation  
and clean-up  
costs; and

political  
instability and  
civil unrest,  
insurrections  
or disruptions  
in foreign  
countries in  
which some of  
our interests  
are located.

If one or more of these events occurs, we could incur substantial liabilities to third parties or governmental entities, the payment of which could have a material adverse effect on our financial condition and results of operations, or we could lose properties in which we have capitalized as proved and unproved oil and gas properties and gas processing plant as of December 31, 2013.

***A loss not covered by insurance could result in substantial expenses to us.***

We do not insure fully against all business risks either because such insurance is not available or because premium costs are prohibitive. We are not insured against all environmental accidents that might occur which may include toxic tort claims. If a significant accident or event occurs that is not fully insured, if we fail to recover all anticipated insurance proceeds for significant accidents or events for which we are insured, or if we fail to rebuild facilities damaged by such accidents or events, our operations and financial condition could be adversely affected. In addition, we may not be able to maintain or obtain insurance of the type and amount we desire at reasonable rates. As a result of market conditions, premiums and deductibles for certain of our insurance policies have increased substantially, and could escalate further. For example, following Hurricanes Katrina and Rita, insurance premiums, deductibles and co-insurance requirements increased substantially, and terms generally are less favorable than terms that could be obtained prior to such hurricanes. In some instances, certain insurance could become unavailable or available only for reduced amounts of coverage. A loss not fully covered by insurance could result in expenses to us and could have a

material adverse effect on our financial position and results of operations.

***We are subject to extensive government regulations that can change from time to time, compliance with which are costly and could negatively impact our production, operations and financial results.***

The oil and gas industry is subject to extensive government regulations in the countries in which we operate. Matters subject to regulation include discharge permits for drilling operations, drilling bonds, reports concerning operations, unitization and pooling of properties and taxation. Historically, our costs of complying with these regulations have not exceeded \$100,000 per year. From time to time, regulatory agencies have imposed price controls and limitations on production by restricting the rate of flow of oil and natural gas wells below actual production capacity in order to conserve supplies of oil and natural gas. We are also subject to changing and extensive tax laws, the effects of which cannot be predicted. Legal requirements are frequently changed and subject to interpretation, and we are unable to predict the ultimate cost of compliance with these requirements or their effects on our operations. Future laws, or existing laws or regulations, as currently interpreted or reinterpreted or changed in the future, could result in increased operating costs, fines and liabilities, in amounts which are unknown at this time, any of which could materially adversely affect our results of operations and financial condition.

***Our industry is subject to extensive environmental regulation that may limit our operations and negatively impact our production.***

Extensive national, state, provincial and local environmental laws and regulations in the United States and foreign jurisdictions affect nearly all of our operations. Environmental laws to which we are subject in the U.S. include, but are not limited to, (1) the Clean Air Act and comparable state laws that impose obligations related to air emissions, (2) the Resource Conservation and Recovery Act of 1976 (“RCRA”), and comparable state laws that impose requirements for the handling, storage, treatment or disposal of solid and hazardous waste from our facilities, (3) the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”) and comparable state laws that regulate the cleanup of hazardous substances that may have been released at properties currently or previously owned or operated by us or at locations to which our hazardous substances have been transported for disposal, and (4) the Clean Water Act, and comparable state laws that regulate discharges of wastewater from our facilities to state and federal waters and (5) the California Environmental Quality Act (“CEQA”), which is a statute that requires state and local agencies to identify the significant environmental impacts of their actions and to avoid and mitigate these impacts, if feasible. Failure to comply with these laws and regulations or newly adopted laws or regulations may trigger a variety of administrative, civil and criminal enforcement measures, including the assessment of monetary penalties, the imposition of remedial requirements, and the issuance of orders enjoining future operations or imposing additional compliance requirements on such operations. Certain environmental laws, including CERCLA and analogous state laws, impose strict, joint and several liability for costs required to clean up and restore sites where hazardous substances or hydrocarbons have been disposed or otherwise released. Moreover, it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the release of hazardous substances, hydrocarbons or other waste products into the environment.

Environmental legislation may require that we:



acquire  
permits  
before  
commencing  
drilling;

restrict spills,  
releases or  
emissions of  
various  
substances  
produced in  
association  
with our  
operations;

limit or  
prohibit  
drilling  
activities on  
protected  
areas such as  
wetlands or  
wilderness  
areas;

take  
reclamation  
measures to  
prevent  
pollution  
from former  
operations;

take remedial  
measures to  
mitigate  
pollution  
from former  
operations,  
such as  
plugging  
abandoned  
wells and  
remediating  
contaminated  
soil and  
groundwater;

take remedial  
measures  
with respect  
to property  
designated as  
a  
contaminated  
site.

There is inherent risk of incurring environmental costs and liabilities in connection with our operations due to our handling of natural gas and other petroleum products, air emissions and water discharges related to our operations, and historical industry operations and waste disposal practices. The costs of any of these liabilities are presently unknown but could be significant. We may not be able to recover all or any of these costs from insurance

We are not presently aware of any environmental liabilities or able to predict the ultimate cost of liabilities not yet recognized. We have not established a separate reserve fund for the purpose of funding any possible future environmental liability. As a result, we may not be able to satisfy these obligations, if they occur. Any such costs incurred will be funded out of our cash flow from operations. If we are unable to fully fund the cost of remedying an environmental obligation, we might be required to suspend operations or enter into interim compliance measures pending satisfaction of the liability, which could have an adverse affect on our financial condition and results of operations. We have recorded an asset requirement obligation in connection with the estimated future costs to plug certain wells at our Madisonville Project in Texas upon abandonment totaling \$75,000 as of December 31, 2013.

***The effects of future environmental legislation on our business are unknown but could be substantial.***

Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. Changes in, or enforcement of, environmental laws may result in a curtailment of our production activities, delays in commencement of drilling operations, or a material increase in the costs of production, development drilling or exploration, any of which could have a material adverse effect on our financial condition and results of operations or prospects. In addition, many countries, as well as several states in the United States have agreed to regulate emissions of “greenhouse gases.” Methane, a primary component of natural gas, and carbon dioxide, a byproduct of burning natural gas, are greenhouse gases. Regulation of greenhouse gases could adversely impact some of our operations and demand for products in the future.

***Potential regulations regarding climate change could alter the way we conduct our business.***

Governments around the world are beginning to address climate change matters. This may result in new environmental regulations that may unfavorably impact us, our suppliers and our customers. The cost of meeting these requirements may have an adverse impact on our financial condition, results of operations and cash flows.

***Should we fail to comply with all applicable FERC administered statutes, rules, regulations and orders, we could be subject to substantial penalties and fines.***

Under the Energy Policy Act of 2005, FERC has authority to impose penalties for violations of the Natural Gas Act, up to \$1 million per day for each violation and disgorgement of profits associated with any violation. FERC has recently proposed and adopted regulations that may subject our facilities to reporting and posting requirements. Additional rules and legislation pertaining to these and other matters may be considered or adopted by FERC from time to time. Failure to comply with FERC regulations could subject us to civil penalties.

*We may incur significant costs and liabilities as a result of pipeline integrity management program testing and any related pipeline repair or preventative or remedial measures.*

The United States Department of Transportation has adopted regulations requiring pipeline operators to develop integrity management programs for transportation pipelines located where a leak or rupture could do the most harm in “high consequence areas.” The regulations require operators to:

perform  
ongoing  
assessments  
of  
pipeline  
integrity;

identify and  
characterize  
applicable  
threats to  
pipeline  
segments  
that could  
impact a high  
consequence  
area;

improve data  
collection,  
integration  
and analysis;

repair and  
remediate the  
pipeline as  
necessary;  
and

implement  
preventive  
and  
mitigating  
actions.

*Political and/or economic conditions could change in manners that negatively affect our operations and prospects.*

Our business activities are subject to political and economic risks, including: loss of revenue, property and equipment as a result of unforeseen events like expropriation, nationalization, war, terrorist attacks and insurrection; increases in import, export and transportation regulations and tariffs, taxes and governmental royalties; renegotiation of contracts with governmental entities; changes in laws and policies governing operations of foreign-based companies; exchange controls, currency fluctuations and other uncertainties arising out of foreign government sovereignty over international operations; laws and policies affecting foreign trade, taxation and investment; and the possibility of being subject to the exclusive jurisdiction of foreign courts in connection with legal disputes and the possible inability to subject foreign persons to the jurisdiction of courts in the United States.

***Terrorist attacks could have an adverse effect on our oil and natural gas operations, especially overseas.***

To date, our operations have not been disrupted by terrorist activity. It is uncertain how terrorist activity will affect us in the future, or what steps, if any, governments may take in response to terrorist activities. The attack on the New York World Trade Center in 2001 and the subsequent wars in Afghanistan and Iraq and continued political unrest in the Middle East increase the likelihood that U.S. citizens and U.S. owned interests may be targeted by terrorist groups operating both in the United States and in foreign countries.

***We could lose our ownership interests in our properties due to a title defect of which we are not presently aware.***

As is customary in the oil and gas industry, only a perfunctory title examination, if any, is conducted at the time properties believed to be suitable for drilling operations are first acquired. Before starting drilling operations, a more thorough title examination is usually conducted and curative work is performed on known significant title defects. We typically depend upon title opinions prepared at the request of the operator of the property to be drilled. The existence of a title defect on one or more of the properties in which we have an interest could render it worthless and could result in a large expense to our business. Industry standard forms of operating agreements usually provide that the operator of an oil and natural gas property is not to be monetarily liable for loss or impairment of title. The operating agreements to which we may become a party to could provide that, in the event of a monetary loss arising from title failure, the loss shall be borne by all parties in proportion to their interest owned.

***Our acquisition activities are subject to uncertainties and may not be successful or provide a return to us on our investments.***

We have grown primarily through acquisitions and intend to continue acquiring undeveloped oil and gas properties. Although we perform a review of the properties proposed to be acquired, such reviews are subject to uncertainties. It generally is not feasible to review in detail every individual property involved in an acquisition. Ordinarily, management review efforts are focused on the higher-valued properties; however, even a detailed review of all properties and records may not reveal existing or potential problems; nor will it permit us to become sufficiently familiar with the properties to assess fully their deficiencies and capabilities. Inspections are not always performed on every well, and potential problems, such as mechanical integrity of equipment and environmental conditions that may require significant remedial expenditures, are not necessarily observable even when an inspection is undertaken.

***We are dependent upon our key officers and employees and our inability to retain and attract key personnel could significantly hinder our growth strategy and cause our business to fail.***

While no assurances can be given that our current management resources will enable us to succeed as planned, a loss of one or more of our current directors, officers or key employees could severely and negatively impact our operations and delay or preclude us from achieving our business objectives. We could suffer the loss of key individuals for one reason or another at any time in the future. Stuart Doshi has over 40 years of experience in the oil and gas industry. There is no guarantee that we could attract or locate another individual with similar skills or experience to carry out our business objectives. We maintain “key man” insurance with respect to our Chief Executive Officer, Stuart Doshi.

***Some of our directors may become subject to conflicts of interest which could impair their abilities to act in our best interest.***

David Anderson, one of our directors, is vice chairman and officer of Dundee Securities Ltd., an investment banking firm that was the lead underwriter of our public offering of common stock in Canada and concurrent previous private placement of common shares with qualified institutional buyers in the U.S. The association with other companies in the oil and gas business may give rise to conflicts of interest from time to time. For example, they could be presented with business opportunities in their capacities as our directors, which they could, in turn, offer to the other companies for whom they also serve as directors, rather than to us, whose interests might be competitive with ours. Our directors are required by law to act honestly and in good faith with a view to our best interests and to disclose any interest which they may have in any project or opportunity to us; however, their interests in the other companies may affect their judgment and cause such directors to act in a manner that is not necessarily in our best interests.

***Our directors and officers hold significant positions in our shares and their interests may not always be aligned with those of our other shareholders.***

As of December 31, 2013 our directors and officers beneficially own approximately 8% of our outstanding common stock. This shareholding level will allow the directors, officers and certain beneficial owners to have a significant degree of influence on matters that are required to be approved by shareholders, including the election of directors and the approval of significant transactions. The short-term interests of our directors, officers and certain beneficial owners may not always be aligned with the long-term interests of our public shareholders, and vice versa. Because our directors, officers and certain beneficial owners have a significant degree of influence on matters that are required to be approved by our shareholders, they could influence the approval of transactions.

***Our failure to manage internal or acquisition-based growth may cause operational difficulties and negatively affect our financial performance.***

We expect to experience internal and/or acquisition-based growth, which may bring many challenges. Growth in the number of employees, sales and operations will place additional pressure on already limited resources and infrastructure. No assurances can be given that we will be able to effectively manage this or future growth. Our growth may place a significant strain on our managerial, operational, financial and other resources. Our success will depend upon our ability to manage our growth effectively which will require that we continue to implement and improve our operational, administrative, financial and accounting systems and controls and continue to expand, train and manage our employee base. Our systems, procedures and controls may not be adequate to support our operations and our management may not be able to achieve the rapid execution necessary to exploit the market for our business model. If we are unable to manage internal and/or acquisition-based growth effectively, our business, results of operations and financial condition may be materially adversely affected.

***Risks associated with our liquidity.***

In 2014 we will need to raise capital. Due to our liquidity issues, funds may not be available, or may be available only on unfavorable terms. Due to the decrease in our stock price, we may need to sell more shares to raise the same amount of money than we would have in the past, resulting in greater dilution to existing shareholders than would be the case if our stock price was higher and this trend could continue. We have scheduled exploratory and development well drilling and workover activity during 2014 and future periods on our proved and unproved properties. It is anticipated that these activities together with others that we may undertake will impose financial requirements which will exceed our existing working capital. We may raise additional equity and/or debt capital, and we may farm-out certain of our projects to finance our continued participation in planned activities; however, if additional financing is not available, we may be compelled to reduce the scope of our business activities. If we are unable to fund planned expenditures, it may be necessary to:

sell working interests and assets in the Madisonville operations to other parties;

farm-out our interest in proposed wells;



forfeit our  
interest in  
wells that are  
proposed to be  
drilled; and/or

reduce general  
and  
administrative  
expenses.

Further, considering our liquidity issues, we may have to resort to raising capital or selling assets on less favorable terms than may otherwise be available.

### **Risks Related to Our Common Stock**

*The shareholding position of holders of our common stock could be diluted by future issuances and conversions of other securities.*

If our options and warrants are exercised for common shares, holders of our common stock will experience immediate and, depending on the magnitude of the exercises, substantial dilution. As of March 31, 2014, there are 68,491,074 shares of our common stock outstanding, 5,370,027 shares of our Series B Preferred stock outstanding, 5,062,205 shares of our common stock are issuable upon exercise of warrants and 955,000 shares of our common stock are issuable upon exercise of options.

Investors may be subject to further dilution if we sell additional common shares or issue additional common shares in connection with future financings. If a significant number of our common shares are sold in the public market, the market price of our common shares could be depressed. This could hamper our ability to raise capital by issuing additional equity securities.

*Our results may be affected by fluctuations in currency exchange rates.*

Our financial statements are reported in U.S. dollars and all of our revenue, and most of our operating costs, are currently denominated in U.S. dollars; however, we have operations outside the United States where our operating costs will be denominated in local currencies. Fluctuations in exchange rates may increase our relative cost of operating and may therefore have a negative effect on our financial results.



***Non-U.S. holders of our common shares may be subject to U.S. federal income tax on the sale of our common shares and purchasers may have IRS withholding requirements***

Since we believe that we are a United States real property holding corporation, a gain recognized by a non-U.S. holder on the sale of our common shares will be subject to U.S. federal income tax at normal graduated rates, and a purchaser may be required to withhold for the benefit of the IRS a percentage of the purchase price, unless certain trading requirements are met.

***There is a limited public market for our common shares, and the ability of our shareholders to dispose of their common shares may be limited.***

Our common shares have been trading on either the OTCQB or NYSE MKT (formerly the American Stock Exchange) since February 15, 2007. We cannot foresee the degree of liquidity that will be associated with our common shares. A holder of our common shares may not be able to liquidate his, her or its investment in a short time period or at the market prices that currently exist at the time the holder decides to sell. The purchase and sale of relatively small common share positions may result in disproportionately large increases or decreases in the price of our common shares. A trade involving a large number of common shares could have an exaggerated effect on the reported market price of our common shares.

***Our stock price may fluctuate significantly.***

The stock market in general and the market for oil and natural gas exploration companies have experienced price and volume fluctuations that are often unrelated or disproportionate to the operating results or asset values of companies. These broad market and industry factors may seriously impact the market price and trading volume of our common shares regardless of our actual operating performance. The market price of our common stock could also fluctuate significantly as a result of:

actual or  
anticipated  
quarterly  
variations in  
our operating  
results and our  
reserve  
estimates;

changes in expectations as to our future financial performance or changes in financial estimates, if any, of public market analysts;

announcements relating to our business or the business of our competitors;

conditions generally affecting the oil and natural gas industry, including changes in oil and natural gas prices;

speculation in the press or investment community;

general market and economic conditions;

the success of our operating strategy; and

the operating and stock price performance of other comparable companies.

*The sale of large numbers of our common stock may depress the market price of our common stock.*

The sale of a substantial number of shares of our common stock in the public market, or the perception that substantial sales may occur, could cause the market price of our common stock to decrease. Substantially all of the shares of our common stock are freely transferable or will be transferable in compliance with restrictions under the Securities Act of 1933, as amended. In 2014, we will need to raise additional working capital and investors may be subject to further dilution if we sell additional common shares or issue additional common shares in connection with future financings. If a significant number of our common shares are sold in the public market, the market price of our common shares could be depressed. This could hamper our ability to raise capital by issuing additional equity securities.

*We will continue to incur significant expenses as a result of being a public company, which may negatively impact our financial performance.*

We have incurred and will continue to incur significant legal, accounting, insurance and other expenses as a result of being a public company. The Sarbanes-Oxley Act of 2002, as well as related rules implemented by the SEC, the NYSE MKT and the OTCQB have required changes in corporate governance practices of public companies. Compliance with these laws, rules and regulations has increased our expenses, including our legal and accounting costs, and made some activities more time-consuming and costly. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our board of directors or as officers. Furthermore, any additional increases in legal, accounting, insurance and certain other expenses that we may experience in the future could negatively impact our financial performance and have a material adverse effect on our results of operations and financial condition .

**Item 1B. *Unresolved Staff Comments***

None.

**Item 2. *Properties***

Our principal executive office, consisting of 4,201 square feet, is located at 150 California Street, Suite 600, San Francisco, CA 94111. Approximately one half of our office space has been subleased to a third party.

**Description of the Properties**

Our current oil and natural gas exploration, appraisal and development drilling activities are focused in two distinct project areas as follows:

**United States—Texas** (East Texas) and **California** (onshore San Joaquin basin)

**Australia**—onshore in two permit areas located in the South Perth basin.

*Texas*

*Madisonville Project, Madison County, East Texas*

We own and operate the interest in the Madisonville Project in Madison County, Texas. We own working interests in approximately 2,733 gross and net acres of leases in the Rodessa Formation interval. We also own a license as to 12.5 square miles of 3-D seismic data over the Madisonville Field.

The Madisonville Field, located approximately 100 miles north of Houston, has produced oil and natural gas from four different horizons above the Rodessa Formation for over 50 years. The field was discovered in 1945 with the Boring No. 1 well, which was drilled to the Rodessa Formation. The well blew out at an uncontrolled rate for three days during a test; however, due to hydrogen sulphide, carbon dioxide and nitrogen in the Rodessa Formation natural gas, the gas reserves were never developed. Over 125 wells were drilled in the Madisonville Field to shallower intervals above the Rodessa Formation. In 1994, nearly 50 years after the initial discovery, United Meridian Corporation (“UMC”) drilled the Magness Well as the first follow-up well into the Rodessa Formation to the Boring No. 1 well. The Magness Well had 139 feet of net pay but the natural gas was found to contain 28% impurities.

UMC previously production tested the Magness Well in 1994 through perforations in the lower most ten feet of the indicated Rodessa Formation pay interval. The well tested at a rate of 12 MMcf/d from this limited interval on a 22/64ths inch choke with flowing wellhead pressures increasing from 3,915 to 3,919 pounds per square inch. In 2001, we re-entered and recompleted the Magness Well. A total of 139 feet of interval has been perforated in the Rodessa Formation at approximately 12,000 feet of depth for this well. The well was production tested over a 12-day period in 2001 on various choke sizes with flowing rates ranging up to approximately 20.8 MMcf/d. We own a 100% working interest (75.1333% net revenue interest) in the Magness Well located in the surrounding production unit consisting of 684 gross and 629 net acres. The Magness Well commenced production in May of 2003 and stabilized at a rate of 18 MMcf/d of raw gas.

The first development well, the Fannin Well, was drilled and completed in 2004. We own a 100% working interest (69.8978% net revenue interest) in the Fannin Well located in the surrounding production unit consisting of 704 gross and net acres. A total of 146 feet of indicated pay was perforated in the well and a flow test of the well was completed in December 2004 from the Rodessa Formation at rates of up to 25.7 MMcf/d. We commenced production from the Fannin Well in early 2006. Also in 2006, we drilled the Mitchell and Wilson wells. We own a 100% working interest (70% net revenue interest) in the Mitchell and Wilson wells.





The Madisonville Field is a geologic feature encompassing approximately 5,800 acres at the Rodessa limestone at approximately 11,800 feet of depth. A 3-D seismic program shot in early 1998 confirmed the size of the structure and slightly increased its size over earlier interpretations. Our working interest covers the Rodessa Formation at approximately 11,800 feet of depth. In addition, we own a working interest in certain leases which cover depths below the Rodessa Formation.

Hydrogen sulfide, carbon dioxide and nitrogen combined comprise about 28% of the gas content. The untreated natural gas is delivered to the Madisonville Gas Treatment Plant where all the natural gas impurities are removed prior to delivery to the sales pipeline. The high concentrations of hydrogen sulfide and carbon dioxide result in higher capital and operating costs for our wells. For example, the hydrogen sulfide and carbon dioxide are corrosive to the wellbores. This means we have to utilize higher grade specification well tubing and casing which is more expensive than what we would utilize absent the impurities. In addition, we continuously treat the wellbores with chemicals designed to inhibit the corrosive effects of the impurities. We also maintain field personnel at or near the wellsites who monitor the wells on a twenty four hour basis and equip the wellsites with extensive safety equipment systems due to the toxic properties of the hydrogen sulfide and carbon dioxide.

#### *The Madisonville Gas Treatment Plant and Gathering Facilities*

In order to produce the proved gas reserves from the Rodessa Formation, we developed an onsite plan to treat and remove impurities from the Madisonville Project natural gas in order to meet pipeline-quality specifications. In June 2001, Redwood LP contracted with Hanover Compression Limited Partnership (“Hanover”) to fund, construct and operate a dedicated natural gas treatment plant with an initial designed capacity of 18 MMcf/d. In conjunction with the plant construction, Gateway installed field gathering lines and an approximately nine mile sales pipeline, with an estimated capacity of 70 MMcf/d, to transport the Madisonville gas to a major pipeline. These facilities were completed in April 2003 and production from the Magness Well commenced in May 2003.

In July 2005, Madisonville Gas Processing LP (“MGP”) purchased the natural gas treatment plant from Hanover and purchased the gathering pipelines upstream of the gas treatment plant from Gateway. In December 2008, we purchased the gas treatment plant and related gathering pipelines from MGP. The effective date of the acquisition was December 31, 2008 and the current owner of the Plant is GeoPetro’s wholly-owned, indirect subsidiary, Madisonville Midstream.

The existing Plant is capable of operating with a processing capacity of approximately 18 MMcf/d of inlet gas. Plans are to expand the Plant’s processing capacity to 30 MMcf/d.

Our natural gas deliveries to our gas treatment plant may be affected by third party demands for access to the plant. On August 9, 2006, the Railroad Commission of Texas issued an order requiring the Plant to ratably process, take, transport or purchase natural gas produced by Crimson into the Madisonville gas treatment plant. There is no guarantee that we will be able to maintain full access to the treatment capacity of the Madisonville Plant at all times because, for example, Crimson now has the right to have its natural gas treated at the plant, which may reduce the plant's ability to treat all of our natural gas, unless the plant's capacity is further expanded.

To date, Crimson has drilled and completed two wells to a depth of approximately 12,635 feet. Crimson has also drilled an injection well for disposal of waste products resulting from the treatment of their natural gas. Crimson has not delivered any natural gas to the treatment plant since August 2009.

#### *Other Interests in the Madisonville Project*

Our working interest in the Madisonville Project is subject to a net profits interest in favor of the third party that sold us our working interests in the Madisonville Project. The net profits interest is 12.5% (proportionately reduced to our interest) of the net operating profits until payout is achieved. After payout, the net profits interest increases to 30% (proportionately reduced to our interest). "Payout", for purposes of the net profits interest, is defined and achieved at such time as we have recouped from net operating cash flows our total net investment in the Madisonville Project plus a 33% cash on cash return.

#### *California*

##### *Lokern Project*

We have 100% working interests in 1,280 leased acres in the Lokern Project, located in the southern San Joaquin basin, near Bakersfield, California. The primary exploration objectives are the Monterey Shale, the Miocene Stevens formation and the Carneros member of the Temblor formation. The secondary objectives include the Miocene Reef Ridge and Pliocene Etchegoin sands. The Stevens formation is Upper Miocene age.

The Lokern Project is being developed in part as a result of positive results from the Machii-Ross Ackerman show well drilled in 1979 on acreage currently controlled by us. Based on log analysis, we believe this well had approximately 240 feet of potential net oil pay and an additional 150 feet of potential pay in the Stevens zone. The Machii-Ross Ackerman well was drilled to a depth of 15,078 feet by Machii-Ross Petroleum Company and was plugged and abandoned as a dry hole. We believe, based on our log analysis, that the well may have been a bypassed producer.

Subject to approval of drilling permits, we anticipate that a well will be drilled, either by us or through a farm-out arrangement with a third party, to a depth of 15,000 to 18,000 feet in 2015.

Based on our review of title information from public authorities and other publicly available sources, we believe that we have a 100% working interest in the Lokern Project. As is customary in the U.S. oil and gas industry, we will not conduct a thorough title review with respect to our interest in the Lokern Project until we have made a definitive decision to drill in a particular lease area.

### *Australia*

On June 20, 2007, the Company agreed to sell and transfer all of its remaining property interests in Australia to an unrelated party for cash consideration and a Petroleum Sales Royalty Payment equal to 25% of the future annual earnings before interest, taxes, depreciation and amortization from the property interests. Specifically, the agreement provides that the Company will be paid consideration for the sale and transfer of its property interests as follows:

initial cash  
consideration  
of \$175,000  
was received  
on November  
19, 2007;

a second cash  
payment of  
\$175,000 upon  
a successful  
flow test of  
petroleum  
from a well  
located on the  
property

interests. A successful flow test is defined for purposes of this agreement to be a test of at least 7 million standard cubic feet of natural gas for a continuous and uninterrupted 24 hour period (or an equivalent oil/condensate rate based on a conversion ratio of 6000 cubic feet of gas to a barrel of oil or condensate); and

a Petroleum Sales Royalty Payment equal to 25% of the future annual earnings before interest, taxes, depreciation and amortization from the property interests up to a total amount of \$2,200,000.

## **Proved Reserves Disclosures**

### *Internal Controls Over Reserves Estimates*

Our policies regarding internal controls over the recording of reserves estimates requires reserves to be in compliance with the SEC definitions and guidance and prepared in accordance with generally accepted petroleum engineering principles.

The Company engaged the independent petroleum engineering firm, MHA Petroleum Consultants LLC (“MHA”) to prepare the Company’s reserve estimates at December 31, 2013 and 2012. MHA is a Denver based group of multiple professional engineers and geologists providing a wide range of technical services to the petroleum industry. Within MHA, the technical persons primarily responsible for preparing the estimates set forth in the MHA reserves report incorporated herein are Ms. Leslie O’Connor and Mr. Dennis Holler. Ms. O’Connor has been practicing consulting petroleum engineering at MHA since 2006, and has over 30 years of practical experience in petroleum engineering, with over 17 years experience in the estimation and evaluation of reserves. Mr. Holler has been practicing consulting petroleum geology at MHA since 2001. Mr. Holler has over 38 years of practical experience in petroleum geology, with over 28 years experience in the estimation and evaluation of reserves. Both technical principals meet or exceed the education, training, and experience requirements set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers; both are proficient in judiciously applying industry standard practices to engineering and geosciences evaluations as well as applying SEC and other industry reserves definitions and guidelines. MHA evaluated properties representing 100% of our reserves, valued at the total estimated future net cash flows before income taxes, discounted at 10% (“PV-10”), for all periods presented below. Senior members of our management review the final reserve report to ensure the accuracy and completeness of all inputs into the report. MHA’s report to management, which summarizes the scope of work performed and its conclusions, has been included in this report as Exhibit 99.1.

***Proved Undeveloped (PUD) Reserves***

As of December 31, 2013, our PUDs totaled 9.1 Bcf of natural gas.

*PUD*

*Locations -*  
100% of our PUDs at year-end 2013 were associated with the Madisonville Field.

*Development*

*Costs -*  
Estimated future development costs relating to the development of PUDs are projected to be approximately \$5.5 million and \$4.3 million in 2014 and 2015 respectively.

*Drilling Plans*

- Our PUD development is scheduled in 2014 and 2015. Initial production from the PUD reserves is expected to begin in 2014.

***Proved Oil and Gas Reserves***

The 2013 and 2012 reserve estimates were prepared by MHA and are part of their reserve reports on our oil and natural gas properties. MHA's estimates were based on a review of geologic, economic, ownership and engineering data that we provided. In estimating the reserve quantities that are economically recoverable, MHA used simple arithmetic average of the natural gas price in effect on the first day of each month in 2013 and 2012. All of our proved reserves are attributable to our Madisonville Project in Madison County, Texas.

Our estimated total net proved reserves of oil and natural gas as of December 31, 2013 and 2012, and the present values of estimated future net revenues attributable to those reserves as of those dates, are presented in the following tables.

	<b>DECEMBER</b>	
	<b>31,</b>	
	<b>2013</b>	<b>2012</b>
	(MMcf)	(MMcf)
Proved developed producing	—	—
Proved developed non-producing	9,984	9,126
Proved undeveloped	9,054	8,663
Total	19,038	17,789

In accordance with SEC regulations, estimates of our proved reserves and future net revenues are made using sales prices which are held constant throughout the life of the properties, except to the extent a contract specifically provides for escalation. Estimated quantities of proved reserves and future net revenues are affected by oil and natural gas prices, which have fluctuated significantly in recent years.

See "Glossary of Oil and Natural Gas Terms"

***Standardized Measure of Discounted Future Net Cash Flows***

For purposes of the following disclosures, estimates were made of quantities of proved reserves and the periods during which they are expected to be produced. Future cash flows for the 2013 & 2012 estimates were computed by applying the simple arithmetic average of the natural gas price in effect on the first day of each month in the respective years to estimated annual future net production from proved gas reserves. The price assumptions used for natural gas are indicated below. Future development drilling and production costs were computed by applying year-end costs to be incurred in producing and further developing the proved reserves. Future income tax expenses were computed by applying, generally, year-end statutory tax rates (adjusted for permanent differences, tax credits and allowances) to the estimated net future pre-tax cash flows. The discount was computed by application of a 10% discount factor. The calculations assume the continuation of existing economic, operating and contractual conditions. However, such arbitrary assumptions have not proven to be the case in the past. Other assumptions of equal validity could give rise to substantially different results:

	<b>YEAR ENDED DECEMBER 31,</b>	
	<b>2013</b>	<b>2012</b>
	<b>(in thousands)</b>	
Future cash inflows	\$64,680	\$44,045
Future production costs	(14,733)	(10,555)
Future development costs	(10,990)	(10,916)
Future income taxes	—	—
Future net cash flows	38,957	22,574
10% annual discount	(9,884 )	(6,426 )
Standardized measure of discounted future net cash flows	\$29,073	\$16,148

The standardized measure values shown in the aforementioned table are not intended to represent the current market value of the estimated proved oil and gas reserves owned by us.

***Pricing Assumptions***

SEC regulations require that the gas price used for the December 31, 2013 and 2012 MHA reserve reports is the simple arithmetic average of the natural gas price in effect on the first day of each month in 2013 and 2012 respectively. These prices are projected without inflation for the life of the wells included in the reserve reports. The pricing assumptions are listed below and represent the un-weighted average price for natural gas delivered based upon the Houston Ship Channel price, as adjusted, before any reductions for transportation and processing fees:



**AVERAGE PRICE**  
**2013 REPORT**  
**Gas (\$/MMBtu)**

\$ 3.31

**AVERAGE PRICE**  
**2012 REPORT**  
**Gas (\$/MMBtu)**

\$ 2.46

**Acreage and Productive Wells**

The following table sets forth our ownership interest in undeveloped acreage, developed acreage and productive wells in the areas indicated where we own a working interest as of December 31, 2013. Gross represents the total number of acres or wells in which we own a working interest. Net represents our proportionate working interest resulting from our ownership in gross acres or wells. Productive wells are wells in which we have a working interest and that are capable of producing natural gas or oil. Wells that are completed in more than one producing horizon are counted as one well.

Acreage Holdings	Undeveloped acreage		Developed acreage		Producing Wells		Non-Producing Wells	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
	Acres	Acres	Acres	Acres				
Texas	706	706	2,027	2,027	3	3	1	1
California	1,280	1,280	—	—	—	—	—	—
Total	1,986	1,986	2,027	2,027	3	3	1	1

The following table sets forth as of December 31, 2013, the expiration periods of the gross and net undeveloped acreage:

Twelve months ended	United States	
	Gross	Net
December 31, 2014	1,986	1,986
December 31, 2015	—	—
December 31, 2016 and thereafter	—	—
	1,986	1,986



**Volumes, Prices and Production Costs**

Substantially all of our production is derived from our Madisonville Project in Madison County, Texas. The following table sets forth information with respect to our production volumes, average prices received and average production costs for the periods indicated:

	<b>YEAR ENDED DECEMBER 31, 2013 2012</b>	
Production:		
Natural gas (MMcf) (1)	—	161
Natural gas (MMcf/d) (1)	—	0.44
Average Sales Prices		
Natural gas (\$per Mcf) (2)	\$ —	\$ 2.18
Lease Operating Expense (\$per Mcf) (3)	\$ —	\$ 1.65

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Production volumes for 2013 and 2012 represent actual plant throughput. The Company did not have any production for (1) the year ended December 31, 2013 due to the continued temporary shut-in of the Madisonville Field as a result of low natural gas prices.

The sales price reflected for the years ended December 31, 2013 and 2012 represents the sales price

(2) realized before deducting treatment, gathering and transportation costs, and is based on plant throughput.

Lease operating expense per Mcf is based on lease

(3) operating expense and sales volumes net to our interests in the Madisonville gas wells.

### **Business Risks and Other Special Considerations**

Refer to “Risk Factors” in this report for a discussion of business risks and other special considerations.

### **Item 3. *Legal Proceedings***

Not applicable.

### **Item 4. *Mine Safety Disclosures***

Not applicable.

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**PART II****Item 5. Market for the Registrants Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities****Common Stock**

*Market Information.* Our common stock trades on OTCQB under the symbol “GEOR”. Prior to August 21, 2013, our common stock traded on NYSE MKT under the symbol “GPR”.

The range of high and low closing prices for our Common Stock for each quarterly period from January 1, 2012 through December 31, 2013 as reported by OTCQB or NYSE MKT, whichever was applicable, is as follows:

	<b>OTCQB (NYSE MKT)</b>	
	<b>High</b>	<b>Low</b>
<b>2013</b>		
Fourth Quarter	\$0.05	\$0.02
Third Quarter	\$0.07	\$0.03
Second Quarter	\$0.09	\$0.04
First Quarter	\$0.12	\$0.07
<b>2012</b>		
Fourth Quarter	\$0.11	\$0.06
Third Quarter	\$0.16	\$0.07
Second Quarter	\$0.21	\$0.11
First Quarter	\$0.27	\$0.19

On March 28, 2014, the closing sale price for the Common Stock as reported by OTCQB was \$0.05 per share.

*Holder.* On March 28, 2014, the number of holders of record of our common stock was 320.

*Dividends.* We have not paid or declared any cash dividends on our common stock in the past and do not intend to pay or declare any cash dividends in the foreseeable future. We currently intend to retain future earnings for the future operation and development of our business including exploration, development and acquisition activities. Any future dividends would be subordinate to the full cumulative dividends on all shares of our Series B Preferred Stock.

The holders of Series B preferred stock are entitled to receive ratably such cash dividends, as were declared from time to time by the board of directors out of funds legally available therefore and, when declared, dividends were paid at the rate of \$0.06 per share per annum, paid on a calendar quarter basis. During 2013, we accrued \$322,445 in dividends associated with the Series B preferred stock, of which \$0 had been paid as of December 31, 2013.

### **Use of Proceeds**

On our registration statement on Form S-1 (Reg. No. 333-135485) we registered up to 16,499,991 shares of our common stock, no par value per share, including 5,943,105 shares of common stock issuable upon exercise of warrants and options, for resale by selling shareholders. The registration statement was declared effective by the SEC in February 2007. The offering commenced in February 2007 and has not terminated. On our registration statement on Form S-1 (Reg. No. 333-146557) we registered up to 2,002,599 shares of outstanding common stock and the resale of up to 780,857 shares of common stock issuable upon exercise of warrants, for resale by selling shareholders. The registration statement was declared effective by the Securities and Exchange Commission in October 2007. The offering commenced in October 2007 and has not terminated. We will not receive any proceeds from the sale of our common stock by the selling shareholders under the registration statements.

If all warrants and options to acquire our common stock are exercised, we will realize cash proceeds of approximately \$4,447,948. Any proceeds realized therefrom are expected to be used for general working capital purposes and the Texas and California properties.

We do not know if, or how many, of the warrants or options will be exercised. This is our best estimate of our use of proceeds generated from the possible exercise of warrants or options based on the current state of our business operations, our current plans and current economic and industry conditions. Any changes in the projected use of proceeds will be made at the sole discretion of our board of directors.

### **Unregistered Sales of Securities**

In January 2013, we agreed to rescind a unit subscription agreement. Units were originally priced at \$0.25 per unit, and each unit consisted of one share of no par value common stock, and a one-half common share purchase warrant. Each one whole warrant entitled the holder to acquire one common share at a price of \$0.50 for a period of three years. The total aggregate purchase price for the units originally sold was \$250,000, and represented the sale of 1,000,000 common shares and 500,000 warrants. The Company reacquired the common shares and warrants in exchange for a non-interest bearing unsecured note for \$250,000 which matures in July 2014.

During the period of January through March 2013, we completed a unit sale through a private placement transaction to certain institutional and individual accredited investors. Units were priced at \$0.10 per unit, and each unit consisted of one share of no par value common stock, and a one-half common share purchase warrant. Each one whole warrant entitles the holder to acquire one common share at a price of \$0.50 for a period of three years. The total aggregate purchase price for the units sold was \$305,000, and represented the sale of 3,050,000 common shares and 1,525,000 warrants. We agreed to grant “piggyback” registration rights to the investor with respect to the shares of common stock and common stock issuable upon exercise of the warrants which the investor acquired in the transaction.

During the period of January through April 2013, Stuart J. Doshi, President and CEO, advanced to the Company loans totaling \$200,000. In connection with these notes, the Company issued 40,000 warrants to purchase our common stock. Each warrant entitles the holder to acquire one common share at a price of \$0.50 for a period of three years.

In April 2013, we completed a unit sale through a private placement transaction to certain institutional and individual accredited investors. Units were priced at \$0.09 per unit, and each unit consisted of one share of no par value common stock, and a one-half common share purchase warrant. Each one whole warrant entitles the holder to acquire one common share at a price of \$0.50 for a period of three years. The total aggregate purchase price for the units sold was \$90,000, and represented the sale of 1,000,000 common shares and 500,000 warrants. We agreed to grant “piggyback” registration rights to the investor with respect to the shares of common stock and common stock issuable upon



exercise of the warrants which the investor acquired in the transaction.

During the period of April through July 2013, we completed a unit sale through a private placement transaction to certain institutional and individual accredited investors. Units were priced at \$0.08 per unit, and each unit consisted of one share of no par value common stock, and a one-half common share purchase warrant. Each one whole warrant entitles the holder to acquire one common share at a price of \$0.50 for a period of three years. The total aggregate purchase price for the units sold was \$148,000, and represented the sale of 1,850,000 common shares and 925,000 warrants. We agreed to grant “piggyback” registration rights to the investor with respect to the shares of common stock and common stock issuable upon exercise of the warrants which the investor acquired in the transaction.

In May 2013, Stuart J. Doshi, President and CEO, advanced to the Company a loan in the amount of \$5,000. In connection with this note, the Company issued 1,000 warrants to purchase our common stock. Each warrant entitles the holder to acquire one common share at a price of \$0.35 for a period of three years.

During the period of May through June 2013, the Company issued promissory notes in the amount of \$85,000. In connection with these notes, the Company issued 17,000 warrants to purchase our common stock. Each warrant entitles the holder to acquire one common share at a price of \$0.25 for a period of three years.

In June 2013, a Company Director advanced to the Company a loan in the amount of \$50,000. In connection with this note, the Company issued 10,000 warrants to purchase our common stock. Each warrant entitles the holder to acquire one common share at a price of \$0.35 for a period of three years.

In June 2013, we agreed to issue 360,000 units in exchange for services rendered. Units were valued at \$0.08 per unit, and each unit consisted of one share of no par value common stock, and a one-half common share purchase warrant. Each one whole warrant entitles the holder to acquire one common share at a price of \$0.50 for a period of three years. The total aggregate value for the units issued was \$28,800, and represented the issuance of 360,000 common shares and 180,000 warrants. We agreed to grant “piggyback” registration rights to the holder with respect to the shares of common stock and common stock issuable upon exercise of the warrants which the holder acquired in the transaction.

During the period of August through November 2013, Stuart J. Doshi, President and CEO, advanced to the Company loans totaling \$81,000. In connection with these notes, the Company issued 16,200 warrants to purchase our common stock. Each warrant entitles the holder to acquire one common share at a price of \$0.10 for a period of three years.

During the period of September through December 2013, we completed a common stock sale through a private placement transaction to certain institutional and individual accredited investors. Shares were priced at \$0.05 per share. The total aggregate purchase price for the shares sold was \$200,000, and represented the sale of 4,000,000 common shares. We agreed to grant “piggyback” registration rights to the investor with respect to the shares of common stock.

In November 2013, we agreed to issue 300,000 units in exchange for services rendered. Units were valued at \$0.06 per unit, and each unit consisted of one share of no par value common stock, and a one-half common share purchase warrant. Each one whole warrant entitles the holder to acquire one common share at a price of \$0.25 for a period of three years. The total aggregate value for the units issued was \$18,000, and represented the issuance of 300,000 common shares and 150,000 warrants. We agreed to grant “piggyback” registration rights to the holder with respect to the shares of common stock and common stock issuable upon exercise of the warrants which the holder acquired in the transaction.

During the period of January through March 2014, we completed a common stock sale through a private placement transaction to certain institutional and individual accredited investors. Shares were priced at \$0.05 per share. The total aggregate purchase price for the shares sold was \$575,000, and represented the sale of 11,500,000 common shares. We agreed to grant “piggyback” registration rights to the investor with respect to the shares of common stock.

GeoPetro issued the aforementioned common shares and warrants in reliance on the exemption from registration provided for under Section 4(2) of the Securities Act of 1933, as amended (“ Securities Act ”), and Rule 506 of Regulation D thereunder. GeoPetro relied on the exemption from registration provided for under Section 4(2) of the Securities Act based in part on the representations made by the purchasers, including the representations with respect to each purchaser’s status as an accredited investor, as such term is defined in Rule 501(a) of the Securities Act, and each purchaser’s investment intent with respect to the securities purchased. In addition, the Securities, which were taken for investment purposes and not for resale, were subject to restrictions on transfer. We did not engage in any public advertising or general solicitation in connection with this transaction, and we provided the investors with

disclosure of all aspects of our business, including providing the investor with our reports filed with the SEC and other financial, business and corporate information. We believed that the accredited investors obtained all information regarding the Company that they requested, received answers to all questions posed and otherwise understood the risks of accepting our Securities for investment purposes.

**Item 6. *Selected Consolidated Financial Data***

Not Applicable.

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion and analysis should be read in conjunction with the "Selected Consolidated Financial Data" and the accompanying consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. The following discussion contains forward-looking statements that reflect our future plans, estimates, beliefs and expected performance. The forward-looking statements are dependent upon events, risks and uncertainties that may be outside our control. See "Cautionary Statement Concerning Forward-Looking Statements".*

**Business Overview**

We are an oil and gas company in the business of exploring and developing oil and natural gas reserves on a worldwide basis. Since inception, we have conducted leasehold acquisition, exploration and drilling activities on our North American and international prospects. These projects currently consist of mineral leases and exploration permits that give us the right to explore for, develop and produce oil and natural gas. Some of these properties are in the exploration, appraisal or development drilling phase and have not begun to produce revenue from the sale of oil and natural gas.

Our objective is to increase shareholder value by profitably growing our reserves, production, revenue, and cash flow by focusing primarily on our projects in Texas, California and certain new venture opportunities.

Since 2003, substantially all of our revenue has been generated from natural gas sales derived from the Madisonville Field in East Texas under spot gas purchase contracts at market prices. Natural gas sales from the Madisonville Field are expected to account for substantially all of our revenues for 2014. We expect the majority of our capital expenditures in 2014 will be for the Madisonville Project and will approximate \$6.2 million. These capital expenditures will only be incurred if additional financing is available.

As a result of the Company's liquidity issues, it may be required to sell certain assets, including reserves and/or raise capital with terms that may not be as favorable as might otherwise be available.

In April 2012, the Company's wholly-owned subsidiary, Redwood Energy Production, L.P., elected to temporarily shut-in its natural gas production at the Madisonville Field, Madison County, Texas in light of depressed natural gas prices. As of December 31, 2013, the Madisonville Field remains shut-in. In March 2014, the Company commenced reworking operations on the Magness #1 and Fannin #1 wells in the Madisonville Field in anticipation of restoring production.

On February 28, 2013, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”), with MCW Energy Group Limited, an Ontario corporation (“MCW”), and MCW CA SUB, a California corporation and a wholly-owned subsidiary of Parent (“Merger Sub”). On April 4, 2013, the Company entered into an amendment (the “Amendment”) to the Merger Agreement. Pursuant to the Merger Agreement and subject to the terms and conditions set forth therein, Merger Sub will merge with and into the Company (the “Merger”) and the Company will survive the Merger and continue as a subsidiary of MCW. The Merger Agreement has been approved by Boards of Directors of each of the Company, MCW and Merger Sub. The merger is subject to customary closing conditions, including regulatory and shareholder approval. A material consideration for GeoPetro to pursue the merger was the Parent Financing of \$20,000,000 which was to be completed prior to closing. As of March 31, 2014, MCW has yet to complete the Parent Financing contemplated by the Merger Agreement. Since the merger did not close by September 30, 2013, either party may terminate the Merger Agreement.

## Results of Operations

	<b>For The Years Ended</b>	
	<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>Consolidated Statement of Operations:</b>		
<b>Revenues</b>	\$—	\$351,082
<b>Plant operations</b>	273,932	1,036,549
<b>Lease operations</b>	147,447	191,615
<b>General and administrative</b>	1,785,111	1,963,053
<b>Depreciation and depletion</b>	11,311	195,110
<b>Impairment of oil and gas properties</b>	366,320	620,656
<b>Loss from operations</b>	(2,584,121)	(3,655,901)
<b>Net loss</b>	(2,925,383)	(3,935,302)
<b>Net loss applicable to common shareholders</b>	\$(3,247,828)	\$(4,260,682)

## Revenue and Operating Trends

For the year ended December 31, 2013, we did not generate any revenues to cover the plant operating expenses and lease operating expenses in our Madisonville Project. This was due to the continued temporary shut-in of the Madisonville Field due to low natural gas prices.

Subject to capital availability, we plan to workover the Mitchell #1 well and to frac and connect via gathering line the Wilson #1 well during 2014. Once the above production enhancements are completed, the Company expects the combined Rodessa formation production to increase. The Company also has plans to expand the natural gas treatment plant capability from the current design capacity of 18 MMcf/d to 30 MMcf/d.

While there can be no assurance, our goal is to complete the expansion to the plant and increase the production rates from our wells which may result in higher net production and increased revenue in the latter half of 2014 and 2015 as compared to 2013 and prior periods. To accomplish the plant expansion we will need to raise capital in 2014. Due to our liquidity concerns, funds may not be available, or may not be available on favorable terms. If we are unable to raise the necessary capital, we may have to delay our plans for expansion or reduce the scope of our operations.

## Industry Overview

Natural gas prices have historically been volatile. During 2013, the price for natural gas remained weak as an increase in production from shale gas, in conjunction with another relatively mild winter, continued to negatively affect natural gas prices. These factors led to natural gas prices falling to 10-year lows in 2012. The Houston Ship Channel price, the index price prevailing in the locale of our Madisonville Project in Madison County, Texas, as of December 31, 2013 was \$4.34 per Mcf versus \$3.35 per Mcf as of December 31, 2012. Fluctuations in the price for natural gas are closely associated with customer demand relative to the volumes produced and the level of inventory in underground storage.

## Company Overview

Our net loss applicable to common shareholders for the year ended December 31, 2013 was \$3,247,828. From our inception through mid-2003, we only received nominal revenues from our oil and natural gas activities, while incurring substantial acquisition and exploration costs and overhead expenses which have resulted in an accumulated deficit through December 31, 2013 of \$52,977,441. The Company did not generate any revenue for the year ended December 31, 2013 due to the continued temporary shut-in of the Madisonville Field as a result of low natural gas prices.

### **Comparison of Results of Operations for the year ended December 31, 2013 and 2012**

We had no gross natural gas revenues for the year ended December 31, 2013. Gross natural gas revenues for the year ended December 31, 2012 were \$351,082. During this 2012 period, the sales of natural gas from our wells amounted to 161,377 Mcf and our average natural gas price realized was \$2.18 per Mcf. The decrease in revenues was due to the continued temporary shut-in of the Madisonville Field as a result of low natural gas prices.

Plant operating expenses for the year ended December 31, 2013 were \$273,932 as compared to \$1,036,549 for the year ended December 31, 2012. The decrease in plant operating expenses of \$762,617 or 74% was primarily attributable to the suspension of plant operations as a result of the continued temporary shut-in of the Madisonville Field. Since the Company planned for an extended shut down, it was able to significantly reduce expenses. When operations resume at the plant, expenses will increase from current levels.

Lease operating expenses for the year ended December 31, 2013 were \$147,447. Lease operating expenses for the year ended December 31, 2012 were \$191,615. Our average lifting cost for this 2012 period was \$1.19 per Mcf. The decrease in total lifting cost of \$44,168 or 23% was primarily attributable to the suspension of operations as a result of the continued temporary shut-in of the Madisonville Field.

General and administrative expenses (“G&A”) for the year ended December 31, 2013 were \$1,785,111 as compared to \$1,963,053 for the year ended December 31, 2012. The decrease in G&A of \$177,942 or 9% was primarily attributable to reduced expenses for share-based compensation due to options expiring and lower salary expense due to a reduction in the number of employees.

Depreciation, depletion and amortization expense ("DD&A") for the year ended December 31, 2013 was \$11,311 as compared to \$195,110 for the year ended December 31, 2012. The 94% decrease was primarily attributable to reduced depreciation and depletion as a result of the continued temporary shut-in of the Madisonville Field. During the shut-in of the Madisonville facility, depreciation is suspended.

Impairment expense for the year ended December 31, 2013 was \$366,320 as compared to \$620,656 for the year ended December 31, 2012. The 2013 impairment was primarily a result of the lease expiration in connection with the Swan Hills Project in Alberta, Canada. The 2012 impairment was primarily a result of terminated negotiations with the Indonesian government for an extension of the Bengara II Production Sharing Contract.

Interest expense for the year ended December 31, 2013 was \$345,250 as compared to \$295,620 for the year ended December 31, 2012. The increase in interest expense was primarily attributable to the increase in notes payable to related parties.

Net loss before taxes for the year ended December 31, 2013 was \$2,923,783 as compared to \$3,925,638 for the year ended December 31, 2012. The decrease in the comparable net loss before taxes was primarily attributable to lower plant operating expenses as a result of the continued temporary shut-in of the Madisonville Field.

## **Recent Developments**

In January 2013, the Company engaged Burr Pilger Mayer, Inc. as its independent registered public accounting firm to audit the Company's financial statements for the fiscal year ended December 31, 2012.

In January 2013, we agreed to rescind a unit subscription agreement. Units were originally priced at \$0.25 per unit, and each unit consisted of one share of no par value common stock, and a one-half common share purchase warrant. Each one whole warrant entitled the holder to acquire one common share at a price of \$0.50 for a period of three years. The total aggregate purchase price for the units originally sold was \$250,000, and represented the sale of 1,000,000 common shares and 500,000 warrants. The Company reacquired the common shares and warrants in exchange for a non-interest bearing unsecured note for \$250,000 which matures in July 2014.

During the period of January through March 2013, we completed a unit sale through a private placement transaction to certain institutional and individual accredited investors. Units were priced at \$0.10 per unit, and each unit consisted of one share of no par value common stock, and a one-half common share purchase warrant. Each one whole warrant entitles the holder to acquire one common share at a price of \$0.50 for a period of three years. The total aggregate



purchase price for the units sold was \$305,000, and represented the sale of 3,050,000 common shares and 1,525,000 warrants. We agreed to grant “piggyback” registration rights to the investor with respect to the shares of common stock and common stock issuable upon exercise of the warrants which the investor acquired in the transaction.

During the period of January through April 2013, Stuart J. Doshi, President and CEO, advanced to the Company loans totaling \$200,000. The notes bear interest at 10% per annum and are payable on demand. In connection with these notes, the Company issued 40,000 warrants to purchase our common stock. Each warrant entitles the holder to acquire one common share at a price of \$0.50 for a period of three years.

On February 28, 2013, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”), with MCW Energy Group Limited, an Ontario corporation (“MCW”), and MCW CA SUB, a California corporation and a wholly-owned subsidiary of Parent (“Merger Sub”). Pursuant to the Merger Agreement and subject to the terms and conditions set forth therein, Merger Sub will merge with and into the Company (the “Merger”) and the Company will survive the Merger and continue as a subsidiary of MCW. The Merger Agreement has been approved by Boards of Directors of each of the Company, MCW and Merger Sub. The merger is subject to customary closing conditions, including regulatory and shareholder approval.

On April 4, 2013, the Company entered into an amendment (the “Amendment”) to the Merger Agreement with MCW and Merger Sub dated February 28, 2013.

On April 10, 2013, the Company received notice from the NYSE MKT LLC (the “NYSE MKT” or the “Exchange”) indicating that after a review of the Plan, and the request by the Company to extend the Plan Period until July 31, 2013, the Exchange determined that the Company has not made sufficient progress consistent with the Plan in order to regain compliance with Section 1003(a)(iv) of the Company Guide by July 31, 2013 and that its securities are, therefore, subject to being delisted from the Exchange. In the April 10, 2013 notice, the Exchange also informed the Company that, in accordance with Sections 1203 and 1009(d) of the Company Guide, the Company had a right to appeal the Exchange’s determination by requesting an oral hearing or a hearing based on a written submission before the Exchange’s Listing Qualifications Panel (the “Panel”). The Company appealed the Exchange’s determination by requesting an oral hearing before the Panel, which request stayed the delisting determination until at least such time as the Panel rendered a determination following the hearing. The hearing was held on June 13, 2013.

In April 2013, we completed a unit sale through a private placement transaction to certain institutional and individual accredited investors. Units were priced at \$0.09 per unit, and each unit consisted of one share of no par value common stock, and a one-half common share purchase warrant. Each one whole warrant entitles the holder to acquire one common share at a price of \$0.50 for a period of three years. The total aggregate purchase price for the units sold was \$90,000, and represented the sale of 1,000,000 common shares and 500,000 warrants. We agreed to grant “piggyback” registration rights to the investor with respect to the shares of common stock and common stock issuable upon exercise of the warrants which the investor acquired in the transaction.

During the period of April through July 2013, we completed a unit sale through a private placement transaction to certain institutional and individual accredited investors. Units were priced at \$0.08 per unit, and each unit consisted of one share of no par value common stock, and a one-half common share purchase warrant. Each one whole warrant entitles the holder to acquire one common share at a price of \$0.50 for a period of three years. The total aggregate purchase price for the units sold was \$148,000, and represented the sale of 1,850,000 common shares and 925,000 warrants. We agreed to grant “piggyback” registration rights to the investor with respect to the shares of common stock and common stock issuable upon exercise of the warrants which the investor acquired in the transaction.

In May 2013, Stuart J. Doshi, President and CEO, advanced to the Company a loan in the amount of \$5,000. The note bears interest at 10% per annum and is payable on demand. In connection with this note, the Company issued 1,000 warrants to purchase our common stock. Each warrant entitles the holder to acquire one common share at a price of \$0.35 for a period of three years.

During the period of May through June 2013, the Company issued promissory notes in the amount of \$85,000. The notes bear interest at 8% per annum and mature in December 2013. In connection with these notes, the Company issued 17,000 warrants to purchase our common stock. Each warrant entitles the holder to acquire one common share at a price of \$0.25 for a period of three years.

On June 21, 2013, the Company received written notification regarding the results of its appeal hearing held on June 13, 2013, before the Panel of the Exchange regarding the Company's continued listing on the Exchange in light of the listing standards. After considering the presentations at the hearing, the Corporate Compliance Department of NYSE Regulation, Inc. Staff's (the "Staff") prior written submission and the Company's submission presented at the hearing, the Panel unanimously decided to defer further action on the appeal pending the Panel's receipt of a report from the Staff (the "Staff's Report") regarding the results of the Company's operations through July 15, 2013. On August 2, 2013, the Staff filed a report indicating that the Company should be delisted and the Company filed a response on August 6, 2013 requesting continued listing.

In June 2013, a Company Director advanced to the Company a loan in the amount of \$50,000. The note bears interest at 10% per annum and matures in June 2014. In connection with this note, the Company issued 10,000 warrants to purchase our common stock. Each warrant entitles the holder to acquire one common share at a price of \$0.35 for a period of three years.

In June 2013, we agreed to issue 360,000 units in exchange for services rendered. Units were valued at \$0.08 per unit, and each unit consisted of one share of no par value common stock, and a one-half common share purchase warrant. Each one whole warrant entitles the holder to acquire one common share at a price of \$0.50 for a period of three years. The total aggregate value for the units issued was \$28,800, and represented the issuance of 360,000 common shares and 180,000 warrants. We agreed to grant "piggyback" registration rights to the holder with respect to the shares of common stock and common stock issuable upon exercise of the warrants which the holder acquired in the transaction.

On August 12, 2013, the Company received a letter from the Exchange stating that the Panel is denying the Company's appeal. Accordingly, the Exchange suspended trading in the Company's common stock on August 20, 2013, in accordance with Section 1204(d) of the Company Guide. The Company's common stock commenced trading on the OTCQB marketplace on August 21, 2013 under the trading symbol "GEOR".

During the period of August through November 2013, Stuart J. Doshi, President and CEO, advanced to the Company loans totaling \$81,000. The notes bear interest at 10% per annum and are payable on demand. In connection with these notes, the Company issued 16,200 warrants to purchase our common stock. Each warrant entitles the holder to acquire one common share at a price of \$0.10 for a period of three years.

In September 2013, the Company issued a promissory note in the amount of \$20,000. The note bears interest at 8% per annum and matures in November 2013.

During the period of September through December 2013, we completed a common stock sale through a private placement transaction to certain institutional and individual accredited investors. Shares were priced at \$0.05 per share. The total aggregate purchase price for the shares sold was \$200,000, and represented the sale of 4,000,000 common shares. We agreed to grant “piggyback” registration rights to the investor with respect to the shares of common stock.

In November 2013, we agreed to issue 300,000 units in exchange for services rendered. Units were valued at \$0.06 per unit, and each unit consisted of one share of no par value common stock, and a one-half common share purchase warrant. Each one whole warrant entitles the holder to acquire one common share at a price of \$0.25 for a period of three years. The total aggregate value for the units issued was \$18,000, and represented the issuance of 300,000 common shares and 150,000 warrants. We agreed to grant “piggyback” registration rights to the holder with respect to the shares of common stock and common stock issuable upon exercise of the warrants which the holder acquired in the transaction.

In December 2013, the Company issued a convertible promissory note in the amount of \$10,000. The note bears interest at 5% per annum and matures in January 2015. The payee has the option to convert the outstanding principal amount into common stock of GeoPetro at a conversion price of \$0.05 per share.

During the period of January through March 2014, we completed a common stock sale through a private placement transaction to certain institutional and individual accredited investors. Shares were priced at \$0.05 per share. The total aggregate purchase price for the shares sold was \$575,000, and represented the sale of 11,500,000 common shares. We agreed to grant “piggyback” registration rights to the investor with respect to the shares of common stock.

### **Liquidity and Capital Resources**

We had a working capital deficit of \$8,034,168 at December 31, 2013 versus \$4,200,568 at December 31, 2012. Our working capital deficit increased during the year ended December 31, 2013 primarily due to the reclassification of debt from long term to current and increases in our trade payables.

Our cash balance at December 31, 2013 of \$10,857 compared to a cash balance of \$59,432 at December 31, 2012. The change in our cash balance is summarized as follows:

Cash balance at December 31, 2012	\$59,432
Sources of cash:	
Cash provided by investing activities	63,275
Cash provided by financing activities	1,194,000
Total sources of cash including cash on hand	1,316,707
Uses of cash:	
Cash used by operating activities	(1,101,831)
Cash used in investing activities	(204,019 )
Total uses of cash	(1,305,850)
Cash balance at December 31, 2013	\$10,857

Net cash used in operating activities of \$1,101,831 and \$2,000,278 for the years ended December 31, 2013 and 2012 respectively are attributable to our net loss adjusted for non-cash charges as presented in the consolidated statements of cash flows and changes in working capital as discussed above.

We have historically financed our business activities through December 31, 2013 principally through issuances of common shares and warrants, issuances of preferred shares, issuances of promissory notes, and the exercise of common share purchase warrants and options. These financings are summarized as follows:

	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>
Proceeds from issuance of common shares and warrants, net	\$743,000	\$360,000
Proceeds from promissory notes	115,000	—
Repayments of promissory notes	—	(75,000 )
Proceeds from related party notes	336,000	565,000
Net cash provided by financing activities	\$1,194,000	\$850,000

During 2013, we completed a unit sale through a private placement transaction to certain institutional and individual accredited investors. Units were priced between \$0.10 and \$0.08 per unit, and each unit consisted of one share of no par value common stock, and a one-half common share purchase warrant. Each one whole warrant entitles the holder to acquire one common share at a price of \$0.50 for a period of three years. The total aggregate purchase price for the units sold was \$543,000, and represented the sale of 5,900,000 common shares and 2,950,000 warrants. During 2013, we completed a common stock sale through a private placement transaction to certain institutional and individual accredited investors. Shares were priced at \$0.05 per share. The total aggregate purchase price for the shares sold was \$200,000, and represented the sale of 4,000,000 common shares.

During 2013, the Company issued promissory notes in the amount of \$105,000. The notes bear interest at 8% per annum and mature between November and December 2013. In 2013, the Company issued a convertible promissory note in the amount of \$10,000. The note bears interest at 5% per annum and matures in January 2015. The payee has the option to convert the outstanding principal amount into common stock of GeoPetro at a conversion price of \$0.05 per share.

During 2013, Stuart J. Doshi, President and CEO, advanced to the Company loans totaling \$286,000. The notes bear interest at 10% per annum and are payable on demand. In 2013, a Company Director advanced to the Company a loan in the amount of \$50,000. The note bears interest at 10% per annum and matures in June 2014.

During 2012, we completed a unit sale through a private placement transaction to certain institutional and individual accredited investors. Units were priced between \$0.25 and \$0.10 per unit, and each unit consisted of one share of no par value common stock, and a one-half common share purchase warrant. Each one whole warrant entitles the holder to acquire one common share at a price of \$0.50 for a period of three years. The total aggregate purchase price for the units sold was \$360,000, and represented the sale of 2,100,000 common shares and 1,050,000 warrants.

During 2012, Stuart J. Doshi, President and CEO, advanced to the Company loans totaling \$565,000. The notes bear interest at 10% per annum and are payable on demand.

In 2012 we paid \$75,000 in repayment of promissory notes.

The net proceeds of our equity and note financings have been primarily used to satisfy working capital requirements and invest in oil and natural gas properties and the gas treatment plant. These investments totaled \$204,019, and \$244,705 for the years ended December 31, 2013 and 2012, respectively.

Our current cash and cash equivalents and anticipated cash flow from operations may not be sufficient to meet our working capital and capital expenditures requirements for the foreseeable future. Additional financing is required to carry out our business plan. See “Outlook for 2014/2015 Capital” for a description of our expected capital expenditures for 2014/2015. If we are unable to generate revenues necessary to finance our operations over the long-term, we may have to seek additional capital through the sale of our equity or borrowing. As noted in “Recent Developments,” we periodically borrow funds through the issuance of short and long term promissory notes to finance our activities.

Since its inception, GeoPetro has participated as a working interest owner in the acquisition of undeveloped leases, seismic options, lease options and foreign concessions and has participated in seismic surveys and the drilling of test wells on its undeveloped properties. In December 2008, we acquired a natural gas treatment plant in East Texas. Exploratory and development drilling is scheduled during 2014 and future periods on GeoPetro's undeveloped properties and expansion is planned on the natural gas treatment plant. The planned expansion at the natural gas treatment plant and the exploration activities together with others that may be entered into exceed the existing working capital of GeoPetro. Management will need to raise additional equity and/or debt capital, to finance its continued activities. Management believes that GeoPetro will be successful in obtaining adequate sources of cash to fund its anticipated capital expenditures and operating expense through the end of 2014, but there can be no assurance that management will be successful in raising sufficient additional equity and/or debt capital. If additional financing is not available, GeoPetro will be compelled to reduce the scope of its business activities including, but not limited to, the following:

Selling working interests and assets in its Madisonville operations to other parties;

Farming-out its interest in proposed wells;

Forfeiting its interest in wells that are proposed to be drilled and/or;

Reducing general and administrative expenses;

As discussed in the "Outlook for 2014/2015 Capital", we are forecasting capital expenditures of \$6.4 million during 2014. We will need to obtain adequate sources of cash to fund these anticipated capital expenditures, to fund ongoing operations and to follow through with our plans for continued investments in oil and gas properties. Our success, in part, depends on our ability to generate additional financing and/or farm-out certain of our projects. Additionally, as a result of our liquidity concerns, we may have difficulty raising sufficient funds to meet our projected funding requirements. See Item 1A.- "Risk Factors — Risks Related to Our Business".

GeoPetro's ability to meet its contractual obligations and remit payment under its arrangements with its vendors depends on its ability to generate additional financing. GeoPetro's management continues to renegotiate the terms of its existing borrowing arrangements and raise additional capital through debt and equity issuances. These conditions raise doubt about the Company's ability to continue as a going concern.

As a result of the Company's liquidity issues, it may be required to sell certain assets, including reserves and/or raise capital with terms that may not be as favorable as might otherwise be available.



## Outlook for 2014/2015 Capital

Depending on capital availability, we are forecasting capital spending of up to approximately \$6,350,000 during the year 2014, allocated as follows:

Madisonville Project, Madison County, Texas — Approximately \$6,150,000 may be expended in the Madisonville

1. Field area as follows: \$650,000 for the Mitchell well workover; \$1,500,000 toward the fracture stimulation and hook up costs of the Wilson Well; and \$4,000,000 for expansion of the gas treatment plant.

2. California— Approximately \$200,000 to be utilized for land and permitting costs.

We may, in our discretion, decide to allocate resources towards other projects in addition to or in lieu of, those listed above should other opportunities arise and as circumstances warrant. We currently do not have sufficient working capital to fund all of the capital expenditures listed above. We may, in our discretion, fund the foregoing planned expenditures from operating cash flows, asset sales, potential debt and equity issuances and/or a combination of all four. The Madisonville Project forecasted capital expenditures will play an important part in our ability to achieve our 2014 cash flow projections. See “Liquidity and Capital Resources.”

We expect commodity prices to be volatile, reflecting the current supply and demand fundamentals for North American natural gas and world crude oil. Political and economic events around the world, which are difficult to predict, will continue to influence both oil and gas prices. Significant price changes for oil and gas often lead to changes in the levels of drilling activity which in turn lead to changes in costs to explore, develop and acquire oil and gas reserves. Significant change in costs could affect the returns on our capital expenditures.

## **Income Taxes**

As of December 31, 2013, GeoPetro had net operating loss (NOL) carryforwards of approximately \$42,030,000 for federal income tax purposes which begin to expire in 2018. If the Company were to experience a change in ownership under Section 382, the Company may be limited in its ability to fully utilize its net operating losses.

However, in accordance with ASC 718 (formerly SFAS 123(R)), a deferred tax asset has not been recognized for the portion of the net operating loss carryforwards that is attributable to excess tax deductions associated with the exercise of stock options which do not reduce income taxes payable. Accordingly, approximately \$3,536,000 of GeoPetro's federal NOL has not been benefited for financial statement purposes as it relates to excess tax deductions that have not reduced income taxes payable. The benefit of these excess tax deductions will not be recognized for financial statement purposes until the related deductions reduce income taxes payable.

The Company also has approximately \$12,510,000 of California net operating losses and approximately \$670,000 of Alaska net operating losses which begin to expire in 2012 and 2026, respectively. In accordance with ASC 718, a portion of the state NOLs has similarly not been benefited for financial statement purposes as it relates to excess tax deductions which have not resulted in the reduction of income taxes payable. The benefit of such excess tax deductions will not be recognized for financial statement purposes until the related deductions reduce state income taxes payable.

In addition, the Company has approximately \$318,224 of carryforward credits in Texas, a portion of which may be utilized each year against Texas Margin Tax liability through 2027.

A significant change in our ownership may limit our ability to use these NOL carryforwards. ASC 740, Accounting for Income Taxes (formerly Statement of Financial Accounting Standards No. 109), requires that the tax benefit of such net operating loss be recorded as an asset. At December 31, 2013, we had net deferred tax assets of approximately \$20,143,000 related to the NOL and other temporary differences. We have recorded a full valuation allowance of \$20,143,000 at December 31, 2013 due to uncertainties surrounding the realizability of the deferred tax asset.

## **Off Balance Sheet Arrangements**

From time to time, we may enter into off-balance sheet arrangements and transactions that can give rise to off-balance sheet obligations. As of December 31, 2013, our off-balance sheet arrangements and transactions include operating

lease agreements and gas transportation commitments. We do not believe that these arrangements are reasonably likely to materially affect our liquidity or availability of, or requirements for, capital resources.

## Financial Instruments

We currently have no natural gas price financial instruments or hedges in place. Similarly, we have no financial derivatives. Our natural gas marketing contracts use “spot” market prices. Given the uncertainty of the timing and volumes of our natural gas production this year, we do not currently plan to enter into any long term fixed-price natural gas contracts, swap or hedge positions, other gas financial instruments or financial derivatives in 2014.

## Impact of Inflation & Changing Prices

As the following table illustrates, average sales prices of natural gas have changed in the past two years. This has led to changes in revenues and earnings from operations:

	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>
Average Sales Prices per Mcf (1)	\$—	\$2.18
Net Production Volume Mcf (1)	—	161,377
Revenues (1)	\$—	\$351,082
Loss from Operations (2)	\$(2,584,121)	\$(3,655,901)

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(1) The Company did not generate any sales for the year ended December 31, 2013 due to the continued temporary shut-in of the Madisonville Field as a result of low natural gas prices.

(2) Loss from operations includes \$366,320 and \$620,656 in impairment expense in 2013 and 2012, respectively.



We are highly dependent upon natural gas pricing. A material decrease in current and projected natural gas prices could impair our ability to raise additional capital on acceptable terms. Likewise, a material decrease in current and projected natural gas prices could also impact our revenues and cash flows. This could impact our ability to fund future activities.

### **Critical Accounting Estimates**

Our consolidated financial statements have been prepared by management in accordance with U.S. GAAP.

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Management believes the most critical accounting policies that may have an impact on our financial results relate to the accounting for oil and gas properties. Amortization, abandonment costs and full cost ceiling limitation write-downs are all based on numerous estimates, many of which are beyond management's control. Reserves valuation is central to much of the accounting for an oil and gas company as described below. Significant accounting policies are contained in Note 3 to the consolidated financial statements. A summary of unaudited supplementary oil and gas reserve information is contained in Note 12 to the consolidated financial statements.

The following discusses the accounting estimates that are critical in determining the reported financial results:

*Oil and Gas Properties* — We follow the full cost method of accounting for oil and gas producing activities as prescribed by U.S. GAAP and, accordingly, capitalize all costs incurred in the acquisition, exploration, and development drilling of proved oil and gas properties, including the costs of abandoned properties, dry holes, geological and geophysical costs, and lease rentals. All general corporate costs are expensed as incurred. In general, sales or other dispositions of oil and gas properties are accounted for as adjustments to capitalized costs, with no gain or loss recorded. Amortization of proved oil and gas properties is computed on the units of production method based on all proved reserves on a country by country basis. Unproved oil and gas properties are assessed for impairment either individually or on an aggregate basis. The net capitalized costs of proved oil and gas properties (full cost ceiling limitation) are not to exceed their related estimated future net revenues discounted at 10%, and the lower of cost or estimated fair value of unproved properties, net of tax considerations.

*Reserves* — We engage independent petroleum engineering consultants to evaluate our reserves. Reserves, future production profiles, and net revenues are estimated by independent professional reservoir engineering firms. While we engage qualified reservoir engineering firms, their estimates are inherently uncertain, involve numerous assumptions that may not be realized, and predict asset values that may not be indicative of the true market value of the assets evaluated. As a result of the inherent uncertainties and changing technical and economic assumptions, reserve estimates are subject to revisions that can materially impact our results.

*Stock Based Compensation* — The Company has a stock-based compensation plan that allows employees to purchase common shares of the Company. Option exercise prices approximate the market price for the common shares on the date the options were issued. Options granted under the plan are generally fully exercisable within five years and expire five years after the grant date. We measure and record stock-based awards to directors, employees and consultants based on the grant-date fair value, determined using the Black-Scholes option pricing model with assumptions for: risk free interest rates, expected dividend yield, expected life of the option, and the expected volatility. We record the compensation expense ratably over the requisite service period defined in the award. The Company recorded \$258,194 and \$422,999 of stock-based employee compensation for the twelve months ended December 31, 2013 and 2012, respectively.

## **Risks and Uncertainties**

There are a number of risks that face participants in the U.S. and international oil and natural gas industry, including a number of risks that face us in particular. Accordingly, there are risks involved in an ownership of our securities. See “Risk Factors” for a description of the principal risks faced by us.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to market risks arising from fluctuating prices of crude oil, natural gas and interest rates as discussed below.

*Commodity Risk.* Our major commodity price risk exposure is to the prices received for our natural gas production. Realized commodity prices received for our production are the spot prices applicable to natural gas in the East Texas region. Prices received for natural gas are volatile and unpredictable and are beyond our control.

*Currency Translation Risk.* Because our revenues and expenses are primarily in U.S. dollars, we have little exposure to currency translation risk, and, therefore, we have no plans in the foreseeable future to implement hedges or financial instruments to manage international currency changes.

*Interest Rate Risk.* Interest rates on future debt offerings could be higher than current levels, causing our financing costs to increase accordingly. We do not currently utilize hedging contracts to protect against interest rate risk

**Item 8. Financial Statements and Supplementary Data**

The reports of our independent registered public accounting firm and our consolidated financial statements and supplemental information required to be filed under Item 8 of Form 10-K are presented beginning on Page F-1 of this Form 10-K.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

**Item 9A. Controls and Procedures**

## **Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our President, Chief Executive Officer and Chairman and our Vice-President of Finance, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2013. Based on this evaluation, we have concluded that, as of December 31, 2013, our disclosure controls and procedures were effective, in that they ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (2) accumulated and communicated to our management, including our President and Chief Executive Officer and Vice President of Finance, as appropriate to allow timely decisions regarding required disclosure.

## **Management's Report on Internal Control Over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934). Our internal control over financial reporting is designed to provide reasonable assurance to management and our board of directors regarding the preparation and fair presentation of published financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2013. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control - Integrated Framework*. Based on our assessment, we believe that as of December 31, 2013, our internal control over financial reporting was effective based on those criteria. This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

## **Changes in Internal Control Over Financial Reporting**

No changes to our internal control over financial reporting occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act).

## **Item 9B. Other Information**

None.





**PART III****Item 10. Directors, Executive Officers and Corporate Governance****Directors**

Information is provided on the following pages about the directors, including their principal occupations for the past five years, certain other directorships, age and length of service as a director of GeoPetro. Membership on Board committees, attendance at Board and committee meetings and ownership of GeoPetro stock are provided in separate sections following the biographical information on the directors.

<b>Name</b>	<b>Age</b>	<b>Position with GeoPetro (1)</b>
Stuart J. Doshi(2)	68	Chairman of the Board, President and Chief Executive Officer
David V. Creel(3)	74	Director
Thomas D. Cunningham(4)(5)	65	Director
David G. Anderson(4)(5)	61	Director
Christopher T. Czuppon(4)(5)	37	Director

## Notes:

(1) Each director is elected or appointed to hold office until the next annual meeting of shareholders or until their successor is duly elected or appointed, unless their office is earlier vacated. Our bylaws currently authorize a minimum of four and a maximum of seven directors to serve on the Board of Directors and, by resolution of the Board of Directors, the current number of directors has been set at five.

(2) Executive Officer.

(3) Executive Officer for a portion of 2013.

(4) Member of the Audit Committee.

(5) Independent, in accordance with the rules of the NYSE MKT.

**Stuart J. Doshi.** Mr. Doshi, 68, has been actively engaged in the oil and gas business for the past 44 years. Mr. Doshi began his oil and gas career with Natomas Company in 1970. He held various positions of increasing responsibility in planning, corporate development and financial management with Natomas. Mr. Doshi's activities covered international oil and gas exploration and production, domestic oil and gas exploration and production, geothermal energy production, coal production and petroleum trading and marketing companies. After leaving Natomas in 1985, Mr. Doshi served as a Senior Vice President of Energy Sources Group until 1988. Mr. Doshi then served as Vice President of Pan Pacific Petroleum, Inc. from 1988 to 1991. Immediately prior to forming GeoPetro, Mr. Doshi was the Managing Director of Sierra Overseas Corporation. Mr. Doshi founded GeoPetro in 1994 and has served as a director and our President and Chief Executive Officer since our inception and as Chairman of the Board since March 1998. Mr. Doshi is a graduate of the University of San Francisco with a Bachelor's Degree in Finance and the University of California, Santa Barbara with a Master's Degree in Economics.

Mr. Doshi is our longest-serving director, and he brings to the Board a broad array of institutional knowledge and a historical perspective. He has served as our Chairman since 1998. He possesses the critical historical and institutional knowledge of the Company's projects and the complex multi-jurisdictional contractual arrangements governing them.

We believe any discussions concerning the strategic direction of our Company should be conducted with this knowledge, insight and experience. The Board of Directors believes that having Mr. Doshi serve as the Chairman of the Board of Directors is a benefit to the overall success and growth of the Company. Since he manages the day-to-day operations, he has a unique perspective on the Company's technical and financial strengths and is best positioned to chair board meetings where key business issues and corporate strategies are discussed on a routine basis.

As indicated above, Mr. Doshi has been involved in the oil and gas industry virtually all his professional life and has developed a wide network of personal and business relationships within the oil and gas industry. His strong financial background combined with his many years of domestic and international operational experience throughout changing conditions in the market and industry provide him with the ability to successfully lead the Company.

**David V. Creel.** Mr. Creel, 74, has 49 years oil and gas experience as a petroleum exploration geologist. Mr. Creel held various geological and supervisory positions in Libya during his eleven-year career with AMOSEAS (the operator for CALTEX Petroleum). Mr. Creel was also the Exploration Manager of the Rocky Mountain Region and Canada for Ladd Petroleum Company; Exploration Manager of the Rocky Mountain Region for Kilroy Company of Texas; and President of Aztec Resources Corporation. Since 1995, Mr. Creel worked as an independent geologic consultant and in June 1998 he joined GeoPetro as Vice President of Exploration. Mr. Creel has served as a director of GeoPetro since October 2001. Mr. Creel is a graduate of the University of Notre Dame with a Bachelor's degree in Geology and the University of Tulsa with a Master's degree in Geology.

Mr. Creel was an officer and Vice President of Exploration for GeoPetro from 1998 to 2013 and has served as a member of our Board for more than 10 years. Based on his experience at Ladd Petroleum Company and AMOSEAS, which is described above, Mr. Creel is able to deliver important geological and technical insights to our management and other directors on our various oil and gas projects, which are both developmental and exploratory in nature. His prior experience in exploring diverse geologic basins in both the US and internationally for oil and gas enables him to lend expertise with respect to our geographically diverse portfolio of oil and gas assets.

**Thomas D. Cunningham.** Mr. Cunningham, 65, has 37 years of experience in general management, with expertise in mergers and acquisitions, foreign exchange, sales, financial analysis and personnel management. Most recently, he has served as Senior Vice President of OfficePower L.L.C., a privately owned company in the distributed generation business. Prior to joining OfficePower Inc. , Mr. Cunningham served as Executive Vice President and Chief Financial Officer of Microban International, Ltd., a seller and licensor of branded additives from 2000 to 2003. From 1997 to 2000, Mr. Cunningham was a member of the Board and Executive Vice President of EMCOR Group, Inc. Prior to EMCOR, Mr. Cunningham was with Swiss Army Brands Inc. from 1994 to 1997, where he served on the Board of Directors and as Executive Vice President and Chief Financial Officer. Prior to that position, Mr. Cunningham spent 21 years with J.P. Morgan & Co., in various positions of increasing responsibility and last served as Managing Director in the Corporate Banking Group. Mr. Cunningham has served as a director of GeoPetro since April 2000. Mr. Cunningham is a graduate of Harvard College with a Bachelor's degree in Economics and Columbia University with a Master's degree in Business Administration.

Mr. Cunningham has been a member of our Board for 14 years, and has provided independent leadership to our Board as our Audit Committee Chairman. In addition to having extensive historical knowledge of GeoPetro and its business, Mr. Cunningham brings to the Board a wide range of experience with respect to senior management and corporate finance which supports the Board's management oversight role as well as its commitment to oversee and direct corporate strategy. In recognition of Mr. Cunningham's skills in overseeing GeoPetro's financial reporting as well as his overall leadership abilities, his fellow directors elected him as Chairman of the Audit Committee.

**David G. Anderson.** Mr. Anderson, 61, became Vice Chairman of Dundee Securities Ltd. in November 2009. Prior to that time, he was a Senior Vice President and director of Dundee Securities Corporation where he has managed the firm's investment banking and capital markets activities since 1998. Mr. Anderson began his career with the National Energy Board of Canada in 1976 and later was employed by Amoco Production Company from 1978 to 1986 in its

Calgary, Chicago and Houston offices. In 1987, Mr. Anderson returned to Canada with Midland Doherty and later joined BBN James Capel where he was the Managing Director from 1988 to 1995. From 1995 to 1998, Mr. Anderson was a partner and Managing Director with another investment dealer, Loewen, Ondaatje, McCutcheon Limited. Mr. Anderson has served as a director of GeoPetro since March 2006. Mr. Anderson is a graduate from the University of Manitoba with a Master's degree in Business Administration and Bachelor's degree in Arts.

Mr. Anderson has been a member of our Board for 8 years, and currently serves on our Audit Committee. Mr. Anderson provides the Board with a combination of historical industry perspective and an extensive understanding of the industry's current challenges and opportunities, both as an investment banker and experienced business person in our industry. Mr. Anderson brings extensive senior management and capital markets experience including acquisitions, divestitures, spin-offs, and cross-border transactions. His expertise is valuable in directing corporate strategy.

**Christopher T. Czuppon.** Mr. Czuppon, 37, is the Managing Director of CC Natural Resource Partners, LLC and has held that position from 2009 to present. He has 14 years of experience in the energy corporate finance industry focusing his efforts in exploration and production, oilfield services, midstream, electric power and renewable and alternative fuels. Specifically, he has worked in the energy industry on the investment banking, business development and direct private investment aspects of the business. Prior to founding CC Natural Resource Partners, Mr. Czuppon was employed by Energy Capital Solutions, an energy focused investment bank, from February 2004 until March 2009. Mr. Czuppon served as lead banker and an integral deal team member on financing and advisory mandates as well as new business development for micro-cap and small-cap energy companies. Mr. Czuppon's transaction experience for public and private companies includes 15 M&A transactions totaling \$1.0 billion in value, 41 private placement transactions totaling \$1.2 billion in total capital raised and 24 senior and mezzanine debt transactions totaling \$1.2 billion in total debt capital raised. Mr. Czuppon was an Analyst with the Hunt Oil Company's business development and energy private equity group focusing on midstream oil and gas, oilfield services, and power transactions from 2003 to 2004. Prior to his role with the Hunt Oil Company, Mr. Czuppon worked for the Hunt Power Company as a financial analyst in a similar capacity. The Board has determined that he is an "audit committee financial expert" as defined by SEC rules. Mr. Czuppon earned a B.A. in economics from the University of Texas at Austin with concentrations in money and banking and public finance.

Mr. Czuppon has been a member of our Board for 4 years, and currently serves on our Audit Committee. Mr. Czuppon's acumen in corporate finance brings additional vigor and sharpness to our Board of Directors. Mr. Czuppon has a strong background in providing financial transactional services on a wide range of corporate matters including mergers and acquisitions, private placements, debt and equity financings. His expertise is valuable to us in the execution of our corporate strategy.

## Executive Officers

The following table provides information regarding our executive officers, their ages, the year in which each first became an officer of the Company and descriptions of their backgrounds.

### Name

Stuart J. Doshi (68)  
President, CEO and Chairman (a)

Dale W. Dvoracek (49)  
Vice President of Finance (b)

- (a) Information regarding the executive officer is provided under "Directors."

- (b) Dale W. Dvoracek was appointed as the Company's Principal Accounting Officer in October 2011 and currently serves as the Company's Vice President of Finance.

### **Legal Proceedings**

Currently, no director or executive officer is a party to any legal proceeding adverse to the interests of the Company. Additionally, no director or executive officer has an interest in any proceeding adverse to the Company.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 (the "Exchange Act") requires our officers, directors and persons who beneficially own more than ten percent of our common stock to file reports of securities ownership and changes in such ownership with the Securities and Exchange Commission ("SEC"). Officers, directors and greater than ten percent beneficial owners also are required by rules promulgated by the SEC to furnish us with copies of all Section 16(a) forms they file. Based on a review of such reports we believe that during our fiscal year ended December 31, 2013, all Section 16(a) filing requirements applicable to our officers, directors and greater than ten percent beneficial owners were timely complied with.

## **Code of Business Conduct and Ethics**

Our board of directors has adopted a code of business conduct and ethics that applies to all of our employees, executive officers and directors. Our code of business conduct and ethics is posted on our website, [www.geopetro.com](http://www.geopetro.com), under the Investor Relations section. In addition, a copy of the code of business conduct and ethics will be provided without charge upon request to the Corporate Secretary, GeoPetro Resources Company, 150 California Street, Suite 600, San Francisco, CA 94111. We intend to disclose any future amendments to certain provisions of our code of business conduct and ethics, or waivers to such provisions, applicable to our directors and executive officers, at the same location on our website identified above. The inclusion of our website address herein does not include or incorporate by reference the information on our website.

## **Corporate Governance**

### ***Board of Directors***

David Anderson, Thomas Cunningham and Christopher Czuppon, current directors, are independent as defined by the rules of the NYSE MKT. Stuart Doshi and David Creel, current directors, are not independent as defined by the rules of the NYSE MKT. Our Board of Directors is currently comprised of a majority of independent directors.

### ***Company Leadership Structure***

Stuart Doshi serves as both the principal executive officer and board chairman. We believe this board leadership structure is appropriate given the specific characteristics and circumstances of the Company. Specifically, we believe it is appropriate due to the relatively small size of the Company (i.e. less than \$100 million in assets) and the fact that Mr. Doshi possesses the critical historical and institutional knowledge of the Company's projects and the complex multi-jurisdictional contractual arrangements governing them. We believe any discussions concerning the strategic direction of our Company should be conducted with this knowledge, insight and experience. In his capacity as Chairman, Mr. Doshi has the following responsibilities:

Calls meetings of the Board,

Chairs meetings of the Board and the Annual Shareholders' Meeting,



Establishes Board meeting schedules and agendas,

Ensures that information provided to the Board is timely, complete, and accurate,

Communicates with all directors on key issues and concerns outside of Board meetings, and

Represents the Company to and interacts with shareholders and employees.

The Board of Directors believes that having Mr. Doshi serve as both the Chief Executive Officer and the Chairman of the Board of Directors is a benefit to the overall success and growth of the Company. Since he manages the day-to-day operations, he has a unique perspective on the Company's technical and financial strengths and is best positioned to chair board meetings where key business issues and corporate strategies are discussed on a routine basis.

The strong working relationships among Mr. Doshi and the other Directors foster open communications among the members of the Board. The Board believes that such communication is vital to understanding issues, promoting oversight, and encouraging the frank discussion of matters essential to leading a complex and dynamic company.

We will continue to examine our corporate governance policies and leadership structures on an ongoing basis to ensure that they continue to meet the Company's needs.

The Company does not have a lead independent director.

The board of directors and its audit committee play a critical role in risk oversight by establishing the right environment or tone at the top by senior executives and others throughout the enterprise. It is the board's responsibility to represent the interests of shareholders. The board also plays a vital role in overseeing management's approach to enterprise risk management, including the determination of the Company's appetite for risk.

### *Committees of the Board of Directors*

We have an Audit Committee of the Board of Directors which complies with the rules of the NYSE MKT and the SEC. Our Audit Committee charter is available on our website, [www.geopetro.com](http://www.geopetro.com), under the investor relations section. The inclusion of our website address herein does not include or incorporate by reference the information on our website.

### *Audit Committee*

Our Audit Committee currently consists of three directors, Thomas Cunningham, Christopher Czuppon and David Anderson. Messrs. Cunningham, Czuppon and Anderson are independent as defined by the rules of the NYSE MKT and the SEC. Each member of the Audit Committee meets the financial literacy and experience requirements of the SEC and NYSE MKT rules. Mr. Cunningham serves as the chairperson of the Audit Committee and Christopher Czuppon is an "audit committee financial expert" under applicable SEC rules. Our Audit Committee operates pursuant to a written charter that satisfies applicable SEC and NYSE MKT rules. Our Audit Committee charter is available on our website at <http://www.geopetro.com>.

Our Audit Committee charter requires that the Audit Committee oversee our corporate accounting and financial reporting processes. The primary duties of our Audit Committee are to, among other things:

evaluate our independent auditors' qualifications, independence and performance;

determine the engagement and compensation of our independent auditors;

approve the retention of our independent auditors to perform any audit and permissible non-audit services;

monitor the rotation of partners of the independent auditors on our engagement team as required;

review our consolidated financial statements;

review our critical accounting policies;

meet with our management periodically to consider the adequacy of our internal controls and procedures for financial reporting;

establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submissions by employees of concerns regarding questionable accounting or auditing matters;

review on an ongoing basis and approve related party transactions;

prepare the reports required by the rules of the SEC to be included in our annual proxy statement;

discuss with our management and our independent auditors the results of our annual audit and the review of our quarterly consolidated financial statements.

***Audit Committee Report (1)***

Our Audit Committee currently consists of three directors, Thomas Cunningham, Christopher Czuppon and David Anderson. Messrs. Cunningham, Czuppon and Anderson are independent as defined by the rules of the NYSE MKT and the SEC. Each member of the Audit Committee meets the financial literacy and experience requirements of the SEC and NYSE MKT rules. Mr. Cunningham serves as the chairperson of the Audit Committee and Christopher Czuppon is an "audit committee financial expert" under applicable SEC rules. We have adopted an Audit Committee charter that satisfies applicable SEC and NYSE MKT rules. The Committee met five times during fiscal year 2013 to fulfill its responsibilities.

The role of the Audit Committee is to oversee the Company's financial reporting process on behalf of the Board of Directors. Management is responsible for the Company's accounting, consolidated financial statements and financial reporting processes. The Company's independent auditor is responsible for performing an independent audit of the Company's consolidated financial statements and expressing an opinion as to the conformity of such consolidated financial statements with generally accepted auditing standards.

In this context, the Committee has reviewed and discussed the audited financial statements of the Company as of and for the year ended December 31, 2013 with management and Burr Pilger Mayer Inc. ("Burr Pilger Mayer"), the Company's independent auditor. The Committee discussed with Burr Pilger Mayer matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1.AU Section 380) as adopted by the Public Company Accounting Oversight Board in Rule 3200T. In addition, the Committee has received the written disclosures and the letter from Burr Pilger Mayer required by the applicable requirements of the Public Company Accounting Oversight Board regarding Burr Pilger Mayer's communications with the Audit Committee concerning independence. The Audit Committee discussed their independence with them and satisfied itself of the independence of the independent registered public accountants. The Committee considered the effects that the provision of non-audit services may have on the auditor's independence.

Based on the reviews and discussions referred to in this report, and subject to the limitations on the role and responsibilities of the Committee referred to in its charter, the Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013 filed with the SEC.

#### THE AUDIT COMMITTEE

Thomas Cunningham (Chair)

David Anderson

Christopher Czuppon

SEC filings sometimes incorporate information by reference. This means that the Company is referring you to information that has previously been filed with the SEC, and that this information should be considered as part of (1) the filing you are reading. Unless GeoPetro specifically states otherwise, this report shall not be deemed to be incorporated by reference and shall not constitute soliciting material or otherwise be considered filed under the Securities Act or the Securities Exchange Act.

#### *Compensation Committee*

We do not have a Compensation Committee and, as such, we do not have a Compensation Committee charter. The Board of Directors believes that it is in the best interest of the Company to permit all independent directors to fully participate in the compensation decisions for our executive officers, as well as our directors. In accordance with the rules of the NYSE MKT, the compensation of our Chief Executive Officer and all other executive officers is determined, or recommended to the Board of Directors for determination, by a majority of independent directors.

The independent directors' duties include:

establishing overall employee compensation policies and recommending to our Board of Directors major compensation programs;

reviewing and approving the compensation of our corporate officers and directors, including salary, bonus awards and stock option grants;

administering our various employee benefit, pension and equity incentive programs;

reviewing executive officer and directors indemnification and insurance matters;

managing and reviewing employee loans; and

preparing a report on executive compensation for inclusion in our annual report and, as applicable, our proxy or information statement.

Our current independent directors who participate in the consideration of executive officer and director compensation are David Anderson, Thomas Cunningham and Christopher Czuppon. In establishing compensation for our executive officers and directors, we do not rely on independent compensation consultants to analyze or prepare formal surveys for us. Our independent directors review executive compensation on an annual basis. In establishing compensation to our executives, we strive to provide compensation that will: (1) motivate and retain executives and reward performance; (2) encourage our long-term success; (3) encourage the long-term enhancement of shareholder value; and (4) encourage the application of prudent decision-making processes in an industry marked by volatility and high risk.

*Nominating Committee*

We do not have a Nominating Committee and, as such, we do not have a Nominating Committee charter. The Board of Directors believes that it is in the best interest of the Company to permit all independent directors to fully participate in the director nomination process. In accordance with the rules of the NYSE MKT, director nominees are selected, or recommended to the Board of Directors for selection, by a majority of independent directors. The independent directors do not have a policy that considers diversity when identifying nominees for director. In addition, the independent directors' duties include:

establishing standards for service on our Board of Directors and nominating guidelines and principles;

identifying individuals qualified to become members of our Board of Directors and recommending director candidates for election to our Board of Directors;

considering and making recommendations to our Board of Directors regarding its size and composition, committee composition and structure and procedures affecting directors;

establishing policies regarding the consideration of any director candidates recommended by our shareholders, and the procedures to be followed by shareholders in submitting such recommendations;

evaluating and reviewing the performance of existing directors; and

monitoring our corporate governance principles and practices and making recommendations to our Board of Directors regarding governance matters, including our articles of incorporation, bylaws and charters of our committees.

Our current independent directors who participate in the consideration of director nominees are David Anderson, Thomas Cunningham and Christopher Czuppon. At an appropriate time prior to each annual meeting of shareholders at which directors are to be elected or reelected, and whenever there is otherwise a vacancy on the Board, the independent directors who participate in the consideration of director nominees will assess the qualifications and effectiveness of the current board members and, to the extent there is a need, shall actively seek additional individuals well-qualified and available to serve to become board members. Members of management, the independent directors or any other member of the board may identify a need to add a new member to the board with specific criteria at any other time. Shareholders of the Company may identify a potential director candidate in accordance with the procedures set forth below. The independent directors may choose to hire an independent search firm to identify potential director candidates in those situations where particular qualifications are required or where existing contacts are not sufficient to identify an appropriate candidate.

We have adopted procedures by which shareholders may recommend director candidates for membership to our board. Each shareholder recommending a person as a director candidate must provide the Company at its principal executive offices with the following information in order for the independent directors to determine whether the

recommended director candidate is independent from the shareholder or each member of the shareholder group that has recommended the director candidate:

- (i) If the recommending shareholder or any member of the recommending shareholder group is a natural person, whether the recommended director candidate is the recommending shareholder, a member of the recommending shareholder group, or a member of the immediate family of the recommending shareholder or any member of the recommending shareholder group;

- (ii) If the recommending shareholder or any member of the recommending shareholder group is an entity, whether the recommended director candidate or any immediate family member of the recommended director candidate has been an employee of the recommending shareholder or any member of the recommending shareholder group during the then-current calendar year or during the immediately preceding calendar year;

- (iii) Whether the recommended director candidate or any immediate family member of the recommended director candidate has, during the year of the nomination or the preceding three fiscal years of the Company, accepted directly or indirectly any consulting, advisory, or other compensatory fee from the recommending shareholder or any member of the group of recommending shareholders or any affiliate of any such holder or member, provided that compensatory fees would not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with such holder or any such member (provided that such compensation is not contingent in any way on continued service);

Whether the recommended director candidate is an executive officer or director (or person fulfilling similar (iv) functions) of the recommending shareholder or any member of the recommending shareholder group, or of an affiliate of the recommending shareholder or any such member of the recommending shareholder group; and

Whether the recommended director candidate controls the recommending shareholder or any member of the (v) recommending shareholder group (or in the case of a holder or member that is a fund, an interested person of such holder or any such member as defined in Section 2(a)(19) of the Investment Company Act).

Each shareholder recommending a person as a director candidate or the person recommended by a shareholder as a director candidate must provide the Company with such information as may be reasonably required to determine whether the recommended director candidate is qualified to serve on the Audit Committee of the board, so that the independent directors may assess whether, if the candidate were elected to the board, the board as then composed would have a sufficient number of directors qualified to serve on the Audit Committee in accordance with the rules of the NYSE MKT and the Securities and Exchange Commission.

Each shareholder recommending a person as a director candidate or the person recommended by a shareholder as a director candidate must provide the Company with such information as may be reasonably required to determine whether the director candidate meets the standards of independence established by NYSE MKT and the SEC so that the independent directors may assess whether, if the candidate were elected to the board, the board as then composed would have a sufficient number of independent directors.

The Company may request from the recommending shareholder such other information as may reasonably be required to determine whether each person recommended by a shareholder as a director candidate meets the minimum director qualifications established by the Company's board, to enable the Company to make appropriate disclosures to shareholders entitled to vote in the next election of directors.

The shareholder must submit a detailed resume for the candidate and an explanation of the reasons why the shareholder believes this candidate is qualified for service on the board. The shareholder must include the consent of the candidate and describe any arrangements or undertakings between the shareholder and the candidate regarding the nomination. The shareholder must also submit proof of his, her or its Company stockholdings.

The person recommended by a shareholder as a director candidate shall make himself or herself reasonably available to be interviewed by the independent directors and members of management, as determined appropriate by the independent directors. The Company will not accept a shareholder recommendation for a director candidate if the recommended candidate's candidacy or, if elected, board membership, would violate controlling state law, federal law or the rules of any exchange or market on which the Company's securities are listed or traded.



The independent directors evaluate nominees recommended by shareholders on the same basis as nominees recommended by any other source. Nominations to the board may be submitted by shareholders of the Company for consideration by the Board of Directors by sending such nominations to: Stuart J. Doshi, Chairman, President and Chief Executive Officer, GeoPetro Resources Company, 150 California Street, Suite 600, San Francisco, CA 94111.

Currently, there are no specific minimum qualifications that the independent directors believe must be met by a nominee for director, whether such director is recommended by a shareholder or identified by the independent directors. In making their assessment of nominees, the independent directors seek candidates who meet the current challenges and needs of the board. In making their assessment, the independent directors may request that nominees complete and return a questionnaire prepared by the Company. The independent directors will consider issues of independence, knowledge, judgment, diversity, skills, education, character, standing in the community, and industry and financial background and experience. If the independent directors preliminarily determine that the potential candidate is qualified to fill a vacancy or to satisfy a particular need after a preliminary inquiry, the independent directors will make an investigation and interview the potential candidate, as necessary, to make an informed final determination. During this process, the independent directors may solicit input from other members of the Board, the Company's Chief Executive Officer and members of the Company's senior management, as the independent directors deem appropriate, during the interview and evaluation process, regardless of who recommended the candidate.

#### ***Meetings of the Board and the Committees of the Board***

During 2013, the Board of Directors held ten regular meetings. In 2013, the Audit Committee held five regular meetings. All of the directors attended 100 percent of the meetings of the Board and of the committee on which they served during that period, except David Anderson who attended ninety percent of the Board meetings and all of the Audit Committee meetings due to scheduling conflicts. Mr. Anderson was briefed by Mr. Doshi on these occasions. Directors are expected to attend our annual meeting of shareholders.

### *Communications with the Board of Directors*

If a shareholder would like to write to the Board, he or she may send written correspondence to the following address: GeoPetro Resources Company, Attn: Board of Directors, 150 California Street, Suite 600, San Francisco, CA 94111. Shareholders should provide proof of share ownership with their correspondence. It is suggested that shareholders also include contact information. All communications will be received and processed by our President, and then directed to the appropriate member(s) of the Board. In general, correspondence relating to accounting or auditing matters will be referred to the Chairperson of the Audit Committee. All other correspondence will be referred to the independent directors. To the extent correspondence is addressed to a specific director or requires a specific director's attention, it will be directed to that director.

### *Oversight of Risk Management*

The Company is exposed to a number of risks and undertakes enterprise risk management reviews to identify and evaluate these risks and to develop plans to manage them effectively. The Company's executive officers are directly responsible for the Company's enterprise risk management function and report to the Board of Directors. Although not inclusive, a list of items considered generally includes:

accurate and complete financial reporting,

rules and regulations of OTCQB,

environmental and safety issues,

safeguarding of Company assets,

adequacy of insurance protection,

compliance with all credit facility covenants, and

employee relations  
issues.

The Board of Directors plays a key role in the oversight of the Company's enterprise risk management function. Using their collective skills and experience, they consider information provided by management and provide feedback and make recommendations, if needed, to try to help minimize risk to the Company's current and future value.

## **Item 11. *Executive Compensation***

### **Compensation Discussion and Analysis**

We do not presently have a Compensation Committee. The Board of Directors believes that it is in the best interest of the Company to permit all independent directors to fully participate in the compensation decisions for our executive officers. In accordance with the rules of the NYSE MKT, the compensation of our executive officers is determined, or recommended to the Board of Directors for determination, by a majority of independent directors. The independent directors consider the input of Stuart Doshi, our President and Chief Executive Officer, in making their recommendations for our other executive officers. The independent directors do not engage compensation consultants in formulating compensation decisions.

Our independent directors are responsible for reviewing executive compensation on an annual basis. Compensation for our executive officers consists of three components:

base salaries;

stock option grants; and

cash bonuses.

In establishing the compensation paid to our executives, we emphasize providing compensation that will: (1) motivate and retain executives and reward performance; (2) encourage our long term success; (3) encourage the long term enhancement of shareholder value; and (4) encourage the application of prudent decision making processes in an industry marked by volatility and high risk.



Historically, we have evaluated compensation paid to our executive officers based upon the following factors:

the growth in our oil and gas reserves and production;

cash flow;

the extent to which our executive officers have been successful in finding and creating opportunities for us to participate in attractive oil and gas projects;

the ability of our executives to formulate and maintain sound budgets for drilling ventures and other business activities;

our overall financial condition;

the extent to which proposed business plans are met; and

by comparing the compensation packages of our executive officers with the compensation packages of executive officers of other companies in the oil and gas industry, which are similar to us in their size and operations, among other factors.

We do not assign relative weights or rankings to these factors. Instead, we make subjective determinations based upon a consideration of all of these factors. While specific performance levels or "benchmarks" are not used to establish compensation, we do take into account our overall progress over time.

In establishing compensation for our executive officers, we do not rely on independent consultants to analyze or prepare formal surveys for us; however, we make informal comparisons of our executives' compensation with the compensation paid to executives of other publicly and privately held companies similar to ours. Companies included in our informal comparisons included companies in our deemed industry peer group including Kodiak Oil and Gas Corporation (KOG), GeoMet, Inc. (GMET), Double Eagle Petroleum Co. (DBLE), and Gasco Energy, Inc. (GSXN). These companies are publicly-traded exploration and production companies. In addition, we take into account the fact that we do not provide significant perquisites and we provide no retirement plan or pension benefits to our executive officers.

## **Compensation Risks**

Our independent directors, with the assistance of Mr. Doshi, review the elements of executive compensation to determine whether any portion of executive compensation encouraged excessive risk taking. Management of the Company conducted a similar risk assessment with respect to other employees. Management and the independent directors believe that risks arising from our compensation policies and practices for our executive officers and other employees are not reasonably likely to have a material adverse effect on the Company. In addition, we believe that the mix and design of the elements of compensation do not encourage management to assume excessive risks.

### **Elements of Compensation**

Mr. Doshi is currently party to an employment agreement whereby he is to receive a base salary which is subject to an annual inflation adjustment based on the 1995 Consumer Price Index. In the past, we have amended Mr. Doshi's employment agreement to provide for increases in base salary. When determining base salaries, we perform a subjective analysis of each executive officer's contributions and overall performance, consider the current compensation paid to executives of similar companies, and the officer's current salary.

During 2013 and 2012, salaries accounted for approximately 85% and 75% respectively of total compensation for the Chief Executive Officer.

In reviewing the overall compensation of Mr. Doshi, our President and Chief Executive Officer, we took into account the fact that Mr. Doshi declined receiving an increase in his base salary since 2003. In the past several years, we were faced with intense competition in the oil and gas industry, including competition for oil and gas leases, and scarcity of available drilling rigs and goods and services related to the drilling, testing and completion of wells, and more recently, scarcity of capital and weakening natural gas prices. While industry competition has softened somewhat with the recent economic downturn, in the prior years, competition was intense, particularly from competitors that have similar or greater financial and human resources than we do. We believe the insight, experience and leadership of Mr. Doshi has been instrumental in keeping us positioned to access sufficient capital and remain competitive. Additionally, Mr. Doshi, in his capacity as President and Chief Executive Officer, has been responsible for achieving a number of historical benchmarks for us, including, but not limited to:

Negotiating with Hanover Compression Limited Partnership and Gateway Processing Company the installation and construction of a new gas treatment plant and related pipelines which became operational in 2003 in the Madisonville Project, which was necessary in order to treat natural gas production from our wells in the Madisonville Field in Texas.

Arranging the sale of the gas treatment plant by Hanover to Madisonville Gas Processing, LP and the related commitment by MGP to expand the treating capacity of the plant from 18 million cubic feet of natural gas per day to 68 million cubic feet of natural gas per day.

Negotiating on favorable terms to the Company the purchase of the Madisonville gas treatment plant and related gathering pipelines in exchange for the assumption of secured bank debt, payment of certain outstanding payables and shares of GeoPetro's common stock.

The drilling of additional wells at the Madisonville Project in an industry environment affected by intense competition and shortages of available drilling rigs and associated goods and services.

On March 30, 2006, we completed an initial public offering in Canada, which consisted of 3,730,021 shares of common stock at an issue price of \$3.50 per share and 519,500 shares of common stock issued on a "flow-through" basis under the Income Tax Act (Canada) at an issue price of \$3.85 per share for aggregate gross proceeds of \$15,055,149.

On September 29, 2006 we sold 70% of our interest in C-G Bengara to CNPCHK (Indonesia) Limited in exchange for a substantial financial commitment from CNPC to conduct exploration, appraisal and development activities on the Bengara II PSC production sharing contract in Indonesia.

The sale of an interest in October 2005 in another Indonesian production sharing contract for cash consideration of \$2,400,000.

The settlement in June 2006 of all of our pending litigation related the Miller and Mejlender lawsuits.

Approval of S-1 Registration Statement and the subsequent Company listing on the American Stock Exchange under the symbol "GPR" providing shareholders with a significant increase in liquidity and increase in trading volume.

Extending leases for the deep rights in Madisonville, Texas and the Lokern Project in the San Joaquin basin of California.

Completing a \$7.7 million common stock offering at \$3.85 per unit and satisfying subsequent registration requirements in May, 2008.

Completing, under difficult market conditions, financings totaling \$1.8 million by issuing promissory notes and \$5.5 million, net of offering costs, through the issuance of Series B Convertible Preferred Stock to accredited investors in 2009.

Selling our working interest in the Alaska Leases in the Cook Inlet Region of Alaska to Linc Energy (Alaska) Inc. for upfront cash and significant overriding royalty interests.

In 2010, raising an additional \$2.3 million in equity capital and \$0.675 million in debt on favorable terms.

Securing loan extensions and negotiating a lower interest rate with Bank of Oklahoma, National Association, and securing loan extensions with certain non-bank lenders.

Settling Devon Energy overriding royalty claims on favorable terms.

Completing a unit sale through a private placement for a total of \$922,648 on favorable terms in March 2011.

Completing a unit sale through a private placement transaction for a total of \$556,560 on favorable terms in June 2011.

The sale of certain idle and non-income producing plant equipment at the Madisonville Plant to Peregrine Midstream Partners LLC for a final sales price of \$9,250,000. As a result of this transaction, GeoPetro recognized a significant gain on the sale of the equipment of \$4,069,640 in 2011.

Negotiating the terms of the proposed merger with MCW Energy Group Limited.



When awarding stock options, we attempt to provide executives with an incentive compensation vehicle that could result in future additional compensation to them, but only if the value of our common stock increases for all shareholders. We perform a subjective analysis of each executive officer's contributions, and we consider the number of options granted on prior occasions and the length of time between option grants. All stock options are granted with exercise prices equal to or above the fair market value of the common stock on the date of grant.

In 2004, we implemented a new 2004 Stock Option and Appreciation Rights Plan (the "Stock Option Plan") providing for awards of incentive stock options, non-qualified stock options and stock appreciation rights. The Stock Option Plan replaced the 2001 Stock Incentive Plan as to new award grants effective in 2004 or thereafter to our directors, officers, employees and consultants. The terms of the Stock Option Plan govern future grants to our named executive officers. The terms provide, among other things, that the exercise price of option grants shall be no less than 110% of the fair market value of the common stock on the date of grant and that such grant shall vest at a rate no less than twenty percent (20%) over five years from the date of grant. We do not have specific established criteria for determining the timing of option grants.

In August 2012, the independent directors determined that additional stock options should be granted to our named executives to provide a long-term incentive to remain employed with us and to work toward the long-term best interests of all of our shareholders. The option grants in 2012 were made pursuant to our 2004 Stock Plan. The options were granted with a five-year vesting schedule providing that 20% of the options would vest on each one year anniversary of the date of grant of August 31, 2012. We determined that the five-year vesting schedule was appropriate to provide a long-term incentive and align the interests of our management with the interests of all our shareholders.

During 2013 and 2012, stock option equity incentives accounted for approximately 0% and 14% of total compensation of the Chief Executive Officer and approximately 0% and 7% of total compensation of the Vice President of Finance. The Board determined that our named executive officers had a sufficient equity stake in GeoPetro, consisting of shares of common stock and/or existing options and warrants, to align their interests with GeoPetro's and our shareholders.

Bonuses for each of our named executive officers are discretionary. In determining bonus amounts, our independent directors took into consideration that our named executive officers have significant equity interests in GeoPetro through direct ownership of shares or prior option grants, which already provide them with performance incentives. During 2013 and 2012, no bonuses were granted to any of the named officers. In future periods, in considering whether to award bonuses, we will consider such factors as enumerated above in determining overall compensation, with a particular emphasis on our profitability and financial condition.

We provide certain personal benefits to our Chief Executive Officer in the form of life and disability insurance. During both 2013 and 2012, personal benefits accounted for approximately 15% and 11% of total compensation for

the Chief Executive Officer.

We do not have any established formal criteria to determine how decisions regarding one compensation element might affect decisions regarding other compensation elements or fit into our overall compensation objectives.

Mr. Doshi's employment agreement provides for substantial and immediate cash payments in the event of a change in control or termination. The amounts of, and the conditions precedent for, such payments are discussed in detail herein under "Potential Payments Upon Termination or Change in Control."

It is our conclusion that the amount and types of compensation currently being paid to our executive officers are sufficient to retain and motivate them, reward their performance and encourage their efforts to increase the value of our common stock for all shareholders. We did not pay bonuses for the last several years because of the Company's performance.

#### **Compensation of Executive Officers**

The following table sets forth all compensation awarded to, earned by or paid to our Chief Executive Officer, our Vice President of Finance and our other most highly compensated executive officers whose total compensation exceeded \$100,000 for services rendered during our 2013 and 2012 fiscal years. These officers are referred to as the named executive officers. No other executive officer received total compensation of more than \$100,000 in the fiscal year ended December 31, 2013 and 2012.

**Summary Compensation Table**

Name and Principal Position	Year	Salary	Bonus	All Other	Option	Total
		(\$)	(\$)	Compensation (\$)	Awards (\$)	(\$)
Stuart J. Doshi (1) President and Chief Executive Officer	2013	31,250 (2)	—	5,444 (3)	—	36,694
	2012	200,000(2)	—	30,024 (3)	36,727	266,751
Dale W. Dvoracek Vice President of Finance	2013	65,000 (4)	—	—	—	65,000
	2012	110,000(4)	—	—	7,870	117,870

(1) None of the named executive officers received any compensation for their services as a director during 2013 or 2012.

(2) Mr. Doshi has deferred a portion of his base salary in 2013 and 2012. Additionally, none of Mr. Doshi's salary for 2013 or 2012 contained the annual inflation adjustment per the terms of his employment agreement. Mr. Doshi has deferred the annual inflation adjustment accrued for 2013 and 2012.

(3) Represents an automobile allowance and life and disability insurance premiums paid on Mr. Doshi's behalf.

(4) Mr. Dvoracek has deferred a portion of his base salary in 2013 and 2012.

**Employment Agreements and Potential Post-Employment Payments**

We entered into a contract of employment with Stuart J. Doshi, Chairman, President and Chief Executive Officer, dated July 28, 1997 (effective July 1, 1997) and amended on January 11, 2001, July 1, 2003, April 20, 2004, May 9, 2005, July 28, 2005, January 30, 2006 and December 29 and 31, 2008. The contract as amended currently provides for a five-year term which commenced May 1, 2005 which term is automatically extended for successive two-year renewal terms unless: (a) the Board of Directors elects not to renew the contract and we provide notice to Mr. Doshi of such non-renewal at least six months prior to the expiry of his employment term or any renewal term, (b) Mr. Doshi provides notice at any time prior to the expiry of his employment term or any renewal term that he elects not to renew the contract, or (c) Mr. Doshi attains age 75, in which case the term ends upon the completion of the calendar year in which he becomes 75 years old unless we and Mr. Doshi mutually agree to one-year extensions. The contract of employment provides for an annual base salary of \$300,000, subject to annual inflation adjustments based on the 1995 United States Department of Labor, Bureau of Labor Statistics Consumer Price Index of Urban Wage Earners and Clerical Workers. The contract also provided for options to purchase up to 750,000 shares of our common stock at an exercise price of \$0.50 per share which options, as amended, expired on April 30, 2008. Mr. Doshi exercised the options on April 25, 2008. In the event that we file a registration statement under the 1933 Act, other than our initial registration statement, we have agreed to permit Mr. Doshi to include in the proposed registration the shares of our

common stock that he would hold on exercise of his stock options and other securities issued to him, at no expense to him, subject to his payment of his own taxes, legal fees and underwriter's discounts, commissions and spreads.

Dale Dvoracek is the Vice President of Finance for the Company. The material terms of Mr. Dvoracek's employment agreement include an annual compensation of \$144,000, and a stock option grant of 25,000 common shares granted under the Company's Stock Option Plan with an exercise price of \$0.50 per share vesting ratably over five years.

### Outstanding Equity Awards at Year-End 2013

The following table details information with respect to all options and warrants to purchase our common stock held by our named executive officers and outstanding on December 31, 2013.

Name	Number of Securities		Option	Option
	Underlying Unexercised Options	Exercisable/Unexercisable		
Stuart J. Doshi President and Chief Executive Officer	70,000/	280,000	(1)	\$ 0.16 8/31/2017
Dale W. Dvoracek Vice President of Finance	10,000/ 15,000/	15,000 60,000	(2) (2)	\$ 0.50 8/15/2016 \$ 0.16 8/31/2017

(1) Mr. Doshi has 280,000 common stock options which are not yet vested. The unvested common stock options will vest 20% of the original grant amount each year. Mr. Doshi must still be employed by us on the respective vesting date in order to vest his options, subject to certain exceptions. See "Potential Payments Upon Termination or Change in Control."

(2) Mr. Dvoracek has 75,000 common stock options which are not yet vested. The unvested common stock options will vest 20% of the original grant amount each year. Mr. Dvoracek must still be employed by us on the respective vesting date in order to vest his options. However, if Mr. Dvoracek is terminated without cause, all unvested options shall immediately vest. See "Potential Payments Upon Termination or Change in Control."

### Options Exercised and Stock Vesting in 2013

Our named executive officers did not exercise any stock options during our fiscal year 2013. None of our named executive officers holds any shares of restricted stock or any other stock awards subject to vesting requirements.

### Indebtedness of Directors and Officers

None of our directors or officers, nor any of their associates or affiliates, are or have been indebted to us, nor have any of the foregoing been the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by us.

### **Potential Payments Upon Termination or Change in Control**

Mr. Doshi has an employment agreement with us which provides for payments upon the termination of employment under certain circumstances and/or upon a change in control.

Mr. Doshi's employment contract provides that in the event of a change of control, if we do not renew Mr. Doshi's agreement, if Mr. Doshi is terminated without cause, or if Mr. Doshi terminates his employment due to our uncured, material breach of his employment contract, he is entitled to receive:

- in exchange for all of his vested stock options and vested restricted shares, such number of shares of common stock having a market value equal to the difference between (x) the aggregate total market value of all vested restricted shares and shares of common stock he would receive upon exercise of all vested stock options less (y) the aggregate total exercise price for all of his vested stock options; provided, however, that if the common stock to be delivered to Mr. Doshi upon such change of control or termination have not been registered so as to permit immediate public resale, Mr. Doshi shall instead receive a cash payment equal to the market value on the date of termination of all vested stock options and restricted shares without any discount for liquidity or minority position against cancellation of such options and restricted shares,
- (a)
- a cash payment equal to the greater of (i) his salary for the remainder of his term and the aggregate amount of his (b) bonuses in respect of the last four fiscal years and (ii) four times his compensation in the current year and the aggregate amount of his bonuses for the last four fiscal years, and
- (b)
- (c) an additional cash payment representing his employment benefits equal to 20% of the amount of salary he is entitled to receive under (b)(i) or (b)(ii) above, as applicable.

In addition, in the event of a change of control or termination without cause, all unvested options issued by us to Mr. Doshi will vest.

For purposes of Mr. Doshi's employment contract, "cause" for termination is either: a final felony conviction of Mr. Doshi; Mr. Doshi's willful refusal, without proper legal cause, to perform his duties or responsibilities; or Mr. Doshi continuing to willfully engage in conduct, which he knows or should have reason to know may be materially injurious to the Company, after receipt of written notice from the Company.

In the event of a change of control, if we do not renew Mr. Doshi's agreement, Mr. Doshi is terminated without cause, or Mr. Doshi terminates his employment due to our uncured, material breach of his employment contract, and assuming the triggering event took place on the last business day of the Company's last completed fiscal year, December 31, 2013, the potential post-employment benefits payable to Mr. Doshi are estimated as follows (estimates are based on the \$0.02 closing market price of our common stock as quoted on OTCQB on December 31, 2013):

With regards to outstanding commons stock options, since the December 31, 2013 market price was less than the a. option exercise price, no shares of the company's commons stock would be required to be issued as noted in the following table:

<b>Number of options</b>	<b>Exercise price</b>	<b>Market price</b>	<b># of shares</b>
350,000	\$ 0.16	\$ 0.02	—

If the common stock to be delivered to him upon the triggering event have not been registered with the Securities and Exchange Commission so as to permit immediate resale, he shall instead receive an immediate cash payment equal to the market value of all vested stock options as noted in the following table:

<b>Number of options</b>	<b>Exercise price</b>	<b>Market price</b>	<b>Market value of options</b>
350,000	\$ 0.16	\$ 0.02	\$ —

b. A cash payment equal to four times his 2013 salary of \$450,389 and the aggregate amount of his bonuses of \$0 for the last four fiscal years, for a total of \$1,801,556, which is payable immediately.

c. And an additional cash payment representing employment benefits equal to 20% of the amount calculated in paragraph (b) or \$360,311, which is payable immediately.

We provide the foregoing post-employment payments in the event of termination and/or a change in control in order to attract and retain an appropriate caliber of talent for the position. We believe that our severance and change in control provisions are consistent with the provisions and benefit levels of other companies disclosing such provisions as reported in public SEC filings.

The termination provisions of Mr. Doshi's employment contract were designed, in part, to impede and discourage a hostile takeover attempt and to protect the continuity of management. The termination provisions, including appropriate payment and benefit levels and the various circumstances that trigger payments or provision of benefits, were determined through negotiations between Mr. Doshi, our directors and representatives of Dundee Securities Corporation, the lead underwriter in connection with a sale of common shares we completed on March 30, 2006.

Mr. Dvoracek's employment contract provides that in the event of a change of control, if he is not retained, he is entitled to receive a severance payment equal to nine months salary.



## Compensation of Directors

### Director Compensation Table

The table below summarizes the compensation received by our non-employee directors for the year ended December 31, 2013.

Name	Period	Fees Earned or Paid in Cash		Option Awards	Total
		(\$)	(\$)		
Christopher Czuppon	2013	\$ —	\$ —	\$ —	\$ —
Thomas Cunningham	2013	\$ —	\$ —	\$ —	\$ —
David Anderson	2013	\$ —	\$ —	\$ —	\$ —

### Summary of Director Compensation

We have not provided cash compensation to our directors for their services as members of the Board or for attendance at Board or audit committee meetings. However, our directors are reimbursed for reasonable travel and other expenses incurred in connection with attending meetings of the Board and its committees as well as the annual meeting of shareholders. Under our Stock Option Plan, directors are eligible to receive stock option grants at the discretion of the Board of Directors.

### Compensation Committee Interlocks and Insider Participation

We do not presently have a Compensation Committee. The Board of Directors believes that it is in the best interest of the Company to permit all independent directors to fully participate in the compensation decisions for our executive officers. In accordance with the rules of the NYSE MKT, the compensation of our executive officers is determined, or recommended to the Board of Directors for determination, by a majority of independent directors. The independent

directors consider the input of Stuart Doshi, our President and Chief Executive Officer, in making their recommendations for our other executive officers. The independent directors do not engage compensation consultants in formulating compensation decisions.

The table below sets forth those executive officers and directors who, during the last completed fiscal year, participated in deliberations of the registrant's board of directors concerning executive officer compensation.

<b>Name</b>	<b>Position with GeoPetro</b>
Stuart J. Doshi	Chairman, President and Chief Executive Officer
Thomas D. Cunningham	Director
David G. Anderson	Director
Christopher T. Czuppon	Director

### **Compensation Committee Report**

The independent directors of the Board of Directors have reviewed and discussed the Compensation Discussion and Analysis appearing under "Executive Compensation and Related Information" included herein with management and, based on such review and discussions, the independent directors have recommended to the board of directors that the Compensation Discussion and Analysis be included in the Company's annual report on Form 10-K for the year ended December 31, 2013.

Respectfully submitted,

David G. Anderson  
Thomas D. Cunningham  
Christopher T. Czuppon

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters****Equity Compensation Plan Information**

The following table summarizes all equity compensation plans including those approved by shareholders and those not approved by shareholders, as of December 31, 2013.

Plan Category (1)	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants or Rights	(b) Weighted-average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans(excluding securities reflected in column(a))
Equity compensation plans approved by shareholders	955,000	\$ 0.29	4,045,000
Equity compensation plans not approved by shareholders	—	\$ —	—
	955,000	\$ 0.29	4,045,000

In 2004, we implemented a new 2004 Stock Option and Appreciation Rights Plan (the "Stock Option Plan") providing for awards of incentive stock options, non-qualified stock options and stock appreciation rights. The Stock Option Plan replaced the Stock Incentive Plan as to new award grants effective in 2004 or thereafter to our directors, officers, employees and consultants. Amounts in the table do not include common stock warrants (1) outstanding as of December 31, 2013, whereby investors may purchase up to an aggregate of 6,237,369 shares of our Common Stock, with a weighted average exercise price of \$0.67. For additional details regarding warrants issued by the Company, see Note 9 *Common Stock Warrants* of the footnotes to the financial statements contained herein in our Annual Report on Form 10-K for the year ended December 31, 2013.

**Security Ownership of Certain Beneficial Owners and Management**

The following table sets forth information regarding beneficial ownership of our voting stock as of March 31, 2014 by: (i) each person who is known by us to beneficially own more than 5% of any class of our voting stock; (ii) each of our named executive officers listed in the Summary Compensation Table, directors and director nominees; and (iii) all of our executive officers and directors as a group.

For purposes of the following table, a person is deemed to be the beneficial owner of securities that can be acquired by that person within 60 days from March 31, 2014 upon the exercise of warrants or options or the conversion of preferred stock. Each beneficial owner's percentage is determined by assuming that options, warrants and convertible preferred stock that are held by that person regardless of price, but not those held by any other person, which are exercisable or convertible within 60 days from March 31, 2014 have been exercised or converted.

The information in the following table is based upon information supplied by officers, directors and principal shareholders. Except as otherwise noted below, and subject to applicable community property laws, the persons named have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them. Unless otherwise indicated, the address of the following shareholders is c/o GeoPetro Resources Company, 150 California Street, Suite 600, San Francisco, CA 94111.

Name of Beneficial Owner	Common Stock		Amount and Nature of Beneficial Ownership Series B Preferred Stock		Total
	Shares	% of Class (1)	Shares	% of Class	Voting Power
Stuart J. Doshi President, Chief Executive Officer and Chairman (2)	3,364,598	5.0 %	—	*	4.6 %
Dale W. Dvoracek Vice President of Finance (3)	25,000	*	—	*	*
David G. Anderson Director (4)	101,000	*	—	*	*
David V. Creel Director (5)	287,272	*	—	*	*
Thomas D. Cunningham Director (6)	658,420	1.0 %	—	*	*
Christopher T. Czuppon Director (7)	125,000	*	—	*	*
All executive officers, key persons and directors as a group (6 persons)	4,561,290	6.8 %	—	*	6.3 %
Certain Beneficial Owners					
James A. Heller (8) 1160 Park Avenue New York, NY 10128	1,228,000	1.8 %	866,669	16.1 %	2.8 %
Susan K. Heller (9) 1160 Park Avenue New York, NY 10128	330,500	*	1,400,002	26.1 %	2.3 %
AK Capital LLC (10) 220 Montgomery St # 810 San Francisco, CA 94104	*	*	325,000	6.1 %	*

\*Less than 1.0%

- (1) For the purposes of calculating the percent of class beneficially owned by a holder, shares of common stock which may be issued to that holder within 60 days of March 31, 2014 are deemed to be outstanding.
- (2) Includes direct ownership of 3,294,598 common shares and stock options to purchase 70,000 common shares that are exercisable within 60 days of March 31, 2014.
- (3) Includes direct ownership of 0 common shares and stock options to purchase 25,000 common shares that are exercisable within 60 days of March 31, 2014.
- (4) Includes direct ownership of 75,000 common shares and stock options to purchase 26,000 common shares that are exercisable within 60 days of March 31, 2014.
- (5) Includes direct ownership of 267,272 common shares and stock options to purchase 20,000 common shares that are exercisable within 60 days of March 31, 2014.
- (6) Includes direct ownership of 632,420 common shares and stock options to purchase 26,000 common shares that are exercisable within 60 days of March 31, 2014.

- (7) Includes direct ownership of 75,000 common shares and stock options to purchase 50,000 common shares that are exercisable within 60 days of March 31, 2014.

- (8) Includes direct and indirect ownership of 875,000 common shares and warrants to purchase 353,000 common shares that are exercisable within 60 days of March 31, 2014, and 866,669 Series B preferred shares that are convertible into common shares within 60 days of March 31, 2014.

- (9) Includes direct and indirect ownership of 225,000 common shares and warrants to purchase 105,500 common shares that are exercisable within 60 days of March 31, 2014, and 1,400,002 Series B preferred shares that are convertible into common shares within 60 days of March 31, 2014.

- (10) Includes direct ownership of 325,000 Series B preferred shares that are convertible into common shares within 60 days of March 31, 2014.

**Item 13. *Certain Relationships and Related Transactions, and Director Independence***

**Certain Relationships and Related Party Transactions**

On January 23, 2007, our Board of Directors adopted a written Amended and Restated Audit Committee charter which provides that the Audit Committee shall review all related-party transactions and potential conflict of interest situations involving amounts in excess of \$120,000 on an ongoing basis. Related party transactions include transactions between GeoPetro and:

Any of our directors or executive officers;

Any nominee for election as a director;

Any security holder who is known to us to own of record or beneficially more than five percent of any class of our voting securities; and

Any member of the immediate family of any of the foregoing persons.

The Audit Committee shall determine whether the terms of proposed related party transactions are at least as favorable to us as could be obtained through arm's length negotiations with unaffiliated third parties. In making such determinations, the Audit Committee shall consider, where practicable, some or all of the following factors:

Competitive bids;

Industry or market comparables;

Informal comparisons to similar transactions of other publicly and privately held companies similar to ours; and

Similar transactions entered into by the Company through arm's length negotiations with unaffiliated third parties.

GeoPetro did not enter into any related party transactions during 2012 or 2013 except the following:

Eric Doshi, Stuart Doshi's son, was employed as our Director of Planning and Investor Relations, and Corporate Secretary. He resigned in July 2012. We paid Eric Doshi \$0 and \$85,240 during 2013 and 2012 respectively, for his services. In October 2003, Eric Doshi was granted 100,000 options, now fully vested, exercisable to purchase common stock at \$2.10 per share until October 1, 2013. In addition, Eric Doshi was granted 50,000 options exercisable to purchase common stock at \$4.28 per share exercisable until June 26, 2013. The 50,000 options were granted on June 27, 2008 and vest ratably over five years. These options were repriced to \$0.50 effective July 19, 2010, which was at or above the trading price of our common stock on that date. Eric Doshi's salary and stock option compensation, based on industry comparables, was at least as favorable to us as could have been obtained through arm's length negotiations with unaffiliated third parties.



During 2012, Stuart J. Doshi, President and CEO, advanced to the Company loans totaling \$565,000. The notes bear interest at 10% per annum and are payable on demand. In connection with the notes, the Company issued 113,000 warrants to purchase our common stock. Each warrant entitles the holder to acquire one common share at a price of \$0.50 for a period of three years. These loans were approved by the audit committee.

During 2013, Stuart J. Doshi, President and CEO, advanced to the Company loans totaling \$286,000. The notes bear interest at 10% per annum and are payable on demand. In connection with the notes, the Company issued 57,200 warrants to purchase our common stock. Each warrant entitles the holder to acquire one common share at a price between \$0.50 and \$0.10 for a period of three years. These loans were approved by the audit committee.

### **Director Independence**

David Anderson, Thomas Cunningham and Christopher Czuppon, current directors, are independent as defined by the rules of the NYSE MKT. Stuart Doshi and David Creel, current directors, are not independent as defined by the rules of the NYSE MKT. Our Board of Directors is currently comprised of a majority of independent directors.

### **Item 14. Principal Accountant Fees and Services**

#### **Fees Paid to Burr Pilger Mayer, Inc.**

Burr Pilger Mayer, Inc. has been engaged as the Company's independent registered public accounting firm beginning in January 2013 and has been selected by the Audit Committee to conduct the audit of our consolidated financial statements as of and for the year ended December 31, 2013. The following table lists the aggregate fees and costs billed by Burr Pilger & Mayer Inc. to the Company for the years ended December 31, 2013 and 2012:

	<b>2013</b>	<b>2012</b>
Audit fees (1)	\$94,500	\$64,205
Audit related fees (2)	—	—
Tax fees (3)	—	—
All other fees	—	—
	<b>\$94,500</b>	<b>\$64,205</b>

(1)

Audit fees consist of fees and expenses for professional services rendered in connection with the audit of our consolidated financial statements as of December 31, 2013 and December 31, 2012, quarterly reviews of our interim consolidated financial statements, and review of our registration statements.

(2) Audit related fees consist of fees and expenses related to professional services that are reasonably related to the performance of the auditor review of our consolidated financial statements and consist primarily of consultations concerning financial accounting and reporting standards. We have not incurred any such fees during 2013 or 2012.

(3) Tax fees consist of fees and expenses related to the preparation of federal and state tax returns, tax advice and planning and related compliance matters. We have not incurred any such fees during 2013 or 2012.

**Fees Paid to Hein & Associates LLP**

Hein & Associates LLP was the Company's independent registered public accounting firm from 2002 until November 2012. The following table lists the aggregate fees and costs billed by Hein & Associates LLP to the Company for the year ended December 31, 2012:

	<b>2012</b>
Audit fees (1)	\$51,579
Audit related fees (2)	—
Tax fees (3)	—
All other fees	—
	<b>\$51,579</b>

Audit fees consist of fees and expenses for professional services rendered in connection with the audit of our (1) consolidated financial statements as of December 31, 2012, quarterly reviews of our interim consolidated financial statements, and review of our registration statements.

Audit related fees consist of fees and expenses related to professional services that are reasonably related to the (2) performance of the auditor review of our consolidated financial statements and consist primarily of consultations concerning financial accounting and reporting standards. We have not incurred any such fees during 2012.

(3) Tax fees consist of fees and expenses related to the preparation of federal and state tax returns, tax advice and planning and related compliance matters. We have not incurred any such fees during 2012.

**Policy on Audit Committee Pre-Approval**

The Audit Committee is responsible for pre-approving the engagement of our independent auditors for audit or permissible non-audit services. Audit Committee pre-approval of specific audit and non-audit services is not required if the engagement for the services is entered into pursuant to general pre-approval policies and procedures established by the Committee regarding GeoPetro's engagement of the independent auditor, provided the policies and procedures are detailed as to the particular service, the Committee is informed of each service provided and such policies and procedures do not include delegation of the Committee's responsibilities under the Exchange Act to the Company's management. The Committee may delegate to one or more designated members of the Committee the authority to grant pre-approvals, provided such approvals are presented to the Committee at a subsequent meeting. Committee pre-approval of non-audit services (other than review and attest services) is not required if such services fall within available exceptions established by the U.S. Securities & Exchange Commission. All of the services covered by the fees disclosed above were pre-approved by the Chairman of the Audit Committee. These services and fees were then presented to the Committee.



**PART IV**

**Item 15. Exhibits and Financial Statement Schedules**

*The following documents are filed as part of this report*

1. Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets as of December 31, 2013 and 2012	F-3
Consolidated Statements of Operations for the years ended December 31, 2013 and 2012	F-4
Consolidated Statements of Shareholders' Equity for the years ended December 31, 2013 and 2012	F-5
Consolidated Statements of Cash Flows for the years ended December 31, 2013 and 2012	F-6
Notes to Consolidated Financial Statements	F-7
2. All other schedules are omitted because they are not applicable, not required or the required information is included in the consolidated financial statements or related notes.	

A list of exhibits filed or furnished with this report on Form 10-K (or-incorporated by reference to exhibits previously filed or furnished by GeoPetro) is provided in the Exhibit Index immediately following the financial statements in this report.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 31, 2014.

**GEOPETRO RESOURCES COMPANY**

By: /s/ Stuart J. Doshi  
 Stuart J. Doshi  
 Chairman of the Board of Directors, President and  
  
 Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 31, 2014.

<b>Signature</b>	<b>Title</b>	<b>Date</b>
/s/ Stuart J. Doshi Stuart J. Doshi	Chairman of the Board, President and Chief Executive Officer	March 31, 2014
/s/ Dale W. Dvoracek Dale W. Dvoracek	Vice-President of Finance	March 31, 2014
/s/ David V. Creel David V. Creel	Director	March 31, 2014
/s/ Christopher T. Czuppon Christopher T. Czuppon	Director	March 31, 2014
/s/ Thomas D. Cunningham Thomas D. Cunningham	Director	March 31, 2014
/s/ David G. Anderson David G. Anderson	Director	March 31, 2014



## GLOSSARY OF OIL AND NATURAL GAS TERMS

In this report, unless the context otherwise requires, the following terms shall have the indicated meanings. A reference to an agreement means the agreement as it may be amended, supplemented or restated from time to time.

“**1933 Act**” means the United States *Securities Act* of 1933, as amended.

“**Acquisition of Properties**” - Costs incurred to purchase, lease or otherwise acquire a property.

“**Analogous Reservoir**” - Analogous reservoirs, as used in resources assessments, have similar rock and fluid properties, reservoir conditions (depth, temperature, and pressure) and drive mechanisms, but are typically at a more advanced stage of development than the reservoir of interest and thus may provide concepts to assist in the interpretation of more limited data and estimation of recovery.

“**Bengara Block**” means the contract area in the Indonesian province of East Kalimantan designated as the Bengara (II) PSC Block.

“**Bengara II PSC**” means the PSC dated December 4, 1997 between C-G Bengara and Pertamina.

“**Bitumen**” — Bitumen, sometimes referred to as natural bitumen, is petroleum in a solid or semi-solid state in natural deposits with a viscosity greater than 10,000 centipoise measured at original temperature in the deposit and atmospheric pressure, on a gas free basis. In its natural state it usually contains sulfur, metals, and other non-hydrocarbons.

“**BP Migas**” means Badan Pelaksana Minyak Dan Gas Muni, a new executive board established by the government of Indonesia in 2002 for oil and gas upstream operations and an implementing body created to assume the role of Pertamina’s regulatory functions and responsibilities in managing oil and gas contractors.

“**CBM**” means coal bed methane, which is methane found in coal seams. It is produced by non-traditional means, and therefore, while it is sold and used the same as traditional natural gas, its production is different. CBM is generated



either from a biological process as a result of microbial action or from a thermal process as a result of increasing heat with depth of the coal. Often a coal seam is saturated with water, with methane held in the coal by water pressure.

“**C-G Bengara**” means Continental-GeoPetro (Bengara II) Ltd., a British Virgin Islands corporation owned 12% by GeoPetro.

“**CNPC**” means CNPCHK (Indonesia) Limited. CNPC is a wholly owned subsidiary of CNPC (Hong Kong) Limited, a publicly held company based in Hong Kong where its shares trade on the Hong Kong Stock Exchange under the listing number 0135.HK.

“**Company**” means GeoPetro Resources Company, a California corporation, and its wholly-owned subsidiaries.

“**Condensate**” — Condensate is a mixture of hydrocarbons that exists in the gaseous phase at original reservoir temperature and pressure, but that, when produced, is in the liquid phase at surface pressure and temperature.

“**Continental**” means Continental Energy Corporation.

“**Developed Oil and Gas Reserves**” — Developed oil and gas reserves are reserves of any category that can be expected to be recovered: a) Through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well; and b) Through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.

“**Development Costs**” — Costs incurred to obtain access to proved reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas.

“**Development Project**” — A development project is the means by which petroleum resources are brought to the status of economically producible.



**“Development Well”** — A well drilled within the proved area of an oil or gas reservoir to the depth of a stratigraphic horizon known to be productive.

**“Economically Producing”** — The term economically producing, as it relates to a resource, means a resource which generates revenue that exceeds, or is reasonably expected to exceed, the costs of the operation.

**“EIA”** means the United States Energy Information Administration.

**“Estimated Ultimate Recovery”** — (EUR) Estimated ultimate recovery is the sum of reserves remaining as of a given date and cumulative production as of that date.

**“Exploration Costs”** — Costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects of containing oil and gas reserves, including costs of drilling exploratory wells and exploratory-type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property (sometimes referred to in part as prospecting costs) and after acquiring the property.

**“Exploratory Well”** — An exploratory well is a well drilled to find a new field or to find a new reservoir in a field previously found to be productive of oil or gas in another reservoir.

**“Extension Well”** — An extension well is a well drilled to extend the limits of a known reservoir.

**“Fannin Well”** means the Angela Farris Fannin No. 1 well located in the Madisonville Field.

**“Farm-out”** means an agreement whereby a third party agrees to pay for the drilling of a well on one or more of GeoPetro’s properties in order to earn an interest therein with GeoPetro retaining a residual interest in such properties.

**“Field”** — An area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature and/or stratigraphic condition.

“**Gateway**” means Gateway-Madisonville Pipeline, LLC, a company that has constructed pipeline facilities at the Madisonville Field.

“**GeoPetro**” means GeoPetro Resources Company, a California corporation, and its wholly-owned subsidiaries.

“**GeoPetro Alaska**” means GeoPetro Alaska LLC, an Alaska limited liability company, which is a wholly-owned subsidiary of GeoPetro.

“**GeoPetro Canada**” means GeoPetro Canada Ltd., an Alberta corporation, which is a wholly-owned subsidiary of GeoPetro.

“**GeoPetro Pacific**” means GeoPetro Pacific LLC, a Delaware limited liability company, which is a wholly-owned subsidiary of GeoPetro.

“**Hanover**” means Hanover Compression Limited Partnership, a limited partnership that constructed and previously operated treatment facilities at the Madisonville Field.

“**LPG**” means liquefied petroleum gas.

“**Madisonville Field**” means the Madisonville (Rodessa) field in Madison County, Texas.

“**Madisonville Midstream**” means Madisonville Midstream LLC, a Texas limited liability company, which is a wholly-owned subsidiary of Redwood Energy Company, and which is 100% owned, directly or indirectly, by GeoPetro.

“**Madisonville Project**” means the oil and natural gas exploration, development and production project at the Madisonville Field.



“**Magness Well**” means the UMC Ruby Magness No. 1 well located in the Madisonville Field.

“**Makapan Gas Field**” means the Makapan gas field in East Kalimantan, Indonesia.

“**MGP**” means Madisonville Gas Processing, LP, a limited partnership that purchased and operated the treatment facilities at the Madisonville Field, prior to the acquisition of the facilities by GeoPetro.

“**Mitchell Well**” means the Mitchell No. 1 well located in the Madisonville Field.

“**Oil and Gas Producing Activities**” — Oil and gas producing activities include: a) The search for crude oil, including condensate and natural gas liquids, or natural gas (“oil and gas”) in their natural states and original locations; b) The acquisition of property rights or properties for the purpose of further exploration or for the purpose of removing the oil or gas from such properties; c) The construction, drilling, and production activities necessary to retrieve oil and gas from their natural reservoirs, including the acquisition, construction, installation, and maintenance of field gathering and storage systems, such as: i) Lifting the oil and gas to the surface; and ii) Gathering, treating, and field processing (as in the case of processing gas to extract liquid hydrocarbons); and d) Extraction of saleable hydrocarbons, in the solid, liquid, or gaseous state, from oil sands, shale, coalbeds, or other nonrenewable natural resources which are intended to be upgraded into synthetic oil or gas, and activities undertaken with a view to such extraction. Oil and gas producing activities do NOT include: a) Transporting, refining, or marketing oil and gas; b) Processing of produced oil, gas or natural resources that can be upgraded into synthetic oil or gas by a registrant that does not have the legal right to produce or a revenue interest in such production; c) Activities relating to the production of natural resources other than oil, gas, or natural resources from which synthetic oil and gas can be extracted; or d) Production of geothermal steam.

“**Pertamina**” means Perusahaan Pertambangan Minyak Dan Gas Bumi Negara, the previous Indonesian state-owned oil and natural gas company established in 1971 which had exclusive authority to explore, drill for, and produce oil and natural gas minerals in Indonesia. In accordance with the new Indonesian Oil and Gas Law, its corporate form has been changed to become a state-owned limited liability company established under Indonesian Company Law, and all rights and obligations of Pertamina under existing PSCs shall pass to BP Migas.

“**Possible Reserves**” — Possible reserves are those additional reserves that are less certain to be recovered than probable reserves.

**“Probable Reserves”** — Probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered.

**“Production Costs”** — Costs incurred to operate and maintain wells and related equipment and facilities, including depreciation and applicable operating costs of support equipment and facilities and other costs of operating and maintaining those wells and related equipment and facilities.

**“Proved Area”**— The part of a property to which proved reserves have been specifically attributed.

**“Proved Developed Nonproducing Reserves”** means reserves expected to be recovered from zones behind casing in existing wells.

**“Proved Developed Oil and Gas Reserves”** means reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing the natural forces and mechanisms of primary recovery should be included as “proved developed reserves” only after testing by a pilot project or after the operation of an installed program has confirmed through production response that increased recovery will be achieved.

**“Proved Oil and Gas Reserves”**— Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible - from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations - prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.

**“Proved Properties”** — Properties with proved reserves.





**“Proved Undeveloped Reserves”** means reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion. Reserves on undrilled acreage shall be limited to those drilling units offsetting productive units that are reasonably certain of production when drilled. Proved reserves for other undrilled units can be claimed only where it can be demonstrated with certainty that there is continuity of production from the existing productive formation. Under no circumstances should estimates, for proved undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual tests in the area and in the same reservoir.

**“PSC”** means a production sharing contract, being a contract with Pertamina whereby Pertamina contracts with a petroleum company to explore for, develop and extract petroleum substances from a particular license area, on Pertamina’s behalf, at the risk and expense of the petroleum company, in exchange for a share of the production.

**“Redwood”** means Redwood Energy Company, a Texas corporation, which is a wholly-owned subsidiary of GeoPetro and which is the general partner of, and holds a 5% interest in, Redwood LP.

**“Redwood LP”** means Redwood Energy Production, L.P., a Texas limited partnership, the sole limited partner of which is GeoPetro and which is 100% owned, directly or indirectly, by GeoPetro.

**“Reliable Technology”** — Reliable technology is a grouping of one or more technologies (including computational methods) that has been field tested and has been demonstrated to provide reasonably certain results with consistency and repeatability in the formation being evaluated or in an analogous formation.

**“Reserves”**— Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and gas or related substances to market, and all permits and financing required to implement the project.

**“Reservoir”** — A porous and permeable underground formation containing a natural accumulation of producible oil and/or gas that is confined by impermeable rock or water barriers and is individual and separate from other reservoirs.

**“Resources”** — Resources are quantities of oil and gas estimated to exist in naturally occurring accumulations. A portion of the resources may be estimated to be recoverable, and another portion may be considered to be unrecoverable.

Resources include both discovered and undiscovered accumulations.

**“Rodessa Formation”** means the geological formation at the Madisonville Field existing at a depth of approximately 12,000 feet.

**“Seismic”** means data collected that uses reflected seismic waves to produce images of the Earth’s subsurface. The method requires a controlled seismic source of energy, such as dynamite or a specialized air gun. By noting the time it takes for a reflection to arrive at a receiver, it is possible to estimate the depth of the feature that generated the reflection.

**“Service Well”** — A well drilled or completed for the purpose of supporting production in an existing field.

**“South Texas GeoPetro”** means South Texas GeoPetro, LLC., a Texas limited liability company, which is a wholly-owned subsidiary of GeoPetro.

**“Stratigraphic Test Well”** — A stratigraphic test well is a drilling effort, geologically directed, to obtain information pertaining to a specific geologic condition. Such wells customarily are drilled without the intent of being completed for hydrocarbon production.

**“Tertiary Sandstones”** means sandstones which were deposited during a geologic time period ranging from 2 to 63 million years ago.

**“Undeveloped Oil and Gas Reserves”** — Undeveloped oil and gas reserves are reserves of any category that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

**“Unproved Properties”** — Properties with no proved reserves.



“**U.S. GAAP**” means the accounting principles generally accepted in the United States.

“**Wilson Well**” means the Wilson No. 1 well located in the Madisonville Field.

“**Working interest**” means the percentage of undivided interest held by a party in the oil and/or natural gas or mineral lease granted by the mineral owner, which interest gives the holder the right to “work” the property (lease) to explore for, develop, produce and market the leased substances.

## ABBREVIATIONS AND CONVERSIONS

In this report, the following abbreviations have the meanings set forth below:

API American Petroleum Institute

bbl and  
bbls barrel and barrels, each barrel representing 34.972 Imperial gallons or 42 U.S. gallons

bbls/d barrels per day

Bcf billion cubic feet

boe barrels of oil equivalent converting 6 mcf of natural gas to one barrel of oil equivalent and one barrel of natural gas liquids to one barrel of oil equivalent. Measures of boes may be misleading, particularly if used in isolation. This conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead, but is a commonly used industry benchmark.

boe/d barrels of oil equivalent per day

degree  
API an indication of the specific gravity of crude oil measured on the API gravity scale. Liquid petroleum with a specified gravity of 28 degree API or higher is generally referred to as light crude oil.

LPG liquefied petroleum gas

mbbls one thousand barrels

mboe one thousand barrels of oil equivalent

Mcf one thousand cubic feet

Mcf/d one thousand cubic feet per day

mmbbls one million barrels

MMBtu one million British Thermal Units

MMcf one million cubic feet

MMcf/d one million cubic feet per day

NGLs natural gas liquids

psig pounds per square inch gauge

Tcf trillion cubic feet

**GEOPETRO RESOURCES COMPANY**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders

GeoPetro Resources Company

We have audited the accompanying consolidated balance sheets of GeoPetro Resources Company and its subsidiaries (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the two years in the period ended December 31, 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor have we been engaged to perform, an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of GeoPetro Resources Company and its subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has incurred recurring net losses that have resulted in an accumulated deficit of \$53 million as of December 31, 2013. Also, the Company has limited cash and working capital to fund its future operations. These factors raise substantial doubt about the ability of the Company to continue as a going concern. Management's plans regarding those matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.



/s/ Burr Pilger Mayer, Inc.

San Francisco, California

March 31, 2014

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**GEOPETRO RESOURCES COMPANY****CONSOLIDATED BALANCE SHEETS**

	<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$10,857	\$59,432
Accounts receivable—other	16,644	5,460
Prepaid expenses	34,719	65,266
Total current assets	62,220	130,158
<b>Oil and gas properties, at cost (full cost method)</b>		
Unproved properties	2,626,860	6,524,819
Proved properties	57,129,646	53,090,943
Gas processing plant	5,533,910	5,533,910
Less—accumulated depletion, depreciation and impairment	(41,991,589)	(41,625,269)
Net oil and gas properties	23,298,827	23,524,403
<b>Furniture, fixtures and equipment, at cost, net of depreciation</b>	17,398	28,709
<b>Other assets</b>	36,733	36,733
<b>Total Assets</b>	<b>\$23,415,178</b>	<b>\$23,720,003</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Trade payables	\$2,152,029	\$1,346,510
Current portion of notes payable	2,907,987	944,950
Notes payable – related party	900,778	565,000
Interest payable	377,572	137,921
Preferred dividends payable	1,196,236	873,791
Other taxes payable	233,942	134,704
Royalty owners payable	327,844	327,850
Total current liabilities	8,096,388	4,330,726
<b>Long Term Notes Payable</b>	79,882	1,644,427
<b>Asset Retirement Obligations</b>	75,000	75,000
<b>Other Long Term Liabilities</b>	53,145	66,548
<b>Total Liabilities</b>	8,304,415	6,116,701
<b>Commitments and Contingencies (Notes 2 and 10)</b>	—	—

**Shareholders' Equity**

Series B preferred stock, no par value; 7,523,000 shares authorized; 5,370,027 and 5,423,000 shares issued and outstanding at December 31, 2013 and December 31, 2012, respectively. Liquidation preference of \$4,027,520 and \$4,067,250 at December 31, 2013 and December 31, 2012, respectively.	3,833,872	3,873,602
Common stock, no par value; 100,000,000 shares authorized; 56,191,074 and 46,578,101 shares issued and outstanding at December 31, 2013 and December 31, 2012, respectively.	59,696,609	59,117,079
Additional paid-in-capital	4,557,723	4,342,234
Accumulated deficit	(52,977,441)	(49,729,613)
Total shareholders' equity	15,110,763	17,603,302
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$23,415,178</b>	<b>\$23,720,003</b>

*See accompanying notes to these consolidated financial statements.*

**GEOPETRO RESOURCES COMPANY****CONSOLIDATED STATEMENTS OF OPERATIONS**

	<b>For the Years Ended December 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>Revenues</b>		
Natural gas sales	\$—	\$351,082
<b>Costs and Expenses</b>		
Plant operations	273,932	1,036,549
Lease operations	147,447	191,615
General and administrative	1,785,111	1,963,053
Depreciation and depletion	11,311	195,110
Impairment of oil and gas properties	366,320	620,656
Total costs and expenses	2,584,121	4,006,983
<b>Loss from operations</b>	(2,584,121 )	(3,655,901 )
<b>Other Income (Expense)</b>		
Other income	5,588	25,705
Interest income	—	178
Interest expense	(345,250 )	(295,620 )
Total other income (expense)	(339,662 )	(269,737 )
<b>Loss Before Taxes</b>	(2,923,783 )	(3,925,638 )
Income tax expense	(1,600 )	(9,664 )
<b>Net Loss</b>	(2,925,383 )	(3,935,302 )
Preferred stock dividend	(322,445 )	(325,380 )
<b>Net Loss Applicable to Common Shareholders</b>	\$(3,247,828 )	\$(4,260,682 )
<b>Net Loss Per Common Share Basic and Diluted</b>	\$(0.06 )	\$(0.09 )
<b>Weighted average number of common shares outstanding basic and diluted</b>	51,209,530	45,129,877

*See accompanying notes to these consolidated financial statements.*

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**GEOPETRO RESOURCES COMPANY**

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	Preferred Stock		Common Stock		Additional	Accumulated	Total
	Series B Shares	Amount	Shares	Amount	Paid-in Capital	Deficit	Shareholders' Equity
<b>Balances,</b>							
<b>January 1, 2012</b>	<b>5,423,000</b>	<b>\$3,873,602</b>	<b>44,253,101</b>	<b>\$58,725,579</b>	<b>\$3,942,640</b>	<b>\$(45,468,931)</b>	<b>\$21,072,890</b>
Issuance of common stock and warrants for cash, net	—	—	2,100,000	360,000	—	—	360,000
Share-based compensation	—	—	225,000	31,500	391,499	—	422,999
Fair value of warrants issued in connection with notes payable	—	—	—	—	8,095	—	8,095
Net loss	—	—	—	—	—	(3,935,302)	(3,935,302)
Dividends on Series B preferred stock	—	—	—	—	—	(325,380)	(325,380)
<b>Balances,</b>							
<b>December 31, 2012</b>	<b>5,423,000</b>	<b>3,873,602</b>	<b>46,578,101</b>	<b>59,117,079</b>	<b>4,342,234</b>	<b>(49,729,613)</b>	<b>17,603,302</b>
Conversion of preferred stock to common stock	(52,973)	(39,730)	52,973	39,730	—	—	—
Issuance of common stock and warrants for cash, net	—	—	9,900,000	743,000	—	—	743,000
Rescission of common stock and warrants	—	—	(1,000,000)	(250,000)	—	—	(250,000)
Share-based compensation	—	—	660,000	46,800	211,394	—	258,194

Fair value of warrants issued in connection with notes payable	—	—	—	—	4,095	—	4,095
Net Loss	—	—	—	—	—	(2,925,383 )	(2,925,383 )
Dividends on Series B preferred stock	—	—	—	—	—	(322,445 )	(322,445 )
<b>Balances,</b>							
<b>December 31, 2013</b>	<b>5,370,027</b>	<b>\$3,833,872</b>	<b>56,191,074</b>	<b>\$59,696,609</b>	<b>\$4,557,723</b>	<b>\$(52,977,441 )</b>	<b>\$15,110,763</b>

*See accompanying notes to these consolidated financial statements.*

**GEOPETRO RESOURCES COMPANY****CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>For the Years Ended December 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>Cash Flows From Operating Activities</b>		
Net loss	\$(2,925,383)	\$(3,935,302)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and depletion	11,311	195,110
Share-based compensation expense	258,194	422,999
Amortization of debt discount	37,365	51,380
Impairment of oil and gas properties	366,320	620,656
Changes in operating assets and liabilities:		
Accounts receivable	—	165,160
Other assets	19,363	31,632
Current liabilities	1,144,402	457,289
Other long term liabilities	(13,403 )	(9,202 )
Net cash used in operating activities	(1,101,831)	(2,000,278)
<b>Cash Flows from Investing Activities</b>		
Additions to oil and gas properties	(204,019 )	(230,817 )
Proceeds from dispositions of oil and gas properties	63,275	523,786
Net cash provided by (used in) investing activities	(140,744 )	292,969
<b>Cash Flows from Financing Activities</b>		
Proceeds from issuance of common shares and warrants	743,000	360,000
Proceeds from promissory notes	115,000	—
Repayments of promissory notes	—	(75,000 )
Proceeds from related party notes	336,000	565,000
Net cash provided by financing activities	1,194,000	850,000
<b>Net Decrease in Cash and Cash Equivalents:</b>	<b>(48,575 )</b>	<b>(857,309 )</b>
<b>Cash and Cash Equivalents</b>		
Beginning of period	59,432	916,741
End of period	\$10,857	\$59,432
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid for interest	\$68,234	\$122,889



Cash paid for income taxes	\$9,664	\$1,600
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**Non-Cash Transactions**

Fair value of warrants issued in connection with promissory notes and private placements	\$161,559	\$77,932
Accrual of dividends on preferred stock	\$322,445	\$325,380
Conversion of preferred stock to common stock	\$39,730	\$—
Rescission of common stock and warrants	\$250,000	\$—
Fair value of warrants cancelled in connection with rescission of common stock	\$40,070	\$—

*See accompanying notes to these consolidated financial statements.*

## **GEOPETRO RESOURCES COMPANY**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Information subsequent to December 31, 2013 is unaudited)**

#### **1. ORGANIZATION AND BASIS OF PRESENTATION**

GeoPetro Resources Company (“we,” “us,” “our,” “GeoPetro” or the “Company”) was originally incorporated as GeoPetro Company under the laws of the State of Wyoming in 1994 to participate in the oil and gas acquisition, exploration, development and production business in the United States and internationally. GeoPetro Company was subsequently merged into GeoPetro Resources Subsidiary Company, a California corporation, on June 28, 1996. GeoPetro’s name was then changed to GeoPetro Resources Company. GeoPetro’s corporate office is in San Francisco, California. The accompanying consolidated financial statements include the accounts of GeoPetro and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

#### **2. LIQUIDITY**

As of December 31, 2013, GeoPetro had a cash balance of \$10,857, a working capital deficit of \$8,034,168 and an accumulated deficit of \$52,977,441. Further, GeoPetro generated net losses attributable to common shareholders of \$3,247,828 and \$4,260,682 during the years ended December 31, 2013 and 2012 respectively. GeoPetro’s ability to meet its contractual obligations and remit payment under its arrangements with its vendors depends on its ability to generate additional financing or future revenue. GeoPetro’s management continues to renegotiate the terms of its existing borrowing arrangements and raise additional capital through debt and equity issuances. These conditions raise substantial doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustment that might be necessary if the Company is unable to continue as a going concern.

Since its inception, GeoPetro has participated as a working interest owner in the acquisition of undeveloped leases, seismic options, lease options and foreign concessions and has participated in seismic surveys and the drilling of test wells on its undeveloped properties. In December 2008, we acquired a natural gas treatment plant in East Texas. Exploratory and development drilling is scheduled during 2014 and future periods on GeoPetro’s undeveloped properties and expansion is planned on the natural gas treatment plant. The planned expansion at the natural gas treatment plant and the exploration activities together with others that may be entered into exceed the existing working capital of GeoPetro. Management will need to raise additional equity and/or debt capital, to finance its continued

activities. Management believes that GeoPetro will be successful in obtaining adequate sources of cash to fund its anticipated capital expenditures and operating expense through the end of 2014, but there can be no assurance that management will be successful in raising sufficient additional equity and/or debt capital. If additional financing is not available, GeoPetro will be compelled to reduce the scope of its business activities including, but not limited to, the following:

Selling working interests and assets in its Madisonville operations to other parties;

Farming-out its interest in proposed wells;

Forfeiting its interest in wells that are proposed to be drilled and/or;

Reducing general and administrative expenses;

As a result of the Company's liquidity issues, it may be required to sell certain assets, including reserves and/or raise capital with terms that may not be as favorable as might otherwise be available.

In April 2012, the Company's wholly-owned subsidiary, Redwood Energy Production, L.P., elected to temporarily shut-in its natural gas production at the Madisonville Field, Madison County, Texas in light of depressed natural gas prices. As of December 31, 2013, the Madisonville Field remains shut-in. For the year ended December 31, 2012, 100% of the Company's revenue was derived from the natural gas production in the Madisonville Field.

As of December 31, 2013, Stuart J. Doshi, President and CEO, has advanced to the Company twenty-seven loans totaling \$851,000. The notes bear interest at 10% per annum and are payable on demand (Note 5). As of December 31, 2013, a Company Director has advanced to the Company a loan in the amount of \$50,000. The note bears an annual rate of 10% and matures in June 2014 (Note 5).

On February 28, 2013, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”), with MCW Energy Group Limited, an Ontario corporation (“MCW”), and MCW CA SUB, a California corporation and a wholly-owned subsidiary of Parent (“Merger Sub”). On April 4, 2013, the Company entered into an amendment (the “Amendment”) to the Merger Agreement. Pursuant to the Merger Agreement and subject to the terms and conditions set forth therein, Merger Sub will merge with and into the Company (the “Merger”) and the Company will survive the Merger and continue as a subsidiary of MCW. The Merger Agreement has been approved by Boards of Directors of each of the Company, MCW and Merger Sub. The merger is subject to customary closing conditions, including regulatory and shareholder approval. A material consideration for GeoPetro to pursue the merger was the Parent Financing of \$20,000,000 which was to be completed prior to closing. As of March 31, 2014, MCW has yet to complete the Parent Financing contemplated by the Merger Agreement. Since the merger did not close by September 30, 2013, either party may terminate the Merger Agreement.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*U.S. GAAP*—The Company’s financial statements have been prepared in accordance with accounting principles generally accepted within the United States of America (“U.S. GAAP”).

*Use of Estimates and Significant Estimates*—Certain amounts in GeoPetro’s financial statements are based upon significant estimates, including oil and gas reserve quantities which form the basis for the calculation of depreciation, depletion, amortization and impairment of oil and gas properties, the carrying values of unproved properties, asset retirement obligations, accounting for business combinations and share-based payments, and a provision for income taxes. Actual results could materially differ from those estimates.

*Oil and Gas Properties*—GeoPetro follows the full cost method of accounting for oil and gas producing activities and, accordingly, capitalizes all costs incurred in the acquisition, exploration, and development of proved oil and gas properties, including the costs of abandoned properties, dry holes, geophysical costs, and annual lease rentals. All general corporate costs are expensed as incurred. In general, sales or other dispositions of oil and gas properties are accounted for as adjustments to capitalized costs, with no gain or loss recorded. Costs incurred for repairs and maintenance are expensed as incurred. Amortization of proved oil and gas properties is computed on the units of production method based on all proved reserves on a country by country basis. Unproved oil and gas properties are assessed for impairment either individually or on an aggregate basis. The net capitalized costs of proved oil and gas properties (full cost ceiling limitation) are not to exceed their related estimated future net revenues discounted at 10%, and the lower of cost or estimated fair value of unproved properties, net of tax considerations.

*Asset Impairment*—Under full cost accounting, a ceiling test is performed to ensure that unamortized capitalized costs in each cost center (country) do not exceed their fair value. Impairment is recognized when the carrying value is greater

than the discounted future cash flows. In the event of impairment, the amount by which the carrying value exceeds the estimated fair value of the long-lived asset is charged to earnings. The present value of estimated future net revenues is computed by applying average oil and gas prices to estimated future production of proved oil and gas reserves as of period-end, less estimated future expenditures to be incurred in developing and producing the proved reserves assuming the continuation of existing economic conditions. SEC rules require that reserve calculations be based on the un-weighted average first-day-of-the-month prices for the prior twelve months. There was no impairment of proved oil and gas properties indicated at either December 31, 2013 or December 31, 2012.

For the unproved properties, the Company evaluates the possibility of potential impairment on a quarterly basis. During the year ended December 31, 2013 approximately \$366,320 of unproved property costs related to Canada exploration projects were reclassified to proved property and ceiling test impairment was recorded in the Canada full cost pool as the underlying leases have expired. Also during the year ended December 31, 2013 approximately \$3,710,658 of unproved property costs related to Alaska exploration projects were reclassified to proved property and due to the existence of proved reserves in the United States, no ceiling test impairment was recorded. During the year ended December 31, 2012 approximately \$587,040 of unproved property costs related to Indonesia exploration projects were reclassified to proved property and ceiling test impairment was recorded in the Indonesia full cost pool as negotiations with the Indonesian government for an extension of the Bengara II Production Sharing Contract (“PSC”) have terminated. The PSC shall now be relinquished and allowed to expire in accordance with its terms. In addition, approximately \$33,616 of unproved property costs related to Canada exploration projects were reclassified to proved property and ceiling test impairment was recorded in the Canada full cost pool.

*Joint Ventures*—Some exploration and production activities are conducted jointly with others and, accordingly, the accounts reflect only GeoPetro’s proportionate interest in such activities.

*Revenue Recognition*—Revenue is recognized upon delivery of gas production.

*Asset Retirement Obligation*—The fair value of an asset retirement cost, and corresponding liability, are recorded as part of the cost of the related long-lived asset and subsequently allocated to expense using a systematic and rational method. GeoPetro recorded an asset retirement obligation to reflect GeoPetro’s legal obligations related to future plugging and abandonment of its oil and gas wells. GeoPetro estimated the expected cash flow associated with the obligation and discounted the amount using a credit-adjusted, risk-free interest rate. At least annually, GeoPetro reassesses the obligation to determine whether a change in the estimated obligation is necessary. GeoPetro evaluates whether there are indicators that suggest the estimated cash flows underlying the obligation have materially changed. Should those indicators suggest the estimated obligation has materially changed, GeoPetro will accordingly update its assessment.

There are asset retirement obligations associated with the Plant. However, components of the Plant can be used for extended and indeterminate periods of time as long as they are properly maintained and/or upgraded. GeoPetro’s intent is to maintain the Plant assets and continue making improvements to those assets based on technological advances. As a result, GeoPetro’s management believes that the Plant has an indeterminate life for purposes of estimating asset retirement obligations because dates or ranges of dates upon which GeoPetro would retire the Plant cannot reasonably be estimated.

	<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>
Asset retirement obligations, beginning of period	\$75,000	\$75,000
Liabilities incurred	—	—
Accretion expense	—	—
Asset retirement obligations, end of period	\$75,000	\$75,000

*Furniture, Fixtures and Equipment*—Furniture, fixtures and equipment are stated at cost. Depreciation is provided on furniture, fixtures and equipment using the straight-line method over an estimated service life of three to seven years.

*Income Taxes*—GeoPetro accounts for income taxes using the asset and liability method wherein deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. Because management has determined that realization of deferred tax assets is not more likely than not, the net deferred tax assets are fully reserved.

*Concentrations of Credit Risk*—Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted. Concentrations of credit risk (whether on or off balance sheet) that arise from financial instruments exist for groups of customers or counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions described below. The credit risk amounts for cash and accounts receivable do

not take into account the value of any collateral or security.

GeoPetro maintains several cash accounts with higher quality financial institutions in amounts which occasionally exceed current federal deposit insurance limits. Senior management continuously reviews these institutions for financial stability. The Company has not experienced any losses in connection with amounts in excess of federal deposit limits.

During the year ended December 31, 2012, substantially all of the Company's natural gas production was sold to Luminant Energy Company, LLC.

There were no trade accounts receivable at December 31, 2013 or 2012.

*Trade Accounts Receivable and Allowance for Doubtful Accounts*—Accounts receivable, oil and gas sales, consist of uncollateralized accrued revenues due under normal trade terms, generally requiring payment within 30 days. No interest is charged on past-due balances. Payments made on all accounts receivable are applied to the earliest unpaid items. Trade accounts receivable are recorded at net realizable value. If the financial condition of GeoPetro's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Delinquent trade accounts receivable are charged against the allowance for doubtful accounts once uncollectibility has been determined. The allowance is determined through an analysis of the past-due status of accounts receivable and assessments of risk that are based on historical trends and an evaluation of the impact of current and projected economic conditions. There was no allowance for doubtful accounts needed as of December 31, 2013 or 2012.

*Fair Value of Financial Instruments*—The estimated fair values for financial instruments are determined at discrete points in time based on relevant market information. These estimates involve uncertainties and cannot be determined with precision. For certain of GeoPetro’s financial instruments, including cash, accounts receivable, accounts payable and current portion of notes payable, the carrying amounts approximate fair value due to their maturities. As of December 31, 2013 and 2012, the Company has no financial instruments required to be measured at fair value on a recurring basis.

*Share-Based Payments*—The Company has a stock-based compensation plan that allows employees to purchase common shares of the Company. Option exercise prices approximate the market price for the common shares on the date the options were issued. Options granted under the plan are generally fully exercisable after five years and expire five to ten years after the grant date. The Company measures and records stock-based awards to directors, employees and consultants based on the grant-date fair value, determined using the Black-Scholes option pricing model with assumptions for: risk free interest rates, expected dividend yield, expected life of the option, and the expected volatility. The compensation expense was recorded ratably over the requisite service period defined in the award. The Company recorded \$258,194 and \$422,999 of stock-based employee compensation for the twelve months ended December 31, 2013 and 2012, respectively. (Note 8)

*Net Loss per Common Share*—Basic net loss per common share is computed by dividing the net loss attributable to common shareholders by the weighted average number of shares of common stock outstanding during the period.

Diluted net loss per common share is computed in the same manner, but also considers the effect of common stock shares underlying the following:

	<b>Years Ended</b>	
	<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>
Stock options (Note 8)	955,000	3,445,000
Warrants (Note 9)	6,237,369	5,983,265
Convertible preferred stock, Series B	5,370,027	5,423,000

All of the common shares underlying the stock options and warrants above were excluded from diluted weighted average shares outstanding for each of the years in the period ended December 31, 2013 and 2012 because their effects were antidilutive.



*Segment Reporting*—GeoPetro has oil and gas exploration, development and production operations in the United States, Canada, Australia and Indonesia. All revenues and related costs are associated with operations in the United States. A summary of assets and capital expenditures by geographical segment is included in Note 4.

*Cash and Cash Equivalents*—Cash and cash equivalents include cash on hand, amounts held in banks and highly liquid investments purchased with an original maturity of three months or less.

*Recently Issued Accounting Pronouncements*— The Company has evaluated recent accounting pronouncements and their adoption and we have not identified any that would have a material impact on the Company's financial position, or statements.

#### 4. SUMMARY OF OIL AND GAS OPERATIONS

Capitalized costs at year end and costs incurred relating to GeoPetro's oil and gas properties are summarized as follows:

Capitalized costs as of December 31, 2013 are as follows:

	<b>United States</b>	<b>Australia</b>	<b>Indonesia</b>	<b>Canada</b>	<b>Totals</b>
Proved properties	\$50,294,183	\$2,388,051	\$1,361,817	\$3,085,595	\$57,129,646
Unproved properties	1,104,142	1,522,718	—	—	2,626,860
Gas processing plant	5,533,910	—	—	—	5,533,910
Less—accumulated depletion and impairment	(35,156,126)	(2,388,051)	(1,361,817)	(3,085,595)	(41,991,589)
Net capitalized costs	\$21,776,109	\$1,522,718	\$—	\$—	\$23,298,827

Costs incurred for the year ended December 31, 2013 are as follows:

Exploration	\$179,019	\$—	\$—	\$—	\$179,019
Development	25,000	—	—	—	25,000
Total costs incurred	\$204,019	\$—	\$—	\$—	\$204,019

Capitalized costs as of December 31, 2012 are as follows:

	<b>United States</b>	<b>Australia</b>	<b>Indonesia</b>	<b>Canada</b>	<b>Totals</b>
Proved properties	\$46,621,800	\$2,388,051	\$1,361,817	\$2,719,275	\$53,090,943
Unproved properties	4,635,781	1,522,718	—	366,320	6,524,819
Gas processing plant	5,533,910	—	—	—	5,533,910

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Less—accumulated depletion and impairment	(35,156,126)	(2,388,051)	(1,361,817)	(2,719,275)	(41,625,269)
Net capitalized costs	\$21,635,365	\$1,522,718	\$—	\$366,320	\$23,524,403

Costs incurred for the year ended December 31, 2012 are as follows:

Exploration	\$149,037	\$—	\$—	\$64,939	\$213,976
Development	16,841	—	—	—	16,841
Total costs incurred	\$165,878	\$—	\$—	\$64,939	\$230,817

In April 2012, the Company's wholly-owned subsidiary, Redwood Energy Production, L.P., elected to temporarily shut-in its natural gas production at the Madisonville Field, Madison County, Texas in light of depressed natural gas prices. As of December 31, 2013, the Madisonville Field remains shut-in.

The Company sold certain oil and gas properties for approximately \$50,000 and approximately \$500,000 for the years ended December 31, 2013 and 2012, respectively.

The Company reclassified, from unproved properties, costs associated with United States projects of \$3,710,658 to the full cost pool for the year ended December 31, 2013. Due to the existence of proved reserves in the United States, no ceiling test impairment was required to be recorded.

The Company reclassified costs associated with Indonesia projects of \$587,040 to the full cost pool for the year ended December 31, 2012. Considering that we do not have any proved reserves in Indonesia, those costs were immediately charged to impairment.

The Company reclassified costs associated with Canada projects of \$366,320 and \$33,616 to the full cost pool for the years ended December 31, 2013 and 2012, respectively. Considering that we do not have any proved reserves in Canada, those costs were immediately charged to impairment.

The Company has proved undeveloped reserves included in the carrying value of its proved properties. The Company is confident capital will be raised to further develop these reserves, however, if such capital is not raised, the Company may be required to impair the Proved property asset in the future.

*Unproved Oil and Gas Properties—United States*—As GeoPetro’s properties are evaluated through exploration, they will be included in the amortization base. The prospects and their related costs in unproved properties have been assessed individually and in 2013, the Company reclassified costs of \$3,710,658 associated with its Alaska prospect to the full cost pool due to uncertainty regarding Linc Energy’s ability to develop the prospect.

Unproved properties in the United States as of December 31, 2013 consist primarily of exploration costs related to our California prospect. The cost basis of unproved properties in California as of December 31, 2013 is \$1,104,142.

Costs incurred in connection with unproved properties in the United States during the year ended December 31, 2013 consisted primarily of exploration costs in connection with GeoPetro’s California prospect. Subject to approval of drilling permits, drilling on the California prospect is anticipated to commence in 2015.

*Unproved Oil and Gas Properties—Australia*—Unproved costs incurred in Australia represent costs in connection with the exploration of two exploration permit areas in Australia. The prospects and their related costs in unproved properties have been assessed individually and no impairment charges were considered necessary for the Australian properties for any of the periods presented. On June 20, 2007, the Company entered into a contract to sell its Australian Properties to an unaffiliated third party. These costs remaining in unproved properties represent our retained interest.

*Unproved Oil and Gas Properties—Indonesia*—Unproved costs incurred in Indonesia related to the Bengara Block represent costs in connection with one production sharing contract area and the exploration efforts in Indonesia.

The Company had retained a carried 12% stake in the Bengara II Block PSC through its investment in Continental-GeoPetro (Bengara-II) Ltd. (“C-G Bengara”), the operator company of the project with offices in Jakarta, Indonesia. The Company has been notified that the operator of the Bengara II Production Sharing Contract (“PSC”) has terminated negotiations with the Indonesian government for an extension of the PSC’s terms. The PSC shall now be relinquished and allowed to expire in accordance with its terms. As a result, the Company has recorded an impairment charge of \$587,040 to its oil and gas properties for the year ended December 31, 2012.

*Unproved Oil and Gas Properties—Canada*—Unproved costs incurred in Canada primarily represent costs in connection with the Swan Hills Project in Alberta, Canada. These leases expired in 2013. As a result, the Company has recorded an impairment charge of \$366,320 to its oil and gas properties for the year ended December 31, 2013. For the year ended December 31, 2012, the Company recorded an impairment charge to its oil and gas properties of \$33,616 for costs associated with an abandoned prospect.

*Breakdown of Unproved Oil and Gas Properties*—The following table sets forth a summary of oil and gas property costs not being amortized at December 31, 2013, by the period in which the costs were incurred:

	<b>Totals</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010 and Prior Years</b>
Unproved property acquisition	\$635,209	\$—	\$—	\$—	\$635,209
Exploration	1,991,651	179,019	149,037	66,277	1,597,318
Total	\$2,626,860	\$179,019	\$149,037	\$66,277	\$2,232,527

Management expects that planned activities for the year 2014 will enable the evaluation of approximately 25% of the costs as of December 31, 2013. Evaluation of 30% of the remaining costs is expected to occur in 2015 with the remaining 45% in 2016 and beyond.

#### *Gas Processing Plant*

There are asset retirement obligations associated with the Plant. However, components of the Plant can be used for extended and indeterminate periods of time as long as they are properly maintained and/or upgraded. GeoPetro's intent is to maintain the Plant assets and continue making improvements to those assets based on technological advances. As a result, GeoPetro's management believes that the Plant has an indeterminate life for purposes of estimating asset retirement obligations because dates or ranges of dates upon which GeoPetro would retire the Plant cannot reasonably be estimated.

## 5. Notes Payable and Related Party Notes Payable

Debt at December 31, 2013 and December 31, 2012 consisted of the following:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
<b><i>Current</i></b>		
Related party notes (a)	\$901,000	\$565,000
Promissory notes 12/08 (b)	850,000	—
Promissory notes 05/09 (c)	365,000	—
Promissory notes 06/09 (d)	300,000	—
Bridge notes 08/10, 10/10 (e)	900,000	900,000
Promissory note 09/10 (f)	150,000	75,000
Promissory note 01/13 (g)	250,000	—
Promissory notes 05/13, 06/13 (h)	85,000	—
Promissory note 09/13 (i)	20,000	—
Less discount on promissory notes	(12,235 )	(30,050 )
<b><i>Net current notes payable</i></b>	<b>3,808,765</b>	<b>1,509,950</b>
<b><i>Long Term</i></b>		
Promissory notes 12/08 (b)	—	850,000
Promissory notes 05/09 (c)	—	365,000
Promissory notes 06/09 (d)	—	300,000
Bridge notes 08/10, 10/10 (e)	—	—
Promissory note 09/10 (f)	75,000	150,000
Promissory note 12/13 (j)	10,000	—
Less discount on promissory notes	(5,118 )	(20,573 )
<b><i>Net Long term notes payable</i></b>	<b>79,882</b>	<b>1,644,427</b>
<b>Total</b>	<b>\$3,888,647</b>	<b>\$3,154,377</b>

a) During the year ended December 31, 2012, Stuart J. Doshi, President and CEO, advanced to the Company twelve loans totaling \$565,000 which are payable on demand. The notes bear an annual rate of ten percent (10%), with such interest payable quarterly in arrears. These notes are secured by a first position deed of trust against the

Company's improved real property located in Madison County, Texas, commonly known as the Madisonville Gas Processing Plant site. In connection with these notes, the Company issued 113,000 warrants to purchase our common stock. The fair value of the warrants issued was \$4,520 (Note 9), which has been recorded as a debt discount and will be amortized over the life of the note. Since these notes are payable on demand, the debt discount was fully amortized in 2012. During the year ended December 31, 2013, Stuart J. Doshi, President and CEO, advanced to the Company fifteen loans totaling \$286,000 which are payable on demand. The notes bear an annual rate of ten percent (10%), with such interest payable quarterly in arrears. These notes are secured by a first position deed of trust against the Company's improved real property located in Madison County, Texas, commonly known as the Madisonville Gas Processing Plant site. In connection with these notes, the Company issued 57,200 warrants to purchase our common stock. The fair value of the warrants issued was \$2,616 (Note 9), which has been recorded as a debt discount and will be amortized over the life of the note. Since these notes are payable on demand, the debt discount has been fully amortized in 2013. During the year ended December 31, 2013, a Company Director advanced to the Company a loan in the amount of \$50,000. The note bears an annual rate of ten percent (10%), with such interest payable at maturity, and matures in June 2014. In connection with this note, the Company issued 10,000 warrants to purchase our common stock. The fair value of the warrants issued was \$508 (Note 9), which has been recorded as a debt discount and will be amortized over the life of the note. Interest expense accrued on these notes for the year ended December 31, 2013 was \$77,377.

In December 2008, the Company issued four promissory notes totaling \$1,050,000 with maturity dates in December 2011. The notes may be repaid at any time without penalty. The notes bear an annual rate of eight percent (8%), with such interest payable quarterly in arrears. In connection with the notes, the Company paid loan origination fees totaling \$6,000 and granted three-year exercisable warrants to purchase 105,000 Common Shares and reissued 15,000 warrants at \$1.00 per share. We also issued 150,000 warrants as a finder's fee. The fair value of the warrants on the dates of issuance of \$122,764 and the \$6,000 of loan origination fees, were recorded as a debt discount and have been amortized over the life of the promissory notes. In February 2011, we extended the maturity on three separate notes totaling \$850,000 to December 2012. In connection with the extension, the Company extended the warrants to purchase our common stock associated with these three notes for an additional year. The fair value associated with the warrant extension was \$4,370 (Note 9), which has been recorded as a debt discount and has been amortized over the extended life of the notes. In December 2011, one of the four original promissory notes for \$200,000, and the accrued interest thereon, was paid in full. In May 2012, we extended the maturity on the three remaining notes totaling \$850,000 to January 2014. In connection with the extension, the Company extended the warrants to purchase our common stock associated with these three notes for an additional year and reduced the exercise price to purchase the common shares from \$1.00 to \$0.50 per share. The fair value associated with the warrant extension was \$1,766 (Note 9), which has been recorded as a debt discount and will be amortized over the extended life of the notes. As of December 31, 2013 the unamortized portion of the debt discount was \$134.

In May 2009, the Company issued two promissory notes totaling \$365,000 with maturity dates in May 2012. The notes may be repaid at any time without penalty. The notes bear an annual rate of eight percent (8%), with such interest payable quarterly in arrears. In connection with the notes, the Company granted three-year exercisable warrants to purchase 36,500 Common Shares at \$1.00 per share. The fair value of the warrants on the dates of issuance of \$12,724 was recorded as a debt discount and has been amortized over the life of the promissory notes. In February 2011, we extended the maturity of the notes to May 2013. In connection with the extension, the Company extended the warrants to purchase our common stock associated with these two notes for an additional year. The fair value associated with the warrant extension was \$1,876 (Note 9), which has been recorded as a debt discount and will be amortized over the extended life of the notes. In May 2012, we extended the maturity on the notes to May 2014. In connection with the extension, the Company extended the warrants to purchase our common stock associated with these three notes for an additional year and reduced the exercise price to purchase the common shares from \$1.00 to \$0.50 per share. The fair value associated with the warrant extension was \$971 (Note 9), which has been recorded as a debt discount and will be amortized over the extended life of the notes. As of December 31, 2013 the unamortized portion of the debt discount was \$364.

In June 2009, the Company issued two promissory notes totaling \$300,000 with maturity dates in June 2010. The notes may be repaid at any time without penalty. The notes bear an annual rate of eight percent (8%), with such interest payable quarterly in arrears. In connection with the notes, the Company granted three-year exercisable warrants to purchase 30,000 Common Shares at \$1.00 per share. The fair value of the warrants on the date of issuance of \$7,537 was recorded as a debt discount and has been amortized over the life of the promissory notes. In March 2010, these two notes were extended for an additional one year and the new maturity was June 2011. In February 2011, we extended the maturity on the notes to June 2012. In connection with the extension, the Company extended the warrants to purchase our common stock associated with these two notes for an additional year. The fair value associated with the warrant extension was \$1,542 (Note 9), which has been recorded as a debt discount and has been amortized over the extended life of the notes. In May 2012, we extended the maturity on the



notes to January 2014. In connection with the extension, the Company extended the warrants to purchase our common stock associated with these three notes for an additional year and reduced the exercise price to purchase the common shares from \$1.00 to \$0.50 per share. The fair value associated with the warrant extension was \$839 (Note 9), which has been recorded as a debt discount and will be amortized over the extended life of the notes. As of December 31, 2013 the unamortized portion of the debt discount was \$44.

During the period of August through October 2009, the Company borrowed an aggregate of \$950,000 pursuant to four separate bridge loans with maturity dates in August 2010 and October 2010. The notes may be repaid at any time without penalty. The notes bear an annual rate of ten percent (10%), with such interest payable at maturity.

In connection with the issuance of these notes we issued 47,500 warrants to purchase our common stock. The fair value of the warrants on the dates of issuance of \$24,162 was recorded as a debt discount and has been amortized over the life of the promissory notes. During the period of August through October 2010, we partially repaid a promissory note in the amount of \$50,000. We renewed three promissory notes totaling \$180,000 with new maturity dates of August 2011 and renewed one promissory note in the amount of \$720,000 with a new maturity date of October 2011. Prior to the note renewals we repaid all outstanding accrued interest on the notes. The terms of the renewed notes payable remain materially consistent those previously issued. In connection with the issuance e) of these notes we issued a total of 95,000 warrants to purchase our common stock and recorded \$36,000 in renewal fees. The fair value of the warrants on the date of issuance of \$23,286, and the \$36,000 renewal fees, were recorded as a debt discount and have been amortized over the life of the promissory notes. During the period of August through October 2011, we renewed three promissory notes totaling \$180,000 with new maturity dates of August 2013 and renewed one promissory note in the amount of \$720,000 with a new maturity date of October 2013. Prior to the note renewals we repaid all outstanding accrued interest on the notes. The terms of the renewed notes payable remain materially consistent those previously issued. In connection with the issuance of these notes we issued a total of 37,000 warrants to purchase our common stock and recorded \$27,000 in renewal fees. The fair value of the warrants on the date of issuance of \$5,374 (Note 9), and the \$27,000 renewal fees, were recorded as a debt discount and were amortized over the life of the promissory notes.

In September 2010, we issued a 5-year non-interest bearing note payable in the amount of \$375,000 in connection with the execution of a settlement agreement. Payments are due as follows: \$25,000 in March 2011, \$50,000 in f) October 2011, and \$75,000 each October thereafter until 2015. Payments totaled \$75,000 in the year ended December 31, 2012 and \$0 in the year ended December 31, 2013. An imputed interest rate of 10% per annum has been used to record a discount in connection with this note of \$90,116, and is being amortized over the life of the note. As of December 31, 2013 the unamortized portion of the debt discount was \$16,588.

In January 2013, the Company issued a non-interest bearing unsecured promissory note in the amount of \$250,000 g) (Note 7). The note will mature in July 2014.

During the period of May through June 2013, the Company issued two promissory notes totaling \$85,000 with maturity dates in December 2013. The notes may be repaid at any time without penalty. The notes bear an annual h) rate of eight percent (8%), with such interest payable at maturity. In connection with the notes, the Company issued 17,000 warrants to purchase our common stock. The fair value of the warrants issued was \$971 (Note 9), which has been recorded as a debt discount and has been amortized over the life of the notes.

In September 2013, the Company issued a promissory note in the amount of \$20,000 with a maturity date of i) November 2013. The note bears an annual rate of eight percent (8%).

j)

In December 2013, the Company issued a convertible promissory note in the amount of \$10,000 with a maturity date of January 2015. The note bears an annual rate of five percent (5%), with such interest payable at maturity. The payee has the option to convert the outstanding principal amount into common stock of GeoPetro at a conversion price of \$0.05 per share.

A schedule of Maturities of our Debt Obligations as of December 31, 2013 is as follows;

<b>Maturity Date</b>	<b>2014</b>	<b>2015</b>
January	\$3,081,000	\$10,000
May	365,000	—
June	50,000	—
July	250,000	—
October	75,000	75,000
Totals	\$3,821,000	\$85,000

## 6. INCOME TAXES

The Company files income tax returns in the U.S. federal jurisdiction and various states. There are currently no federal or state income tax examinations underway. Furthermore, the Company is no longer subject to U.S. federal income tax examinations by the Internal Revenue Service for tax years before 2009 and for state and local tax authorities for tax years before 2008. The Company does, however, have net operating losses generated in tax years 1997 and after, which remain open for examination.

The Company adopted the provisions of ASC 740 (formerly SFAS 109 and FIN 48), on January 1, 2007. As of December 31, 2007 the Company had no unrecognized tax benefits. There have been no changes during the year with respect to unrecognized tax benefits. The Company does not foresee the total amounts of unrecognized tax benefits significantly increasing within the next 12 months. Furthermore, no corresponding interest and penalties have been accrued as the Company is in a net operating loss position.

ASC 740 requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax basis of the assets and liabilities. Where it is more likely than not that a tax benefit will not be realized, a valuation allowance is recorded to reduce the deferred tax asset to its realizable value.

A valuation allowance has been provided against the Company's net deferred tax assets as the Company believes that it is more likely than not that the net deferred tax assets will not be realized.

The effective income tax rates for the years ended December 31, 2013 and 2012 were negligible, primarily due to the Company's loss position and the deferred tax asset being 100% reserved.

The provision for income taxes consists of the following:

	<b>2013</b>	<b>2012</b>
Current		
Federal	\$—	\$—
State	1,600	9,664
Foreign	—	—
Total	1,600	9,664
Deferred		

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Federal	—	—
State	—	—
Foreign	—	—
Total	—	—
Total Income Tax Provision	\$1,600	\$9,664

The actual income tax (benefit) expense differs from the expected tax (benefit) expense as computed by applying the U.S. Federal corporate income tax rate of 35% for each period as follows:

	<b>2013</b>	<b>2012</b>
Amount of expected tax benefit	\$(1,023,324)	\$(1,456,563)
Non-deductible expenses	6,914	3,560
Alternative minimum tax	—	—
State Taxes	1,600	9,664
Valuation allowance adjustments	1,016,410	1,453,003
	\$1,600	\$9,664

Deferred income taxes reflect the net tax effects of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets (liabilities) are as follows:

	<b>2013</b>	<b>2012</b>
Deferred tax assets (liabilities)		
Net operating loss carry forwards	\$ 16,671,000	\$ 14,150,000
Oil and gas property basis differences	3,662,000	3,662,000
Stock compensation	793,000	793,000
Other	(983,000 )	(990,000 )
Total deferred tax assets	20,143,000	17,615,000
Valuation allowance	(20,143,000)	(17,615,000)
Total net deferred taxes	\$—	\$—

As of December 31, 2013, GeoPetro had net operating loss (NOL) carryforwards of approximately \$42,030,000 for federal income tax purposes which begin to expire in 2018. If the Company were to experience a change in ownership under Section 382, the Company may be limited in its ability to fully utilize its net operating losses.

However, in accordance with ASC 718 (formerly SFAS 123(R)), a deferred tax asset has not been recognized for the portion of the net operating loss carryforwards that is attributable to excess tax deductions associated with the exercise of stock options which do not reduce income taxes payable. Accordingly, approximately \$3,536,000 of GeoPetro's federal NOL has not been benefited for financial statement purposes as it relates to excess tax deductions that have not reduced income taxes payable. The benefit of these excess tax deductions will not be recognized for financial statement purposes until the related deductions reduce income taxes payable.

The Company also has approximately \$12,510,000 of California net operating losses and approximately \$670,000 of Alaska net operating losses which begin to expire in 2012 and 2026, respectively. In accordance with ASC 718, a portion of the state NOLs has similarly not been benefited for financial statement purposes as it relates to excess tax deductions which have not resulted in the reduction of income taxes payable. The benefit of such excess tax deductions will not be recognized for financial statement purposes until the related deductions reduce state income taxes payable.

In addition, the Company has approximately \$318,224 of carryforward credits in Texas, a portion of which may be utilized each year against Texas Margin Tax liability through 2027.

## **7. SHAREHOLDERS' EQUITY**

GeoPetro's articles of incorporation allow for the issuance of 100,000,000 shares of common stock, 1,000,000 shares of Series A preferred stock, 5,000,000 shares of Series AA preferred stock, and an additional 44,000,000 shares of preferred stock which may be issued from time to time in one or more series, with such rights and preferences as determined by our Board of Directors.

*Common Stock*—The holders of our common stock are entitled to one vote per share. Subject to preferences on outstanding preferred stock, the holders of common stock are entitled to receive ratably such dividends as may be declared by the board of directors. In the event of a liquidation, the holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of preferred stock.

In January 2013, we agreed to rescind a unit subscription agreement. Units were originally priced at \$0.25 per unit, and each unit consisted of one share of no par value common stock, and a one-half common share purchase warrant. Each one whole warrant entitled the holder to acquire one common share at a price of \$0.50 for a period of three years. The total aggregate purchase price for the units originally sold was \$250,000, and represented the sale of 1,000,000 common shares and 500,000 warrants. The Company reacquired the common shares and warrants in exchange for a non-interest bearing unsecured note for \$250,000 which matures in July 2014 (Note 5).

During the period of January through March 2013, we completed a unit sale through a private placement transaction to certain institutional and individual accredited investors. Units were priced at \$0.10 per unit, and each unit consisted of one share of no par value common stock, and a one-half common share purchase warrant. Each one whole warrant entitles the holder to acquire one common share at a price of \$0.50 for a period of three years. The total aggregate purchase price for the units sold was \$305,000, and represented the sale of 3,050,000 common shares and 1,525,000 warrants (Note 9). We agreed to grant “piggyback” registration rights to the investor with respect to the shares of common stock and common stock issuable upon exercise of the warrants which the investor acquired in the transaction.

In April 2013, we completed a unit sale through a private placement transaction to certain institutional and individual accredited investors. Units were priced at \$0.09 per unit, and each unit consisted of one share of no par value common stock, and a one-half common share purchase warrant. Each one whole warrant entitles the holder to acquire one common share at a price of \$0.50 for a period of three years. The total aggregate purchase price for the units sold was \$90,000, and represented the sale of 1,000,000 common shares and 500,000 warrants (Note 9). We agreed to grant “piggyback” registration rights to the investor with respect to the shares of common stock and common stock issuable upon exercise of the warrants which the investor acquired in the transaction.

During the period of April through July 2013, we completed a unit sale through a private placement transaction to certain institutional and individual accredited investors. Units were priced at \$0.08 per unit, and each unit consisted of one share of no par value common stock, and a one-half common share purchase warrant. Each one whole warrant entitles the holder to acquire one common share at a price of \$0.50 for a period of three years. The total aggregate purchase price for the units sold was \$148,000, and represented the sale of 1,850,000 common shares and 925,000 warrants (Note 9). We agreed to grant “piggyback” registration rights to the investor with respect to the shares of common stock and common stock issuable upon exercise of the warrants which the investor acquired in the transaction.

In June 2013, we agreed to issue 360,000 units in exchange for services rendered. Units were valued at \$0.08 per unit, and each unit consisted of one share of no par value common stock, and a one-half common share purchase warrant. Each one whole warrant entitles the holder to acquire one common share at a price of \$0.50 for a period of three years. The total aggregate value for the units issued was \$28,800, and represented the issuance of 360,000 common shares and 180,000 warrants (Note 9) and has been recorded as share-based compensation in the financial statements. We agreed to grant “piggyback” registration rights to the holder with respect to the shares of common stock and common stock issuable upon exercise of the warrants which the holder acquired in the transaction.

During the period of September through December 2013, we completed a common stock sale through a private placement transaction to certain institutional and individual accredited investors. Shares were priced at \$0.05 per share. The total aggregate purchase price for the shares sold was \$200,000, and represented the sale of 4,000,000 common shares. We agreed to grant “piggyback” registration rights to the investor with respect to the shares of common stock.

In November 2013, we agreed to issue 300,000 units in exchange for services rendered. Units were valued at \$0.06 per unit, and each unit consisted of one share of no par value common stock, and a one-half common share purchase warrant. Each one whole warrant entitles the holder to acquire one common share at a price of \$0.25 for a period of three years. The total aggregate value for the units issued was \$18,000, and represented the issuance of 300,000 common shares and 150,000 warrants (Note 9) and has been recorded as share-based compensation in the financial statements. We agreed to grant “piggyback” registration rights to the holder with respect to the shares of common stock and common stock issuable upon exercise of the warrants which the holder acquired in the transaction.



In March 2012, we completed a unit sale through a private placement transaction to an individual accredited investor. Units were priced at \$0.25 per unit, and each unit consisted of one share of no par value common stock, and a one-half common share purchase warrant. Each one whole warrant entitles the holder to acquire one common share at a price of \$0.50 for a period of three years. The total aggregate purchase price for the units sold was \$250,000, and represented the sale of 1,000,000 common shares and 500,000 warrants (Note 9). We agreed to grant "piggyback" registration rights to the investor with respect to the shares of common stock and common stock issuable upon exercise of the warrants which the investor acquired in the transaction.

In August 2012, we agreed to issue 225,000 shares of common stock to our independent directors. The shares were valued at the closing price of \$0.14 per share and have been recorded as share-based compensation in the financial statements. The aggregate value of the shares issued was \$31,500. We agreed to grant "piggyback" registration rights to the directors with respect to the shares of common stock.

During the period of November through December 2012, we completed a unit sale through a private placement transaction to certain institutional and individual accredited investors. Units were priced at \$0.10 per unit, and each unit consisted of one share of no par value common stock, and a one-half common share purchase warrant. Each one whole warrant entitles the holder to acquire one common share at a price of \$0.50 for a period of three years. The total aggregate purchase price for the units sold was \$110,000, and represented the sale of 1,100,000 common shares and 550,000 warrants (Note 9). We agreed to grant "piggyback" registration rights to the investor with respect to the shares of common stock and common stock issuable upon exercise of the warrants which the investor acquired in the transaction.

*Series B Preferred Stock*— As of December 31, 2013, there are 5,370,027 shares of Series B Stock issued and outstanding. The holders of Series B Stock are entitled to receive an annual dividend at the rate of \$0.06 per share and are entitled to such number of votes per share as equals the number of common shares into which each share of Series B Stock is convertible. Each share of Series B Stock is convertible, at the option of the holder, into fully paid and non-assessable common shares on a one-for-one basis, subject to certain adjustments. The Series B Stock will automatically convert into common shares on a one-for-one share basis effective the first trading day after the reported high selling price for the Company's common shares on any international, national or regional securities exchange or inter-dealer quotation system including but not limited to, NASDAQ, the Pink Sheets or the Over-the-Counter Bulletin Board, is at least \$1.50 per share for any ten consecutive trading days. If an automatic conversion occurs within one year after the Series B Stock was purchased from the Company, a holder will receive, on the one-year anniversary date of his, her or its purchase, a cash dividend equivalent to a full year of dividends less any dividends paid before such conversion. In 2013 and 2012, we incurred \$322,445 and \$325,380 in dividends on the Series B Stock, respectively, of which \$0 and \$0 were paid in 2013 and 2012, respectively.

In January 2013, a holder of 52,973 shares of the Company's Series B Preferred Stock converted shares on a one-for-one basis into fully paid and non-assessable shares of the Company's Common Stock.

## **8. COMMON STOCK OPTIONS**

Effective as of September 10, 2001, the board of directors approved an incentive stock plan ("Stock Incentive Plan"), providing for awards under the terms and provisions of such plan of incentive stock options, stock appreciation rights and restricted stock awards to officers, directors and employees of GeoPetro and its consultants. The plan provides, among other provisions, the following:

The maximum number of Common Shares which may be awarded, optioned and sold under the plan is 5,000,000 (subject to adjustment for stock splits, stock dividends and certain other adjustments to GeoPetro's common stock); and the per share exercise price for Common Shares to be issued pursuant to the exercise of an option shall be no less than the fair market value of GeoPetro's Common Shares as of the date of grant;

The Stock Incentive Plan provides for the granting to employees incentive stock options within the meaning of Section 422 of the United States Internal Revenue Code of 1986, as amended, and for the granting of non-statutory stock options to directors who are not employees and consultants. In the case of employees who receive incentive stock options which are first exercisable in a particular calendar year and the aggregate fair market value of which exceeds \$100,000, the excess of the \$100,000 limitation shall be treated as a nonstatutory stock option under the Stock Incentive Plan;

The Stock Incentive Plan is being administered by the Board of Directors. The Board of Directors determines the terms of the options granted, including the number of Common Shares subject to each option, the exercisability and

vesting requirements of each option, and the form of consideration payable upon the exercise of such option (i.e., whether cash or exchange of existing Common Shares in a cashless transaction or a combination thereof); and

The Stock Incentive Plan will continue in effect for 10 years from September 10, 2001 (i.e., the date first adopted by the Board), unless sooner terminated by the board of directors. In 2004, we implemented a new 2004 Stock Option and Appreciation Rights Plan ("Stock Option Plan") providing for awards of incentive stock options, non-qualified stock options and stock appreciation rights. The Stock Option Plan replaced the Stock Incentive Plan as to new award grants effective in 2004 or thereafter to our directors, officers, employees and consultants. Outstanding awards issued under the Stock Incentive Plan will continue to be outstanding in accordance with their terms and the terms of the Stock Incentive Plan, but will count toward the limits in the number of shares of common stock available to be issued under the Stock Option Plan, which is 5,000,000. The exercise price of stock options granted under the Stock Option Plan may not be less than 110% of the fair market value of our common stock on the date of grant.

In May 2013, 150,000 common stock options with an exercise price of \$1.00 per share expired.

During the period of May through October 2013, 1,600,000 common stock options with an exercise price of \$2.10 per share expired.

In June 2013, 740,000 common stock options with an exercise price of \$0.50 per share expired.

In August 2012, we granted 675,000 stock options at an exercise price of \$0.16 per share. These options will vest ratably over five years pursuant to the terms of the Stock Option Plan. The grant date fair value of the options was \$70,831.

The Company recorded stock compensation expense of \$258,194 and \$422,999 for the twelve months period ended December 31, 2013 and 2012, respectively.

A summary of the status of GeoPetro's stock option plan is as follows:

	<b>Options</b>	<b>Exercise Prices</b>	<b>Weighted Average Exercise Price</b>
Outstanding at January 1, 2012	2,770,000	<del>\$0.50</del> \$2.10	\$ 1.46
Granted	675,000	\$0.16	0.16
Exercised	—	—	—
Expired	—	—	—
Outstanding at December 31, 2012	3,445,000	<del>\$0.16</del> \$2.10	1.21
Granted	—	—	—
Exercised	—	—	—
Expired	(2,490,000)	<del>\$0.50</del> \$2.10	1.56
Outstanding at December 31, 2013	955,000	<del>\$0.16</del> \$1.00	\$ 0.29

We estimated the fair values of each option granted using the Black-Scholes model with the following assumptions for options granted during the years ended December 31:

	<b>2013</b>	<b>2012</b>
Expected dividend yield	—	—
Expected volatility	— %	105.6 %
Risk-free interest rates	— %	0.59 %
Expected lives (years)	—	5
Weighted average fair values per share	\$ —	\$ 0.11

We estimated the dividend yield at 0% considering that we have not historically paid dividends on our common stock, nor do we expect to pay dividends in the foreseeable future. Volatility estimates represent the historic trading

volatility underlying our common stock at the date of grant. We estimated risk-free interest rates based on the U.S. Treasury yield curve at the date of grant. Expected lives are based on our historic experience with employee option exercise behavior and consider the vesting period and the contractual lives of the related options.

The options outstanding as of December 31, 2013 have the following contractual lives:

<b>Number of Options Outstanding</b>	<b>Number of Options Exercisable</b>	<b>Exercise Prices</b>	<b>Weighted Average Remaining Contractual Life</b>
675,000	135,000	0.16	3.67
220,000	127,000	0.50	1.67
60,000	48,000	1.00	0.48
955,000	310,000		

The total intrinsic value of options outstanding was \$0 at December 31, 2013 and 2012, respectively. The intrinsic value for exercisable options was \$0 at December 31, 2013 and 2012, respectively.

As of December 31, 2013, there are 310,000 options which are exercisable. The remaining 645,000 options will become exercisable over the next four years. The stock compensation expense related to the unvested awards is \$76,109. The weighted average remaining contractual life of the remaining 645,000 unvested options is 3.33 years.

## **9. COMMON STOCK WARRANTS**

In January 2013, we cancelled 500,000 warrants to purchase our common shares at \$0.50 per share in connection with the rescission of a unit subscription agreement (Note 7). The warrants would have expired in March 2015. The total fair value of the warrants as calculated using the Black-Scholes pricing model was \$40,070.

During the period of January through March 2013, we issued 1,525,000 warrants to purchase our common shares at \$0.50 per share in conjunction with a private placement of our common stock (Note 7). The warrants expire during the period of January through March 2016. The total fair value of the warrants as calculated using the Black-Scholes pricing model was \$84,851.

During the period of January through April 2013, we issued 40,000 warrants to purchase our common shares at \$0.50 per share in connection with the issuance of notes payable to Stuart J. Doshi, President and CEO, for \$200,000 (Note 5). The warrants expire during the period of January through April 2016. The total fair value of the warrants as calculated using the Black-Scholes pricing model was \$1,944.

In April 2013, we issued 500,000 warrants to purchase our common shares at \$0.50 per share in conjunction with a private placement of our common stock (Note 7). The warrants expire in April 2016. The total fair value of the warrants as calculated using the Black-Scholes pricing model was \$12,705.

During the period of April through July 2013, we issued 925,000 warrants to purchase our common shares at \$0.50 per share in conjunction with a private placement of our common stock (Note 7). The warrants expire during the period of April through July 2016. The total fair value of the warrants as calculated using the Black-Scholes pricing model was \$45,989.

In May 2013, we issued 1,000 warrants to purchase our common shares at \$0.35 per share in connection with the issuance of a note payable to Stuart J. Doshi, President and CEO, for \$5,000 (Note 5). The warrants expire in May 2016. The total fair value of the warrants as calculated using the Black-Scholes pricing model was \$48.

During the period of May through June 2013, we issued 17,000 warrants to purchase our common shares at \$0.25 per share in connection with the issuance of promissory notes for \$85,000 (Note 5). The warrants expire during the period of May through June 2016. The total fair value of the warrants as calculated using the Black-Scholes pricing model was \$971.

In June 2013, we issued 10,000 warrants to purchase our common shares at \$0.35 per share in connection with the issuance of a note payable to a Company Director for \$50,000 (Note 5). The warrants expire in June 2016. The total fair value of the warrants as calculated using the Black-Scholes pricing model was \$508.

In June 2013, we issued 180,000 warrants to purchase our common shares at \$0.50 per share in conjunction with services rendered (Note 7). The warrants expire in June 2016. The total fair value of the warrants as calculated using

the Black-Scholes pricing model was \$8,558.

During the period of August through November 2013, we issued 16,200 warrants to purchase our common shares at \$0.10 per share in connection with the issuance of notes payable to Stuart J. Doshi, President and CEO, for \$81,000 (Note 5). The warrants expire during the period of August through November 2016. The total fair value of the warrants as calculated using the Black-Scholes pricing model was \$624.

During the period of August through December 2013, warrants for 207,000 shares with an exercise price of \$0.50 per share expired.

During the period of September through December 2013, warrants for 2,403,096 shares with an exercise price of \$0.75 per share expired.

In November 2013, we issued 150,000 warrants to purchase our common shares at \$0.25 per share in conjunction with services rendered (Note 7). The warrants expire in November 2016. The total fair value of the warrants as calculated using the Black-Scholes pricing model was \$4,809.

In December 2013, we extended 75,000 warrants to purchase our common shares at \$0.50 per share for an additional year. The warrants expire in December 2014. The total fair value of the extension of the warrants as calculated using the Black-Scholes pricing model was \$552.

The fair value of the warrants for 2013 was calculated using the Black-Scholes pricing model. Key assumptions used in valuing the warrants included: an estimated dividend yield of 0%; volatility based upon the Company's historic volatility of its publicly traded shares of 138% to 210%; an estimated risk-free interest rate based on the U.S. Treasury yield curve at the date of grant of 0.14% to 0.87%; and an expected life based on the expiration date of the warrants of one to three years.

During the period of February through October 2012, warrants for 100,000 shares with an exercise price of \$1.00 per share expired.





In March 2012, we issued 500,000 warrants to purchase our common shares at \$0.50 per share in conjunction with a private placement of our common stock (Note 7). The warrants expire in March 2015. The total fair value of the warrants as calculated using the Black-Scholes pricing model was \$40,070.

During the period of March through December 2012, we issued 113,000 warrants to purchase our common shares at \$0.50 per share in connection with the issuance of notes payable to Stuart J. Doshi, President and CEO, for \$565,000 (Note 5). The warrants expire during the period of March through December 2015. The total fair value of the warrants as calculated using the Black-Scholes pricing model was \$4,520.

In May 2012, we extended 151,500 warrants to purchase our common shares for an additional year and reduced the exercise price to purchase the common shares from \$1.00 to \$0.50 per share in connection with the extension of seven notes payable totaling \$1,515,000 (Note 5). The extended warrants expire in December 2013, May 2014 and June 2014. The total fair value of the extension of the warrants as calculated using the Black-Scholes pricing model was \$3,575.

In August 2012, we issued 45,000 warrants to purchase our common shares at \$0.50 per share in exchange for certain consulting services. The warrants expire in August 2016. The total fair value of the warrants as calculated using the Black-Scholes pricing model was \$2,986.

In August 2012, warrants for 600,779 shares with an exercise price of \$4.50 per share expired.

In October 2012, we issued 72,000 warrants to purchase our common shares at a price ranging from \$0.10 to \$0.23 per share in exchange for certain consulting services. The warrants expire in October 2017. The total fair value of the warrants as calculated using the Black-Scholes pricing model was \$5,887.

In November 2012, we issued 30,000 warrants to purchase our common shares at \$0.50 per share in exchange for certain consulting services. The warrants expire in November 2015. The total fair value of the warrants as calculated using the Black-Scholes pricing model was \$1,014.

In November 2012, warrants for 50,000 shares with an exercise price of \$1.25 per share expired.

During the period of November through December 2012, we issued 550,000 warrants to purchase our common shares at \$0.50 per share in conjunction with a private placement of our common stock (Note 7). The warrants expire during the period of November through December 2015. The total fair value of the warrants as calculated using the Black-Scholes pricing model was \$19,881.

The fair value of the warrants for 2012 was calculated using the Black-Scholes pricing model. Key assumptions used in valuing the warrants included: an estimated dividend yield of 0%; volatility based upon the Company's historic volatility of its publicly traded shares of 81% to 137%; an estimated risk-free interest rate based on the U.S. Treasury yield curve at the date of grant of 0.27% to 0.80%; and an expected life based on the expiration date of the warrants of three to five years.

The following table summarizes the number of shares reserved for the exercise of common stock purchase warrants as of December 31, 2013:

<b>Expiration Date</b>	<b>Exercise Price</b>	<b>Outstanding at 12/31/2012</b>	<b>Warrants Exercised</b>	<b>Warrants Granted</b>	<b>Warrants (Expired/Canceled)</b>	<b>Outstanding at 12/31/2013</b>
08/31/13	\$ 0.50	23,000	—	—	(23,000)	—
09/29/13	\$ 0.75	1,847,500	—	—	(1,847,500)	—
10/31/13	\$ 0.50	72,000	—	—	(72,000)	—
11/30/13	\$ 0.50	27,000	—	—	(27,000)	—
12/23/13	\$ 0.50	45,000	—	—	(45,000)	—
12/25/13	\$ 0.50	40,000	—	—	(40,000)	—
12/30/13	\$ 0.75	555,596	—	—	(555,596)	—
01/02/14	\$ 1.00	150,000	—	—	—	150,000
03/01/14	\$ 0.75	1,025,164	—	—	—	1,025,164
03/31/14	\$ 5.25	100,000	—	—	—	100,000
04/28/14	\$ 1.00	505,965	—	—	—	505,965
05/17/14	\$ 0.50	36,500	—	—	—	36,500
06/29/14	\$ 0.50	30,000	—	—	—	30,000
08/31/14	\$ 0.50	10,000	—	—	—	10,000
10/19/14	\$ 1.00	130,540	—	—	—	130,540
12/23/14	\$ 0.50	75,000	—	—	—	75,000
03/20/15	\$ 0.50	20,000	—	—	—	20,000
03/21/15	\$ 0.50	500,000	—	—	(500,000)	—
05/29/15	\$ 0.50	5,000	—	—	—	5,000
05/30/15	\$ 0.50	10,000	—	—	—	10,000
06/04/15	\$ 0.50	8,000	—	—	—	8,000
06/18/15	\$ 0.50	5,000	—	—	—	5,000
06/25/15	\$ 0.50	12,000	—	—	—	12,000
06/29/15	\$ 0.50	20,000	—	—	—	20,000
07/27/15	\$ 0.50	2,000	—	—	—	2,000
07/31/15	\$ 0.50	13,000	—	—	—	13,000
11/09/15	\$ 0.50	2,000	—	—	—	2,000
11/20/15	\$ 0.50	10,000	—	—	—	10,000
11/21/15	\$ 0.50	30,000	—	—	—	30,000
11/29/15	\$ 0.50	50,000	—	—	—	50,000
12/04/15	\$ 0.50	6,000	—	—	—	6,000
12/10/15	\$ 0.50	125,000	—	—	—	125,000
12/31/15	\$ 0.50	375,000	—	—	—	375,000
01/08/16	\$ 0.50	—	—	1,000	—	1,000
01/09/16	\$ 0.50	—	—	175,000	—	175,000
01/11/16	\$ 0.50	—	—	250,000	—	250,000
01/14/16	\$ 0.50	—	—	125,000	—	125,000
01/22/16	\$ 0.50	—	—	50,000	—	50,000

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01/31/16	\$ 0.50	—	—	62,500	—	62,500
02/04/16	\$ 0.50	—	—	375,000	—	375,000
02/05/16	\$ 0.50	—	—	62,500	—	62,500
02/06/16	\$ 0.50	—	—	50,000	—	50,000
02/15/16	\$ 0.50	—	—	125,000	—	125,000
03/04/16	\$ 0.50	—	—	135,000	—	135,000
03/06/16	\$ 0.50	—	—	125,000	—	125,000
03/13/16	\$ 0.50	—	—	2,000	—	2,000
03/22/16	\$ 0.50	—	—	5,000	—	5,000
04/02/16	\$ 0.50	—	—	3,000	—	3,000
04/04/16	\$ 0.50	—	—	5,600	—	5,600
04/11/16	\$ 0.50	—	—	2,400	—	2,400
04/12/16	\$ 0.50	—	—	125,000	—	125,000
04/17/16	\$ 0.50	—	—	11,000	—	11,000
04/29/16	\$ 0.50	—	—	250,000	—	250,000
04/30/16	\$ 0.50	—	—	250,000	—	250,000
05/13/16	\$ 0.35	—	—	1,000	—	1,000
05/24/16	\$ 0.25	—	—	8,000	—	8,000
06/07/16	\$ 0.35	—	—	10,000	—	10,000
06/13/16	\$ 0.25	—	—	9,000	—	9,000
06/24/16	\$ 0.50	—	—	140,625	—	140,625
06/25/16	\$ 0.50	—	—	625,000	—	625,000
06/28/16	\$ 0.50	—	—	180,000	—	180,000
07/24/16	\$ 0.50	—	—	34,375	—	34,375
08/15/16	\$ 0.50	45,000	—	—	—	45,000
08/15/16	\$ 0.10	—	—	5,000	—	5,000
08/21/16	\$ 0.10	—	—	2,000	—	2,000
08/30/16	\$ 0.10	—	—	1,000	—	1,000
09/03/16	\$ 0.10	—	—	3,000	—	3,000
09/13/16	\$ 0.10	—	—	400	—	400
11/05/16	\$ 0.10	—	—	4,800	—	4,800
11/15/16	\$ 0.25	—	—	150,000	—	150,000
10/01/17	\$ 0.23	12,000	—	—	—	12,000
10/01/17	\$ 0.21	12,000	—	—	—	12,000
10/01/17	\$ 0.20	12,000	—	—	—	12,000
10/01/17	\$ 0.17	12,000	—	—	—	12,000
10/01/17	\$ 0.14	12,000	—	—	—	12,000
10/01/17	\$ 0.10	12,000	—	—	—	12,000
		5,983,265	—	3,364,200	(3,110,096	) 6,237,369

The following table summarizes the number of shares reserved for the exercise of common stock purchase warrants as of December 31, 2012:

Expiration Date	Exercise Price	Outstanding at 12/31/2011	Warrants Exercised	Warrants Granted	Warrants (Expired/Canceled)	Outstanding at 12/31/2012
02/22/12	\$ 1.00	50,000	—	—	(50,000)	—
08/13/12	\$ 4.50	600,779	—	—	(600,779)	—
09/30/12	\$ 1.00	14,000	—	—	(14,000)	—
10/22/12	\$ 1.00	36,000	—	—	(36,000)	—
11/22/12	\$ 1.25	50,000	—	—	(50,000)	—
08/31/13	\$ 0.50	23,000	—	—	—	23,000
09/29/13	\$ 0.75	1,847,500	—	—	—	1,847,500
10/31/13	\$ 0.50	72,000	—	—	—	72,000
11/30/13	\$ 0.50	27,000	—	—	—	27,000
12/23/13	\$ 0.50	120,000	—	—	—	120,000
12/25/12	\$ 0.50	40,000	—	—	—	40,000
12/30/13	\$ 0.75	555,596	—	—	—	555,596
01/02/14	\$ 1.00	150,000	—	—	—	150,000
03/01/14	\$ 0.75	1,025,164	—	—	—	1,025,164
03/31/14	\$ 5.25	100,000	—	—	—	100,000
04/28/14	\$ 1.00	505,965	—	—	—	505,965
05/17/14	\$ 0.50	36,500	—	—	—	36,500
06/29/14	\$ 0.50	30,000	—	—	—	30,000
08/31/14	\$ 0.50	10,000	—	—	—	10,000
10/19/14	\$ 1.00	130,540	—	—	—	130,540
03/20/15	\$ 0.50	—	—	20,000	—	20,000
03/21/15	\$ 0.50	—	—	500,000	—	500,000
05/29/15	\$ 0.50	—	—	5,000	—	5,000
05/30/15	\$ 0.50	—	—	10,000	—	10,000
06/04/15	\$ 0.50	—	—	8,000	—	8,000
06/18/15	\$ 0.50	—	—	5,000	—	5,000
06/25/15	\$ 0.50	—	—	12,000	—	12,000
06/29/15	\$ 0.50	—	—	20,000	—	20,000
07/27/15	\$ 0.50	—	—	2,000	—	2,000
07/31/15	\$ 0.50	—	—	13,000	—	13,000
11/09/15	\$ 0.50	—	—	2,000	—	2,000
11/20/15	\$ 0.50	—	—	10,000	—	10,000
11/21/15	\$ 0.50	—	—	30,000	—	30,000
11/29/15	\$ 0.50	—	—	50,000	—	50,000
12/04/15	\$ 0.50	—	—	6,000	—	6,000
12/10/15	\$ 0.50	—	—	125,000	—	125,000
12/31/15	\$ 0.50	—	—	375,000	—	375,000
08/15/16	\$ 0.50	—	—	45,000	—	45,000

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10/01/17	\$ 0.23	—	—	12,000	—	12,000
10/01/17	\$ 0.21	—	—	12,000	—	12,000
10/01/17	\$ 0.20	—	—	12,000	—	12,000
10/01/17	\$ 0.17	—	—	12,000	—	12,000
10/01/17	\$ 0.14	—	—	12,000	—	12,000
10/01/17	\$ 0.10	—	—	12,000	—	12,000
		5,424,044	—	1,310,000	(750,779	) 5,983,265

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## 10. COMMITMENTS AND CONTINGENCIES

*Employment Agreements*—The Company entered into a contract of employment with Stuart J. Doshi, Founder, President, Chief Executive Officer and Chairman of the Board of Directors, as amended through December 31, 2008. The contract, as amended, provides for a five-year term commencing May 1, 2005 which term is automatically extended for successive two-year renewal terms unless: (a) the board of directors elects not to renew the contract and the Company provides notice to Mr. Doshi of such non-renewal at least six months prior to the expiry of his employment term or any renewal term, or (b) Mr. Doshi attains age 75, in which case the term ends upon the completion of the calendar year in which he becomes 75 years old unless the Company and Mr. Doshi mutually agree to one-year extensions. The contract of employment currently provides for an annual base salary of \$300,000 and further provides that in the event of a change of control of the Company or if Mr. Doshi is terminated without cause, he is entitled to receive (a) in exchange for all of his vested stock options and vested restricted shares, such number of Common Shares having a market value equal to the difference between (x) the aggregate total market value of all vested restricted shares and Common Shares he would receive upon exercise of all vested stock options less (y) the aggregate total exercise price for all of his vested stock options; provided, however, that if the Common Shares to be delivered to Mr. Doshi upon such change of control or termination have not been registered so as to permit immediate public resale, Mr. Doshi shall instead receive a cash payment equal to the market value on the date of termination of all vested stock options and restricted shares without any discount for liquidity or minority position against cancellation of such options and restricted shares, (b) a cash payment equal to the greater of (i) his compensation for the remainder of his term, including salary and the aggregate amount of his bonuses in respect of the last four fiscal years and (ii) four times his compensation in the current year, including his then-current salary and the average amount of his bonuses for the last four fiscal years, and (c) an additional cash payment representing his employment benefits equal to 20% of the amount of salary he is entitled to receive under (b)(i) or (b)(ii) above, as applicable. In addition, in the event of a change of control or termination without cause, all unvested options issued by the Company to Mr. Doshi will vest.

*Office Lease*—On February 15, 2010, we entered into a new lease for our principal executive office located at 150 California Street, Suite 600, San Francisco, CA 94111. The terms of the lease provide for an eighty-four (84) month term. Minimum annual rentals due under this agreement as of December 31, 2013 are as follows:

2014	\$158,238
2015	162,439
2016	166,640
2017	56,013
Total	\$543,330

Rent expense for the years ended December 31, 2013 and 2012, was approximately \$144,834 and \$144,834, respectively, and is included in general and administrative expenses in the accompanying statements of operations.

On January 6, 2011, we entered into a sublease agreement whereby a portion of the Company's principal executive offices have been leased to a third party. The terms of the sublease agreement include a seventy-five month term cancelable by either party with ninety days written notice after December 31, 2011. The Company will recoup approximately 50% of the base rental obligation through the sublease agreement. This amount was approximately \$96,503 and \$82,419 for the years ended December 31, 2013 and 2012, respectively, and has been included as a reduction in general and administrative expenses in the accompanying statements of operations.

*Madisonville Net Profits Interest*—Redwood LP's 100% working interest is subject to a net profits interest in favor of unrelated third parties. The net profits interest is 12.5% (proportionately reduced) of the net operating profits until payout is achieved. After payout, the net profits interest increases to 30% (proportionately reduced). Payout, for purposes of the net profits interest, is defined and achieved at such time as Redwood LP has recouped from net operating cash flows its total net investment in the project plus a 33% cash on cash return.

## **11. SUBSEQUENT EVENTS**

During the period of January through March 2014, we completed a common stock sale through a private placement transaction to certain institutional and individual accredited investors. Shares were priced at \$0.05 per share. The total aggregate purchase price for the shares sold was \$575,000, and represented the sale of 11,500,00 common shares.



## 12. SUPPLEMENTARY OIL AND GAS RESERVE INFORMATION: (UNAUDITED)

The reserve quantities and valuations are based upon estimates by MHA Petroleum Consultants LLC. The proved reserves presented herein are located entirely within the United States. Proved reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e. prices and costs as of the date the estimate is made. SEC rules require that reserve calculations be based on the un-weighted average first-day-of-the-month prices for the prior twelve months. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions. Reservoirs are considered proved if economic productivity is supported by either actual production or a conclusive formation test. The area of a reservoir considered proved includes (A) that portion delineated by drilling and defined by gas-oil and/or oil-water contacts, if any, and (B) the immediately adjoining portions not yet drilled, but which can reasonably be judged as economically productive on the basis of available geological and engineering data. In the absence of information on fluid contacts the lowest known structural occurrence of hydrocarbons controls the lower proved limit of the reservoir.

Proved developed reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas reserves expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing the natural forces and mechanisms of primary recovery should be included as "proved developed reserves" only after testing by a pilot project or after the operation of an installed program has confirmed through production response that increased recovery will be achieved.

The estimates included in the following tables are by their nature inexact and are subject to changing economic, operating and contractual conditions. At December 31, 2013, all of GeoPetro's reserves are attributable to two wells capable of production, one shut-in well and two undeveloped locations. Other than the producing wells and one shut-in well, there is no other production history as of or subsequent to that date. Reserve estimates for these wells are subject to substantial upward or downward revisions after production commences and a production history is obtained. Accordingly, reserve estimates of future net revenues from production may be subject to substantial revision from year to year. Reserve information presented herein is based on reports prepared by independent petroleum engineers.

The assumptions used to compute the standardized measure are those prescribed by the Financial Accounting Standards Board and, as such, do not necessarily reflect GeoPetro's expectations for actual revenues to be derived from those reserves nor their present worth. The limitations inherent in the reserve quantity estimation process, as discussed previously, are equally applicable to the standardized measure computations since these are the basis for the valuation process.

**Natural  
Gas**

(Mcf)

**Proved Developed and Undeveloped Reserves**

January 1, 2012	18,889
Revisions of previous estimates	(984 )
Production	(116 )
December 31, 2012	17,789
Revisions of previous estimates	1,249
Production	—
December 31, 2013	19,038

	<b>2013</b>	<b>2012</b>
	<b>(MMcf)</b>	<b>(MMcf)</b>
Proved developed	—	—
Proved developed non-producing	9,984	9,126
Proved undeveloped	9,054	8,663
Total	19,038	17,789

**Proved reserves presented herein are located entirely within in the United States**

The following is a discussion of the material changes in our proved reserve quantities for the years ended December 31, 2013 and 2012.

*Year Ended December 31, 2013*

The upward revision of previous estimates of natural gas reserves during 2013 of 1,249 MMcf is attributable to increases in natural gas prices which has affected the economic life of the wells. Natural gas prices increased approximately 35% from December 31, 2012 (\$2.46 per Mcf) to December 31, 2013 (\$3.31 per Mcf).

*Year Ended December 31, 2012*

The downward revision of previous estimates of natural gas reserves during 2012 of 984 MMcf is attributable to decreases in natural gas prices which has affected the economic life of the wells. Natural gas prices decreased approximately 35% from December 31, 2011 (\$3.76 per Mcf) to December 31, 2012 (\$2.46 per Mcf).

**Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Reserves**

For purposes of the following disclosures, estimates were made of quantities of proved reserves and the periods during which they are expected to be produced. Future cash flows for the 2013 and 2012 estimates were computed by applying the simple arithmetic average of the natural gas price in effect on the first day of each month to estimated annual future net production from proved gas reserves, amounting to \$3.31 per Mcf and \$2.46 per Mcf at December 31, 2013 and 2012, respectively. For both 2013 and 2012, future development and production costs were computed by applying year-end costs to be incurred in producing and further developing the proved reserves. Future income tax expenses were computed by applying, generally, year-end statutory tax rates (adjusted for permanent differences, tax credits and allowances) to the estimated net future pre-tax cash flows. The discount was computed by application of a 10% discount factor. The calculations assume the continuation of existing economic, operating and contractual conditions. However, such arbitrary assumptions have not proven to be the case in the past. Other assumptions of equal validity could give rise to substantially different results.

	<b>Year Ended</b>	
	<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>
	<b>(in thousands)</b>	
Future cash inflows	\$64,680	\$44,045

Future production costs	(14,733)	(10,555)
Future development costs	(10,990)	(10,916)
Future income taxes	—	—
Future net cash flows	38,957	22,574
10% annual discount	(9,884 )	(6,426 )
Standardized measure of discounted future net cash flows	\$29,073	\$16,148

The PV-10 values shown in the aforementioned table are not intended to represent the current market value of the estimated proved oil and gas reserves owned by us.

**Changes in the Standardized Measure of Discounted Futures Net Cash Flows from Proved Petroleum and Natural Gas Reserve Quantities.**

	<b>Years Ended</b>	
	<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>
Balance, beginning of period	16,148	32,619
Sales of oil and gas, net	(421 )	(877 )
Net change in prices and production costs	11,241	(16,452)
Net change in future development costs	(67 )	—
Revisions of previous quantity estimates	2,445	(1,325 )
Net change in income taxes	—	—
Accretion of discount	1,361	3,674
Other	(1,634 )	(1,491 )
Balance, end of period	\$29,073	\$16,148

**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description</b>
2. 1 (13)	Agreement and Plan of Merger dated February 28, 2013
2. 2 (14)	Amendment No. 1 to the Agreement and Plan of Merger dated April 4, 2013.
3. 1 (2)	Amended and Restated Articles of Incorporation of GeoPetro Resources Company
3. 2 (4)	Second Amended and Restated Bylaws of the GeoPetro Resources Company
4. 1 (2)	Form of Warrant issued by GeoPetro Resources Company to various investors on various dates.
4. 2 (3)	Specimen Common Stock Certificate
4. 3	Form of common stock purchase warrant issued to various investors dated August 13, 2007 (filed as exhibit 4.1 to the Company's Report on Form 8-K as filed with the Securities and Exchange Commission on August 16, 2007, and incorporated herein by reference)
4. 4	Registration Rights Agreement between GeoPetro Resources Company and various investors dated August 13, 2007 (filed as Exhibit B to the Form of Unit Subscription Agreement dated August 13, 2007 filed as Exhibit 10.20 to the Company's Report on Form 8-K as filed with the Securities and Exchange Commission on August 16, 2007 and incorporated herein by reference)
4. 5 (6)	Placement Agent Warrant dated August 13, 2007
4. 6 (7)	Form of Common Stock Purchase Warrant dated as of various dates, issued to purchasers of promissory notes
4. 7(10)	Unit Subscription Agreement and Common Stock Purchase Warrant, Dated September 30, 2010.
4. 8(11)	Unit Subscription Agreement and Common Stock Purchase Warrant, Dated December 30, 2010.
10. 1 (2)	Joint Venture Agreement Bengara II, Dated January 1, 2000
10. 2 (2)	Production Sharing Contract Bengara II, Dated December 4, 1997
10. 4 (2)	Exploration Permit#408, Dated July 2, 1997
10. 5 (2)	Madisonville Field Development Agreement dated August 1, 2005
10. 6 (2)	Alaska Cook Inlet Option dated April 20, 2005
10. 7 (2)†	The 2001 Stock Incentive Plan
10. 8 (2)†	The 2004 Stock Option and Appreciation Rights Plan
10. 9 (2)†	Stuart Doshi Employment Agreement, Dated July 28, 1997 (effective July 1, 1997) and amendments dated January 11, 2001, July 1, 2003, April 20, 2004, May 9, 2005, July 28, 2005 and January 30, 2006
10. 10 (2)†	David Creel Employment Agreement, Dated April 28, 1998 and amendments dated June 15, 2000, May 12, 2003 and January 1, 2005, April, 26, 2010
10. 13 (4)	Form of Subscription Agreement for GeoPetro Resources Company stock executed by various investors on various dates.
10. 19 (5)	Shares Sale & Purchase Agreement Dated September 29, 2006
10. 20 (6)	Form of Unit Subscription Agreement Dated August 13, 2007
10. 23 (8)†	Seventh Amendment to Employment Agreement of Stuart Doshi, dated December 29, 2008
10. 24 (8)†	Eighth Amendment to Employee Agreement of Stuart Doshi, dated December 31, 2008
10. 25 (8)†	Fourth Amendment to Employment Agreement of David Creel, dated December 29, 2008
10. 26 (8)†	Fifth Amendment to Employee Agreement of David Creel, dated December 31, 2008
10. 32 (8)	Form of Promissory Note issued by GeoPetro Resources Company to various investors dated various dates from December 23, 2008 to December 26, 2008

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- 10. 33 (9) Sixth Amendment to David Creel Employment Agreement dated April 28, 2009
  - 10. <sup>34</sup>  
(12) Promissory Note to Stuart J. Doshi dated March 20, 2012
  - 21. 1 (1) List of subsidiaries of GeoPetro Resources
  - 23. 1 (1) Consent of MHA Petroleum Consultants LLC
  - 23. 2 (1) Consent of Burr Pinger Mayer, Inc.
  - 31. 1 (1) Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
  - 31. 2 (1) Rule 13a-14(a)/15d-14(a) Certification of Vice President of Finance.
  - 32. 1 (1) Certification of Chief Executive Officer and Vice President of Finance of GeoPetro Resources Company pursuant to 18 U.S.C. § 1350.
  - 99. 1 (1) Report of MHA Petroleum Consultants LLC
  - 101(1) The following materials from the GeoPetro Resources Company Form 10-K for the year ended December 31, 2013 formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Statements of Operations, (ii) the Condensed Consolidated Balance Sheets, (iii) Condensed Consolidated Statements of Cash Flows and (iv) related notes, tagged as blocks of text.
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- (1) Filed herewith.
- (2) Filed as the identically numbered exhibit to the Registration Statement on Form S-1, (No. 333-135485), as filed with the Securities and Exchange Commission on June 30, 2006, and incorporated herein by reference.
- (3) Filed as the identically numbered exhibit to the Registration Statement on Form S-1, (No. 333-135485), as filed with the Securities and Exchange Commission on January 31, 2007, and incorporated herein by reference.
- (4) Filed as the Exhibit 3(ii) to the Company's Report on Form 8-K as filed with the Securities and Exchange Commission on April 25, 2008, and incorporated herein by reference.
- (5) Filed as the identically numbered exhibit to the Registration Statement on Form S-1 (No. 333-135485), as filed with the Securities and Exchange Commission on January 9, 2007, and incorporated herein by reference.
- (6) Filed as the identically numbered exhibit to the Registration Statement on Form S-1 (No. 333-146557), as filed with the Securities and Exchange Commission on October 9, 2007, and incorporated herein by reference.
- (7) Filed as Exhibit 4.1 to the Company's Report on Form 8-K, as filed with the Securities and Exchange Commission on January 7, 2009, and incorporated herein by reference.
- (8) Filed as the identically numbered exhibit to the Company's Report on Form 10-K, as filed with the Securities and Exchange Commission on March 23, 2009, and incorporated herein by reference.
- (9) Filed as Exhibit 10.25 to the Form 10-Q, as filed with the Securities and Exchange Commission on May 11, 2009, and incorporated herein by reference.
- (10) Filed as Exhibits 4.1 and 4.2 to the Company's Report on Form 8-K as filed with the Securities and Exchange Commission on October 6, 2010, and incorporated herein by reference.
- (11) Filed as Exhibits 4.1 and 4.2 to the Company's Report on Form 8-K as filed with the Securities and Exchange Commission on March 4, 2011, and incorporated herein by reference.
- (12) Filed as the identically numbered exhibit to the Company's Report on Form 10-K, as filed with the Securities and Exchange Commission on March 30, 2012, and incorporated herein by reference.
- (13) Filed as Exhibit 2.1 to the Company's Report on Form 8-K as filed with the Securities and Exchange Commission on March 1, 2013, and incorporated herein by reference.
- (14) Filed as Exhibit 2.1 to the Company's Report on Form 8-K as filed with the Securities and Exchange Commission on April 10, 2013, and incorporated herein by reference.

† Indicates a management or compensatory plan or arrangement.