

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): May 9, 2006

NATURAL GAS SERVICES GROUP, INC.
(Exact Name of Registrant as Specified in Its Charter)

Colorado (State or other jurisdiction of Incorporation or organization)	1-31398 (Commission File Number)	75-2811855 (IRS Employer Identification No.)
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2911 South County Road 1260 Midland, Texas (Address of Principal Executive Offices)	79706 (Zip Code)
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432-563-3974
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement

On December 18, 1998, the Board of Directors of Natural Gas Services Group, Inc. adopted the 1998 Stock Option Plan (the "1998 Plan"), and directed that the 1998 Plan be submitted to the shareholders for approval. The 1998 Plan became effective when it received such approval on December 18, 1998.

On May 9, 2006, the Compensation Committee of the Board of Directors voted to amend the 1998 Plan and on that same date, the Board of Directors directed that such amendments be submitted for the approval of shareholders at the 2006 Annual Meeting of Shareholders. Such amendments will become effective if a majority of the votes cast are in favor of the proposal. If the amendments are not approved, the 1998 Plan will remain in force as originally adopted.

The proposed amendments change the 1998 Plan in five principal respects as follows:

1. The number of shares of common stock authorized for issuance under the 1998 Plan will be increased from 150,000 to 550,000 shares of common stock.

2. The Compensation Committee will have a longer period during which it may grant options. The 1998 Plan, prior to amendment, provided that no grants could be made after December 17, 2008. As provided in the amendment, options can be granted until March 1, 2016.

3. The 1998 Plan, prior to amendment, provided that the exercise price of incentive stock options granted to employees who do not own more than 10% of our

common stock would be not less than 140% of the fair market value per share of our common stock on the date of grant. The amendment provides that the exercise price of incentive stock options granted to such employees under the 1998 Plan will be not less than 100% of the fair market value of our common stock on the date of grant.

4. The 1998 Plan, prior to amendment, contained a provision allowing the Compensation Committee to increase, without shareholder approval, the number of shares of stock subject to the 1998 Plan from 150,000 shares to 400,000 shares. This provision of the 1998 Plan is eliminated in the amendment.

5. The 1998 Plan, prior to amendment, provided that the Compensation Committee, in its sole discretion, could provide an optionee with the right to exchange, in a cashless transaction, all or part of a stock option for shares of our common stock on terms and conditions determined by the Compensation Committee. This provision of the 1998 Plan could potentially result in adverse accounting consequences under FASB Statement No. 123(R), which was recently adopted by Natural Gas Services Group. Therefore, this provision of the 1998 Plan is eliminated in the amendment.

The purposes of the 1998 Plan, which are unchanged by the proposed amendment, are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to employees and consultants and to promote the success of our business.

Summary Description of the 1998 Plan

The following summary of the 1998 Plan, as amended, is qualified in its entirety by reference to the text of the 1998 Plan, as amended, which is attached as Exhibit 10.1. The 1998 Plan has been and will continue to be administered by the Compensation Committee of the Board of Directors. Options granted under the 1998 Plan may be either "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code") or options which do not constitute incentive options. The Compensation Committee has full and final authority, in its discretion, to grant incentive stock options or nonstatutory stock options, to select the persons who would be granted stock options and determine the number of shares subject to each option, the duration and exercise period of each option and the terms and conditions of each option granted.

The major provisions of the 1998 Plan as amended are as follows:

Eligibility. The Compensation Committee is authorized to grant stock options to any person selected by the Compensation Committee, including employees, officers who are also directors of Natural Gas Services Group, directors who are not employees of Natural Gas Services Group and consultants. Incentive stock options may be granted only to employees of Natural Gas Services Group.

Option Price. The option exercise price for shares of common stock issued upon exercise of an option is such price as is determined by the Compensation Committee. However, for incentive stock options granted to employees the option price will be not less than 100% of the fair market value of the Company's common stock on the date the option is granted, except that if an incentive stock option is granted to an employee who owns more than 10% of Natural Gas' outstanding common stock, the option price will be not less than 110% of the fair market value of the common stock on the date of grant. Fair market value for purposes of the 1998 Plan is the closing price of the common stock as reported on the American Stock Exchange on the relevant date.

Duration of Options. Each stock option will terminate on the date fixed by the Compensation Committee, which shall be not more than ten years after the date of grant. However, in the case of an incentive stock option granted to an employee who, at the time the option is granted, owns stock representing more than 10% of the outstanding stock of Natural Gas Services Group, the term of the option will be five years from the date of grant or such shorter time as may be provided in the stock option agreement.

Exercise Period. In the case of incentive stock options, if an optionee's employment is terminated for any reason, except death or disability, the optionee has three months in which to exercise an option (but only to the extent exercisable on the date of termination) unless the option by its terms expires earlier. If the employment of the optionee terminates by reason of total and permanent disability, the option may be exercised during the period of twelve months following termination of employment. If an optionee dies while an employee or within three months

from the date of termination, the right to exercise shall terminate twelve months from the date of death. The options terminate immediately prior to the dissolution or liquidation of Natural Gas Services Group, unless the Compensation Committee gives each optionee the right to exercise his option as to all or any part of the option, including shares as to which the option would not otherwise be exercisable. If Natural Gas Services Group sells all or substantially all of its assets or merges with or into another entity in a transaction in which it is not the survivor, options will be assumed or an equivalent option will be substituted by the successor corporation, unless the Compensation Committee determines that the optionee has the right to exercise the option as to all of the shares, including shares as to which the option would not otherwise be exercisable. The Compensation Committee has the right to alter the terms of any option at grant or while outstanding pursuant to the terms of the 1998 Plan.

Payment. Payment for stock purchased on the exercise of a stock option must be made in full at the time the stock option is exercised. The Compensation Committee may, in its discretion, permit payment for the exercise price to be made in cash, check, other shares of common stock having a fair market value on the date of exercise equal to the aggregate exercise price of the shares as to which the option is exercised, or any combination of such methods of payment, or such other consideration and method of payment for the issuance of shares as permitted under the Colorado Business Corporation Act.

Shares That May Be Issued under the 1998 Plan. A maximum of 550,000 shares of Natural Gas' common stock, as may be adjusted as described below, may be issued upon exercise of stock options granted under the 1998 Plan. This number includes the number of shares of Natural Gas' common stock originally authorized in 1998 (150,000 shares). Consequently, a total of 400,000 additional shares will be authorized pursuant to the proposed amendment. The 400,000 additional shares available represent approximately 3.35% of Natural Gas' common stock issued and outstanding on April 26, 2006. As of May 15, 2005, 140,500 shares of common stock have already been issued or are subject to currently outstanding stock options, leaving 9,500 shares of common stock available from the 150,000 shares originally authorized. The number of shares available under the 1998 Plan is subject to adjustment in the event of any stock split, stock dividend, recapitalization, spin-off or other similar action. If any stock option terminates or is canceled for any reason without having been exercised in full, the shares of stock not issued will then become available for additional grants of options.

Termination of and Amendments to the 1998 Plan The Board of Directors may terminate or amend the 1998 Plan from time to time in any manner permitted by applicable laws and regulations, except that no additional shares of common stock of Natural Gas Services Group may be allocated to the 1998 Plan and no change in the class of employees eligible to receive incentive stock options or any other material amendment to the 1998 Plan may be made without the approval of the shareholders.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits

The exhibits listed below are furnished as exhibits to this Current Report on Form 8-K.

Exhibit No. -----	Description of Exhibit -----
10.1	Natural Gas Services Group, Inc. 1998 Stock Option Plan, as amended on May 9, 2006
10.2	Form of Nonstatutory Stock Option Agreement for non-employee directors
10.3	Form of Incentive Stock Option Agreement for employees
10.4	Form of Nonstatutory Stock Option Agreement for employees and consultants

SIGNATURES

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

NATURAL GAS SERVICES GROUP, INC.

By: /s/ Stephen C. Taylor

Stephen C. Taylor, Chairman
of the Board, President and
Chief Executive Officer

Dated: May 15, 2006

EXHIBIT INDEX

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NATURAL GAS SERVICES GROUP, INC.
1998 STOCK OPTION PLAN

(as amended on May 9, 2006)

1. Purposes of this Plan. The purposes of this 1998 Stock Option Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to Employees and Consultants and to promote the success of the Company's business. Options granted hereunder may be either "incentive stock options," as defined in Section 422 of the Internal Revenue Code of 1986, as amended, or "nonstatutory stock options," at the discretion of the Board and as reflected in the terms of the written stock option agreement.

2. Definitions. As used herein, the following definitions shall apply:

a. "Board" shall mean the Committee, if one has been appointed, or the Board of Directors of the Company if no Committee is appointed.

b. "Code" shall mean the Internal Revenue Code of 1986, as amended.

c. "Common Stock" shall mean the \$0.01 par value common stock of the Company.

d. "Company" shall mean Natural Gas Services Group, Inc., a Colorado corporation.

e. "Committee" shall mean the Committee appointed by the Board in accordance with paragraph (a) of Section 4 of this Plan, if one is appointed, or the Board if no committee is appointed.

f. "Consultant" shall mean any person who is engaged by the Company or by any Parent or Subsidiary to render consulting services and is compensated for such consulting services, but does not include a director of the Company who is compensated for services as a director only with the payment of a director's fee by the Company.

g. "Continuous Status as an Employee" shall mean the absence of any interruption or termination of service as an Employee. Continuous Status as an Employee shall not be considered interrupted in the case of sick leave, military leave, or any other leave of absence approved by the Board, provided that such leave is for a period of not more than 90 days or reemployment upon the expiration of such leave is guaranteed by contract or statute.

h. "Employee" shall mean any person, including officers and directors, employed by the Company or by any Parent or Subsidiary. The payment of a director's fee by the Company shall not be sufficient to constitute "employment" by the Company.

i. "Incentive Stock Option" shall mean an Option which is intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and which shall be clearly identified as such in the written Stock Option

Agreement provided by the Company to each Optionee granted an Incentive Stock Option under this Plan.

j. "Non-Employee Director" shall mean a director who:

(i) Is not currently an officer (as defined in Section 16a-1(1) of the Securities Exchange Act of 1934, as amended) of the Company or of a Parent or Subsidiary or otherwise currently employed by the Company or by a Parent or Subsidiary.

(ii) Does not receive compensation, either directly or indirectly, from the Company or from a Parent or Subsidiary, for services rendered as a Consultant or in any capacity other than as a director, except for an amount that does not exceed the dollar amount for which disclosure would be required pursuant to Item 404(a) of Regulation S-K adopted by the United States Securities and Exchange Commission.

(iii) Does not possess an interest in any other transaction for which disclosure would be required pursuant to Item 404(a) of Regulation S-K adopted by the United States Securities and Exchange Commission.

k. "Nonstatutory Stock Option" shall mean an Option granted under this Plan which does not qualify as an Incentive Stock Option and which shall be clearly identified as such in the written Stock Option Agreement provided by the Company to each Optionee granted a Nonstatutory Stock Option under this Plan. To the extent that the aggregate fair market value of Optioned Stock to which Incentive Stock Options granted under Options to an Employee are exercisable for the first time during any calendar year (under this Plan and all plans of the Company or any Parent or Subsidiary) exceeds \$100,000, such Options shall be treated as Nonstatutory Stock Options under this Plan. The aggregate fair market value of the Optioned Stock shall be determined as of the date of grant of each Option and the determination of which Incentive Stock Options shall be treated as qualified incentive stock options under Section 422 of the Code and which Incentive Stock Options exercisable for the first time in a particular year in excess of the \$100,000 limitation shall be treated as Nonstatutory Stock Options shall be determined based on the order in which such Options were granted in accordance with Section 422(d) of the Code.

l. "Option" shall mean an Incentive Stock Option, a Nonstatutory Stock Option or both as identified in a written Stock Option Agreement representing such stock option granted pursuant to this Plan.

m. "Optioned Stock" shall mean the Common Stock subject to an Option.

n. "Optionee" shall mean an Employee or other person who is granted an option.

o. "Parent" shall mean a "parent corporation" of the Company, whether now or hereafter existing, as defined in Section 424(e) of the Code.

p. "Plan" shall mean this 1998 Stock Option Plan.

q. "Share" shall mean a share of the Common Stock of the Company, as adjusted in accordance with Section 11 of this Plan.

r. "Stock Option Agreement" shall mean the agreement to be entered into between the Company and each Optionee which shall set forth the terms and conditions of each Option granted to each Optionee, including the number of Shares underlying such Option and the exercise price of each Option granted to such Optionee under such agreement.

s. "Subsidiary" shall mean a "subsidiary corporation" of the Company, whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. Stock Subject to this Plan. Subject to the provisions of Section 11 of this Plan, the maximum aggregate number of Shares which may be optioned and sold under this Plan is 550,000 shares of Common Stock. The Shares may be authorized, but unissued, or reacquired Common Stock. If an Option should expire or become unexercisable for any reason without having been exercised in full, the unpurchased Shares which were subject thereto shall, unless this Plan shall have been terminated, become available for future grant under this Plan.

4. Administration of this Plan.

a. Procedure. This Plan shall be administered by the Board or a Committee appointed by the Board consisting of two or more Non-Employee Directors to administer this Plan on behalf of the Board, subject to such terms and conditions as the Board may prescribe.

(i) Once appointed, the Committee shall continue to serve until otherwise directed by the Board (which for purposes of this paragraph (a)(i) of this Section 4 shall be the Board of Directors of the Company). From time to time the Board may increase the size of the Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies however caused, or remove all members of the Committee and thereafter directly administer this Plan.

(ii) Members of the Board who are granted, or have been granted, Options may vote on any matters affecting the administration of this Plan or the grant of any Options pursuant to this Plan.

b. Powers of the Board. Subject to the provisions of this Plan, the Board shall have the authority, in its discretion:

(i) To grant Incentive Stock Options, in accordance with Section 422 of the Code, and Nonstatutory Stock Options or both as provided and identified in a separate written Stock Option Agreement to each Optionee granted such Option or Options under this Plan; provided however, that in no event shall an Incentive Stock Option and a Nonstatutory Stock Option

granted to any Optionee under a single Stock Option Agreement be subject to a "tandem" exercise arrangement such that the exercise of one such Option affects the Optionee's right to exercise the other Option granted under such Stock Option Agreement;

(ii) To determine, upon review of relevant information and in accordance with Section 8(b) of this Plan, the fair market value of the Common Stock;

(iii) To determine the exercise price per Share of Options to be granted, which exercise price shall be determined in accordance with Section 8(a) of this Plan;

(iv) To determine the Employees or other persons to whom, and the time or times at which, Options shall be granted and the number of Shares to be represented by each Option;

(v) To interpret this Plan;

(vi) To prescribe, amend and rescind rules and regulations relating to this Plan;

(vii) To determine the terms and provisions of each Option granted (which need not be identical) and, with the consent of the holder thereof, modify or amend each Option;

(viii) To accelerate or defer (with the consent of the Optionee) the exercise date of any Option, consistent with the provisions of Section 7 of this Plan;

(ix) To authorize any person to execute on behalf of the Company any instrument required to effectuate the grant of an Option previously granted by the Board; and

(x) To make all other determinations deemed necessary or advisable for the administration of this Plan.

c. Effect of Board's Decision. All decisions, determinations and interpretations of the Board shall be final and binding on all Optionees and any other permissible holders of any Options granted under this Plan.

5. Eligibility.

a. Persons Eligible. Options may be granted to any person selected by the Board. Incentive Stock Options may be granted only to Employees. An Employee, who is also a director of the Company, its Parent or a Subsidiary, shall be treated as an Employee for purposes of this Section 5. An Employee or other person who has been granted an Option may, if he is otherwise eligible, be granted an additional Option or Options.

b. No Effect on Relationship. This Plan shall not confer upon any Optionee any right with respect to continuation of employment or other relationship with the Company nor shall it interfere in any way with his right or the Company's right to terminate his employment or other relationship at any time.

6. Term of Plan. This Plan, as amended, became effective on June 21, 2006. It shall continue in effect until March 1, 2016, unless sooner terminated under Section 13 of this Plan.

7. Term of Option. The term of each Option shall be 10 years from the date of grant thereof or such shorter term as may be provided in the Stock Option Agreement. However, in the case of an Option granted to an Optionee who, at the time the Option is granted, owns stock representing more than 10% of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary, if the Option is an Incentive Stock Option, the term of the Option shall be five years from the date of grant thereof or such shorter time as may be provided in the Stock Option Agreement.

8. Exercise Price and Consideration.

a. Exercise Price. The per Share exercise price for the Shares to be issued pursuant to exercise of an Option shall be such price as is determined by the Board, but the per Share exercise price under an Incentive Stock Option shall be subject to the following:

(i) If granted to an Employee who, at the time of the grant of such Incentive Stock Option, owns stock representing more than 10% of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall not be less than 110% of the fair market value per Share on the date of grant.

(ii) If granted to any other Employee, the per Share exercise price shall not be less than 100% of the fair market value per Share on the date of grant.

b. Determination of Fair Market Value. The fair market value per Share on the date of grant shall be determined as follows:

(i) If the Common Stock is listed on the New York Stock Exchange, the American Stock Exchange or such other securities exchange designated by the Board, or admitted to unlisted trading privileges on any such exchange, or if the Common Stock is quoted on a National Association of Securities Dealers, Inc. system that reports closing prices, the fair market value shall be the closing price of the Common Stock as reported by such exchange or system on the day the fair market value is to be determined, or if no such price is reported for such day, then the determination of such closing price shall be as of the last immediately preceding day on which the closing price is so reported;

(ii) If the Common Stock is not so listed or admitted to unlisted trading privileges or so quoted, the fair market value shall be the average of the last reported highest bid and the lowest asked prices quoted on the

National Association of Securities Dealers, Inc. Automated Quotations System or, if not so quoted, then by the National Quotation Bureau, Inc. on the day the fair market value is determined; or

(iii) If the Common Stock is not so listed or admitted to unlisted trading privileges or so quoted, and bid and asked prices are not reported, the fair market value shall be determined in such reasonable manner as may be prescribed by the Board.

c. Consideration and Method of Payment. The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Board and may consist entirely of cash, check, other shares of Common Stock having a fair market value on the date of exercise equal to the aggregate exercise price of the Shares as to which said Option shall be exercised, or any combination of such methods of payment, or such other consideration and method of payment for the issuance of Shares to the extent permitted under the Colorado Business Corporation Act.

9. Exercise of Option.

a. Procedure for Exercise: Rights as a Shareholder. Any Option granted hereunder shall be exercisable at such times and under such conditions as determined by the Board, including performance criteria with respect to the Company and/or the Optionee, and as shall be permissible under the terms of this Plan.

An Option may not be exercised for a fraction of a Share.

An option shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Stock Option Agreement by the person entitled to exercise the Option and full payment for the Shares with respect to which the Option is exercised has been received by the Company. Full payment, as authorized by the Board, may consist of a consideration and method of payment allowable under Section 8(c) and this Section 9(a) of this Plan. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of the duly authorized transfer agent of the Company) of the stock certificate evidencing such Shares, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 11 of this Plan.

Exercise of an Option in any manner shall result in a decrease in the number of Shares which thereafter may be available, both for purposes of this Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

b. Termination of Status as an Employee. In the case of an Incentive Stock Option, if any Employee ceases to serve as an Employee, he may, but only within such period of time not exceeding three months as is determined by the Board at the time of grant of the Option after the date he ceases to be an Employee of the Company, exercise his Option to the extent that he was entitled to exercise it at the date of such termination. To the extent that he was not entitled to

exercise the Option at the date of such termination, or if he does not exercise such Option (which he was entitled to exercise) within the time specified herein, the Option shall terminate.

c. Disability of Optionee. In the case of an Incentive Stock Option, notwithstanding the provisions of Section 9(b) above, in the event an Employee is unable to continue his employment with the Company as a result of his total and permanent disability (as defined in Section 22(e)(3) of the Code), he may, but only within such period of time not exceeding 12 months as is determined by the Board at the time of grant of the Option from the date of termination, exercise his Option to the extent he was entitled to exercise it at the date of such termination. To the extent that he was not entitled to exercise the Option at the date of termination, or if he does not exercise such Option (which he was entitled to exercise) within the time specified herein, the Option shall terminate.

d. Death of Optionee. In the case of an Incentive Stock Option, in the event of the death of the Optionee:

(i) During the term of the Option if the Optionee was at the time of his death an Employee and had been in Continuous Status as an Employee or Consultant since the date of grant of the Option, the Option may be exercised, at any time within 12 months following the date of death, by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent that the right to exercise would have accrued had the Optionee continued living and remained in Continuous Status as an Employee 12 months after the date of death; or

(ii) Within such period of time not exceeding three months as is determined by the Board at the time of grant of the Option after the termination of Continuous Status as an Employee, the Option may be exercised, at any time within 12 months following the date of death, by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent that the right to exercise had accrued at the date of termination.

10. Nontransferability of Options. Unless permitted by the Code, in the case of an Incentive Stock Option, the Option may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent and distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee.

11. Adjustments Upon Changes in Capitalization or Merger. Subject to any required action by the shareholders of the Company, the number of Shares covered by each outstanding Option, and the number of Shares which have been authorized for issuance under this Plan but as to which no Options have yet been granted or which have been returned to this Plan upon cancellation or expiration of any Option, as well as the price per Share covered by each such outstanding Option, shall be proportionately adjusted for any increase or decrease in the number of issued Shares resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any

convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares subject to an Option.

In the event of the proposed dissolution or liquidation of the Company, the Option will terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Board. The Board may, in the exercise of its sole discretion in such instances, declare that any Option shall terminate as of a date fixed by the Board and give each Optionee the right to exercise his Option as to all or any part of the Optioned Stock, including Shares as to which the Option would not otherwise be exercisable. In the event of the proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another entity in a transaction in which the Company is not the survivor, the Option shall be assumed or an equivalent option shall be substituted by such successor corporation or a parent or subsidiary of such successor corporation, unless the Board determines, in the exercise of its sole discretion and in lieu of such assumption or substitution, that the Optionee shall have the right to exercise the Option as to all of the Optioned Stock, including Shares as to which the Option would not otherwise be exercisable. If the Board makes an Option fully exercisable in lieu of assumption or substitution in the event of such a merger or sale of assets, the Board shall notify the Optionee that the Option shall be fully exercisable for a period of 30 days from the date of such notice, and the Option will terminate upon the expiration of such period.

12. Time of Granting Options. The date of grant of an Option shall, for all purposes, be the date on which the Board makes the determination granting such Option. Notice of the determination shall be given to each Employee or other person to whom an Option is so granted within a reasonable time after the date of such grant. Within a reasonable time after the date of the grant of an Option, the Company shall enter into and deliver to each Employee or other person granted such Option a written Stock Option Agreement as provided in Sections 2(r) and 16 hereof, setting forth the terms and conditions of such Option and separately identifying the portion of the Option which is an Incentive Stock Option and/or the portion of such Option which is a Nonstatutory Stock Option.

13. Amendment and Termination of this Plan.

a. Amendment and Termination. The Board may amend or terminate this Plan from time to time in such respects as the Board may deem advisable; provided that, the following revisions or amendments shall require approval of the shareholders of the Company in the manner described in Section 17 of this Plan:

(i) Any change in the designation of the class of Employees eligible to be granted Incentive Stock Options; or

(ii) Any material amendment under this Plan that would have to be approved by the shareholders of the Company for the Board to continue to be able to grant Incentive Stock Options under this Plan.

b. Effect of Amendment or Termination. Any such amendment or termination of this Plan shall not affect Options already granted and such Options shall remain in full force and effect as if this Plan had not been amended or terminated, unless mutually agreed otherwise between the Optionee and the Board, which agreement must be in writing and signed by the Optionee and the Company.

14. Conditions Upon Issuance of Shares. Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, the rules and regulations promulgated thereunder, applicable state securities laws, and the requirements of any stock exchange upon which the Shares may then be listed, and shall be further subject to the approval of legal counsel for the Company with respect to such compliance.

As a condition to the existence of an Option, the Company may require the person exercising such Option to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares and such other representations and warranties which in the opinion of legal counsel for the Company, are necessary or appropriate to establish an exemption from the registration requirements under applicable federal and state securities laws with respect to the acquisition of such Shares.

15. Reservation of Shares. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of this Plan. Inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's legal counsel to be necessary for the lawful issuance and sale of any Share hereunder, shall relieve the Company of any liability relating to the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

16. Stock Option Agreement. Each Option granted to an Employee or other persons shall be evidenced by a written Stock Option Agreement in such form as the Board shall approve.

17. Shareholder Approval. Continuance of this Plan, as amended, shall be subject to approval by the shareholders of the Company on or before July 31, 2006.

18. Information to Optionees. The Company shall provide to each Optionee, during the period for which such Optionee has one or more Options outstanding, copies of all annual reports and other information which are provided to all shareholders of the Company. The Company shall not be required to provide such information if the issuance of Options under this Plan is limited to key

employees whose duties in connection with the Company assure their access to equivalent information.

19. Gender. As used herein, the masculine, feminine and neuter genders shall be deemed to include the others in all cases where they would so apply.

20. CHOICE OF LAW. ALL QUESTIONS CONCERNING THE CONSTRUCTION, VALIDITY AND INTERPRETATION OF THIS PLAN AND THE INSTRUMENTS EVIDENCING OPTIONS WILL BE GOVERNED BY THE INTERNAL LAW, AND NOT THE LAW OF CONFLICTS, OF THE STATE OF COLORADO.

FORM OF NONSTATUTORY STOCK OPTION AGREEMENT
FOR NON-EMPLOYEE DIRECTORS

AGREEMENT made effective as of the ____ day of _____, 20____, between NATURAL GAS SERVICES GROUP, INC., a Colorado corporation (the "Company"), and _____ ("Optionee").

To carry out the purposes of the NATURAL GAS SERVICES GROUP, INC., 1998 STOCK OPTION PLAN, as amended (the "Plan"), by affording Optionee the opportunity to purchase shares of common stock of the Company and in consideration of the mutual agreements and other matters set forth herein and in the Plan, the Company and Optionee hereby agree as follows:

1. Grant of Option. Subject to and upon the terms and conditions set forth herein and in the Plan, which Plan is incorporated herein by reference as a part of this Agreement, the Company hereby irrevocably grants to the Optionee a nonstatutory stock option ("Option") to purchase all or any part of an aggregate of ____ shares of the Company's Common Stock, \$.01 par value per share ("Common Stock"), which shares are referred to as the "Stock". This Option shall not be treated as an incentive stock option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

2. Exercise Price. The purchase price ("Exercise Price") for Stock purchased pursuant to this Option is \$____ per share of Stock, which shall be paid in full at the time of exercise. The Exercise Price shall be paid in cash at the time of exercise, except that the Company's Board of Directors or the Committee of the Board of Directors administering the Plan ("Committee") may, in its sole discretion, permit payment to be made with Common Stock owned by the Optionee. Optionee shall have no rights with respect to dividends or have any other rights as a shareholder with respect to the Stock subject to this Option until Optionee has given written notice of the exercise of the Option and has paid for such Stock in full.

3. Exercise Period. This Option shall be exercisable _____ and shall expire at 5:00 P.M., Central Time, on _____, except that if Optionee's position as a director of the Company is terminated for any reason, this Option will terminate as of 5:00 P.M., Central Time, on the _____ day after the effective date of such termination ("Expiration Date").

4. Number of Shares. This Option shall be exercised only for ____ shares of Stock or a multiple thereof or for the full number of shares of Stock for which the Option is then exercisable.

5. Nontransferability of Option. This Option may not be transferred by Optionee otherwise than by will or the laws of descent and distribution. During Optionee's lifetime, this Option will be exercisable only by Optionee.

6. Manner of Exercise. Subject to the terms and conditions contained herein and in the Plan, this Option may be exercised in whole or in part at any time and from time to time after the applicable first exercise date and prior to the Expiration Date by the delivery of written notice to any officer or director of the Company other than Optionee, together with full payment for the Stock purchased. The notice (i) shall state the election to exercise this Option, (ii) shall state the number of shares of Stock in respect to which the Option is being exercised, (iii) shall state Optionee's address, (iv) shall state Optionee's social security number, (v) shall contain such representations and agreements concerning Optionee's investment intent with respect to such Stock as shall be satisfactory to the Company, (vi) if requested by the Company, shall state that the Certificate evidencing the Stock may be stamped with a restrictive legend and the Stock evidenced by such Certificate will constitute "restricted securities" as defined in and subject to Rule 144 promulgated under the Securities Act of 1933, and (vii) shall be signed by Optionee. As a further condition to the exercise of this Option, the Company may require Optionee to make any additional representations and warranties to the Company as may be required by any applicable law or regulation.

7. Amendment and Administration. The Committee shall have the authority, consistent with the Plan, to interpret the Plan and this Option, to adopt, amend and rescind rules and regulations for the administration of the Plan and this Option, and generally to conduct and administer the Plan and to make all determinations in connection therewith which may be necessary or advisable, and all such actions of the Committee shall be final and conclusive for all purposes and binding upon Optionee.

8. Miscellaneous. This Option shall inure to the benefit of and be binding

upon each successor of the Company. All obligations imposed upon and all rights granted to the Optionee and all rights reserved by the Company under this Option shall be binding upon and inure to the benefit of Optionee, Optionee's heirs, personal representatives, administrators and successors. Unless the context requires otherwise, words denoting the singular may be construed as denoting the plural, and words of the plural may be construed as denoting the singular and words of one gender may be construed as denoting such other gender as is appropriate.

9. Withholding of Tax. To the extent that the exercise of this Option results in compensation income to the Optionee for federal or state income tax purposes, Optionee shall deliver to the Company at the time of such exercise such amount of money or shares of Common Stock as the Company may require to meet its obligations under applicable tax laws or regulation, and, if Optionee fails to do so, the Company is authorized to withhold from any cash of stock remuneration then or thereafter payable to Optionee any tax required to be withheld as a result of such compensation income. The Company is further

authorized in its discretion to satisfy such withholding requirement out of any cash or Stock distributable to Optionee upon such exercise.

10. Status of Stock. Optionee understands and agrees that if the shares of Stock acquirable upon the exercise of this Option have not been registered for issue under the Securities Act of 1933, as amended (the "Act"), the Company will not issue such shares unless the holder of the Option provides the Company with a written opinion of legal counsel, who shall be satisfactory to the Company, addressed to the Company and satisfactory in form and substance to the Company's counsel, to the effect that the proposed issuance of such shares to such Option holder may be made without registration under the Act. In the event exemption from registration under the Act is available upon an exercise of this Option, Optionee (or the person permitted to exercise this Option in the event of Optionee's death), if requested by the Company to do so, will execute and deliver to the Company in writing an agreement containing such provisions as the Company may require to assure compliance with applicable securities laws.

Optionee agrees that the shares of Stock which Optionee may acquire by exercising this Option shall not be sold, transferred, assigned, pledged or hypothecated in the absence of an effective registration statement for the shares under the Act and applicable state securities laws or an applicable exemption from the registration requirements of the Act and any applicable state securities laws. Optionee also agrees that the shares of Stock which Optionee may acquire by exercising this Option will not be sold or otherwise disposed of in any manner which would constitute a violation of any applicable securities laws, whether federal or state.

In addition, Optionee agrees (i) that the certificates representing the shares of Stock purchased under this Option may bear such legend or legends as the Committee deems appropriate in order to assure compliance with applicable securities laws, (ii) that the Company may refuse to register the transfer of the shares of Stock purchased under this Option on the stock transfer records of the Company if such proposed transfer would in the opinion of counsel satisfactory to the Company constitute a violation of any applicable securities law and (iii) that the Company may give related instructions to its transfer agent, if any, to stop registration of the transfer of the shares of Stock purchased under this Option.

11. Binding Effect. This Agreement shall be binding upon and inure to the benefit of any successors to the Company and all persons lawfully claiming under Optionee.

12. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Colorado.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by its officer thereunto duly authorized, and Optionee has executed this Agreement, all as of the day and year first above written.

NATURAL GAS SERVICES GROUP, INC.

By:

Name:

Title:

AGREED TO BY OPTIONEE:

FORM OF INCENTIVE STOCK OPTION AGREEMENT
FOR EMPLOYEES

AGREEMENT made effective as of the ____ day of _____, 20____, between NATURAL GAS SERVICES GROUP, INC., a Colorado corporation (the "Company"), and _____ ("Optionee").

To carry out the purposes of the NATURAL GAS SERVICES GROUP, INC., 1998 STOCK OPTION PLAN, as amended (the "Plan"), by affording Optionee the opportunity to purchase shares of common stock of the Company and in consideration of the mutual agreements and other matters set forth herein and in the Plan, the Company and Optionee hereby agree as follows:

1. Grant of Option. Subject to and upon the terms and conditions set forth herein and in the Plan, which Plan is incorporated herein by reference as a part of this Agreement, the Company hereby irrevocably grants to Optionee an incentive stock option ("Option") to purchase all or any part of an aggregate of _____ shares of the Company's Common Stock, \$.01 par value per share ("Common Stock"), which shares are referred to as the "Stock". This Option is intended to constitute an incentive stock option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

2. Exercise Price. The purchase price ("Exercise Price") for Stock purchased pursuant to this Option is \$_____ per share of Stock, which shall be paid in full at the time of exercise. The Exercise Price shall be paid in cash at the time of exercise, except that the Company's Board of Directors or the Committee of the Board of Directors administering the Plan ("Committee") may, in its sole discretion, permit payment to be made with Common Stock owned by the Optionee. Optionee shall have no rights with respect to dividends or have any other rights as a shareholder with respect to the Stock subject to this Option until Optionee has given written notice of the exercise of the Option and has paid for such Stock in full.

3. Exercise Period. Subject to the earlier expiration of this Option as herein provided, this Option may be exercised, by written notice to the Company at its principal executive office addressed to the attention of _____, at any time and from time to time after the expiration of [____ year(s)][____ month(s)] from the date of grant hereof, but, except as otherwise provided below, this Option shall not be exercisable for more than a percentage of the aggregate number of shares offered by this Option determined by the number of full [years] [months] from the date of grant hereof to the date of such exercise, in accordance with the following schedule:

Number of Full [Years][Months] -----	Percentage of Shares That May be Purchased -----
Less than	1 year
	1 year
	2 years
	3 years
	4 years or more

4. Number of Shares. This Option shall be exercised only for ____ shares of Stock or a multiple thereof or for the full number of shares of Stock for which the Option is then exercisable.

5. Nontransferability of Option. This Option may not be transferred by Optionee otherwise than by will or the laws of descent and distribution and may be exercised only by Optionee during Optionee's lifetime and while Optionee remains an employee of the Company, except that:

a. Termination of Status as an Employee. If Optionee ceases to serve as an employee of the Company, he may, but only within ____ months after the date he ceases to be an employee of the Company, exercise his Option to the extent that he was entitled to exercise it at the date of such termination. To the extent that he was not entitled to exercise the Option at the date of such termination, or if he does not exercise such Option (which he was entitled to exercise) within the time specified herein, this Option shall terminate.

b. Disability of Optionee. Notwithstanding the provisions of Section 5(a) above, if Optionee is unable to continue his employment with the Company as a result of total and permanent disability (as defined in Section 22(e)(3) of the Code), he may, but only within ____ months from the date of termination,

exercise his Option to the extent he was entitled to exercise it at the date of such termination. To the extent that he was not entitled to exercise the Option at the date of termination, or if he does not exercise such Option (which he was entitled to exercise) within the time specified herein, the Option shall terminate.

c. Death of Optionee. In the event of the death of the Optionee:

(i) During the term of the Option if the Optionee was at the time of his death an employee and had been in Continuous Status (as defined in the Plan) as an employee or consultant since the date of grant of the Option, the Option may be exercised, at any time within _____ months following the date of death, by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent that the right to exercise would have accrued had the Optionee continued living and remained in Continuous Status as an employee _____ months after the date of death; or

(ii) Within _____ months after the termination of Continuous Status as an employee, the Option may be exercised, at any time within _____ months following the date of death, by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent that the right to exercise had accrued at the date of termination.

6. Manner of Exercise. Subject to the terms and conditions contained herein and in the Plan, this Option may be exercised in whole or in part at any time and from time to time after the applicable first exercise date and prior to the Expiration Date by the delivery of written notice to any officer or director of the Company other than Optionee, together with full payment for the Stock purchased. The notice (i) shall state the election to exercise this Option, (ii) shall state the number of shares of Stock in respect to which the Option is being exercised, (iii) shall state Optionee's address, (iv) shall state Optionee's social security number, (v) shall contain such representations and agreements concerning Optionee's investment intent with respect to such Stock as shall be satisfactory to the Company, (vi) if required by the Company, shall state that the Certificate evidencing the Stock may be stamped with a restrictive legend and the Stock evidenced by such Certificate will constitute "restricted securities" as defined in and subject to Rule 144 promulgated under the Securities Act of 1933, and (vii) shall be signed by Optionee. As a further condition to the exercise of this Option, the Company may require Optionee to make any additional representations and warranties to the Company as may be required by any applicable law or regulation.

7. Amendment and Administration. The Committee shall have the authority, consistent with the Plan, to interpret the Plan and this Option, to adopt, amend and rescind rules and regulations for the administration of the Plan and this Option, and generally to conduct and administer the Plan and to make all determinations in connection therewith which may be necessary or advisable, and all such actions of the Committee shall be final and conclusive for all purposes and binding upon Optionee.

8. Miscellaneous. This Option shall inure to the benefit of and be binding upon each successor of the Company. All obligations imposed upon and all rights granted to the Optionee and all rights reserved by the Company under this Option shall be binding upon and inure to the benefit of Optionee, Optionee's heirs, personal representatives, administrators and successors. Unless the context requires otherwise, words denoting the singular may be construed as denoting the plural, and words of the plural may be construed as denoting the singular and words of one gender may be construed as denoting such other gender as is appropriate.

9. Withholding of Tax. To the extent that the exercise of this Option results in compensation income to the Optionee for federal or state income tax purposes, Optionee shall deliver to the Company at the time of such exercise such amount of money or shares of Common Stock as the Company may require to meet its obligations under applicable tax laws or regulation, and, if Optionee fails to do so, the Company is authorized to withhold from any cash of stock remuneration then or thereafter payable to Optionee any tax required to be

withheld as a result of such compensation income. The Company is further authorized in its discretion to satisfy such withholding requirement out of any cash or Stock distributable to Optionee upon such exercise.

10. Status of Stock. Optionee understands and agrees that if the shares of Stock acquirable upon the exercise of this Option have not been registered for issue under the Securities Act of 1933, as amended (the "Act"), the Company will not issue such shares unless the holder of the Option provides the Company with a written opinion of legal counsel, who shall be satisfactory to the Company, addressed to the Company and satisfactory in form and substance to the Company's counsel, to the effect that the proposed issuance of such shares to such Option holder may be made without registration under the Act. In the event exemption from registration under the Act is available upon an exercise of this Option, Optionee (or the person permitted to exercise this Option in the event of Optionee's death), if requested by the Company to do so, will execute and deliver to the Company in writing an agreement containing such provisions as the Company may require to assure compliance with applicable securities laws.

Optionee agrees that the shares of Stock which Optionee may acquire by exercising this Option shall not be sold, transferred, assigned, pledged or hypothecated in the absence of an effective registration statement for the shares under the Act and applicable state securities laws or an applicable exemption from the registration requirements of the Act and any applicable state securities laws. Optionee also agrees that the shares of Stock which Optionee may acquire by exercising this Option will not be sold or otherwise disposed of in any manner which would constitute a violation of any applicable securities laws, whether federal or state.

In addition, Optionee agrees (i) that the certificates representing the shares of Stock purchased under this Option may bear such legend or legends as the Committee deems appropriate in order to assure compliance with applicable securities laws, (ii) that the Company may refuse to register the transfer of the shares of Stock purchased under this Option on the stock transfer records of the Company if such proposed transfer would in the opinion of counsel satisfactory to the Company constitute a violation of any applicable securities law and (iii) that the Company may give related instructions to its transfer agent, if any, to stop registration of the transfer of the shares of Stock purchased under this Option.

11. Employment Relationship. For purposes of this Agreement, Optionee shall be considered to be in the employment of the Company as long as Optionee remains an employee of either the Company, a parent or subsidiary corporation (as defined in Section 425 of the Code) of the Company, or a corporation or a parent or subsidiary of such corporation assuming or substituting a new option for this Option. Any question as to whether and when there has been a termination of such employment, and the cause of such termination, shall be determined by the Committee and its determination shall be final.

12. Binding Effect. This Agreement shall be binding upon and inure to the benefit of any successors to the Company and all persons lawfully claiming under Optionee.

13. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Colorado.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by its officer thereunto duly authorized, and Optionee has executed this Agreement, all as of the day and year first above written.

NATURAL GAS SERVICES GROUP, INC.

By: _____
Name: _____
Title: _____

AGREED TO BY OPTIONEE:

FORM OF NONSTATUTORY STOCK OPTION AGREEMENT
FOR EMPLOYEES AND CONSULTANTS

AGREEMENT made effective as of the ____ day of _____, 20____, between NATURAL GAS SERVICES GROUP, INC., a Colorado corporation (the "Company"), and _____ ("Optionee").

To carry out the purposes of the NATURAL GAS SERVICES GROUP, INC., 1998 STOCK OPTION PLAN, as amended (the "Plan"), by affording Optionee the opportunity to purchase shares of common stock of the Company and in consideration of the mutual agreements and other matters set forth herein and in the Plan, the Company and Optionee hereby agree as follows:

1. Grant of Option. Subject to and upon the terms and conditions set forth herein and in the Plan, which Plan is incorporated herein by reference as a part of this Agreement, the Company hereby irrevocably grants to Optionee a nonstatutory stock option ("Option") to purchase all or any part of an aggregate of _____ shares of the Company's Common Stock, \$.01 par value per share ("Common Stock"), which shares are referred to as the "Stock". This Option is not intended to constitute an incentive stock option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

2. Exercise Price. The purchase price ("Exercise Price") for Stock purchased pursuant to this Option is \$_____ per share of Stock, which shall be paid in full at the time of exercise. The Exercise Price shall be paid in cash at the time of exercise, except that the Company's Board of Directors or the Committee of the Board of Directors administering the Plan ("Committee") may, in its sole discretion, permit payment to be made with Common Stock owned by the Optionee. Optionee shall have no rights with respect to dividends or have any other rights as a shareholder with respect to the Stock subject to this Option until Optionee has given written notice of the exercise of the Option and has paid for such Stock in full.

3. Exercise Period. Subject to the earlier expiration of this Option as herein provided, this Option may be exercised, by written notice to the Company at its principal executive office addressed to the attention of _____, at any time and from time to time after the expiration of [____ year(s)][____ month(s)] from the date of grant hereof, but, except as otherwise provided below, this Option shall not be exercisable for more than a percentage of the aggregate number of shares offered by this Option determined by the number of full [years] [months] from the date of grant hereof to the date of such exercise, in accordance with the following schedule:

Number of Full [Years][Months]	Percentage of Shares That May be Purchased
-----	-----
Less than	1 year
	1 year
	2 years
	3 years
	4 years or more

4. Number of Shares. This Option shall be exercised only for ____ shares of Stock or a multiple thereof or for the full number of shares of Stock for which the Option is then exercisable.

5. Nontransferability of Option. This Option may not be transferred by Optionee otherwise than by will or the laws of descent and distribution and may be exercised only by Optionee during Optionee's lifetime and while Optionee remains an employee of the Company, except that:

a. Termination of Status as an Employee. If Optionee ceases to serve as an employee of the Company, he may, but only within ____ months after the date he ceases to be an employee of the Company, exercise his Option to the extent that he was entitled to exercise it at the date of such termination. To the extent that he was not entitled to exercise the Option at the date of such termination, or if he does not exercise such Option (which he was entitled to exercise) within the time specified herein, this Option shall terminate.

b. Disability of Optionee. Notwithstanding the provisions of Section 5(a) above, if Optionee is unable to continue his employment with the Company as a result of total and permanent disability (as defined in Section 22(e)(3) of the Code), he may, but only within ____ months from the date of termination,

exercise his Option to the extent he was entitled to exercise it at the date of such termination. To the extent that he was not entitled to exercise the Option at the date of termination, or if he does not exercise such Option (which he was entitled to exercise) within the time specified herein, the Option shall terminate.

c. Death of Optionee. In the event of the death of the Optionee:

(i) During the term of the Option if the Optionee was at the time of his death an employee and had been in Continuous Status (as defined in the Plan) as an employee or consultant since the date of grant of the Option, the Option may be exercised, at any time within _____ months following the date of death, by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent that the right to exercise would have accrued had the Optionee continued living and remained in Continuous Status as an employee _____ months after the date of death; or

(ii) Within _____ months after the termination of Continuous Status as an employee, the Option may be exercised, at any time within _____ months following the date of death, by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent that the right to exercise had accrued at the date of termination.

6. Manner of Exercise. Subject to the terms and conditions contained herein and in the Plan, this Option may be exercised in whole or in part at any time and from time to time after the applicable first exercise date and prior to the Expiration Date by the delivery of written notice to any officer or director of the Company other than Optionee, together with full payment for the Stock purchased. The notice (i) shall state the election to exercise this Option, (ii) shall state the number of shares of Stock in respect to which the Option is being exercised, (iii) shall state Optionee's address, (iv) shall state Optionee's social security number, (v) shall contain such representations and agreements concerning Optionee's investment intent with respect to such Stock as shall be satisfactory to the Company, (vi) if required by the Company, shall state that the Certificate evidencing the Stock may be stamped with a restrictive legend and the Stock evidenced by such Certificate will constitute "restricted securities" as defined in and subject to Rule 144 promulgated under the Securities Act of 1933, and (vii) shall be signed by Optionee. As a further condition to the exercise of this Option, the Company may require Optionee to make any additional representations and warranties to the Company as may be required by any applicable law or regulation.

7. Amendment and Administration. The Committee shall have the authority, consistent with the Plan, to interpret the Plan and this Option, to adopt, amend and rescind rules and regulations for the administration of the Plan and this Option, and generally to conduct and administer the Plan and to make all determinations in connection therewith which may be necessary or advisable, and all such actions of the Committee shall be final and conclusive for all purposes and binding upon Optionee.

8. Miscellaneous. This Option shall inure to the benefit of and be binding upon each successor of the Company. All obligations imposed upon and all rights granted to the Optionee and all rights reserved by the Company under this Option shall be binding upon and inure to the benefit of Optionee, Optionee's heirs, personal representatives, administrators and successors. Unless the context requires otherwise, words denoting the singular may be construed as denoting the plural, and words of the plural may be construed as denoting the singular and words of one gender may be construed as denoting such other gender as is appropriate.

9. Withholding of Tax. To the extent that the exercise of this Option results in compensation income to the Optionee for federal or state income tax purposes, Optionee shall deliver to the Company at the time of such exercise such amount of money or shares of Common Stock as the Company may require to meet its obligations under applicable tax laws or regulation, and, if Optionee fails to do so, the Company is authorized to withhold from any cash of stock remuneration then or thereafter payable to Optionee any tax required to be

withheld as a result of such compensation income. The Company is further authorized in its discretion to satisfy such withholding requirement out of any cash or Stock distributable to Optionee upon such exercise.

10. Status of Stock. Optionee understands and agrees that if the shares of Stock acquirable upon the exercise of this Option have not been registered for issue under the Securities Act of 1933, as amended (the "Act"), the Company will not issue such shares unless the holder of the Option provides the Company with a written opinion of legal counsel, who shall be satisfactory to the Company, addressed to the Company and satisfactory in form and substance to the Company's counsel, to the effect that the proposed issuance of such shares to such Option holder may be made without registration under the Act. In the event exemption from registration under the Act is available upon an exercise of this Option, Optionee (or the person permitted to exercise this Option in the event of Optionee's death), if requested by the Company to do so, will execute and deliver to the Company in writing an agreement containing such provisions as the Company may require to assure compliance with applicable securities laws.

Optionee agrees that the shares of Stock which Optionee may acquire by exercising this Option shall not be sold, transferred, assigned, pledged or hypothecated in the absence of an effective registration statement for the shares under the Act and applicable state securities laws or an applicable exemption from the registration requirements of the Act and any applicable state securities laws. Optionee also agrees that the shares of Stock which Optionee may acquire by exercising this Option will not be sold or otherwise disposed of in any manner which would constitute a violation of any applicable securities laws, whether federal or state.

In addition, Optionee agrees (i) that the certificates representing the shares of Stock purchased under this Option may bear such legend or legends as the Committee deems appropriate in order to assure compliance with applicable securities laws, (ii) that the Company may refuse to register the transfer of the shares of Stock purchased under this Option on the stock transfer records of the Company if such proposed transfer would in the opinion of counsel satisfactory to the Company constitute a violation of any applicable securities law and (iii) that the Company may give related instructions to its transfer agent, if any, to stop registration of the transfer of the shares of Stock purchased under this Option.

11. Binding Effect. This Agreement shall be binding upon and inure to the benefit of any successors to the Company and all persons lawfully claiming under Optionee.

12. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Colorado.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by its officer thereunto duly authorized, and Optionee has executed this Agreement, all as of the day and year first above written.

NATURAL GAS SERVICES GROUP, INC.

By:

Name:

Title:

AGREED TO BY OPTIONEE:
