As filed with the Securities and Exchange Commission on October 16, 2002

Registration No. 333-88314

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 3

TO
FORM SB-2
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

NATURAL GAS SERVICES GROUP, INC.
(Name of small business issuer in its charter)

Colorado	3533	75-2811855
(State or jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

2911 SOUTH COUNTY ROAD 1260
MIDLAND, TEXAS 79706
(915) 563-3974
(Address and telephone number of principal executive offices and address of principal place of business)

WAYNE L. VINSON
2911 SOUTH COUNTY ROAD 1260
MIDLAND, TEXAS 79706
(915) 563-3974
(Name, address and telephone number of agent for service)

WITH COPIES TO:

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DENVER, COLORADO 80202
(303) 573-1600

Approximate date of proposed sale to the public: As soon as practicable following the date on which this Registration Statement becomes effective.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (1)	AMOUNT OF REGISTRATION FEE
Common Stock (2)	$ 10,910,625	$ 1,004
Warrants to purchase common stock (2)	$ 474,375	$ 44
Common stock underlying warrants............	$ 13,638,281	$ 1,255
Representative's options	$ 100	$ 1
Common stock (3)	$ 1,185,938	$ 110
Warrants to purchase common stock (3)	$ 51,563	$ 5
Common stock underlying warrants	$ 1,482,422	$ 137
Total (4)	$ 27,743,304	$ 2,556*

(1) Estimated pursuant to Rule 457(o) under the Securities Act of 1933 solely for the purpose of calculating the registration fee.

(2) Includes shares of common stock and warrants the underwriters have the option to purchase from us to cover overallotments, if any.

(3) Issuable upon exercise of the representative's options to purchase common stock and warrants.

(4) In accordance with Rule 416 under the Securities Act of 1933, a presently indeterminable number of shares of common stock are registered hereunder which may be issued in the event provisions preventing dilution become operative, as provided in the representative's warrant for the purchase of common stock. No additional registration fee has been paid for these shares of common stock.

* Previously paid.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

The information in this preliminary prospectus is not complete and may be changed. We may not sell the securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell the securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED OCTOBER , 2002

1,650,000 SHARES OF COMMON STOCK

AND

1,650,000 WARRANTS

[NGSG LOGO]

This is an initial public offering of our common stock and warrants. We expect that the public offering price of the common stock will be between $5.00 and $5.75 per share and that the public offering price of the warrants will be $0.25 per warrant. Each person who purchases securities in this offering must purchase the same number of shares of common stock and warrants.

Subject to the completion of this offering, The American Stock Exchange has approved our application to have our common stock and warrants included for quotation on The American Stock Exchange under the symbols "NGS" and "NGS.WS." The common stock and warrants will trade separately in any market that might develop.

INVESTING IN THE COMMON STOCK AND WARRANTS INVOLVES CERTAIN RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 8.

	PER SHARE	PER WARRANT	TOTAL
Public offering prices	$	$0.25	$
Underwriting discounts	$	$0.25	$
Proceeds to us, before expenses	$	$0.25	$

The underwriters have options, for 60 days from the date of this prospectus, to purchase up to an additional 247,500 shares of common stock, to purchase up to an additional 247,500 warrants, or to purchase both from us, to cover over-allotments, if any.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The underwriters expect to deliver the shares of common stock and warrants to purchasers on __________, 2002.

NEIDIGER, TUCKER, BRUNER, INC.

THE DATE OF THIS PROSPECTUS IS , 2002.

There will be four pictures
on the inside front cover page of
the Prospectus

Picture of a trailer mounted flare system labeled, "TRAILER MOUNTED FLARE SYSTEM"	Picture of a production flare system labeled, "PRODUCTION FLARE"
Picture of a natural gas compressor labeled, "WELLMAKER GTA 8.3"	Picture of a natural gas compressor labeled, "WELLMAKER GS-10"

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before investing in the common stock and warrants.

NATURAL GAS SERVICES GROUP, INC.

We provide equipment and services to the natural gas and oil industry. We manufacture, fabricate, sell and lease natural gas compressors that enhance the production of oil and gas wells and we provide maintenance services for those compressors. We define a natural gas compressor as a mechanical device with one basic goal - to deliver gas at a pressure higher than that originally existing. It may be powered by a natural gas burning engine or an electric motor to accommodate different applications. Gas compression is undertaken to transport and distribute natural gas to pipelines. Pipeline pressures vary and with the addition of new wells to the pipeline, the need for compression increases. We also manufacture and sell flare tips and ignition systems for oil and gas plant and production facilities. We define a flare tip as a burner on the upper end of a flare stack that is designed to combust waste gases to assure a clean environment. An ignition system is a pilot light or a spark generator that assures continuous ignition of the waste gases going through the burner in the flare tip.

We primarily lease natural gas compressors. As of June 30, 2002, we had 254 natural gas compressors under lease to third parties.

We also fabricate natural gas compressors for our customers, designing compressors to meet unique specifications dictated by well pressures, production characteristics and particular applications for which compression is sought.

Although natural gas compressors generally do not suffer significant technological obsolescence, they do require routine maintenance and periodic refurbishing to prolong their useful life. As of June 30, 2002, we had written maintenance agreements with third parties relating to 79 compressors. The written maintenance agreements have terms that expire at December 31, 2005. During the year ended December 31, 2001, and during the six months ended June 30, 2002, we received revenue of approximately $704,000 (approximately 8% of our total consolidated revenue) and $530,000 (approximately 10% of our total consolidated revenue), respectively, from maintenance agreements. In addition to the written maintenance agreements, we provide maintenance as a part of the rental of our compressor leases.

We have established an exchange and rebuild program to attempt to help minimize costs and maximize revenue for our customers. Under the program, we work with maintenance and operating personnel of a customer to identify equipment for exchange. When we receive a compressor for exchange because of a maintenance problem, we deliver to our customer a replacement compressor at full price. We then rebuild the exchange compressor and credit our customer an amount based on the value of the rebuilt compressor. During the year ended December 31, 2001, and during the six months ended June 30, 2002, we received revenue of approximately $402,000 (approximately 5% of our total consolidated revenue) and $314,000 (approximately 6% of our total consolidated revenue), respectively, which represents the difference between the full price of the replacement compressors and the values of the rebuilt compressors credited to our customers.

We also offer a retrofitting service by repackaging a customer's compressor with a compressor that meets our customer's changed conditions.

We design, manufacture, install and service flare stacks and related ignition and control devices for onshore and offshore burning of gas compounds such as hydrogen sulfide, carbon dioxide, natural gas and liquefied petroleum gases. We produce two ignition systems for varied applications: (a) a standing jet-like pipe for minimal fuel consumption, with a patented electronic igniter; and (b) an electronic

sparked ignition system. During the year ended December 31, 2001, and during the six months ended June 30, 2002, we sold 54 and 10, respectively, flare systems to our customers generating approximately $703,000 (approximately 8% of our total consolidated revenue) and $275,000 (approximately 10% of our total consolidated revenue) in revenue, respectively.

We were incorporated on December 17, 1998 and initially operated as a holding company of Flare King, Inc., Hi-Tech Compressor Company, L.C., NGE Leasing, Inc. and CNG Engines Company. In July 2000, Flare King and Hi-Tech merged and now operate as Rotary Gas Systems, Inc. Effective March 31, 2000, we sold CNG.

On March 29, 2001, we acquired, through our subsidiary, Great Lakes Compression, Inc., all of the compression related assets of Dominion Michigan Production Services, Inc., an unaffiliated company that is a subsidiary of Dominion Resources, Inc. and that was in the business of manufacturing, fabricating, selling, leasing and maintaining natural gas compressors. The total purchase price was $8,000,000. We paid Dominion Michigan $1,000,000 cash and are obligated to pay Dominion Michigan an additional approximately $7,000,000 in March, 2003. The deferred purchase price bears interest at a rate of nine percent per annum, which is payable on the first business day of each month. The deferred purchase price is secured by all of the assets we acquired and the pledge of all of our stock ownership in Great Lakes Compression. We will utilize approximately $3,500,000 of the net proceeds from this offering to reduce our debt to Dominion Michigan. Our bank has committed to loan us $3,500,000 which we will use to pay the remainder of our debt to Dominion Michigan The bank loan will be amortized over a five-year period.

As a part of the transaction an affiliate of Dominion Michigan committed to purchase or to enter into five year leases for compressors totaling five thousand horsepower. The purchases or leases are to be made by December 31, 2005.

We maintain our principal office at 2911 South County Road 1260, Midland, Texas 79706 and our telephone number is (915) 563-3974.

OUR OPPORTUNITY

The current market for gas compressors indicates that we can grow our fleet at approximately 10 gas compressors per month for the foreseeable future. This estimate is based solely on demand by our current customers in the states of Colorado, Kansas, Louisiana, Michigan, New Mexico, Oklahoma and Texas, the geographic areas where we currently operate. According to the Energy Information Administration, there are over 166,000 producing gas and gas condensate wells in these geographic areas, which indicates that we can acquire more customers in our current geographic areas. There are also many other geographic areas that could be added to increase our marketing area. We believe that our reputation for quality service and equipment will be instrumental in enabling us to obtain these additional customers.

OPERATING PHILOSOPHY AND GROWTH STRATEGY

Our operating philosophy is to increase shareholders' equity through profitable growth, primarily through internal growth of our ongoing operations. Our management believes that, with the proceeds from this offering, we can continue to accelerate internal growth by more actively pursuing leasing programs for compressors. When opportunities present themselves, we also may grow through acquisitions. However, our growth through operations and acquisitions will be limited unless we are able to obtain capital in addition to proceeds from this offering.

THE OFFERING

Securities offered..............................	1,650,000 shares of our common stock and 1,650,000 warrants to purchase 1,650,000 shares of our common stock. In this offering, an equal number of shares and warrants must be purchased.
Warrant attributes..............................	Each warrant is exercisable to purchase one share of our common stock at an exercise price of $________ per share (125% of the public offering price of the common stock) during the four years ending _______, 2006, subject to our redemption rights.
Shares of common stock to be outstanding after the offering.........	5,007,632 shares.
Use of Proceeds.................................	We plan to use the net proceeds to reduce indebtedness, to pay for the manufacture and fabrication of gas compressors to be placed in our rental fleet for future leasing and for working capital.
Proposed American Stock Exchange Symbols........	NGS and NGS.WS

Unless the context otherwise requires, use of the terms "us," "we," "our," and similar possessive terms in this prospectus include our wholly owned subsidiaries.

Unless otherwise stated, all information in this prospectus assumes no exercise of the over-allotment options by the underwriters to purchase up to an additional 247,500 shares of common stock, purchase up to an additional 247,500 warrants, or to purchase both from us.

SUMMARY CONSOLIDATED FINANCIAL DATA

The following table summarizes our financial data. The consolidated balance sheet data includes a column entitled "As Adjusted" that reflects the sale of 1,650,000 shares of common stock and warrants at an assumed combined offering price of $6.00, net of a combined underwriting discount of $.54 and estimated total offering expenses of $520,000. You should refer to the consolidated financial statements included elsewhere in this prospectus for a more complete description of our financial condition and results of operations.

CONSOLIDATED STATEMENT OF INCOME AND OTHER DATA (1):

	FOR THE YEAR ENDED DECEMBER 31,			FOR THE SIX MONTHS ENDED JUNE 30,	
	1999	2000	2001	2001	2002
(in thousands except per share data)					
Revenue	$ 2,629	$ 3,652	$ 8,762	$ 3,898	$ 5,120
Total costs of revenue	1,194	1,535	4,942	2,115	2,806
Gross profit	1,435	2,117	3,820	1,783	2,314
Total operating expenses	1,070	1,594	2,621	1,185	1,382
Income from operations	365	523	1,199	598	932
Total other income (expense)	(26)	(159)	(503)	(223)	(313)
Income from continuing operations before income taxes	339	364	696	375	619
Total income tax expense	98	147	314	203	280
Income before discontinued operations	241	217	382	172	339
Discontinued operations (2)	(212)	692	--	--	--
Net income	29	909	382	172	339
Preferred dividends	--	--	11	--	76
Net income available to common shareholders	$ 29	$ 909	$ 371	$ 172	$ 263
PER COMMON SHARE DATA:					
Basic	$ .01	$ .27	$ .11	$ .05	$ .08
Diluted	$ .01	$ .27	$ .11	$ .05	$ .06
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING					
Basic	3,357,632	3,357,632	3,357,632	3,357,632	3,357,632
Diluted	3,357,632	3,357,632	3,483,987	3,357,632	4,163,710

CONSOLIDATED BALANCE SHEET DATA (1):

	DECEMBER 31, 2001	JUNE 30, 2002	
	ACTUAL	ACTUAL	AS ADJUSTED
	(in thousands)		
Current assets	$ 3,248	$3,535	$ 8,524
Total assets	18,810	21,070	26,059
Current liabilities	2,049	10,900	7,400
Shareholders' equity	5,781	6,099	14,588

CONSOLIDATED STATEMENT OF CASH FLOWS:

	FOR THE YEAR ENDED DECEMBER 31,			FOR THE SIX MONTHS ENDED JUNE 30,	
	1999	2000	2001	2001	2002
	(in thousands)				
Cash flows provided by (used in) operating activities	$ 307	$ (253)	$ 840	$ 147	$ 1,278
Cash flow used in investment activities	(1,116)	(1,836)	(3,087)	(1,833)	(2,131)
Cash flow provided by financing activities	2,248	698	2,611	1,556	689
OTHER DATA					
EBITDA (3)	$ 507	$ 1,619	$ 2,523	$ 1,102	$ 1,679

INFORMATION PERTAINING TO COMPRESSORS LEASED

	COMPRESSORS LEASED		
	1999	2000	2001
Leased at beginning of year	14	41	75
Leased during year	27	34	152
Returned during year	0	0	20
Leased at year end	41	75	207

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(1) The financial information reflects the acquisition by us of the compression related assets of Dominion Michigan on March 29, 2001. The purchase price was $8,000,000 of which $1,000,000 was paid at closing and the net balance was financed by Dominion Michigan. The operations and assets of Dominion Michigan that we acquired are included in our consolidated financial statements commencing on April 1, 2001.

(2) On March 31, 2000, we disposed of CNG, a former subsidiary, in a transaction whereby we transferred all of the common stock of CNG to the former owner in exchange for all of the former owner's shares of our outstanding common stock (692,368 shares) and a note receivable for $350,000. During the year ended December 31, 2000, the former owner defaulted on all payments due under the note receivable, and the entire amount has been reserved and reflected as a reduction in the gain from discontinued operations. The sale resulted in a non-taxable gain from discontinued operations of approximately $944,000. Pre-tax loss from discontinued operations of approximately $232,000 in the summary consolidated statement of income data reflects the net loss from operations of CNG from January 1, 2000 through the date of disposal. Total revenue of CNG was approximately $3,915,000 in 1999 and approximately $828,000 from January 1, 2000 through the date of disposal.

(3) The row entitled "EBITDA" reflects net income or loss before interest, taxes, depreciation and amortization. EBITDA is a measure used by analysts and investors as an indicator of operating cash flow since it excludes the impact of movements in working capital items, non-cash charges and financing costs. However, EBITDA is not a measure of financial performance under generally accepted accounting principles and should not be considered a substitute for other financial measures of performance. EBITDA as calculated by us may not be comparable to EBITDA as calculated and reported by other companies.

RISK FACTORS

You should carefully consider the following risks before you decide to buy the common stock and warrants. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties that are not presently known to us or that we currently deem immaterial may also impair our business.

If any of the events described in the following risks actually occur, our business, financial condition and results of operations could be materially adversely affected. In such case, the trading prices of our common stock or warrants could decline and you could lose all or part of your investment.

OUR CURRENT DEBT IS LARGE AND MAY NEGATIVELY IMPACT OUR CURRENT AND FUTURE FINANCIAL STABILITY.

As of June 30, 2002, we had an aggregate of approximately $12,220,000 of outstanding indebtedness not including accounts payable and accrued expenses of approximately $1,226,000. As a result of our significant indebtedness, we might not have the ability to incur any substantial additional indebtedness. The level of our indebtedness could have several important effects on our future operations, including:

- our ability to obtain additional financing for working capital, acquisitions, capital expenditures and other purposes may be limited;

- a significant portion of our cash flow from operations may be dedicated to the payment of principal and interest on our debt, thereby reducing funds available for other purposes; and

- our significant leverage could make us more vulnerable to economic downturns.

IF WE ARE UNABLE TO SERVICE OUR DEBT, WE WILL LIKELY BE FORCED TO TAKE REMEDIAL STEPS THAT ARE CONTRARY TO OUR BUSINESS PLAN.

As of June 30, 2002, our debt service requirements on a monthly, quarterly and annual basis were $138,164, $414,492 and $1,657,968, respectively. In addition, after applying the proceeds from this offering and after borrowing from our bank the remaining approximately $3,450,000 of debt that we still will owe Dominion Michigan, it is possible that our business will not generate sufficient cash flow from operations to meet our debt service requirements and the payment of principal when due. If this were to occur, we may be forced to:

- sell assets at disadvantageous prices;

- obtain additional financing; or

- refinance all or a portion of our indebtedness on terms that may be very unfavorable to us.

OUR CURRENT BANK LOAN CONTAINS, AND OUR PROPOSED BANK LOAN WILL CONTAIN, COVENANTS THAT LIMIT OUR OPERATING AND FINANCIAL FLEXIBILITY AND, IF BREACHED, COULD EXPOSE US TO SEVERE REMEDIAL PROVISIONS.

Under the terms of the bank loans, we must:

- comply with a debt to asset ratio;

- maintain minimum levels of tangible net worth;

- not exceed specified levels of debt;

- comply with a cash flow to fixed charges ratio;

- comply with a debt to net worth ratio; and

- not incur additional debt over a specified amount.

Our ability to meet the financial ratios and tests under our current bank loan and proposed bank loan can be affected by events beyond our control, and we may not be able to satisfy those ratios and tests. A breach under either could permit the bank to accelerate the debt so that it is immediately due and payable. No further borrowings would be available under the credit facility. If we were unable to repay the debt, the bank could proceed against our assets.

APPROXIMATELY 78% OF OUR COMPRESSOR LEASES ARE LEASED FOR TERMS OF SIX MONTHS OR LESS THAT, IF TERMINATED, WOULD ADVERSELY IMPACT OUR REVENUE AND OUR ABILITY TO RECOVER OUR INITIAL EQUIPMENT COSTS.

Approximately 78% of our compressor leases are for terms of up to six months. There is a possibility that these leases could be terminated by lessees within short periods of time and that we may not be able to recover the cost of the compressor for which a lease is terminated.

THE ANTICIPATED REVENUE FROM THE AFFILIATE OF DOMINION MICHIGAN CANNOT BE GUARANTEED.

In connection with our acquisition of the compression related assets of Dominion Michigan, an affiliate of Dominion Michigan committed to purchase compressors from us or enter into five year leases of compressors with us totaling five-thousand horsepower. If, for any reason, the affiliate does not fulfill this obligation to any material extent, our cash flow will be significantly reduced and we may not be able to pay the principal or interest on our debt as it becomes due.

WE ARE DEPENDENT ON A FEW SUPPLIERS FOR SOME OF OUR COMPRESSOR COMPONENTS AND THE LOSS OF ONE OF THESE SUPPLIERS COULD CAUSE A DELAY IN THE MANUFACTURING OF OUR COMPRESSORS AND REDUCE OUR REVENUE.

We currently obtain approximately 35% of our compressor components from two suppliers. We order from these suppliers as needed and we have no long-term contracts with either supplier. If either of these suppliers should curtail its operations or be unable to meet our needs, we would encounter delays in supplying our customers with compressors until an alternative supplier, if any, could be found. Such delays in our manufacturing process could reduce our revenue and negatively impact our relationships with customers.

DECREASED OIL AND GAS INDUSTRY EXPENDITURE LEVELS WOULD ADVERSELY AFFECT OUR REVENUE.

Our revenue is derived from expenditures in the oil and gas industry which, in turn, are based on budgets to explore for, develop and produce oil and natural gas. If these expenditures decline, our revenue will suffer. The industry's willingness to explore, develop and produce depends largely upon the prevailing view of future oil and gas prices. Many factors affect the supply and demand for oil and gas and, therefore, influence product prices including:

- the level of oil and gas production;
- the levels of oil and gas inventories;
- the expected cost of developing new reserves;
- the cost of producing oil and gas;
- the level of drilling activity;
- inclement weather;
- worldwide economic activity;
- regulatory and other federal and state requirements in the United States;
- the ability of the Organization of Petroleum Exporting Countries to set and maintain production levels and prices for oil;

- terrorist activities in the United States and elsewhere;
- the cost of developing alternate energy sources;
- environmental regulation; and
- tax policies.

If the demand for oil and gas decreases, then demand for our compressors likely will decrease.

THE INTENSE COMPETITION IN OUR INDUSTRY COULD RESULT IN REDUCED PROFITABILITY AND LOSS OF MARKET SHARE FOR US.

We sell or lease our products and sell our services in competitive markets. In most of our business segments, we compete with the oil and gas industry's largest equipment and service providers who have greater name recognition than we do. These companies also have substantially greater financial resources, larger operations and greater budgets for marketing, research and development than we do. They may be better able to compete in making equipment available quickly and more efficiently, meeting delivery schedules or reducing prices. As a result, we could lose customers and market share to those competitors. These companies may also be better positioned than us to successfully endure down turns in the oil and gas industry.

Our operations may be adversely affected if our current competitors or new market entrants introduce new products or services with better prices, features, performance or other competitive characteristics than our products and services. Competitive pressures or other factors also may result in significant price competition that could harm our revenue and our business.

WE MIGHT BE UNABLE TO EMPLOY ADEQUATE TECHNICAL PERSONNEL WHICH COULD HAMPER OUR PLANS FOR EXPANSION OR INCREASE OUR COSTS.

Many of the compressors that we sell or lease are technically complex and often must perform in harsh conditions. We believe that our success depends upon our ability to employ and retain a sufficient number of technical personnel who have the ability to design, utilize, enhance and maintain these compressors. Our ability to expand our operations depends in part on our ability to increase our skilled labor force. The demand for skilled workers is high and supply is limited. A significant increase in the wages paid by competing employers could result in a reduction of our skilled labor force or cause an increase in the wage rates that we must pay or both. If either of these events were to occur, our cost structure could increase and our operations and growth potential could be impaired.

IF WE DO NOT DEVELOP, PRODUCE AND COMMERCIALIZE NEW COMPETITIVE TECHNOLOGIES AND PRODUCTS, OUR REVENUE MAY DECLINE.

The markets for natural gas compressor products and services and for flare systems, ignition systems and components for plant and production facilities are characterized by continual technological developments. As a result, substantial improvements in the scope and quality of product function and performance can occur over a short period of time. If we are not able to develop commercially competitive products in a timely manner in response to changes in technology, our business and revenue may be adversely affected.

We may encounter financial constraints or technical or other difficulties that could delay introduction of new products and services in the future. Our competitors may introduce new products before we do and achieve a competitive advantage.

Additionally, the time and expense invested in product development may not result in commercial applications that provide revenue. We could be required to write off our entire investment in a new product that does not reach commercial viability. Moreover, we may experience operating losses after new products

are introduced and commercialized because of high start-up costs, unexpected manufacturing costs or problems, or lack of demand.

WE ARE SUBJECT TO EXTENSIVE ENVIRONMENTAL LAWS AND REGULATIONS THAT COULD REQUIRE US TO TAKE COSTLY COMPLIANCE ACTIONS THAT COULD HARM OUR FINANCIAL CONDITION.

Our manufacturing and maintenance operations are significantly affected by stringent and complex federal, state and local laws and regulations governing the discharge of substances into the environment or otherwise relating to environmental protection. In these operations, we generate and manage hazardous wastes such as solvents, thinner, waste paint, waste oil, washdown wastes, and sandblast material. We attempt to use generally accepted operating and disposal practices and, with respect to acquisitions, will attempt to identify and assess whether there is any environmental risk before completing an acquisition. Based on the nature of the industry, however, hydrocarbons or other wastes may have been disposed of or released on or under properties owned, leased, or operated by us or on or under other locations where such wastes have been taken for disposal. The waste on these properties may be subject to federal or state environmental laws that could require us to remove the wastes or remediate sites where they have been released. We could be exposed to liability for cleanup costs, natural resource and other damages as a result of our conduct or the conduct of, or conditions caused by, prior operators or other third parties. Environmental laws and regulations have changed in the past, and they are likely to change in the future. If existing regulatory requirements or enforcement policies change, we may be required to make significant unanticipated capital and operating expenditures.

Any failure by us to comply with applicable environmental laws and regulations may result in governmental authorities taking actions against our business that could harm our operations and financial condition, including the:

- issuance of administrative, civil and criminal penalties;
- denial or revocation of permits or other authorizations;
- reduction or cessation in operations; and
- performance of site investigatory, remedial or other corrective actions.

WE COULD BE SUBJECT TO SUBSTANTIAL LIABILITY CLAIMS THAT COULD HARM OUR FINANCIAL CONDITION.

Our products are used in hazardous drilling and production applications where an accident or a failure of a product can cause personal injury, loss of life, damage to property, equipment or the environment, or suspension of operations.

While we maintain insurance coverage, we face the following risks under our insurance coverage:

- we may not be able to continue to obtain insurance on commercially reasonable terms;
- we may be faced with types of liabilities that will not be covered by our insurance, such as damages from significant product liabilities and from environmental contamination;
- the dollar amount of any liabilities may exceed our policy limits; and
- we do not maintain coverage against the risk of interruption of our business.

Any claims made under our policy will likely cause our premiums to increase. Any future damages caused by our products or services that are not covered by insurance, are in excess of policy limits or are subject to substantial deductibles, would reduce our earnings and our cash available for operations.

LIABILITY TO CUSTOMERS UNDER WARRANTIES MAY MATERIALLY AND ADVERSELY AFFECT OUR EARNINGS.

We provide warranties as to the proper operation and conformance to specifications of the equipment we manufacture. Our equipment is complex and often deployed in harsh environments. Failure of this equipment to operate properly or to meet specifications may increase our costs by requiring additional engineering resources and services, replacement of parts and equipment or monetary reimbursement to a customer. We have in the past received warranty claims and we expect to continue to receive them in the future. To the extent that we incur substantial warranty claims in any period, our reputation, our ability to obtain future business and our earnings could be materially and adversely affected.

LOSS OF KEY MEMBERS OF OUR MANAGEMENT COULD ADVERSELY AFFECT OUR BUSINESS WHILE WE ATTEMPT TO FIND THEIR REPLACEMENTS.

We depend on the continued employment and performance of Wayne L. Vinson, our President and the President of Rotary Gas Systems, Scott W. Sparkman, our Secretary and the Executive Vice President of NGE Leasing, Alan P. Kurus, our Vice President-Sales and Marketing, Earl R. Wait, our Treasurer and Chief Financial Officer, and other key members of our management. We currently have employment agreements only with Wayne L. Vinson and Earl R. Wait. If any of our key managers resigns or becomes unable to continue in his present role and is not adequately replaced, our business operations could be materially adversely affected. We do not maintain any "key man" life insurance for any of our officers, except for policies totaling $1,500,000 on the life of Wayne L. Vinson. We are the beneficiary of these policies.

WE ARE RELIANT ON OUR CURRENT CUSTOMERS FOR FUTURE CASH FLOWS AND THE LOSS OF ONE OR MORE OF OUR CURRENT CUSTOMERS COULD ADVERSELY AFFECT OUR RESULTS OF OPERATIONS.

Our business is dependent not only on securing new customers but also on maintaining current customers. Dominion Exploration & Production, Inc., an affiliate of Dominion Resources, Inc., accounted for approximately 37% and approximately 26% of our consolidated revenue during the six months ended June 30, 2002, and the year ended December 31, 2001, respectively. The loss of one or more of our significant customers would have an adverse effect on our revenue and results of operations.

PROVISIONS CONTAINED IN OUR GOVERNING DOCUMENTS COULD HINDER A CHANGE IN OUR CONTROL.

Our articles of incorporation and bylaws contain provisions that may discourage acquisition bids and may limit the price investors are willing to pay for our common stock and warrants. Our articles of incorporation and bylaws provide that:

- directors will be elected for three-year terms, with approximately one-third of the board of directors standing for election each year;

- cumulative voting is not allowed which limits the ability of minority shareholders to elect any directors;

- the unanimous vote of the board of directors or the affirmative vote of the holders of not less than 80% of the votes entitled to be cast by the holders of all shares entitled to vote in the election of directors is required to change the size of the board of directors; and

- directors may only be removed for cause by holders of not less than 80% of the votes entitled to be cast on the matter.

Our board of directors has the authority to issue up to five million shares of preferred stock. The board of directors can fix the terms of the preferred stock without any action on the part of our shareholders. The issuance of shares of preferred stock may delay or prevent a change in control transaction. In addition, preferred stock could be used in connection with the board of director's adoption of a shareholders' rights plan (also known as a poison pill), which would make it much more difficult to effect a change in control of our company through acquiring or controlling blocks of stock. Also, after completion of this offering, our directors

and officers as a group will continue to beneficially own stock. Although this is not a majority of our stock, it confers substantial voting power in the election of directors and management of our company. This would make it difficult for other minority shareholders, such as the investors in this offering, to effect a change in control or otherwise extend any significant control over the management of our company. This may adversely affect the market price and interfere with the voting and other rights of our common stock.

YOU MAY BE UNABLE TO EXERCISE THE WARRANTS IF WE ARE UNABLE TO QUALIFY OUR SECURITIES UNDER APPLICABLE SECURITIES LAWS OR IF WE REDEEM YOUR WARRANTS.

You will initially own one warrant for each share of common stock purchased in this offering. You may purchase one share of common stock through the exercise of one warrant on payment of the $___ exercise price. You may only exercise your warrants if a registration statement relating to the common stock underlying the warrants is then in effect and we have complied with applicable state securities laws. There is a risk that we may be unsuccessful in maintaining a current registration statement covering the common stock underlying the warrants. We may not have sufficient funds or may not be able to obtain the financial statements necessary to maintain a current registration statement covering the common stock underlying the warrants. As a result, you may be unable to exercise the warrants for this or other reasons. We may also redeem your warrants under certain circumstances. Your warrants may be exercised during the notice period prior to the date of redemption. If you do not exercise your warrants prior to the redemption date, you will only be entitled to receive the redemption price of $0.25 per warrant.

IF OUR COMMON STOCK DOES NOT TRADE FOR A CERTAIN PRICE PER SHARE AFTER SIX MONTHS FROM THE CLOSING OF THIS OFFERING, OUR PREFERRED STOCK WILL NOT AUTOMATICALLY CONVERT INTO OUR COMMON STOCK.

Our currently outstanding 381,654 shares of 10% Convertible Series A Preferred Stock will automatically convert into shares of our common stock if, after six months from the closing of this offering, our common stock trades at or above $6.50 per share for 20 consecutive trading days. Until such event occurs, we will be required to:

- continue to pay the preferred stock dividend;

- permit the preferred stock holders to vote as a separate class where required by Colorado law; and

- pay the holders of preferred stock a preference upon our liquidation.

The same consequences would likely result from any additional preferred stock that our board of directors may authorize for issuance in the future, as well as additional rights and preferences that could be included in the terms of the preferred stock.

SALES OF LARGE NUMBERS OF SHARES COULD ADVERSELY AFFECT THE PRICE OF OUR COMMON STOCK.

Substantial sales of our common stock, including shares issued upon the exercise of outstanding options and warrants, in the public market following this offering, or the perception that these sales could occur, may have a depressive effect on the market price of our common stock and could impair our ability to raise capital or make acquisitions through the issuance of equity securities. As of June 30, 2002, there were 3,357,632 shares of our common stock outstanding of which 2,710,132 shares are subject to a 12 month lock-up agreement as further described below.

Of the 3,357,632 shares, 1,367,691 are freely tradable without restriction or further registration under the securities laws and 1,989,941 shares are held by directors, officers and other of our affiliates. The shares held by our directors, officers and other affiliates are subject to the resale limitations of Rule 144 described below. Further, our officers, directors, other affiliates, beneficial holders of 5% or more of our outstanding shares of common stock and three other individuals have agreed, pursuant to lock-up agreements relating to the transfer of shares of our common stock, that they will not sell, transfer, hypothecate or convey any of our 2,710,132 shares of common stock they now own or any of our shares of common stock that underlie options, warrants or our 10% Series A Preferred Stock they now own, by registration or otherwise, for a period of 12 months from the date of this prospectus without the prior written consent of the representative of the underwriters. However, after the lock-up expires, such persons will be able to sell their shares as the securities laws and market conditions permit. Each holder of our 10% Convertible Series A Preferred Stock has agreed not to sell it or the 381,654 shares of our common stock into which all of our outstanding 10% Convertible Series A Preferred Stock is convertible for a period of 180 days after the closing date of this offering without the prior written consent of the representative of the underwriters. All shares of common stock sold in this offering will be freely tradable, unless purchased by our affiliates.

permit. All shares of common stock sold in this offering will be freely tradable, unless purchased by our affiliates.

In general, under Rule 144 adopted under the Securities Act, any person that beneficially owns restricted securities for one year and any person deemed to be an affiliate of our company is entitled to sell, within any three-month period, a number of shares that does not exceed the greater of (1) 1% of the then outstanding shares of common stock of our company or (2) the average weekly trading volume in common stock during the four calendar weeks preceding such sale. A person that is not an affiliate and has held restricted securities for at least two years is entitled to sell such shares without any limitation.

WE WILL HAVE A COMPARATIVELY LOW NUMBER OF SHARES OF COMMON STOCK AND WARRANTS OUTSTANDING AND, THEREFORE, OUR COMMON STOCK AND WARRANTS MAY SUFFER FROM LIMITED LIQUIDITY AND THEIR PRICES WILL LIKELY BE VOLATILE AND THEIR VALUE MAY BE ADVERSELY AFFECTED.

Because the number of freely transferable shares of our common stock and number of our warrants will be low, the trading prices of our common stock and warrants will likely be subject to significant price fluctuations and limited liquidity. This may adversely affect the value of your investment. In addition, our common stock and warrants could be subject to fluctuations in response to variations in quarterly operating results, changes in management, future announcements concerning us, general trends in the industry and other events or factors as well as those described above.

OUTSTANDING DERIVATIVE SECURITIES MAY DILUTE THE VALUE OF YOUR INVESTMENT.

We have issued and outstanding options and warrants to acquire up to 916,270 shares of our common stock at exercise prices ranging from $2.00 to $3.25 per share. We also have outstanding 10% Convertible Series A Preferred Stock that is convertible into 381,654 shares of our common stock at a conversion price of $3.25 per share. Under the terms of the options, warrants and the 10% Series A Convertible Preferred Stock, the holders will have an opportunity to profit from a rise in the market price of our common stock without assuming the risks of ownership. This may have an adverse effect on the terms upon which we could obtain additional capital. It should be expected that the holders of such options, warrants and the 10% Series A Convertible Preferred Stock will exercise or convert them at a time when we would be able to issue stock at prices higher than the exercise prices of the options and warrants and the conversion price of the 10% Series A Convertible Preferred Stock.

WE MUST EVALUATE OUR INTANGIBLE ASSETS ANNUALLY FOR IMPAIRMENT.

Our intangible assets are recorded at cost less accumulated amortization and consist of goodwill and patent costs. Through December 31, 2001, goodwill was amortized using the straight-line method over 15 years and patent costs were amortized over 13 to 15 years.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets." SFAS 142 provides that: 1) goodwill and intangible assets with indefinite lives will no longer be amortized; 2) goodwill and intangible assets with indefinite lives must be tested for impairment at least annually; and 3) the amortization period for intangible assets with finite lives will no longer be limited to forty years. In the event that we determine our intangible assets with indefinite lives have been impaired, we must record a write-down of those assets on our statement of operations during the period of impairment. Our determination of impairment will be based on various factors, including any of the following factors, if they materialize:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of our use of the acquired assets or the strategy for our overall business;
- significant negative industry or economic trends;
- significant decline in our stock price for a sustained period; and
- our market capitalization relative to net book value.

We adopted SFAS 142 as of January 1, 2002. Based on an independent valuation in July 2002 of our reporting units with goodwill, we do not believe that adoption of SFAS 142 will have a material adverse effect on us through at least 2002. In the future it could result in impairments of our intangible assets or goodwill. We expect to continue to amortize our intangible assets with finite lives over the same time periods as previously used, and we will test our intangible assets with indefinite lives for impairment at least once each year. In addition, we are required to assess the consumptive life, or longevity, of our intangible assets with finite lives and adjust their amortization periods accordingly. Our net intangible assets were recorded on our balance sheet at approximately $2,745,000 as of June 30, 2002, and we expect the carrying value of net intangible assets will increase significantly if we acquire additional businesses. Any impairments in future periods of those assets, or a reduction in their consumptive lives, could materially and adversely affect our statement of operations and financial position.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS 144 requires the recognition of an impairment loss if the carrying amount of a long-lived asset is not recoverable from its undiscounted cash flows and measures the impairment loss as the difference between the carrying amount and fair value of the assets. Although we do not believe that the requirements of SFAS 144 will have a material adverse effect on us through 2002, it could in the future require material write-downs of our long-lived assets.

CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

This prospectus, including the sections entitled "Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business," contains forward-looking statements. These statements relate to future events or our future financial performance, including our business strategy and product development plans, and involve known and unknown risks and uncertainties. These risks and other factors include those listed under "Risk Factors" and elsewhere in this prospectus. These factors may cause our actual results, levels of activity, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "expects," "intends," "plans," "anticipated," "believes," "estimated," "potential," or the negative of these terms or other comparable terminology.

When considering these forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this prospectus.

USE OF PROCEEDS

We estimate that our net proceeds from the sale of the 1,650,000 shares of common stock and 1,650,000 warrants in this offering, assuming a combined initial public offering price of $6.00 per share and warrant, will be approximately $8,489,000. If the underwriters exercise their over-allotment options in full, our net proceeds will be approximately $9,810,650. Our net proceeds is the amount we expect to receive from this offering after deducting the underwriting discounts and estimated offering expenses payable by us. We intend to use these proceeds for the following purposes:

- $3,500,000 to reduce indebtedness;
- $4,700,000 for the manufacture of gas compressors to be placed in our rental fleet and leased over the next one to two years; and
- the remainder for working capital.

The $3,500,000 allocated to pay indebtedness was incurred in connection with our acquisition of the compression related assets of Dominion Michigan on March 29, 2001. After the payment, we will still owe approximately $3,500,000 to Dominion Michigan. The balance bears interest at a rate of nine percent per annum and is due in March 2003.

We have secured a letter from a bank, wherein the bank, subject to the closing of this offering, has committed to loan us $3,500,000 to pay the balance of the amount we owe to Dominion Michigan. The loan will bear interest at prime plus 1% and will be payable in equal amounts of principal plus interest over a period of five years. The loan will be collateralized with our accounts receivable, inventory and equipment and the $1,000,000 life insurance policy on the life of Wayne Vinson and will be guaranteed by our subsidiaries. The loan will prohibit us from the payment of dividends without the consent of the bank. A condition to the closing of this offering is that the loan transaction close simultaneously with the closing of this offering.

If the underwriters exercise their over-allotment options, we will allocate the additional net proceeds of up to $1,321,650 to working capital. Working capital will be used to pay such items as rent, office expenses, equipment, equipment repairs, salaries and our other day-to-day costs of doing business.

The previous paragraphs describe our present estimates of our use of the net proceeds of this offering based on our current plans and estimates of anticipated expenses. Our actual expenditures may vary from these estimates. We may also find it necessary or advisable to reallocate the net proceeds within the uses outlined above or to use portions of the net proceeds for other purposes.

Pending these uses, we will invest the net proceeds of this offering primarily in cash equivalents or direct or guaranteed obligations of the United States government.

DIVIDEND POLICY

We have never declared or paid any dividends on our common stock. We anticipate that, for the foreseeable future, all earnings will be retained for use in our business and no cash dividends will be paid to holders of our common stock. If we were to pay cash dividends in the future on the common stock, it would be dependent upon our:

- financial condition,
- results of operations,
- current and anticipated cash requirements,
- plans for expansion,
- restrictions, if any, under debt obligations,

as well as other factors that our board of directors deemed relevant. Our agreement with our bank and our commitment from our bank contain provisions that restrict us from paying dividends on our common stock.

We have 381,654 shares of our 10% Convertible Series A Preferred Stock outstanding. Holders of that stock are entitled to cash dividends paid quarterly at a rate equal to 10% per annum or $0.325 per share annually. The 10% Convertible Series A Preferred stock will automatically convert into our common stock at any time after six months from the closing of this offering, if our common stock trades for 20 consecutive trading days after the six month period at a price of $6.50 or more per share.

DILUTION

As of June 30, 2002, we had a net tangible book value of $3,201,971 or approximately $0.95 per share of common stock. After giving effect to the sale of 1,650,000 shares of common stock at an assumed initial offering price of $5.75 per share, our pro forma net tangible book value, based on 5,007,632 shares of common stock outstanding as of June 30, 2002, would have been $11,315,596 or $2.26 per share of common stock. This amount represents an immediate increase in pro forma net tangible book value of $1.31 per share of common stock to the existing holders of common stock and an immediate dilution of $3.46 per share of common stock to new investors. "Dilution" is determined by subtracting pro forma net tangible book value per share of common stock after the offering from the offering price per share of common stock, as illustrated by the following table:

Assumed initial public offering price per share of common stock......		$ 5.75
Net tangible book value per share of common stock as of March 31, 2002.......................................	$ 0.95	
Increase in pro forma net tangible book value per share of common stock attributable to new investors........................	$ 1.31	
Pro forma net tangible book value per share of common stock after the offering...		$ 2.26
Dilution per share of common stock to new investors..................		$ 3.49
Dilution as percentage of assumed offering price.....................		61%

The following table sets forth as of June 30, 2002, the number of shares of common stock acquired from us, the total cash consideration paid to us and the average cash price per share of common stock paid to us by our existing shareholders and by new investors (assuming the sale of 1,650,000 shares of common stock at an assumed initial public offering price of $5.75 per share, before deduction of the underwriting discount and other estimated offering expenses):

	SHARES PURCHASED		CONSIDERATION PAID		AVERAGE PRICE
	NUMBER	PERCENT	AMOUNT	PERCENT	VALUE OF PER SHARE
Existing shareholders..........	3,357,632	67.1%	$ 3,456,131	26.7%	$1.03
New investors..................	1,650,000	32.9	9,487,500	73.3	$5.75
Total..........................	5,007,632	100.0%	$12,943,631	100.0%	

The foregoing information assumes no conversion of our outstanding preferred stock, no exercise of the warrants being offered hereby, no exercise of outstanding options and warrants and no exercise of the underwriters' over-allotment options for the purchase of common stock and warrants. To the extent that outstanding preferred stock is converted or outstanding options or warrants are exercised at prices below the assumed public offering price of $5.75 per share of common stock, there will be further dilution to investors.

CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2002. Our capitalization is presented:

- on an actual basis; and

- on an as adjusted basis to reflect our receipt of the estimated net proceeds from the sale of 1,650,000 shares of common stock at an assumed initial public offering price of $5.75 per share and 1,650,000 warrants at $0.25 per warrant, after deducting underwriting discounts and other estimated offering expenses.

	JUNE 30, 2002	
	ACTUAL	AS ADJUSTED
Borrowings:		
Bank line of credit	$ --	$ --
Subordinated notes	1,306,495	1,306,495
Capital leases	50,153	50,153
Long-term debt	10,863,236	7,363,236
Total borrowings:	$ 12,219,884	$ 8,719,884
Shareholders' equity:		
Preferred Stock, par value $0.01 per share; 5,000,000 shares authorized; 381,654 shares issued and outstanding	3,817	3,817
Common stock, $0.01 par value 30,000,000 shares authorized; 3,357,632 shares issued and outstanding, 5,007,632 shares issued and outstanding, as adjusted	33,576	50,076
Additional paid-in capital	4,497,520	12,970,020
Retained earnings	1,563,881	1,563,881
Total shareholders' equity	$ 6,098,794	$ 14,587,794
Total capitalization	$ 18,318,678	$ 23,307,678

The foregoing table does not give effect to:

- 916,270 shares of common stock issuable on exercise of outstanding options and warrants;

- 1,650,000 shares of common stock issuable on exercise of the warrants being offered hereby;

- 247,500 shares of common stock issuable upon exercise of the underwriters' over-allotment option for common stock; and

- 247,500 warrants issuable upon exercise of the underwriters' over-allotment option for warrants.

SELECTED CONSOLIDATED FINANCIAL DATA

You should read the selected consolidated data for the fiscal years ended December 31, 1999, 2000 and 2001, and for the six months ended June 30, 2002, in the tables below together with our consolidated financial statements and the related notes and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this prospectus. Our historical results are not necessarily indicative of our future results.

SUMMARY CONSOLIDATED INCOME AND OTHER DATA (1):
(in thousands)

	FOR THE YEAR ENDED DECEMBER 31			SIX MONTHS ENDED JUNE 30	
	1999	2000	2001	2001	2002
				(unaudited)	
Total revenue	$ 2,629	$ 3,652	$ 8,762	$ 3,898	$ 5,120
Total costs of revenue	1,194	1,535	4,942	2,115	2,806
Gross profit	1,435	2,117	3,820	1,783	2,314
Total operating expenses	1,070	1,594	2,621	1,185	1,382
Income from operations	365	523	1,199	598	932
Total other income (expense)	(26)	(159)	(503)	(223)	(313)
Income from continuing operations before income taxes	339	364	696	375	619
Total income tax expense	98	147	314	203	280
Income before discontinued operations	241	217	382	172	339
Discontinued operations (2)	(212)	692	--	--	--
Net income	$ 29	$ 909	$ 382	$ 172	$ 339
Preferred dividends	--	--	11	--	76
Net income available to common shareholders	$ 29	$ 909	$ 371	$ 172	$ 263
PER COMMON SHARE DATA:					
Basic	$ .01	$ .27	$ .11	$ .05	$ .08
Diluted	$ .01	$ .27	$ .11	$ .05	$ .06
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING					
Basic	3,357,632	3,357,632	3,357,632	3,357,632	3,357,632
Diluted	3,357,632	3,357,632	3,483,987	3,357,632	4,163,710

SUMMARY CONSOLIDATED BALANCE SHEET DATA (1):

	DECEMBER 31, 2001	JUNE 30, 2002	
	ACTUAL	ACTUAL	AS ADJUSTED
Current assets	$ 3,248	$ 3,535	$ 8,524
Total assets	18,810	21,070	26,059
Current			

liabilities...................
2,049 10,900 7,400
Shareholders'
equity.................. 5,781
6,099 14,588

CONSOLIDATED STATEMENT OF CASH FLOWS (1):

	FOR THE YEAR ENDED JUNE 30			FOR THE PERIOD ENDED DECEMBER 31	
	1999	2000	2001	2001	2002
Cash flows provided by (used in) operating activities	$ 307	$ (253)	$ 840	$ 147	$ 1,278
Cash flow used in investment activities	(1,116)	(1,836)	(3,087)	(1,833)	(2,131)
Cash flow provided by financing activities	2,248	698	2,611	1,556	689
OTHER DATA					
EBITDA (3)	$ 507	$ 1,619	$ 2,523	$ 1,102	$ 1,689

INFORMATION PERTAINING TO COMPRESSORS LEASED

	COMPRESSORS LEASED		
	1999	2000	2001
Leased at beginning of year	14	41	75
Leased during year	27	34	152
Returned during year	0	0	20
Leased at year end	41	75	207

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(1) The financial information reflects the acquisition by us of the compression related assets of Dominion Michigan on March 29, 2001. The purchase price was $8,000,000 of which $1,000,000 was paid at closing and the net balance was financed by Dominion Michigan. The operations and assets of Dominion Michigan that was acquired are included in our consolidated financial statements commencing on April 1, 2001.

(2) On March 31, 2000, we disposed of CNG in a transaction whereby we transferred all of the common stock of CNG to the former owner in exchange for all of the former owner's shares of our outstanding common stock (692,368 shares) and a note receivable for $350,000. During the year ended December 31, 2000, the former owner defaulted on all payments due under the note receivable, and the entire amount has been reserved and reflected as a reduction in the gain from discontinued operations. The sale resulted in a non-taxable gain from discontinued operations of approximately $944,000. Pre-tax loss from discontinued operations of approximately $232,000 in the summary consolidated statement of income data reflects the net loss from operations of CNG from January 1, 2000 through the date of disposal. Total revenue of CNG was approximately $3,915,000 in 1999 and approximately $828,000 from January 1, 2000 through the date of disposal.

(3) The row entitled "EBITDA" reflects net income or loss before interest, taxes, depreciation and amortization. EBITDA is a measure used by analysts and investors as an indicator of operating cash flow since it excludes the impact of movements in working capital items, non-cash charges and financing costs. However, EBITDA is not a measure of financial performance under generally accepted accounting principles and should not be considered a substitute for other financial measures of performance. EBITDA as calculated by us may not be comparable to EBITDA as calculated and reported by other companies.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the consolidated financial statements and attached notes thereto and the other financial information included elsewhere in this prospectus. This discussion contains forward looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward looking statements as a result of any number of factors, including those set forth under the section entitled "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

We combine the operations of Rotary Gas Systems, NGE Leasing and Great Lakes Compression. These entities provide products and services to the oil and gas industry and are engaged in (1) the manufacture, sale and rental of natural gas compressors to enhance the productivity of oil and gas wells, and (2) the manufacture, sale and rental of flares and flare ignition systems for plant and production facilities. We are the parent company and provide administrative and management support and, therefore, have expenses associated with that activity.

We acquired the compression related assets of Great Lakes from Dominion Michigan on March 29, 2001. This acquisition significantly increased the number of compressor units that we own and service and thereby increased our revenue and operating income beginning April 1, 2001.

RESULTS OF OPERATIONS

PERIOD ENDED JUNE 30, 2002 COMPARED TO THE PERIOD ENDED JUNE 30, 2001

(IN THOUSANDS)	ROTARY GAS	NGE LEASING	GREAT LAKES COMPRESSION (1)	NATURAL GAS SERVICES GROUP	TOTAL
SIX MONTHS ENDED JUNE 30, 2002					
Revenue	$ 1,571	$ 1,059	$ 2,490	$	$ 5,120
Gross margin	656	761	897		2,314
Gross margin percentage	42%	72%	36%		45%
Selling, general and administrative expense	398	80	126	240	844
Depreciation and amortization expense	59	189	270	20	538
Interest expense	4	186	313	20	523
Other income	1	1			2
Equity in earnings from joint venture		208			208
Income tax				280	280
Net Income	$ 196	$ 515	$ 188	$ (560)	$ 339
SIX MONTHS ENDED JUNE 30, 2001					
Revenue	$ 2,170	$ 695	$ 1,033	$	$ 3,898
Gross margin	767	496	520		1,783
Gross margin percentage	35%	71%	50%		46%

Selling,
general and
administrative
expense 507 85
99 140 831
Depreciation
and
amortization
expense 52 112
137 54 355
Interest
expense 1 196
159 15 371
Other income 1
80 81 Equity in
earnings from
joint venture
67 67 Income
tax 202 202 ---
---- ------- --
------------- -
---------- ----
--- Net income
$ 208 $ 250 $
125 $ (411) $
172 =======
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(1) We purchased the compression related assets of Great Lakes from Dominion Michigan on March 29, 2001. Therefore, the information for the period ending March 31, 2001, is not included.

Rotary Gas Systems Operations

Revenue from outside sources decreased approximately $599,000 or approximately 28% for the six months ended June 30, 2002 compared to the same period ended June 30, 2001. Because our products are custom-built, fluctuations in revenue from outside sources are expected. Our main focus is to build our rental fleet and associated lease revenue in NGE Leasing, which in the long term is more profitable and has a more stable cash flow. For the six months ended June 30, 2001, approximately 33% of our plant output was used to build gas compressors for NGE Leasing as opposed to approximately 65% for the same period in 2002. Our focus from a management and sales prospective is to achieve a balance of 70% - 30% ratio of leased natural gas compressors to outside sales. We feel that our plant capacity is achievable in the foreseeable future by adding personnel and using the Great Lakes Compression facility if an overrun occurs.

The gross margin percentage increased from 35% for the six months ended June 30, 2001, to 42% for the same period ended June 30, 2002. The increase resulted mainly from some change in product mix. A greater part of sales during the period ending June 30, 2002, included flares, parts and service which normally have a higher margin than gas compressors. At times even the margin on individual compressors can vary since they are normally custom designed and manufactured.

Selling, general and administrative expense decreased from $507,000, to $398,000 or 21% for the six months ended June 30, 2001, as compared to the same period ended June 30, 2002. This was mainly the result of the reduction of selling expenses related to the decision to discontinue the air compressor line. We discontinued this line of product in the development stage so that we could concentrate on our main product, gas compression.

Depreciation expense increased 14% from $52,000 to $59,000 for the six months ended June 30, 2001, compared to the same period ended June 30, 2002. This increase was mainly due to the purchase of additional vehicles, shop and office equipment.

There was a $3,000 increase in interest expense for the six months ended June 30,2002 compare to the same period ended June 30, 2001 mainly due to financing the purchase of additional vehicles.

NGE Leasing Operations

Revenue from rental of natural gas compressors increased 52% for the six months ended June 30, 2002, compared to the same period in 2001. This increase is the result of the increase in our rental fleet of which 50 new compressors were added during the six months ended June 30, 2002, as compared to the addition of 17 during the 2001 period. The compressors were manufactured by Rotary Gas Systems.

The gross margin percentage increased 1% from 71% for the period ending June 30, 2001 to 72% for the same period in 2002. The cost of revenue is comprised mainly of expenses associated with the maintenance of the gas compressor rental activity. This increase resulted from the fact that 50 new compressors were added to the fleet during the period. Normally the cost of the equipment maintenance will naturally increase over time as the equipment ages thereby reducing the gross margin. The expected life of a gas compressor unit will exceed 15 years with routine maintenance and a major overhaul every three to four years. As of June 30, 2002, 46% of our compressor rental fleet was less than one year old, 22% was one to two years old, 16% was two to three years old, and 16% was older than three years.

Selling, general and administrative expense decreased from $85,000 to $80,000 or 6% for the six months ended June 30, 2001, as compared to the same period ended June 30, 2002. This was mainly the result of an decrease in legal and insurance expense.

Depreciation expense increased 69% from $112,000 to $189,000 for the six months ended June 30, 2001, compared to the same period ended June 30, 2002. This increase was the result of new gas compressor rental units being added to the rental fleet during the period.

There was a decrease in interest expense from $196,000 to $186,000 for the six months ended June 30, 2001 as compared to the same period ended June 30, 2002. This is mainly as a result of additional equity funding that occurred in the year from June 30, 2001 to June 30, 2002.

Equity in earnings from joint venture increased 210% from $67,000 to $208,000 during the six months ended June 30, 2001, compared to the same period ended June 30, 2002. This is a joint venture, called Hy-Bon Rotary Compression, LLC, that serves a mutual area of interest in which we contribute gas compressor units for rental. The increase is due to net profits associated with the additional units leased in 2002 as compared to those in 2001. As of June 30, 2002, we had contributed 36 gas compressors to the joint venture as compared to 11 at June 30, 2001.

Great Lakes Compression

We acquired the compression related assets of Great Lakes Compression from Dominion Michigan as of March 29, 2001. Therefore, there is no historical comparative data for the six months ended June 30, 2001.

Natural Gas Services Group

Selling, general and administrative expense increased from $140,000 to $240,000 or 71% for the six months ended June 30, 2001, as compared to the same period ended June 30, 2002. This was mainly the result of an added expense for warrants valued at $42,000 granted to certain officers and directors as consideration for their guarantee of restructured corporate bank debt and an increase in accrual for officer bonuses normally paid at year end.

Amortization and depreciation expense decreased from $54,000 to $20,000 or 62% for the six months ended June 30, 2001 compared to the same period ended June 30, 2002. This decrease was mainly the result of changes in the accounting method for amortizing goodwill.

Interest expense increased from $15,000 to $20,000 or 33% for the six months ended June 30, 2001 compared to the same period ended June 30, 2002. This increase was the result of financing the purchase on three new service vehicles.

Income tax expense is accounted for on a consolidated basis. Therefore, the tax for all companies is included in the tax expense for Natural Gas Services Group. Income tax expense increased 40% from $202,000 to $280,000 for the six months ended June 30, 2001 compared to same period ended June 30, 2002. This increase is mainly due to an increase in income before taxes.

FISCAL YEAR ENDED DECEMBER 31, 2001 COMPARED TO FISCAL YEAR ENDED DECEMBER 31, 2000

NATURAL GAS
ROTARY NGE
GREAT LAKES
SERVICES GAS
LEASING
COMPRESSION (1)
GROUP TOTAL ---
----- ------- -

----------- ---
---- (IN
THOUSANDS)
TWELVE MONTHS
ENDED DECEMBER
31, 2001
Revenue $ 3,841
$ 1,519 $ 3,402
$ $ 8,762 Gross
margin 1,231
1,076 1,513
3,820 Gross
margin
percentage 32%
71% 47% 45%
Selling,
general and
administrative
expense 962 234
297 225 1,718
Depreciation
and
amortization
expense 104 252
423 124 903
Interest
expense 4 395
489 36 924
Other income 19
130 3 45 197
Equity in
earnings from
joint venture
224 224 Income
tax 314 314 ---
---- ------- --
------------- -
---------- ----
--- Net income
$ 180 549 $ 307
$ (654) $ 382
======= =======
===============
===========
======= TWELVE
MONTHS ENDED
DECEMBER 31,
2000 Revenue $
2,576 $ 1,076 $
$ $ 3,652 Gross
margin 1,291
826 2,117 Gross
margin
percentage 50%
77% 58%
Selling,
general and
administrative
expense 900 185
153 1,238
Depreciation
and
amortization
expense 91 163
102 356
Interest
expense 7 194 6
207 Other
income
(expense) 13 33
(16) 30 Equity
in earnings
from joint
venture 18 18
Income tax 147
147 ------- ---
---- ----------
----- ---------
-- ------- Net

Income before discontinued operations $ 306 335 $ (424) $ 217 ======= ======= =========== =======

(1) We purchased the compression related assets of Great Lakes from Dominion Michigan on March 29, 2001. Therefore, the information for the year ended December 31, 2000, is not included.

Rotary Gas Systems Operations

Revenue increased approximately $1,265,000 or approximately 49% for the twelve months ended December 31, 2001 as compared to the same period for 2000. This increase resulted from our increased marketing efforts and funding as well as from increased recognition in the marketplace of our name and products.

The gross margin percentage decreased from 50% for the twelve months ended December 31, 2000 to 32% for the same period in 2001. This decrease was the result of several factors, such as (1) in 2000 the product mix included higher margin items such as flares, parts and service, (2) in 2001 the cost of revenue included additional costs for increased support personnel and supervision, intended to increase our production capability for 2001 and beyond, and (3) in 2001 we had increased expenses attributable to our work on development of several new product lines, including larger horsepower gas compressors for third party customers.

Selling, general and administrative expense increased 7% from $900,000 to $962,000 for the year ended December 31, 2000, as compared to the same period ended December 31, 2001. This was the result of

increased wages, audit fees and various other expense associated with financing transactions and increased volume of sales.

Depreciation expense increased 14% from $91,000 to $104,000 for the year ended December 31, 2001. This increase was mainly due to the purchase of additional vehicles, shop and office equipment.

Interest expense decreased 43% from $7,000 to $4,000 for the year ended December 31, 2001, compared to the same period ended December 31, 2000. This was mainly due to the pay off of certain auto loans.

Other income increased 46% from $13,000 to $19,000 for the year ended December 31, 2000, compared to the same period ended December 31, 2001. This increase resulted from the sale of used vehicles.

NGE Leasing Operations

Revenue from rental of natural gas compressors increased 42% for the period ended December 31, 2001 as compared to the same period in 2000. This increase resulted from the addition of 40 new gas compressors to the rental fleet during the twelve months ended December 31, 2001 as compared to 34 in operation in 2000. These compressors were manufactured by Rotary Gas Systems.

The gross margin percentage decreased 6% from 77% for the period ending December 31, 2000 to 71% for the same period in 2001. The cost of revenue is comprised primarily of expenses associated with the maintenance and repair of the gas compressors. This decrease in gross margin resulted from the fact that the cost of maintenance and repair will naturally increase over time as the equipment ages. As of December 31, 2001, 36% of our compressor rental fleet was less than a year old, 28% was one to two years old, 27% was two to three years old and 9% was older than three years.

Selling, general and administrative expense increased from $185,000 to $234,000 or 26% for the year ended December 31, 2000 as compared to the same period ended December 31, 2001. This was mainly the result of increased sales commissions reflecting increased rental activity for the period.

Depreciation expense increased 55% from $163,000 to $252,000 for the year ended December 31, 2000, compared to the year ended December 31, 2001. This increase was the result of new gas compressor rental units being added to the fleet.

Interest expense increased 104% from $194,000 to $395,000 for the year ended December 31, 2000, compared to the year ended December 31, 2001. This increase is the result of the additional debt that was required to build additional rental compressors.

Equity in earnings from joint venture increased 1144% from $18,000 to $224,000 for the year ended December 31, 2000, compared to the same period ended December 31, 2001. This is a joint venture, called Hy-Bon Rotary Compression, LLC, which serves a mutual area of interest in which we contribute gas compressor units for rental. The increase is due to net profits associated with the additional units leased in 2001 as compared to those in 2000. As of December 31, 2001, we had contributed 19 gas compressors to the joint venture, an increase of 14 units from the comparative period.

Great Lakes Compression

We acquired the compression related assets of Great Lakes from Dominion Michigan as of March 29, 2001. Therefore, no historical comparative data is included.

Selling, general and administrative expense increased from $153,000 to $225,000 or 47% for the year ended December 31, 2000 as compared to the same period ended December 31, 2001. This was mainly the result of an increase in administrative salaries and in audit fees.

Depreciation expense increased from $102,000 to $124,000 or 22% for the year ended December 31, 2000 compared to the same period ended December 31, 2001. This increase was the result of the purchase of four new service trucks.

Interest expense increased from $6,000 to $36,000 or 500% for the year ended December 31, 2000 compared to the same period ended December 31, 2001. This increase was the result of the financing for the purchase of four new service trucks in June of 2001 and for the purchase of our production facility in October 2000.

Income tax expense is accounted for on a consolidated basis therefore the tax for all companies is included in the tax expense for Natural Gas Services Group. Income tax expense increased 114% from $147,000 to $314,000 for the year ended December 31, 2000 compared to the same period ended December 31, 2001. This increase is the result of an increase in income before taxes.

CRITICAL ACCOUNTING POLICIES

We have identified the policies below as critical to our business operations and the understanding of our results of operations. In the ordinary course of business, we have made a number of estimates and assumptions relating to the reporting of results of operations and financial condition in the preparation of our financial statements in conformity with accounting principles generally accepted in the United States. Actual results could differ significantly from those estimates under different assumptions and conditions. We believe that the following discussion addresses our most critical accounting policies, which are those that are most important to the portrayal of our financial condition and results of operations and require our most difficult, subjective, and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

Our critical accounting policies are as follows:

- revenue recognition;
- estimating the allowance for doubtful accounts;
- accounting for income taxes;
- valuation of long-lived and intangible assets and goodwill; and
- valuation of inventory

Revenue recognition

We recognize revenue from sales of compressors or flare systems at the time of shipment and passage of title when collectability is reasonably assured. We also offer certain of our customers the right to return products that do not function properly within a limited time after delivery. We continuously monitor and track such product returns and we record a provision for the estimated amount of such future returns, based on historical experience and any notification we receive of pending returns. While such returns have historically been within our expectations and the provisions established, we cannot guarantee that we will continue to experience the same return rates that we have in the past. Any significant increase in product failure rates and

the resulting credit returns could have a material adverse impact on our operating results for the period or periods in which such returns occur.

When product is billed to customers based on contractual agreements, but has not yet been shipped, payments are recorded as deferred revenue, pending shipment.

Rental and lease revenue are recognized over the terms of the respective lease agreements based upon the classification of the lease.

Allowance for doubtful accounts receivable

We perform ongoing credit evaluations of our customers and adjust credit limits based upon payment history and the customer's current credit worthiness, as determined by our review of their current credit information. We continuously monitor collections and payments from our customers and maintain a provision for estimated credit losses based upon our historical experience and any specific customer collection issues that we have identified. While such credit losses have historically been within our expectations and the provisions established, we cannot guarantee that we will continue to experience the same credit loss rates that we have in the past. Since our accounts receivable are concentrated in approximately 107 customers at June 30, 2002, a significant change in the liquidity or financial position of any one of these customers could have a material adverse impact on the collectability of our accounts receivables and our future operating results.

Accounting for income taxes.

As part of the process of preparing our consolidated financial statements we are required to estimate our Federal income taxes as well as income taxes in each of the states in which we operate. This process involves us estimating our actual current tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in our consolidated balance sheet. We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income and to the extent we believe that recovery is not likely, we must establish a valuation allowance. To the extent we establish a valuation allowance or increase this allowance in a period, we must include an expense in the tax provision in the statement of operations.

Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets.

Valuation of long-lived and intangible assets and goodwill.

We assess the impairment of identifiable intangibles, long-lived assets and related goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;

- significant changes in the manner of our use of the acquired assets or the strategy for our overall business; and

- significant negative industry or economic trends;

When we determine that the carrying value of intangibles, long-lived assets and related goodwill may not be recoverable based upon the existence of one or more of the above indicators of impairment, we measure any impairment based on a projected discounted cash flow method using a discount rate determined by our management to be commensurate with the risk inherent in our current business model.

In 2002, Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" became effective and as a result, we ceased to amortize approximately $2.6 million of goodwill as of January 1, 2002. In lieu of amortization, we are required to perform an initial impairment

review of our goodwill in 2002 and an annual impairment review thereafter. Based upon a valuation of our reporting units with goodwill, we do not expect to record an impairment charge during 2002.

Inventories

We value our inventory at the lower of the actual cost to purchase and/or manufacture the inventory or the current estimated market value of the inventory. We regularly review inventory quantities on hand and record a provision for excess and obsolete inventory based primarily on our estimated forecast of product demand and production requirements.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets . SFAS 141 requires all business combinations initiated after June 30, 2001 to be accounted for under the purchase method. For all business combinations for which the date of acquisition is after June 30, 2001, SFAS 141 also establishes specific criteria for the recognition of intangible assets separately from goodwill and requires unallocated negative goodwill to be written off immediately as an extraordinary gain, rather than deferred and amortized. SFAS 142 changes the accounting for goodwill and other intangible assets after an acquisition. The most significant changes made by SFAS 142 are: 1) goodwill and intangible assets with indefinite lives will no longer be amortized; 2) goodwill and intangible assets with indefinite lives must be tested for impairment at least annually; and 3) the amortization period for intangible assets with finite lives will no longer be limited to forty years. We do not believe that the adoption of SFAS 141 or SFAS 142 will have a material effect on our financial position, results of operations, or cash flows.

In June 2001, the FASB also approved for issuance SFAS 143, Asset Retirement Obligations. SFAS 143 establishes accounting requirements for retirement obligations associated with tangible long-lived assets, including 1) the timing of the liability recognition, 2) initial measurement of the liability, 3) allocation of asset retirement cost to expense, 4) subsequent measurement of the liability and 5) financial statement disclosures. SFAS 143 requires that an asset retirement cost should be capitalized as part of the cost of the related long-lived asset and subsequently allocated to expense using a systematic and rational method. We will adopt the statement effective no later than January 1, 2003, as required. The transition adjustment resulting from the adoption of SFAS 143 will be reported as a cumulative effect of a change in accounting principle. We do not believe that the adoption of this statement will have a material effect on its financial position, results of operations, or cash flows. See Note 15 to the financial statements filed with this prospectus.

In October 2001, the FASB approved SFAS 144, Accounting for the Impairment or Disposal of Long-Lived Assets. SFAS 144 replaces SFAS 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of. The new accounting model for long-lived assets to be disposed of by sale applies to all long-lived assets, including discontinued operations, and replaces the provisions of APB Opinion No. 30, Reporting Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, for the disposal of segments of a business. Statement 144 requires that those long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. Therefore, discontinued operations will no longer be measured at net realizable value or include amounts for operating losses that have not yet occurred. Statement 144 also broadens the reporting of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity and that will be eliminated from the ongoing operations of the entity in a disposal transaction. The provisions of Statement 144 are effective for financial statements issued for fiscal years beginning after December 15, 2001 and, generally, are to be applied prospectively. Presently, we do not believe the adoption of this statement will have a material effect on our financial position, results of operations, or cash flows.

SEASONALITY AND ECONOMIC CONDITIONS

Our sales are affected by the timing of planned development and construction projects by energy industry customers. The fourth quarter is generally favorably affected.

INFLATION

We do not believe that inflation had a material impact upon our results of operations during the six months ended June 30, 2002, or during the years ended December 31, 2001 and 2000.

LIQUIDITY AND CAPITAL RESOURCES

We have funded our operations through private offerings of our common and preferred stock, subordinated debt, bank debt and seller debt in our acquisition of the compression related assets of Dominion Michigan. Proceeds were primarily used to fund the manufacture and fabrication of additional units for our rental fleet of gas compressors and to help fund the cash portion of the payment for the compression related assets of Dominion Michigan during the first quarter of 2001.

At June 30, 2002, we had cash and cash equivalents of approximately $342,000, a working capital deficit of approximately $7,366,000 and debt of approximately $12,220,000 of which approximately $9,042,000 was classified as current. We had approximately $1,278,000 of net cash flow from operating activities during the first six months of 2002. This was primarily from net income of approximately $339,000 plus depreciation and amortization of approximately $538,000 and increases in deferred taxes of approximately $280,000, deferred income of approximately $449,000 and accounts payable and accrued liabilities of approximately $276,000, offset by increases in inventory, receivables and equity in earnings of joint venture.

We realized approximately $840,000 of net cash flow from operating activities during the twelve months ended December 31, 2001. This was primarily due to income from continuing operations before tax of approximately $696,000 plus depreciation and amortization of approximately $903,000, for a total of approximately $1,599,000, offset by increases in inventory and receivables.

Upon completion of this offering, we intend to actively pursue adding gas compressors to our rental fleet and seeking acquisitions. No specific candidates have yet been identified. We expect to fund additional rental units though borrowings and cash flow from operations. We believe that the revenue generated by our operations and the proceeds from this offering will be adequate to meet our anticipated cash, capital and debt service requirements for approximately twelve months following this offering.

Maturities of long-term debt based on contractual requirements for the years ending December 31, are as follows:

2002	$ 904,000
2003	7,624,000
2004	698,000
2005	309,000
2006	195,000
Thereafter	222,000
	$ 9,952,000

Through the end of December 2002, we will need approximately $983,000 to service the principal and interest payments that will be due on our current debt. The approximately $983,000 includes approximately

$154,000 of interest that will be due on December 31, 2002, on notes we sold in a private offering in 2000 and 2001. If we do not have sufficient cash flow to cover the principal and interest payments, we will not be able to pay the quarterly dividends on our outstanding preferred stock. In this regard, until Dominion Michigan is paid in full, we currently are not able to use any cash flow from the operations of Dominion Michigan to pay the principal and interest payments or dividends.

As a result of the issuance of warrants to directors and shareholders with an exercise price of $3.25 per share in April 2002 in connection with guaranteeing restructured bank debt, we recorded an expense of approximately $42,000 during the six months ending June 30, 2002.

MARKET RISK

We significantly rely upon debt financing provided by various financial institutions. Most of these instruments contain interest provisions that are at least a percentage point above the published prime rate. This creates a vulnerability to us relative to the movement of the prime rate. Should the prime rate increase, our cost of funds will increase and affect our ability to obtain additional debt. We have not engaged in any hedging activities to offset such risks.

BUSINESS

OVERVIEW

We were incorporated on December 17, 1998. In early 1999, we underwent a reorganization by acquiring CNG Engines Company, Flare King, Inc., Hi-Tech Compressor Company, L.C. and NGE Leasing, Inc. In March 2000, we sold CNG back to its former principal owner. In July 2000, Flare King and Hi-Tech merged and now operate as Rotary Gas Systems, Inc. On March 29, 2001, we acquired, through our subsidiary, Great Lakes Compression, Inc., all of the compression related assets of Dominion Michigan Petroleum Services, Inc., a company that was in the business of manufacturing, fabricating, selling, leasing and maintaining natural gas compressors and related equipment. We now operate through our three subsidiaries, Rotary Gas, NGE Leasing and Great Lakes Compression and through one joint venture, HyBon Rotary.

Our principal executive offices are located at 2911 South County Road 1260, Midland, Texas 79706 and our telephone number is (915) 563-3974.

ACQUISITION OF COMPRESSION RELATED ASSETS OF DOMINION MICHIGAN

On March 29, 2001, we acquired the compression related assets of Dominion Michigan, which is a subsidiary of Dominion Exploration, Inc., for a total of $8,000,000. The purchase price was reduced by approximately $43,600 which was the net cash generated from the assets acquired from January 1, 2001 to the date of closing.

In consideration for the assets, we paid Dominion Michigan $1,000,000 and are obligated to pay an additional approximately $7,000,000 in March, 2003. The deferred purchase price bears interest at a rate of nine percent per annum, which is payable on the first business day of each month. The deferred purchase price is secured by all of the assets we acquired and the pledge of all of our stock ownership in our subsidiary that acquired the assets.

The assets acquired consisted of approximately five acres of land, fabrication and storage facilities, equipment and 93 compressors that are leased. Of the 93 compressors, 35 are leased to Dominion Michigan and its affiliates and 58 are leased month-to-month to other parties. We also assumed six leases of compressors and maintenance agreements for 77 other compressors. Further, as a part of the transaction, Dominion Exploration & Production, Inc., an affiliate of Dominion Michigan, committed to purchase or enter into five year leases for compressors totaling five thousand horsepower. The purchases or leases are to be made by December 31, 2005, and the compressors will be sold or leased by us at our normal rates.

Dominion Exploration has agreed that no more than 30% of the compressors will be purchased and that 70% (or more at its option) will be leased. Dominion Exploration is required to order compressors, either for purchase or lease totaling not less than 800 horsepower and not more than 1300 horsepower during each calendar year. The number of compressor units and the size and type of each compressor unit will be determined solely by Dominion Exploration. As of June 30, 2002, the affiliate had purchased or leased compressors totaling 1,830 horsepower and was in compliance with its agreement.

Until we have paid the deferred purchase price, our subsidiary is limited in the amount of debt and liens it may have, restricted from consolidating or merging with or into any other entity or selling or otherwise transferring all or any substantial part of its assets to any other person, is prohibited from paying dividends, is limited in making investments and is limited in making capital expenditures.

OUR BUSINESS

The compression business of our predecessors was formed in 1984 to take advantage of the concept of packaging a rotary screw compressor thereby making available lower cost compression for marginal wells. We are involved in the manufacture, fabrication, sale, lease, and maintenance of compressors and the

manufacture and sale of natural gas flare systems, components and ignition systems. We have manufacturing and fabrication facilities located in Lewiston, Michigan, and Midland, Texas, where we manufacture and fabricate natural gas compressors. We design and manufacture natural gas flare systems, components and ignition systems in our facility in Midland, Texas, for use in oilfield, refinery and petrochemical plant applications.

We currently provide our products and services to a customer base of oil and gas exploration and production companies operating primarily in Colorado, Kansas, Louisiana, Michigan, New Mexico, Oklahoma, Texas and Wyoming.

INDUSTRY BACKGROUND

Our products and services are related to the oil and natural gas industries. The oil and natural gas industry is comprised of several large, well-capitalized companies accounting for the majority of the market. There also exist a large number of small privately held companies making up the remainder of the market. According to a report by the National Petroleum Council in December 1999, there is a growing consumption of natural gas in this country.

We believe that there will continue to be a growing demand for natural gas. Because of this, demand for our products and services is expected to continue to rise as a result of:

- the increasing demand for energy, both domestically and abroad;
- environmental considerations which provide strong incentives to use natural gas in place of other carbon fuels;
- the cost savings of using natural gas rather than electricity for heat generation;
- implementation of international environmental and conservation laws;
- the aging of producing natural gas reserves worldwide; and
- the extensive supply of undeveloped natural gas reserves.

By using a compressor, the operator of a natural gas well is able to increase the pressure of natural gas from a well to make it economically viable by enabling gas to continue to flow in the pipeline to its destination. We feel that we are well positioned through our gas compression and flare system activities to take advantage of the aging of reserves and the development of new reserves.

THE COMPRESSION BUSINESS

Natural gas compressors are used in a number of applications intended to enhance the productivity of oil and gas wells, gas transportation lines and processing plants. Compression equipment is often required to boost a well's production to economically viable levels and enable gas to continue to flow in the pipeline to its destination. We believe that most producing gas wells in North America, at some point, will utilize compression. As of December 31, 2000, the Energy Information Administration reported that there were approximately 306,000 producing gas and gas condensate wells in the United States. The states where we currently operate account for approximately 166,000 of these wells.

THE LEASING BUSINESS

We primarily lease natural gas compressors. As of June 30, 2002, we had 254 natural gas compressors totaling approximately 32,000 horsepower leased to 24 third parties, compared to 182 natural gas compressors totaling approximately 16,000 horsepower leased to 21 third parties at June 30, 2001. Of the 254 natural gas compressors, 44 were leased to Dominion Michigan and its affiliates.

As a part of our leasing business, in 2000 we formed a limited liability company, Hy-Bon Rotary Compression LLC, ("HBRC") with Hy-Bon Engineering Company, Inc., a non-affiliated company, to lease

natural gas compressors. We formed HBRC to lease compressors to a customer with which the non-affiliated company had a relationship. The non-affiliated company owns 50% and we own 50% of HBRC. The non-affiliated company has appointed a majority of the persons who serve as managers of HBRC. As of June 30, 2002, we had contributed 36 compressors totaling approximately 2,700 horsepower to HBRC and the non-affiliated company had contributed 26 compressors totaling approximately 2,300 horsepower to HBRC. We split the expenses of HBRC with the other company. After the payment of expenses, we receive whatever profit is realized by HBRC in proportion to the amount received by HBRC from the lease of natural gas compressors that are contributed by us and by the non-affiliated company to HBRC.

In addition to 79 separate written maintenance agreements that we had at June 30, 2002, we provide maintenance as a part of the rental in our compressor leases. Many companies and individuals are turning to leasing of equipment instead of purchasing. Leasing does not require the purchaser to make large capital expenditures for new equipment or to obtain financing through a lending institution. This frees the customer's assets for developing the customer's business. Our leases generally have initial terms of from six to 18 months and then continue on a month-to-month basis. The leases with Dominion Exploration have an initial five year term. Lease rentals are paid monthly. At the end of a lease term, the customer may continue to pay monthly rentals on the equipment, or we may require them to purchase it or return it to us.

Changing well and pipeline pressures and conditions over the life of a well often require producers to reconfigure their compressor units to optimize the well production or pipeline efficiency. Because the equipment is highly technical, a trained staff of field service personnel, a substantial parts inventory and a diversified fleet of natural gas compressors are often necessary to perform reconfiguration functions in an economic manner. It is not efficient or, in many cases, economically possible for independent natural gas producers to maintain reconfiguration capabilities individually. Also, our management believes that, in order to streamline their operations and reduce their capital expenditures and other costs, a number of major oil and gas companies have sold portions of their domestic energy reserves to independent energy producers and have outsourced many facets of their operations. We believe that these initiatives are likely to contribute to increased rental of compressor equipment. For that reason, we have created our own compressor-rental fleet to take advantage of the rental market, and intend to expand our fleet by approximately 120 natural gas compressors over the next 12 months through the proceeds of this offering and cash flow.

The size, type and geographic diversity of our rental fleet enables us to provide our customers with a range of compression units that can serve a wide variety of applications, and to select the correct equipment for the job, rather than the customer trying to fit the job to its own equipment. We base our gas compressor rental rates on several factors, including the cost and size of the equipment, the type and complexity of service desired by the customer, the length of contract, and the inclusion of any other services desired, such as leasing, installation, transportation and daily operation.

CUSTOM FABRICATION

We also engineer and fabricate natural gas compressors for our customers to meet their unique specifications based on well pressure, production characteristics and the particular applications for which compression is sought. In order to meet the ongoing needs of our customers for whom we custom fabricate, we offer a variety of services, including: (i) engineering, manufacturing and fabrication of the compressors; (ii) installation and testing of compressors; (iii) ongoing performance review to assess the need for a change in compression: and (iv) periodic maintenance and parts replacement. We receive revenue for each service.

MAINTENANCE

Although natural gas compressors generally do not suffer significant technological obsolescence, they do require routine maintenance and periodic refurbishing to prolong their useful life. Routine maintenance includes alignment and compression checks and other parametric checks indicate a change in the condition of

the compressors. In addition, oil and wear-particle analysis is performed on all compressors. Overhauls are done on a condition-based interval or a time-based schedule. Based on our past experience, these maintenance procedures maximize component life and unit availability and minimize downtime.

As of June 30, 2002, we had written maintenance agreements with third parties relating to 79 compressors. Each written maintenance agreement expires on December 31, 2005. During our year ended December 31, 2001, and the six months ended June 30, 2002, we received revenue of approximately $704,000 (approximately 8% of our total consolidated revenue) and $530,000 (approximately 10% of our total consolidated revenue), respectively, from maintenance agreements.

EXCHANGE AND REBUILD PROGRAM

We have established an exchange and rebuild program to attempt to help minimize costs and maximize our customers' revenue. This program is designed for operations with rotary screw compressors where downtime and lost revenue are critical.

Under the program, we work with our customer's maintenance and operating personnel to identify and quantify equipment for exchange. When we receive a compressor for exchange due to a problem with the compressor, we deliver to our customer a replacement compressor at full price. We then rebuild the exchange compressor and credit our customer with an amount based on the value of the compressor we rebuild.

This program enables our customers to obtain replacement compressors and shorten the time that the customer is unable to realize gas production from one or more wells because of the lack of a compressor.

During our year ended December 31, 2001, and the six months ended June 30, 2002, we received revenue of approximately $402,000 (approximately 5% of our total consolidated revenue) and approximately $314,000 (approximately 6% of our total consolidated revenue), respectively, from exchanging and rebuilding rotary screw compressors for our customers.

RETROFITTING SERVICE

We recognize the capital invested by our customers in compressors. We also recognize that producing wells and gas gathering systems change significantly during their operating life. To meet these changing conditions and help our customers maximize their operating income, we offer a retrofitting service by repackaging a customer's compressor with a compressor that meets our customer's changed conditions.

THE FLARE BUSINESS

The drilling for and production of oil and gas results in certain gaseous hydrocarbon byproducts that generally must be burned off at the source. Although flares and flare systems have been part of the oilfield and petrochemical environment for many years, increasing regulation of emissions has resulted in a significant increase in demand for flare systems of increasingly complex design meeting new environmental regulations. Growth is primarily related, as is the case for most industries connected with oil and gas, to the price of oil and gas and new environmental regulations.

We design, manufacture, install and service flare stacks and related ignition and control devices for the onshore and offshore burning of gas compounds such as hydrogen sulfide, carbon dioxide, natural gas and liquified petroleum gases. We produce two ignition systems for varied applications: (a) a standing jet-like pipe for minimal fuel consumption, with a patented electronic igniter; and (b) an electronic sparked ignition system. Flare tips are available in carbon steel as well as many grades of stainless steel alloys. The stacks can be free standing, guyed, or trailer mounted. The flare stack and ignition systems use a smokeless design for reduced emissions to meet or exceed government regulated clean air standards. Our product line includes solar-powered flare ignition systems and thermocouple control systems designed to detect the loss of combustion in the product stream and reignite the product stream. These products contain specially-designed combustion tips and utilize pilot flow Venturi tubes to maximize the efficient burning of waste gas with a

minimal use of pilot or assist gas, thereby minimizing the impact on the environment of the residual output. Increased emphasis on "clean air" and industry emissions has had a positive effect on the flare industry. Our broad energy industry experience has allowed us to work closely with our customers to seek cost-effective solutions to their flare requirements.

During the year ended December 31, 2001, and the six months ended June 30, 2002, we sold 54 and 20 flare systems. respectively, to our customers generating approximately $703,000 (approximately 8% of our total consolidated revenue) and $562,000 (approximately 11% of our total consolidated revenue) in revenue, respectively.

MAJOR CUSTOMERS

During our year ended December 31, 2001, sales to Dominion Exploration & Production, Inc., an affiliate of Dominion Resources, Inc., amounted to approximately 26% and during our year ended December 31, 2000, sales to Energen Resources Corporation amounted to approximately 12% of our consolidated revenue. No other single customer accounted for more than 10% of our revenue in either of those two years.

During the six months ended June 30, 2002, sales to Dominion Exploration & Production, Inc. amounted to approximately 37% of our consolidated revenue and during the six months ending June 30, 2001, sales to the same customer amounted to approximately 15% of our consolidated revenue. No other single customer accounted for more than 10% of our revenue during these periods.

BACKLOG

We had a backlog of approximately $692,000 as of June 30, 2002 as compared to approximately $476,000 as of the same date in 2001. Backlog consists of firm customer orders for which a purchase order has been received, satisfactory credit or a financing arrangement exists, and delivery is scheduled. Our backlog at June 30, 2002, includes sales to outside third parties and does not include the backlog that we may receive from the lease or sale of compressors over the next four years to Dominion Exploration.

CONTINUING PRODUCT DEVELOPMENT

We engage in a continuing effort to improve our compressor and flare operations. Continuing development activities in this regard include new and existing product development testing and analysis, process and equipment development and testing, and product performance improvement. We also focus our activities on reducing overall costs to the customer, which include the initial capital cost for equipment, the monthly leasing cost if applicable, and the operating costs associated with such equipment, including energy consumption, maintenance costs and environmental emissions.

During our years ended December 31, 2001, and December 31, 2000, we did not spend any material amounts on research and development activities. Rather, product improvements were made as a part of our normal operating activities.

SALES AND MARKETING

General. We conduct our operations from two locations. These locations, with exception of our executive offices, maintain an inventory for local customer requirements, trained service technicians, and manufacturing capabilities to provide quick delivery and service for our customers. Our sales force also operates out of these locations and focuses on communication with our customers and potential customers through frequent direct contact, technical assistance, print literature, direct mail and referrals. Our sales and marketing is performed by 6 employees.

Additionally, our personnel coordinate with each other to develop relationships with customers who operate in multiple regions. Our sales personnel maintain intensive contact with our operations personnel in order to promptly respond to and address customer needs. Our overall sales efforts concentrate on

demonstrating our commitment to enhancing the customer's cash flow through enhanced product design, fabrication, manufacturing, installation, customer service and support.

During the years ended December 31, 2001 and 2000, we spent approximately $56,000 and approximately $12,000, respectively, on advertising.

During the six months ended June 30, 2002 and 2001, we spent approximately $27,000 and approximately $32,000, respectively, on advertising.

Compression Activity. The compression marketing program emphasizes our ability to design and fabricate natural gas compressors in accordance with the customer's unique specifications and to provide all necessary service for such compressors.

Flare Systems Activity. The flare systems marketing program emphasizes our ability to design, manufacture, install and service flares with the updated technology.

COMPETITION

Compression Activity. The natural gas compression business is competitive. We experience competition from companies with greater financial resources. On a regional basis, we experience competition from several smaller companies that compete directly with us. We have a number of competitors in the natural gas compression segment, but we do not have sufficient information to determine our competitive position within that group. We believe that we compete effectively on the basis of price, customer service, including the ability to place personnel in remote locations, flexibility in meeting customer needs and quality and reliability of our compressors and related services.

Compressor industry participants can achieve significant advantages through increased size and geographic breadth. As the number of rental compressors in our rental fleet increases, the number of sales, support, and maintenance personnel required and the minimum level of inventory does not increase commensurately. As a result of economies of scale, we believe that we, with a growing rental fleet, have relatively lower operating costs and higher margins than smaller companies.

Flare Systems Activity. The flare business is highly competitive. We have a number of competitors in the flare systems segment, but we do not have sufficient information to determine our competitive position within that group. We believe that we are able to compete by our offering products specifically engineered for the customer's needs.

PROPERTIES

We maintain our executive offices in Midland, Texas. This facility is owned by us and is used for manufacturing, fabrication, remanufacturing, operations, testing, warehousing and storage, general and administrative functions and training. Prior to September 2000 the facility was leased. The aggregate rental expense was approximately $33,000 in 2000. We purchased the building and land in September 2000 for approximately $329,000 (which includes closing costs) from an unaffiliated party.

The facility in Midland is an approximately 24,600 square foot building that provides us with sufficient space to manufacture, fabricate and test our equipment on site and has land available to expand the building when needed. Our current facilities in Midland are anticipated to provide us with sufficient space and capacity for at least the next year and thus there are no current plans to open new locations, unless they are acquired as a result of any future acquisitions.

The facilities in Lewiston, Michigan consist of a total of approximately 15,360 square feet. Approximately 9,360 square feet are used as offices and a repair shop and approximately 6,000 square feet are used for manufacturing and fabrication of compressors and storage.

We also own an approximate 4,100 square foot building in Midland that is leased at a current rate of $1,000 per month to an unaffiliated party pursuant to a lease that terminates in May 2005. This facility previously contained our executive offices and manufacturing and fabrication operations.

We believe that our properties are generally well maintained and in good condition.

LIABILITY AND OTHER INSURANCE COVERAGE

Our equipment and services are provided to customers who are subject to hazards inherent in the oil and gas industry, such as blowouts, explosions, craterings, fires, and oil spills. We maintain liability insurance that we believe is customary in the industry. We also maintain insurance with respect to our facilities. Based on our historical experience, we believe that our insurance coverage is adequate.

GOVERNMENT REGULATION

We are subject to numerous federal, state and local laws and regulations relating to the storage, handling, emission and discharge of materials to the environment, including the Comprehensive Environmental Response, Compensation and Liability Act, the Clean Water Act, the Clean Air Act and the Resource Conservation and Recovery Act. As a result of our operations, we generate or manage hazardous wastes, such as solvents, thinner, waste paint, waste oil, washdown wastes and sandblast material. We currently spend a negligible amount each year to dispose of the wastes. Although we attempt to identify and address contamination before acquiring properties, and although we attempt to utilize generally accepted operating and disposal practices, hydrocarbons or other wastes may have been disposed of or released on or under properties owned, leased, or operated by us or on or under locations where such wastes have been taken for disposal. These properties and the wastes or remedial sites where they have been released might have to be remediated at our expense.

We believe that our existing environmental control procedures are adequate and we have no current plans for substantial operating or capital expenditures relating to environmental control requirements. We believe that we are in substantial compliance with environmental laws and regulations and that the phasing in of emission controls and other known regulatory requirements at the rate currently contemplated by such laws and regulations will not have a material adverse affect on our financial condition or operational results. Some risk of environmental liability and other costs are inherent in the nature of our business, however, and there can be no assurance that environmental costs will not rise. Moreover, it is possible that future developments, such as increasingly strict requirements and environmental laws and enforcement policies thereunder, could lead to material costs of environmental compliance by us. While we may be able to pass on the additional cost of complying with such laws to our customers, there can be no assurance that attempts to do so will be successful.

PATENTS, TRADEMARKS AND OTHER INTELLECTUAL PROPERTY

We believe that the success of our business depends more on the technical competence, creativity and marketing abilities of our employees than on any individual patent, trademark, or copyright. Nevertheless, as part of our ongoing research, development and manufacturing activities, we have a policy of seeking patents when appropriate on inventions concerning new products and product improvements. We currently own two United States patents covering certain flare system technologies, which expire in May 2006 and in January 2010, respectively. We do not own any foreign patents. Although we continue to use the patented technology and consider it useful in certain applications, we do not consider these patents to be material to our business as a whole.

SUPPLIERS AND RAW MATERIALS

With respect to our flare system and compressor operations, our raw materials used consist of cast and forged iron and steel. Such materials are generally available from a number of suppliers, and accordingly, we

are not dependent on any particular supplier for these new materials. We currently do not have long term contracts with our suppliers of raw materials, but believe our sources of raw materials are reliable and adequate for our needs. We have not experienced any significant supply problems in the past.

Certain of our components of our compressors are obtained primarily from two suppliers. If either one of our current major suppliers should curtail its operations or be unable to meet our needs, we would encounter delays in supplying our customers with compressors until an alternative supplier could be found. We may not be able to find acceptable alternative suppliers.

EMPLOYEES

As of June 30, 2002, we had 70 employees, of which 12 are employed in administration, 5 in sales and marketing, 39 in technical and manufacturing capacities and 14 in field services. All 70 of our employees at June 30, 2002, were employed on a full-time basis. No employees are represented by labor unions and we believe that our relations with our employees are satisfactory.

LEGAL PROCEEDINGS

There are no pending or, to our knowledge, threatened claims against us. However, from time to time, we expect to be subject to various legal proceedings, all of which are of an ordinary or routine nature and incidental to our operations. Such proceedings have not in the past, and we do not expect they will in the future have, a material impact on our results of operations or financial condition.

MANAGEMENT

EXECUTIVE OFFICERS AND DIRECTORS

The table below contains information about our executive officers and directors:

NAME	AGE	POSITION
Wallace O. Sellers(1)(2)	72	Director, Chairman
Wayne L. Vinson	43	Director and President
Scott W. Sparkman	40	Director and Secretary
Charles G. Curtis(1)(2)	69	Director
James T. Grigsby(1)(2)	54	Director
Alan P. Kurus	49	Vice President - Sales and Marketing
Earl R. Wait	58	Chief Financial Officer and Treasurer

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(1) Member of our audit committee

(2) Member of our compensation committee

The Board of Directors has been divided into three classes with directors serving staggered three-year terms expiring at the annual meeting of stockholders in 2002, 2003 and 2004, respectively. At each annual meeting of stockholders, one class of directors is elected for a full term of three years to succeed those directors in the class whose term is expiring. With respect to the existing Board of Directors, the terms of Mr. Curtis and Mr. Sellers will expire in 2005, the terms of Mr. Sparkman and Mr. Grigsby will expire in 2003; and the term of Mr. Vinson in 2004. All officers serve at the discretion of the Board of Directors.

The following sets forth biographical information for at least the past five years for our directors and executive officers.

WALLACE O. SELLERS is one of our founders and has served as a director and the Chairman of our Board of Directors since December 17, 1998, and as the Chairman of the Board of Directors of Great Lakes Compression since February 2001. Although Mr. Sellers retired in December 1994, he served as Vice-Chairman of the Board and Chairman of the Executive Committee of Enhance Financial Services, Inc., a financial guaranty reinsurer, from January 1995 to 2001. From November 1986 to December 1991 he was President and Chief Executive Officer of Enhance. Mr. Sellers serves as a director of Danielson Holding Corp., an insurance holding company which is a reporting company under the Securities Exchange Act of 1934. From 1951 to 1986 Mr. Sellers was employed by Merrill Lynch, Pierce, Fenner & Smith Incorporated, an investment banker, in various capacities, including Director of the Municipal and Corporate Bond Division and Director of the Securities Research Division. Immediately prior to his retirement from Merrill Lynch, he served as Senior Vice President and Director of Strategic Development. Mr. Sellers received a BA degree from the University of New Mexico, an MA degree from New York University and attended the Advanced Management Program at Harvard University. Mr. Sellers is a Chartered Financial Analyst.

WAYNE L. VINSON has served as one of our directors since April 2000, as our President since July 2001, as our Executive Vice President from October 31,

2000 to July 2001, as the President of Rotary (and its predecessor, Hi-Tech) since February 1994, as a director of NGE between 1996 and 1998 and as Executive Vice President of Great Lakes Compression since February 2001. He also served as our Vice President from April 2000 to October 2000. From January 1990 to June 1995, Mr. Vinson served as Vice President and since June 1995 he has served as President of Vinson Operating Company, an oil and gas well operator. Mr. Vinson has more than 22 years of experience in the energy services industry.

SCOTT W. SPARKMAN has been one of our directors since 1998, has served as Executive Vice-President of NGE since July 2001, has served as a director since December 1998 and as Secretary and Treasurer of NGE since March 1999 and has served as the Secretary of Great Lakes Compression since February 2001. Mr. Sparkman served as the President of NGE from December 1998 to July 2001. From May 1997 to July 1998, Mr. Sparkman served as Project Manager and Comptroller for Business Development Strategies, Inc., a designer of internet websites. Mr. Sparkman pursued personal business interests from May 1996 to May 1997. From February 1991 to May 1996, Mr. Sparkman served as Vice President and Director, later as President and Director, of Diamond S Safety Services, Inc., a seller and servicer of hydrogen sulfide monitoring equipment. Mr. Sparkman filed for personal bankruptcy in 1998 as a result of personal debt created when there was a decline in the need for the oilfield services that were provided by a company that was owned by Mr. Sparkman. He received a BBA degree from Texas A&M University.

CHARLES G. CURTIS has been one of our directors since April 2001. Since 1992, Mr. Curtis has been the President and Chief Executive Officer of Curtis One, Inc. d/b/a/ Roll Stair, a manufacturer of aluminum and steel mobile stools and mobile ladders. From 1988 to 1992, Mr. Curtis was the President and Chief Executive Officer of Cramer, Inc. a manufacturer of office furniture. Mr. Curtis has a B.S. degree from the United States Naval Academy and a MSAE degree from the University of Southern California.

JAMES T. GRIGSBY has served as one of our directors since 1999 and as one of the directors of Great Lakes Compression since February 2001. Since 1996, Mr. Grigsby has been a director of and a consultant to Blue River Paint Co., a development stage environmental friendly coatings technology company. From 1996 to 1997, Mr. Grigsby was a consultant to Outlook Window Partnership, a regional wood window manufacturer. From 1989 to 1996, Mr. Grigsby was President and Chief Executive Officer of Seal Right Windows, Inc. and Chief Executive Officer of Oldach Window Corp., manufacturers of wood, wood-clad and vinyl windows and doors. Mr. Grigsby received a BS degree from the University of Michigan and an MBA degree from Stanford University.

ALAN P. KURUS has served as our Vice President - Sales and Marketing since March 2001 and one of our employees since October 2000. From 1997 to 2000, Mr. Kurus was Vice President - Sales and Marketing of CompAir Americas, a manufacturer of compressors. From 1993 to 1997, Mr. Kurus was the Director of Sales for Le ROI International, a manufacturer of compressors.

EARL R. WAIT has served as our Chief Financial Officer since May 2000 and our Treasurer since 1998. Mr. Wait was our Chief Accounting Officer from 1998 to May 2000. Mr. Wait has been the Chief Financial Officer and Secretary/Treasurer of Flare King and then Rotary since April 1993, the Assistant Secretary/Treasurer for Hi-Tech since June 1996, the Controller and Assistant Secretary/Treasurer for Hi-Tech from 1994 to 1999, a director of NGE since July 1999 and the Chief Accounting Officer and Treasurer of Great Lakes Compression since February 2001. Mr. Wait is a certified public accountant with an MBA in management and has more than 25 years of experience in the energy industry.

The following sets forth biographical information for at least the past five years for two of our employees whom we consider to be key employees.

WALLACE C. SPARKMAN, age 72, is one of our founders and has been the President of NGE since July 2001, a director of NGE since February 1996, the President of Rotary (and its predecessor, Flare King) from April 1993 to April 1997. Mr. Sparkman served as our President from May 2000 to July 2001 and as the President of Great Lakes Compression from February 2001 to July 2001. Mr. Sparkman was Vice President of NGE from February 1996 to November 1999. Since December 1998, Mr. Sparkman has acted as a consultant to our Board of Directors. From 1985 to 1998, Mr. Sparkman acted as a management consultant to various entities and acted as a principal in forming several privately-owned companies. Mr. Sparkman was a co-founder of Sparkman Energy Corporation, a natural gas gathering and transmission company, in 1979 and served as its Chairman of the Board, President and Chief Executive Officer until 1985, when ownership control changed. From 1968 to 1979, Mr. Sparkman held various executive positions and served as a director of Tejas Gas Corporation, a natural gas gathering and transmission company. At the time of his resignation

from Tejas Gas Corporation in 1979, Mr. Sparkman was President and Chief Executive Officer. Mr. Sparkman has more than 34 years of experience in the energy service industry.

RONALD D. BINGHAM, age 57, has served as the President of Great Lakes Compression since 2001. From March 2001 to July 2001, Mr. Bingham was the General Manager of Great Lakes Compression. From January 1989 to March 2001, Mr. Bingham was the District Manager for Waukesha Pearce Industries, Inc., a distributor of Waukesha natural gas engines. Mr. Bingham is a member of the Michigan Oil and Gas Association and received a bachelors degree in Graphic Arts from Sam Houston State University.

All of the officers and key employees devote substantially all of their working time to our business.

EXECUTIVE COMPENSATION

The following table sets forth information regarding the compensation paid during the years ended December 31, 2001, 2000 and 1999 by us to Wayne L. Vinson and Earl R. Wait, our only executive officers whose combined salary and bonuses exceeded $100,000 during the year ended December 31, 2001, and to Wallace C. Sparkman, who was our chief executive officer until July 25, 2001.

		ANNUAL COMPENSATION		LONG-TERM COMPENSATION AWARDS
NAME PRINCIPAL POSITION	YEAR	SALARY	BONUS	SECURITIES UNDERLYING OPTIONS
Wayne L. Vinson	2001	$ 102,692	$ 25,583	-0- (1)
Executive Vice President until 7/25/01	2000	74,423	25,604	-0-
President since 7/25/01	1999	60,000	47,168	-0-
Earl R. Wait	2001	85,385	23,164	-0-
Chief Financial Officer	2000	80,088	7,416	-0-
	1999	60,000	21,616	-0-
Wallace C. Sparkman	2001	98,583 (2)	-0-	21,467 (3)
President until 7/25/01	2000	60,750 (2)	-0-	-0-
President of NGE since 7/25/01	1999	21,770 (2)	-0-	-0-

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(1) CAV-RDV, Ltd., a Texas limited partnership for the benefit of the children of Wayne L. Vinson, was issued a five year warrant to purchase 15,756 shares of our common stock at $2.50 per share in consideration for CAV-RDV, Ltd. guaranteeing a portion of our debt. The children are eighteen years old or older and Mr. Vinson is not a partner in CAV-RDV, Ltd. and disclaims beneficial ownership of the warrants.

(2) This amount was paid as a management or consulting fee to a corporation in which Mr. Sparkman is the sole shareholder.

(3) Wallace C. Sparkman subsequently transferred his warrants for 21,467 shares to Diamond S. DGT, a trust of which Scott W. Sparkman is the trustee and a beneficiary. Wallace C. Sparkman has represented to us that he has no beneficial interest in Diamond S. DGT.

We have established a bonus program for our officers. At the end of each of our fiscal years, our Board of Directors reviews our operating history and determines whether or not any bonuses should be paid to our officers. If so, the Board of Directors determines what amount should be allocated to each of two bonus pools. The first bonus pool is payable directly to officers recommended by the Compensation Committee to the Board of Directors based upon the officers' percentages of annual salaries. The second bonus pool is paid

to officers based upon an evaluation process whereby the officers evaluate each other. The Board of Directors may discontinue the bonus program at any time.

No options or warrants were granted by us to Wayne L. Vinson or Earl R. Wait during our fiscal year ended December 31, 2001. The following table provides information with respect to warrants granted during our fiscal year ended December 31, 2001, to Wallace C. Sparkman.

OPTION AND WARRANT GRANTS IN LAST FISCAL YEAR

Percent of
Total
Options
and Number
of
Warrants
Shares
Granted to
Underlying
Employees
Grant
Prospectus
Warrants
In Fiscal
Exercise
Expiration
Date Date
Name
Granted
Year Price
Date Value
Value - --
-- -------
--- ------
----- ----
---- -----
----- ----
-- -------

Wallace C.
Sparkman
21,467
100% $2.50
12/31/06
$7,309
$80,730

We utilize the Black-Scholes option pricing model to calculate the grant date and prospectus date fair value of each individual option grant. Assumed prices of $2.00 per share and $5.75 per share were used for the grant date and prospectus date fair values, respectively. The following additional assumptions were utilized in calculating the values: expected average annual volatility of 17.8%; average annual risk-free interest rate of 5.0%; and expected terms of five years.

AGGREGATE OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR END OPTION VALUES

Fiscal Year End Option
Values -----------------
------------ Number of
Securities Value of
Unexercised Shares
Underlying Unexercised
In-the-Money Warrants
Acquired Value Warrants
at Fiscal Year End at
Fiscal Year End Name On
Exercise Received
Exercisable/Unexercisable
Exercisable/Unexercisable
- ---- ----------- -----
--- --------------------
------- ----------------
--------- Wayne L.
Vinson 0 0 0/0 0/0 Earl
R. Wait 0 0 0/0 0/0
Wallace C. Sparkman 0 0
21,467/0 $69,767/0

The fiscal year end option value is based on an assumed initial public offering price of $5.75 per share of common stock less the exercise price of the warrant.

COMPENSATION OF DIRECTORS

Our directors who are not employees are paid $1,000 per quarter and at December 31 of each year will be issued a five year option to purchase 2,500 shares of our common stock at the then market value. We also reimburse our directors for accountable expenses incurred on our behalf.

EMPLOYMENT AGREEMENTS

We have entered into an employment agreement with Wayne L. Vinson that was in effect until December 31, 2001, and now continues indefinitely unless terminated on 90 days written notice by either Mr.

Vinson or us. We have agreed to pay Mr. Vinson an annual minimum compensation of $120,000 and an annual bonus to be determined at the discretion of the directors.

We have entered into an employment agreement with Earl R. Wait that is in effect until September 30, 2002. We have agreed to pay Mr. Wait an annual minimum compensation of $90,000 and an annual bonus to be determined at the discretion of the directors.

1998 STOCK OPTION PLAN

We have adopted the 1998 Stock Option Plan which provides for the issuance of options to purchase up to 150,000 shares of our common stock. The purpose of the plan is to attract and retain the best available personnel for positions of substantial responsibility and to provide additional incentive to employees and consultants and to promote the success of our business. The plan is administered by the Board of Directors or a compensation committee consisting of two or more non-employee directors, if appointed. At its discretion, the administrator of the plan may determine the persons to whom options may be granted and the terms upon which such options will be granted. In addition, the administrator of the plan may interpret the plan and may adopt, amend and rescind rules and regulations for its administration. Options to purchase 12,000 shares of our common stock at an exercise price of $2.00 per share and options to purchase 42,000 shares of our common stock at an exercise price of $3.25 per share have been granted under the plan and are outstanding.

LIMITATIONS ON DIRECTORS' AND OFFICERS' LIABILITY

Our Articles of Incorporation provide our officers and directors with certain limitations on liability to us or any of our shareholders for damages for breach of fiduciary duty as a director or officer involving certain acts or omissions of any such director or officer.

This limitation on liability may have the effect of reducing the likelihood of derivative litigation against directors and officers and may discourage or deter shareholders or management from bringing a lawsuit against directors and officers for breach of their duty of care even though such an action, if successful, might otherwise have benefited us and our shareholders.

Our Articles of Incorporation and bylaws provide certain indemnification privileges to our directors, employees, agents and officers against liabilities incurred in legal proceedings. Also, our directors, employees, agents or officers who are successful, on the merits or otherwise, in defense of any proceeding to which he or she was a party, are entitled to receive indemnification against expenses, including attorneys' fees, incurred in connection with the proceeding.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

We are not aware of any pending litigation or proceeding involving any of our directors, officers, employees or agents as to which indemnification is being or may be sought, and we are not aware of any other pending or threatened litigation that may result in claims for indemnification by any of our directors, officers, employees or agents.

PRINCIPAL SHAREHOLDERS

The following table sets forth, as of the date hereof, the beneficial ownership of our common stock: (i) by each of our directors and executive officers and by Wallace C. Sparkman; (ii) by all of our executive officers and directors as a group; and (iii) by all persons known by us to beneficially own more than five percent of our common stock.

SHARES OF
PERCENT
BENEFICIALLY
OWNED
COMMON
STOCK -----

-- NAME AND
ADDRESS
BENEFICIALLY
OWNED
BEFORE
OFFERING
AFTER
OFFERING -

----- -----

-- --------
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Wallace O.
and Naudain
Sellers
685,659(1)
20.2% 13.6%
P.O. Box
106, 6539
Upper York
Road
Solebury,
PA 18963-
0106 Wayne
L. Vinson
0(2) 0.0%
0.0% 4404
Lennox
Drive
Midland, TX
79707 Scott
W. Sparkman
516,467(3)
15.3% 10.3%
1604
Ventura
Avenue
Midland, TX
79705
Charles G.
Curtis
58,000(4)
1.7% 1.1% 1
Penrose
Lane
Colorado
Springs, CO
80906 James
T. Grigsby
60,000 1.8%
1.2% 3345
Grimsby
Lane
Lincoln, NE
68502 Alan
P. Kurus
31,704(5)
1.0% 0.6%
2000
Centerview
Midland, TX
79706 Earl
R. Wait
60,000(6)
1.8% 1.2%
109 Seco
Portland,
TX 78374
Wallace C.
Sparkman
165,691(7)
4.9% 3.3%
4906
Oakwood

Court
Midland, TX
79707 All
directors
and
executive
officers as
a group
1,411,830
40.3% 27.4%
(seven
persons)
CAV-RDV,
Ltd.
491,324(2)
14.6% 9.8%
1541
Shannon
Drive
Lewisville,
TX 75077
RWG
Investments
LLC
394,000(8)
11.3% 7.6%
5980
Wildwood
Drive Rapid
City, SD
57902
Richard L.
Yadon
294,183(9)
8.7% 5.9%
P.O. Box
8715
Midland, TX
79708-8715

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(1) Includes 300,000 shares of common stock owned by the Wallace Sellers, July 11, 2002 GRAT, warrants to purchase 21,936 shares of common stock and 9,032 shares of common stock at $ 2.50 per share and at $3.25 per share, respectively, owned by Wallace Sellers, 54,691 shares of common stock owned by Naudain Sellers, and 300,000 shares of common stock owned by the Naudain Sellers, July 11, 2002 GRAT. Wallace and Naudain Sellers are husband and wife. Wallace Sellers is the trustee of his wife's trust and his wife is the trustee of his trust. The beneficiaries of the trusts are two trusts. The beneficiaries of one trust are Naudain Sellers and their three children and the beneficiaries of the other trust are their three children.

(2) CAV-RDV, Ltd., a Texas limited partnership for the benefit of the children of Wayne L. Vinson, owns 470,250 shares of common stock and warrants to purchase 15,756 shares of common stock at $2.50 per share and 2,122 shares of common stock at $3.25 per share, respectively. Both children are 18 years old or older and Mr. Vinson is not a partner in CAV-RDV, Ltd. Mr. Vinson disclaims beneficial ownership of any of the shares of common stock.

(3) Includes 20,000 shares of common stock owned by Scott W. Sparkman and 475,000 shares of common stock and warrants to purchase 21,467 shares of common stock at $2.50 per share owned by Diamond S DGT, a trust for which Mr. Sparkman is a co-trustee and co-beneficiary with his sister.

(4) Represents warrants to purchase 40,000 shares of common stock at $3.25 per share and 18,000 shares of common stock which may be obtained upon conversion of shares of our 10% Convertible Series A Preferred Stock.

(5) Represents warrants to purchase 31,704 shares of common stock at $3.25 per share owned by Mr. Kurus' individual retirement account but does not include options to purchase 9,000 shares of common stock at $3.25 per share that do not begin to vest until April 2003.

(6) Does not include options to purchase 15,000 shares of common stock at $3.25 per share that do not begin to vest until April 2003.

(7) Includes 105,691 shares owned by Diamente Investments, LLP, a Texas limited partnership of which Mr. Sparkman is a general and limited partner.

(8) Includes an option to purchase 100,000 shares of common stock at $2.00 per share, warrants to purchase 32,000 shares of common stock at $3.25 per share and 12,000 shares of common stock which may be obtained upon conversion of shares of our 10% Convertible Series A Preferred Stock. RWG Investments LLC is a limited liability company the beneficial owner of which is Roland W. Gentner, 5980 Wildwood Drive, Rapid City, South Dakota 57902.

(9) Includes warrants to purchase 14,683 shares of common stock at $2.50 per share.

CERTAIN TRANSACTIONS

In March 2001, we issued warrants that will expire on December 31, 2006, to purchase shares of our common stock at $2.50 per share to the following persons for guaranteeing the amount of our debt indicated:

NAME	NUMBER OF SHARES UNDERLYING WARRANTS	AMOUNT OF DEBT GUARANTEED
Wallace O. Sellers	21,936	$548,399
Wallace C. Sparkman(1)	21,467	536,671
CAV-RDV, Ltd.(2)	15,756	393,902
Richard L. Yadon	9,365	234,121

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(1) Wallace C. Sparkman subsequently transferred his warrants for 21,467 shares to Diamond S DGT, a trust of which Scott W. Sparkman is the trustee and a beneficiary. Wallace C. Sparkman has represented to us that he has no beneficial interest in Diamond S DGT.

(2) CAV-RDV, Ltd., is a Texas limited partnership for the benefit of the children of Wayne L. Vinson. Both children are eighteen years old or older and Mr. Vinson is not a partner in CAV-RDV, Ltd. Mr. Vinson disclaims beneficial ownership of the warrants.

In April 2002, we issued five year warrants to purchase shares of our common stock at $3.25 per share to the following persons for guaranteeing our restructured bank debt indicated:

NAME	NUMBER OF SHARES UNDERLYING WARRANTS	AMOUNT OF ADDITIONAL DEBT GUARANTEED
Wallace O. Sellers	9,032	$ 451,601
CAV-RDV, Ltd.(1)	2,122	106,098
Richard L. Yadon	5,318	265,879

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(1) CAV-RDV, Ltd., is a Texas limited partnership for the benefit of the children of Wayne L. Vinson. Both children are eighteen years old or older and Mr. Vinson is not a partner in CAV-RDV, Ltd. Mr. Vinson disclaims beneficial ownership of the warrants.

Wayne L. Vinson, Earl R. Wait and Wallace C. Sparkman have also guaranteed approximately $197,000, $84,000 and $92,000, respectively, of additional debt for us without consideration. This debt was incurred when we

acquired vehicles, equipment and software. The following schedule provides information as to the remaining debt balances as of June 30, 2002:

GUARANTOR	BALANCE AT JUNE 30, 2002	INTEREST RATE	MATURITY DATE
Earl Wait	$ 22,983	1.90%	3/26/2004
Earl Wait	50,153	10.50%	10/10/2005
Wallace Sparkman	84,405	10%	10/15/2010
Wayne Vinson	5,248	9.50%	12/15/2002
Wayne Vinson	5,879	Prime + 1.0%	7/15/2003
Wayne Vinson	20,636	1.90%	4/22/2004
Wayne Vinson	10,563	7.50%	6/21/2004

In October, 1999, RWG Investments, LLC was granted a five year option to purchase 100,000 shares of our common stock at $2.00 per share in consideration of one of its members serving as an advisor to us.

Hunter Wise Financial Group LLC served as our investment banker and advisor in connection with our acquisition of the compression related assets of Dominion Michigan for which we paid Hunter Wise a total fee of $440,000. James T. Grigsby, one of our directors, has a 1% interest in Hunter Wise.

Charles G. Curtis, one of our directors, Alan P. Kurus, one of our officers, and RWG Investments, LLC, a beneficial owner of more than 5% of our outstanding stock, purchased our notes and five year warrants to purchase common stock in a private offering that commenced in October 2000 and concluded in May 2001. Mr. Curtis purchased $100,000 of the notes and warrants, Mr. Kurus purchased approximately $79,000 of the notes and warrants and RWG Investments, LLC purchased $80,000 of the notes and warrants. The notes and warrants purchased by Mr. Curtis, Mr. Kurus and RWG Investments, LLC were on the same terms and conditions as sales to non-affiliated purchasers in the private offering.

Charles G. Curtis, one of our directors, and RWG Investments, LLC, a beneficial owner of more than 5% of our outstanding stock, purchased 18,000 shares and 12,000 shares, respectively, or $58,500 and $39,000, respectively, of our 10% Convertible Series A Preferred Stock in a private offering that commenced in July 2001. The shares purchased by Mr. Curtis and RWG Investments, LLC were on the same terms and conditions as sales to non-affiliated purchasers in the private offering.

DESCRIPTION OF SECURITIES

THE FOLLOWING IS A SUMMARY DESCRIPTION OF ALL OF THE MATERIAL TERMS OF THE SECURITIES SPECIFIED.

COMMON STOCK

We are authorized to issue up to 30,000,000 shares of our common stock, $.01 par value. There are 3,357,632 shares of our common stock issued and outstanding as of the date of this prospectus. All shares of our common stock have equal voting rights and, when validly issued and outstanding, have one vote per share in all matters to be voted upon by shareholders. The shares of common stock have no preemptive, subscription, conversion or redemption rights and may be issued only as fully paid and non-assessable shares. Cumulative voting in the election of directors is not allowed, which means that the holders of a majority of the outstanding shares represented at any meeting at which a quorum is present will be able to elect all of the directors if they choose to do so and, in such event, the holders of the remaining shares will not be able to elect any directors. On liquidation, each common shareholder is entitled to receive a pro rata share of the assets available for distribution to holders of common stock.

We have no stock option plan or similar plan which may result in the issuance of stock options, stock purchase warrants, or stock bonuses other than our 1998 Stock Option Plan pursuant to which an aggregate of 150,000 shares of common stock have been reserved for issuance. Options to purchase 12,000 shares of common stock with an average exercise price of $2.00 per share and options to purchase 42,000 shares of our common stock at an exercise price of $3.25 per share have been granted and are outstanding under the 1998 Stock Option Plan.

WARRANTS

Each warrant will entitle the holder to purchase one share of common stock at an exercise price of $____ for a period of four years from the date hereof subject to our redemption rights described below. The warrants will be issued pursuant to the terms of a warrant agreement between us and the warrant agent, Computershare Investor Services, Inc. We have authorized and reserved for issuance the shares of common stock issuable on exercise of the warrants. The warrants are exercisable to purchase a total of 1,650,000 shares of our common stock unless the underwriters' over-allotment option relating to the warrants is exercised, in which case the warrants are exercisable to purchase a total of 1,897,500 shares of common stock.

The warrant exercise price and the number of shares of common stock purchasable upon exercise of the warrants are subject to adjustment in the event of, among other events, a stock dividend on, or a subdivision, recapitalization or reorganization of, the common stock, or the merger or consolidation of us with or into another corporation or business entity.

Commencing one year from the date of this prospectus and until the expiration of the warrants, we may redeem all outstanding warrants, in whole but not in part, upon not less than 30 days' notice, at a price of $0.25 per warrant, provided that the closing price of our common stock equals or exceeds 175% of the warrant exercise price ($____ per share) for 20 consecutive trading days. The redemption notice must be provided not more than five business days after conclusion of the 20 consecutive trading days in which the closing price of the common stock equals or exceeds 175% of the warrant exercise price per share. In the event we exercise our right to redeem the warrants, the warrants will be exercisable until the close of business on the date fixed for redemption in such notice. If any warrant called for redemption is not exercised by such time, it will cease to be exercisable and the holder thereof will be entitled only to the redemption price.

We must have on file a current registration statement with the SEC pertaining to the common stock underlying the warrants in order for a holder to exercise the warrants or in order for the warrants to be redeemed by us. The shares of common stock underlying the warrants must also be registered or qualified for sale under the securities laws of the states in which the warrant holders reside. We intend to use our best efforts to keep the registration statement current, but there can be no assurance that such registration statement (or any other registration statement filed by us covering shares of common stock underlying the warrants) can be kept current. In the event the registration statement covering the underlying common stock is not kept current, or if the common stock underlying the warrants is not registered or qualified for sale in the state in which a warrant holder resides, the warrants may be deprived of any value.

We are not required to issue any fractional shares of common stock upon the exercise of warrants or upon the occurrence of adjustments pursuant to anti-dilution provisions. We will pay to holders of fractional shares an amount equal to the cash value of such fractional shares based upon the then-current market price of a share of common stock.

The warrants may be exercised upon surrender of the certificate representing such warrants on or prior to the expiration date (or earlier redemption date) of such warrants at the offices of the warrant agent with the form of "Election to Purchase" on the reverse side of the warrant certificate completed and executed as indicated, accompanied by payment of the full exercise price by check payable to the order of us for the number of warrants being exercised. Shares of common stock issued upon exercise of warrants for which payment has been received in accordance with the terms of the warrants will be fully paid and nonassessable.

The warrants do not confer on the warrantholder any voting or other rights of our shareholders. Upon notice to the warrantholders, we have the right to reduce the exercise price or extend the expiration date of the warrants. Although this right is intended to benefit warrantholders, to the extent we exercise this right when the warrants would otherwise be exercisable at a price higher than the prevailing market price of the common stock, the likelihood of exercise, and the resultant increase in the number of shares outstanding, may impede or make more costly a change in our control.

PREFERRED STOCK

We are authorized to issue up to a total of 5,000,000 shares of preferred stock, $.01 par value. The shares of preferred stock may be issued in one or more series from time to time with such designations, rights, preferences and limitations as our Board of Directors may determine without the approval of our shareholders. The rights, preferences and limitations of separate series of preferred stock may differ with respect to such matters as may be determined by our Board of Directors, including without limitation, the rate of dividends, method or nature or prepayment of dividends, terms of redemption, amounts payable on liquidation, sinking fund provisions, conversion rights and voting rights. The ability of our Board of Directors to issue preferred stock could also be used by it as a means for resisting a change in our control and can therefore be considered an "anti-takeover" device. We currently have no plans to issue any additional shares of preferred stock.

We designated 1,177,000, shares of our preferred stock as 10% Convertible Series A Preferred Stock. In 2001 and 2002, 381,654 of these shares were sold in a private offering. At our next Annual Meeting of Shareholders, we plan to reduce the number of designated shares of Preferred Stock to the number of shares of Preferred Stock actually sold in the offering and underlying the warrants that were issued to the placement agent. The Preferred Stock has a cumulative annual dividend rate of 10% in cash. The annual dividend rate is payable 30 days after the end of each quarter beginning with the quarter ending September 30, 2001, when and if declared by our Board of Directors. Each share of Preferred Stock will be entitled to one vote per share with the holders of our outstanding common stock on any matter voted on at a meeting of our shareholders and to vote as a class on any matter required to be voted on by classes under Colorado law. The Preferred Stock initially is convertible into common stock on a one for one basis. The Conversion Price will be adjusted if at any time we complete an offering of our common stock at a price equivalent to less than 150% of the then Conversion Price of the Preferred Stock. The Conversion Price will also be adjusted if any investment is made

in us at a price equivalent to less than the then Conversion Price of the Preferred Stock. The Conversion Price may also be adjusted for stock splits, stock dividends, certain reorganizations and certain reclassifications. The Preferred Stock will automatically convert into our common stock at any time after six months from the date hereof, if our common stock trades for 20 consecutive trading days after the six-month period at a price equivalent to 200% of the then Conversion Price (initially 200% is $6.50 per share).

The Preferred Stock has a per share liquidation preference of $3.25 plus accrued and unpaid dividends over our common stock.

SERIES A 10% SUBORDINATED NOTES DUE DECEMBER 31, 2006 AND OUTSTANDING OPTIONS AND WARRANTS

At the present time, we have outstanding $1,539,260 of Series A 10% Subordinated Notes due December 31, 2006. NGE, one of our subsidiaries, is the primary obligor on the notes and we are the guarantor. Interest only on the notes is payable annually on December 31. In addition, in conjunction with the issuance of the notes, we issued five year warrants to purchase 677,274 shares of common stock at $3.25 per share. In addition to those warrants, we have outstanding options to purchase 112,000 shares of our common stock at $2.00 per share, outstanding options to purchase 42,000 shares of our common stock at $3.25 per share, outstanding warrants to purchase 68,524 shares of our common stock at $2.50 per share and outstanding warrants to purchase 16,472 shares of our common stock at $3.25 per share.

ANTI-TAKEOVER PROVISIONS

Provisions of our Articles of Incorporation and bylaws could discourage acquisition bids and cause our common stock and warrants to trade at discounts to where they otherwise would trade.

Our articles of incorporation and bylaws contain provisions that may discourage acquisition bids and may limit the price investors are willing to pay for our common stock and warrants. Our Articles of Incorporation and bylaws provide that:

- directors will be elected for three-year terms, with approximately one-third of the board of directors standing for election each year;

- the unanimous vote of the board of directors or the affirmative vote of the holders of not less than 80% of the votes entitled to be cast by the holders of all shares entitled to vote in the election of directors is required to change the size of the board of directors; and

- directors may only be removed for cause by holders of not less than 80% of the votes entitled to be cast on the matter.

Our board of directors has the authority to issue up to five million shares of preferred stock. The board of directors can fix the terms of the preferred stock without any action on the part of our stockholders. The issuance of shares of preferred stock may delay or prevent a change in control transaction or could be used to put in place a poison pill. This may adversely affect the market price and interfere with the voting and other rights of our common stock.

TRANSFER AGENT, WARRANT AGENT AND REGISTRAR

We have retained Computershare Investor Services, Inc., 350 Indiana Street, Suite 800, Golden, Colorado 80401, to serve as the transfer agent and registrar for our common stock and as the warrant agent for the warrants.

SHARES ELIGIBLE FOR FUTURE SALE

On completion of this offering, we will have 5,007,632 shares of common stock outstanding. If the underwriters' over-allotment option is exercised in full, 5,255,132 shares of common stock will be outstanding. All of the shares of common stock sold in this offering and any shares sold by us upon exercise of the underwriters' over-allotment option will be freely tradeable without restriction or further registration under the Securities Act, except that any shares purchased by our "affiliates," as the term is defined in Rule 144, generally only may be sold in compliance with the limitations of Rule 144 described below.

Of the 5,007,632 shares of common stock outstanding after this offering, 3,017,691 shares will be freely tradable without restriction in the public market, and 1,989,941 shares may be sold publicly only if registered under the 1933 Act or sold in accordance with an exemption from the registration requirements of the 1933 Act, such as Rule 144.

As of the date of this prospectus we had 36 holders of our common stock. Prior to this offering, there has been no public market for our common stock. We are unable to estimate the number of shares that may be sold in the future by our existing shareholders or the effect, if any, that sales of shares by such shareholders, or the availability of the shares for sale, will have on the market price of the common stock prevailing from time to time. Sales of substantial amounts of our common stock in the public market could adversely affect prevailing market prices.

For purposes of Rule 144, an "affiliate" of us is a person that, directly or indirectly through one or more intermediaries, controls, or is controlled by or is under common control with, us. In general, under Rule 144, a shareholder including an "affiliate," who has beneficially owned our shares for at least one year is entitled to sell, within any three-month period, a number of "restricted" shares that does not exceed the greater of:

- one percent of the then outstanding shares of our common stock, or approximately 50,422 shares expected to be outstanding immediately after this offering; or

- the average weekly trading volume in our common stock during the four calendar weeks preceding the filing of the notice reporting the sale.

Sales under Rule 144 are subject to manner of sale limitations, notice requirements and the availability of current public information about us. Rule 144(k) provides that a person who is not deemed our "affiliate" and who has beneficially owned our shares for at least two years is entitled to sell such shares at any time under Rule 144 without regard to the limitations described above. We estimate that approximately 1,367,691 outstanding shares of common stock fall in this category.

As of the date of this prospectus, there were options and warrants outstanding to purchase 916,270 shares of our common stock with a weighted average exercise price of $3.04 and 381,654 shares of 10% Convertible Series A Preferred Stock outstanding that are convertible into 381,654 shares of our common stock. Each holder of our 10% Convertible Series A Preferred Stock has agreed to not sell any of the 10% Convertible Series A Preferred Stock or the common stock into which it is convertible for a period of 180 days after the closing date of this offering without the prior written consent of the representative of the underwriters.

There are 150,000 shares that have been authorized to be issued pursuant to our 1998 Stock Option Plan. Following this offering, we may file a registration statement on Form S-8 covering the 150,000 shares of common stock issuable under our 1998 Stock Option Plan, thus permitting the resale of these shares in the public market without restriction under the Securities Act other than restrictions applicable to affiliates.

Our executive officers, directors, holders of five percent or more of our common stock and three other persons have agreed, pursuant to lock-up agreements relating to the transfer of shares of our common stock, that they will not sell, transfer, hypothecate or convey any of our 2,710,132 shares of common stock that they now own or shares of our common stock underlying derivative securities they own by

registration or otherwise, for a period of 12 months from the date of this prospectus without the prior written consent of the representative of the underwriters. The representative of the underwriters has informed us that it has no current intentions of releasing any shares subject to the aforementioned lock-up agreements. Any determination by the representative of the underwriters to release any shares subject to the lock-up agreements would be based on a number of factors at the time of determination, including the market price and trading volumes of the common stock, the liquidity of the trading market for the common stock, general market conditions, the number of shares proposed to be sold, and the timing, purpose and terms of the proposed sale. There are no exceptions to the lock-up agreements except that individuals subject to the lock-up agreements may dispose of shares as bona fide gifts to persons who also enter into lock-up agreements that terminate 12 months after the date of this prospectus.

UNDERWRITING

Subject to the terms and conditions of the underwriting agreement, the underwriters named below, for which Neidiger, Tucker, Bruner, Inc. is acting as the underwriters' representative, have agreed to purchase from us the number of shares and warrants set forth opposite their names, and will purchase the shares and warrants at the price to public less the underwriting discount set forth on the cover page of this prospectus:

UNDERWRITER	NUMBER OF SHARES	NUMBER OF WARRANTS
Neidiger, Tucker, Bruner, Inc.		
Total	1,650,000	1,650,000

The underwriting agreement provides that the underwriters' obligations are subject to conditions precedent and that the underwriters are committed to purchase all shares and warrants offered hereby (other than those covered by the over-allotment option described below) if the underwriters purchase any shares and warrants.

The representative has advised us that the underwriters propose to offer the shares and warrants offered hereby directly to the public at the price to public set forth on the cover page of this prospectus, and that they may allow to certain dealers that are members of the National Association of Securities Dealers, Inc., concessions not in excess of $_____. After the initial public distribution, the prices of the shares of common stock and warrants may change as a result of market conditions. No change in the terms will change the amount of proceeds to be received by us as set forth on the cover page of this prospectus. The representative has further advised us that the underwriters do not intend to confirm sales to any accounts over which any of them exercise discretionary authority.

We have agreed to pay the representative a nonaccountable expense allowance of two percent of the aggregate public offering price of the shares and warrants offered, including the price of shares of common stock and warrants sold on exercise of the over-allotment option. We have paid $40,000 of the nonaccountable expense allowance to the representative. We have also agreed to pay all expenses in connection with qualifying the shares and warrants offered hereby for sale under the laws of such states as the representative may designate.

We have granted the underwriters options, exercisable for 60 days after the date of this prospectus, to purchase up to 247,500 additional shares of common stock and to purchase up to 247,500 additional warrants at the same prices as the initial shares of common stock and warrants offered. The underwriters may purchase the shares of common stock and warrants solely to cover over-allotments, if any, in connection with the sale of shares of shares and warrants offered hereby. If the over-allotment options are exercised in full, the total public offering price, underwriting discounts and gross proceeds to us will be $11,385,000, $1,024,650 and $10,360,350, respectively. The expenses of this offering are estimated to be $520,000.

Our underwriters may engage in over-allotments, stabilizing transactions, syndicate short covering transactions and penalty bids in accordance with Regulation M under the Securities Exchange Act of 1934. Stabilizing transactions permit bids to purchase our securities so long as the stabilizing bids do not exceed a specified maximum. Penalty bids permit our underwriters to reclaim a selling concession from a syndicate member when our securities originally sold by such selling group member are repurchased in the open market by the underwriters.

Over-allotments, or short sales, consist of sales by underwriters of a greater number of securities than they are required to purchase in an offering. In connection with this offering, our underwriters may make over-allotments, or short sales, of the shares of common stock and warrants and may engage in syndicate short

covering transactions, consisting of purchases of common stock and warrants on the open market, to cover positions created by short sales.

"Covered" short sales are sales made in an amount not greater than any over-allotment options for the underwriters to purchase additional securities in an offering. Underwriters may close out any covered short position by either exercising an over-allotment option or purchasing securities in the open market. In determining the source of securities to close out a covered short position in an offering, underwriters will consider, among other things, the price of the securities available for purchase in the open market as compared to the price at which they may purchase the securities through an over-allotment option.

"Naked" short sales are short sales of securities in excess of over-allotment options. Underwriters must close out any naked short positions by engaging in syndicate short covering transactions, purchasing securities in the open market. Underwriters are more likely to create naked short positions if they are concerned that, after pricing, there may be downward pressure on the open market price of the securities, thus adversely affecting investors who purchased in the offering.

Similar to other purchase transactions, syndicate short covering transactions, in which underwriters purchase securities in the open market to cover short sales, may have the effect of raising or maintaining the market price of securities or preventing or retarding a decline in the market price of securities.

In this offering, any syndicate short covering transactions, stabilizing transactions and penalty bids in which the underwriters engage may cause the price of the common stock and warrants to be higher than they would otherwise be in the absence of such transactions. These transactions may be effected on the American Stock Exchange or otherwise and, if commenced, may be discontinued at any time.

Neither we nor the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the prices of the common stock or warrants. In addition, neither we nor any of the underwriters makes any representation that the underwriters will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

Our officers, directors and beneficial holders of 5% or more of our outstanding shares of common stock have agreed, pursuant to lock-up agreements relating to the transfer of shares of our common stock, that they will not sell, transfer, hypothecate or convey any of our shares of common stock by registration or otherwise for a period of 12 months from the date of this prospectus without the prior written consent of the representative of the underwriters.

We will sell to the representative on completion of the offering, for a total purchase price of $100, representative's options entitling the representative or its assigns to purchase 165,000 shares of common stock and 165,000 warrants. The representative's options will be exercisable commencing one year from the date of this prospectus and will expire five years from the date of this prospectus. The representative's options will contain certain anti-dilution provisions and provide for the cashless exercise of the representative's options utilizing our securities. The exercise price of the representative's options to purchase common stock and warrants is 125% of the public offering price or $______ and $____ , respectively. The representative's warrants are exercisable at $____ per share.

We will set aside and at all times have available a sufficient number of shares of common stock and warrants to be issued upon exercise of the representative's options and warrants. The representative's options and warrants and underlying securities will be restricted from sale, transfer, assignment or hypothecation for a period of one year after the date of this prospectus, except to officers of the representative, co-underwriters, selling group members and their officers or partners. Thereafter, the representative's options and warrants and

underlying securities will be transferable provided such transfer is in accordance with the provisions of the Securities Act. Subject to certain limitations and exclusions, we have agreed, at the request of the representative, to register for sale the common stock and warrants issuable upon exercise of the representative's options and the underlying shares of common stock issuable upon exercise of the warrants included in the representative's options.

For a period of three years after the date hereof, the representative has the right to designate an advisor to our board of directors. Such advisor will be reimbursed for his or her expenses for attending meetings of our board of directors and will receive compensation excluding any grants of options, equal to that received by the highest compensated outside director but will have no voting rights.

At the closing of the offering, we will enter into a consulting agreement retaining the representative as a financial consultant at $3,000 per month for a 24 month period.

In the third and fourth quarters of 2001 and first quarter of 2002, we sold 381,654 shares of our 10% Convertible Series A Preferred Stock at $3.25 per share for gross proceeds of approximately $1,240,000. We paid the representative a commission of approximately $124,000 and a nonaccountable expense allowance of approximately $37,000 and issued the representative warrants to purchase 38,165 shares of our 10% Convertible Series A Preferred Stock at $3.25 per share. Effective upon the successful closing of this offering the representative and other holders of these warrants will relinquish their rights to the warrants to purchase 38,165 shares of our 10% Convertible Series A Preferred Stock in exchange for a cash payment of approximately $43,000.

Prior to this offering, there has not been a public market for our securities. The public offering prices of the common stock and warrants have been determined by arm's-length negotiation between us and the representative. There is no direct relation between the offering prices and our assets, book value or net worth. Among the factors considered by us and the representative in pricing the common stock and warrants were the results of operations, the current financial condition and our future prospects, the experience of management, the amount of ownership to be retained by present stockholders, the general condition of the economy and the securities markets and the demand for securities of companies considered comparable to us.

In connection with this offering, we and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act of 1933 and if such indemnification is unavailable or insufficient, we and the underwriters have agreed to damage contribution arrangements based upon relative benefits received from this offering and relative fault resulting in such damage.

LEGAL MATTERS

Dorsey & Whitney LLP, will pass upon the validity of the common stock and warrants offered in this prospectus. Jones & Keller, P.C, will pass upon certain legal matters for Neidiger, Tucker, Bruner, Inc., the representative of the underwriters.

EXPERTS

Our consolidated balance sheet as of December 31, 2001 and the consolidated statements of income and shareholders' equity and cash flows for the two years ended December 31, 2000 and 2001 and the statement of revenue and direct expenses of assets acquired by Great Lakes Compression, Inc. for the year ended December 31, 2000, included in this prospectus have been included herein in reliance on the report of HEIN + ASSOCIATES LLP , independent certified public accountants, given on the authority of that firm as experts in auditing and accounting.

ADDITIONAL INFORMATION

We have filed a registration statement on Form SB-2 under the Securities Act with the SEC in connection with this offering. This prospectus is part of the registration statement and does not contain all of

the information contained in the registration statement or any of the exhibits filed with the registration statement. For further information about us, please see the registration statement and the exhibits filed with the registration statement. Summaries in this prospectus of the contents of any agreement or other document filed as an exhibit to this registration statement are not necessarily complete. In each instance, please refer to the copy of the agreement or other document filed as an exhibit to the registration statement.

After we complete this offering, we will be required to file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read any document we file with the SEC, including the registration statement and the exhibits filed with the registration statement, without charge, at the SEC public reference room at 450 Fifth Street, N.W., Judiciary Plaza, Room 1024, Washington, D.C. 20549.

You may copy all or any part of our SEC filings from these offices upon payment of the fees charged by the SEC. You may obtain information on the operation of the public reference room in Washington, D.C. by calling the SEC at 1-800-SEC-0330.

Our SEC filings, including the registration statement and the exhibits filed with the registration statement, are available from the SEC's website at http://www.sec.gov, which contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Natural Gas Services Group, Inc.

We have audited the accompanying consolidated balance sheet of Natural Gas Services Group, Inc. and subsidiaries (the "Company") as of December 31, 2001, and the related consolidated statements of income, shareholders' equity and cash flows for the years ended December 31, 2001 and 2000. These 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 the Company as of December 31, 2001, and the results of its operations and its cash flows for the years ended December 31, 2001 and 2000 in conformity with accounting principles generally accepted in the United States of America.

HEIN + ASSOCIATES LLP

Dallas, Texas
March 14, 2002

NATURAL GAS SERVICES GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	JUNE 30, 2002	DECEMBER 31, 2001
	(Unaudited)	
CURRENT ASSETS:		
Cash and cash equivalents	$ 342,397	$ 506,669
Trade accounts receivable, no allowance for doubtful accounts considered necessary	1,146,478	985,709
Lease receivable, net of unearned interest of $33,498 and $36,620	90,069	84,916
Inventory	1,863,398	1,615,407
Prepaid expenses and other	92,728	55,000
Total current assets	3,535,070	3,247,701
PROPERTY AND EQUIPMENT, NET	14,214,544	12,442,368
GOODWILL, net of accumulated amortization of $325,192	2,589,655	2,589,655
PATENTS, net of accumulated amortization of $96,196 and $82,454	155,168	168,910
LEASE RECEIVABLE, net of unearned interest of $15,904 and $32,592	164,397	210,504
INVESTMENT IN JOINT VENTURE	202,920	118,669
DEFERRED OFFERING COSTS	152,326	--
OTHER ASSETS		

55,765
32,006 -----
------ -----
------ Total
assets
$21,069,845
$18,809,813
===========
===========
LIABILITIES
AND
SHAREHOLDERS'
EQUITY
CURRENT
LIABILITIES:
Current
portion of
long-term
debt and
capital
lease $
9,042,405 $
916,291
Accounts
payable and
accrued
liabilities
1,225,728
949,308
Deferred
income
632,439
183,374 ----
------- ----

Total
current
liabilities
10,900,572
2,048,973
LONG-TERM
DEBT, less
current
portion
1,833,060
9,048,028
CAPITAL
LEASE, less
current
portion
37,924
44,807
SUBORDINATED
NOTES, net
of discount
of $232,765
and $265,243
1,306,495
1,274,018
DEFERRED TAX
LIABILITY
893,000
613,437
COMMITMENTS
(Note 5 and
13)
SHAREHOLDERS'
EQUITY:
Preferred
stock,
5,000,000
shares
authorized,
par value
$0.01: 10%
Convertible
Series A:
1,177,000
shares
authorized;
10%
cumulative,
liquidation
preference
of
$1,240,376
and
$1,225,751,
respectively;
381,654 and
377,154
shares
outstanding,
respectively
3,817 3,772

Common stock, 30,000,000 shares authorized, par value $0.01; 3,357,632 shares issued and outstanding	33,576	33,576
Additional paid-in capital	4,497,520	4,442,816
Retained earnings	1,563,881	1,300,386
	-----------	-----------
Total shareholders' equity	6,098,794	5,780,550
	-----------	-----------
Total liabilities and shareholders' equity	$21,069,845	$18,809,813
	===========	===========

SEE ACCOMPANYING NOTES TO THESE CONSOLIDATED FINANCIAL STATEMENTS.

NATURAL GAS SERVICES GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	FOR THE SIX MONTHS ENDED JUNE 30,		FOR THE YEARS ENDED DECEMBER 31,	
	2002	2001	2001	2000
	(Unaudited)	(Unaudited)		
REVENUE:				
Sales, net	$ 3,063,289	$ 2,621,577	$ 5,667,106	$ 2,576,144
Leasing income and interest	2,056,267	1,276,404	3,095,001	1,075,509
Total revenue	5,119,556	3,897,981	8,762,107	3,651,653
COSTS OF REVENUE:				
Cost of sales, excluding depreciation	2,219,501	1,754,321	4,032,846	1,285,334
Cost of leasing, excluding depreciation	586,299	360,667	909,299	249,480
Total costs of revenue	2,805,800	2,114,988	4,942,145	1,534,814
GROSS PROFIT	2,313,756	1,782,993	3,819,962	2,116,839
OPERATING EXPENSES:				
Selling expenses	243,670	305,838	612,670	286,540
General and administrative	600,487	523,504	1,105,290	

951,323
Depreciation
and
amortization
537,600
355,757
903,166
355,705 -----
------- -----
------- -----
------- -----
------- Total
operating
expenses
1,381,757
1,185,099
2,621,126
1,593,568 ---
--------- ---
--------- ---
--------- ---

INCOME FROM
OPERATIONS
931,999
597,894
1,198,836
523,271 OTHER
INCOME
(EXPENSE):
Interest
expense
(522,840)
(371,811)
(924,382)
(207,129)
Equity in
earnings of
joint venture
207,603
67,352
224,231
17,792 Other
income 1,910
81,133
197,208
30,608 ------
------ ------
------ ------
------ ------
------ Total
other income
(expense)
(313,327)
(223,326)
(502,943)
(158,729) ---
--------- ---
--------- ---
--------- ---

INCOME FROM
CONTINUING
OPERATIONS
BEFORE
PROVISION FOR
INCOME TAXES
618,672
374,568
695,893
364,542
PROVISION FOR
INCOME TAXES:
Current -- --
9,100 38,262
Deferred
279,563
202,363
304,800
108,973 -----
------- -----
------- -----
------- -----
------- Total
income tax
expense
279,563
202,363
313,900
147,235 -----
------- -----
------- -----
------- -----

INCOME BEFORE

DISCONTINUED OPERATIONS	339,109	172,205	381,993	217,307
DISCONTINUED OPERATIONS:				
Loss from operations, including tax benefit of $20,000	--	--	--	(252,000)
Gain on sale of subsidiary, no tax effect	--	--	--	943,771
Total discontinued operations	--	--	--	691,771
NET INCOME	339,109	172,205	381,993	909,078
PREFERRED DIVIDENDS	75,614	--	10,908	--
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	$ 263,495	$ 172,205	$ 371,085	$ 909,078
NET INCOME PER COMMON SHARE: BASIC	$ .08	$ .05	$ 0.11	$ 0.27
DILUTED	$ .06	$ .05	$ 0.11	$ 0.27
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
BASIC	3,357,632	3,357,632	3,357,632	3,357,632
DILUTED	4,163,710	3,357,632	3,483,987	3,357,632

SEE ACCOMPANYING NOTES TO THESE CONSOLIDATED FINANCIAL STATEMENTS.

NATURAL GAS SERVICES GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE PERIOD FROM JANUARY 1, 2000 THROUGH JUNE 30, 2002

	PREFERRED STOCK		COMMON STOCK	
	SHARES	AMOUNT	SHARES	AMOUNT
BALANCES, January 1, 2000	--	$ --	4,050,000	$ 40,500
Forgiveness of receivable in divesture of subsidiary	--	--	--	--
Common stock repurchased in divesture of subsidiary	--	--	(692,368)	(6,924)
Net income	--	--	--	--
BALANCES, January 1, 2001	--	--	3,357,632	33,576
Issuance of preferred stock	377,154	3,772	--	--
Warrants issued in connection with subordinated notes	--	--	--	--
Warrants issued for debt guaranty	--	--	--	--
Dividends on preferred stock	--	--	--	--
Net income	--	--	--	--
BALANCES, January 1, 2002	377,154	3,772	3,357,632	33,576
Issuance of preferred stock	4,500	45	--	--
Dividends on preferred stock (unaudited)	--	--	--	--
Warrants issued for debt				

guaranty
(unaudited)
-- -- -- --
Net income
(unaudited)
-- -- -- --
-------- ---
----- ------
---- -------
- BALANCES,
June 30,
2002
(unaudited)
381,654 $
3,817
3,357,632 $
33,576
========
========
==========
========
NOTE
RECEIVABLE
ADDITIONAL
TOTAL FROM
PAID-IN
RETAINED
SHAREHOLDERS'
SHAREHOLDER
CAPITAL
EARNINGS
EQUITY -----
------ -----
------ -----
------ -----

BALANCES,
January 1,
2000 $
(164,558) $
4,801,666 $
20,223 $
4,697,831
Forgiveness
of
receivable
in divesture
of
subsidiary
164,558 -- -
- 164,558
Common stock
repurchased
in divesture
of
subsidiary -
-
(1,377,812)
--
(1,384,736)
Net income -
- -- 909,078
909,078 ----
------- ----
------- ----
------- ----

BALANCES,
January 1,
2001 --
3,423,854
929,301
4,386,731
Issuance of
preferred
stock --
899,461 --
903,233
Warrants
issued in
connection
with
subordinated
notes --
96,364 --
96,364
Warrants
issued for
debt
guaranty --
23,137 --
23,137
Dividends on
preferred
stock -- --

(10,908)
(10,908) Net
income -- --
381,993
381,993 ----
------- ----
------- ----
------- ----

BALANCES,
January 1,
2002 --
4,442,816
1,300,386
5,780,550
Issuance of
preferred
stock --
12,679 --
12,724
Dividends on
preferred
stock
(unaudited)
-- --
(75,614)
(75,614)
Warrants
issued for
debt
guaranty
(unaudited)
-- 42,025 --
42,025 Net
income
(unaudited)
-- --
339,109
339,109 ----
------- ----
------- ----
------- ----

BALANCES,
June 30,
2002
(unaudited)
$ -- $
4,497,520 $
1,563,881 $
6,098,794
===========
===========
===========
=============

SEE ACCOMPANYING NOTES TO THESE CONSOLIDATED FINANCIAL STATEMENTS.

NATURAL GAS SERVICES GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX
MONTHS ENDED
FOR THE YEARS
ENDED
DECEMBER 31,

--- ---------

JUNE 30, 2002
June 30, 2001
2001 2000 ---
---------- --
----------- -
---------- --

(Unaudited)
(Unaudited)
CASH FLOWS
FROM
OPERATING
ACTIVITIES:
Net income $
339,109 $
172,205 $
381,993 $
909,078
Adjustments
to reconcile
net income to
net cash
provided by
(used in)
operating
activities:
Depreciation
and
amortization
537,600
355,757
903,166
355,705
Deferred
taxes 279,563
202,363
304,800
108,973
Amortization
of debt
issuance
costs 32,477
32,478 64,956
Gain on
disposal of
assets --
(80,143)
(117,387)
(957,959)
Warrants
issued for
debt
guarantee
42,025 23,137
23,137 --
Equity in
earnings of
joint venture
(207,603)
(67,352)
(224,231)
(17,792)
Changes in
current
assets: Trade
and other
receivables
(174,984)
(371,226)
(360,868)
(160,219)
Inventory
(247,991)
(564,233)
(593,403)
(695,908)
Prepaid
expenses and
other

(23,513)
(174,953)
25,190
(48,560)
Changes in current liabilities:
Accounts payable and accrued liabilities
276,419
619,339
472,779
241,319
Deferred income
449,065 390
(9,826)
133,156 Other
(23,760)
(884)
(30,551)
(121,228) --- ---------- -- ----------- - ---------- -- --------- Net cash provided by (used in) operating activities
1,278,407
146,878
839,755
(253,435)
CASH FLOWS FROM INVESTING ACTIVITIES:
Purchase of property and equipment
(2,296,033)
(844,279)
(2,220,110)
(1,909,459)
Proceeds from sale of property and equipment --
215,500
328,500 9,850
Decrease in lease receivable
40,954 35,554
73,711 63,991
(Contributions to) distributions from joint venture
123,353
15,385
124,353
(1,000) Cash paid for acquisition --
(1,255,096)
(1,393,113) -- ------------- ---------- --- ----------- -- ----------- - Net cash used in investing activities
(2,131,726)
(1,832,936)
(3,086,659)
(1,836,618)
CASH FLOWS FROM FINANCING ACTIVITIES:
Net proceeds from lines of credit --
653,332
750,000
700,000
Proceeds from long-term

debt
1,353,386
67,949
249,761
344,480
Repayments of
long-term
debt
(449,123)
(475,941)
(592,258)
(346,909)
Dividends on
preferred
stock
(75,614) --
(10,908) --
Deferred
offering
costs
(152,326) --
-- --
Proceeds from
preferred
stock, net of
offering
costs 12,724
-- 903,233 --
Proceeds from
note
offering, net
of offering
costs --
1,310,839
1,310,839 --

----------- -

Net cash
provided by
financing
activities
689,047
1,556,179
2,610,667
697,571 NET
INCREASE
(DECREASE) IN
CASH
(164,272)
(129,879)
363,763
(1,392,482)
CASH,
beginning of
period
506,669
142,906
142,906
1,535,388 ---
---------- --
----------- -
---------- --

CASH, end of
period $
342,397 $
13,027 $
506,669 $
142,906
=============
=============
===========
===========
SUPPLEMENTAL
DISCLOSURES
OF CASH FLOW
INFORMATION:
Interest paid
$ 470,697 $
313,761 $
872,239 $
207,129
=============
=============
===========
===========
Income taxes
paid $ -- $ -
- $ 2,566 $ -
-
=============
=============
===========

===========
Purchase of property and equipment for note payable
$ -- $ -- $ 7,148,949 $ 328,540
=============
=============
===========
===========
Common stock repurchased in disposal of subsidiary
$ -- $ -- $ -- $ 1,384,736
=============
=============
===========
===========

SEE ACCOMPANYING NOTES TO THESE CONSOLIDATED FINANCIAL STATEMENTS.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(the period subsequent to December 31, 2001 is unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Principles of Consolidation

Natural Gas Services Group, Inc. (the "Company" or "NGSG") (a Colorado corporation) was formed on December 18, 1998 for the purposes of combining the operations of certain manufacturing, service and leasing entities providing services to a customer base of oil and gas exploration and production companies operating primarily in Colorado, Kansas, Louisiana, Michigan, New Mexico, Oklahoma, Texas and Wyoming.

On March 15, 1999, the Company acquired the following entities:

- Flare King, Inc. ("Flare King") (a Texas corporation) is engaged in the manufacturing and distribution of natural gas flare stacks and ignition systems for use in oilfield, refinery, petrochemical plant, and landfill applications in New Mexico, California and Texas. In July 2000, the name of Flare King was changed to Rotary Gas Systems, Inc. ("RGS, Inc.").

- Rotary Gas Systems, LLC ("RGS") (a Texas limited liability corporation) was engaged in the packaging and distribution of natural gas compressors primarily for petroleum applications in New Mexico and Texas. In July 2000, RGS was dissolved and its operations are now conducted through RGS, Inc.

- NGE Leasing, Inc. ("NGE") (a Texas corporation) is engaged in leasing irrigation motor units to entities in the agricultural industry and natural gas compressor packages to entities in the petroleum industry. NGE's leasing income is concentrated in New Mexico, California and Texas.

- CNG Engines Co. ("CNG") (a Texas corporation) was engaged principally in the manufacturing and distribution of irrigation motor units, and its sales were concentrated in California and Texas. The Company disposed of CNG on March 31, 2000. See Note 12.

- Gas Engine Service, LLC ("GES") (a California limited liability corporation) was engaged in providing maintenance and repair services for natural gas engines and its revenues were concentrated in California. GES is a wholly-owned subsidiary of CNG and was disposed of with CNG on March 31, 2000. See Note 12.

In March 2001, the Company's newly formed subsidiary, Great Lakes Compression, Inc. (a Colorado corporation) ("GLC"), acquired certain assets and operations of a business that fabricates, leases and services natural gas compressors to producers of oil and natural gas, primarily in Michigan.

The accompanying financial statements present the consolidated results of the Company and its wholly-owned subsidiaries. Investments in joint ventures in which the Company does not have majority voting control are accounted for by the equity method. All intercompany balances and transactions have been eliminated in consolidation.

Cash Equivalents

For purposes of reporting cash flows, the Company considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Inventory

Inventory is valued at the lower of cost or market. The cost of inventories are determined by the first-in, first-out method. Inventory consists of the following:

	JUNE 30, 2002 (Unaudited)	DECEMBER 31, 2001
Raw materials	$ 1,525,221	$ 1,340,930
Work in process	338,177	274,477
	$ 1,863,398	$ 1,615,407

Property and Equipment

Property and equipment is recorded at cost less accumulated depreciation and amortization. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, which range from five to thirty years.

Gains and losses resulting from sales and dispositions of property and equipment are included in current operations. Maintenance and repairs are charged to operations as incurred.

Patents

The Company has patents for a flare tip ignition device and flare tip burner pilot held by RGS. The costs of the patents are being amortized on a straight-line basis over nine years, the remaining life of the patents when acquired. Amortization expense for patents of $27,484 was recognized for each of the years ended December 31, 2001 and 2000. Amortization expense for each of the next five years is estimated to be $27,484 per year. Amortization expense for patents was $13,742 for each of the six-month periods ended June 30, 2002 and 2001.

Goodwill

Goodwill represents the cost in excess of fair value of the identifiable net assets acquired in various acquisitions and is being amortized on a straight-line basis over 20 years. Amortization expense of $124,425 and $100,404 was recognized for the years ended December 31, 2001 and 2000, respectively, and $50,202 was recognized for the six months ended June 30, 2001. The Company ceased amortization of goodwill effective January 1, 2002, in accordance with FAS 142. See Note 15.

Long-Lived Assets

The Company's policy is to periodically review the net realizable value of its long-lived assets, including patents and goodwill, through an assessment of the estimated future cash flows related to such assets. In the event that assets are found to be carried at amounts in excess of estimated undiscounted future cash flows, then the assets will be adjusted for impairment to a level commensurate with a discounted cash flow analysis of the underlying assets. Based upon its most recent analysis, the Company believes no impairment of long-lived assets exists at December 31, 2001 and June 30, 2002.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising expense was $56,335 in 2001 and $12,072 in 2000, and was $27,090 and $32,469 for the six months ended June 30, 2002 and 2001, respectively.

Revenue Recognition

Revenue from the sale of custom and fabricated and rebuilt compressors, and flare systems are recognized upon shipment of the equipment to customers. Exchange and rebuilt compressor revenue is recognized when both the replacement compressor has been delivered and the rebuild assessment has been completed. Revenue from compressor service, and retrofitting services is recognized upon providing services to the customer. Operating lease revenue is recognized, over the term of the agreements. Maintenance agreement revenue is recognized as services are rendered. Deferred income represents items that have been billed to customers based on contractual agreements, but have not yet been shipped. Rental and lease revenue are recognized over the terms of the respective lease agreements based upon the classification of the lease.

Stock-Based Compensation

The Company applies Statement of Financial Accounting Standards No. 123 ("SFAS 123"), Accounting for Stock-Based Compensation, which requires recognition of the value of stock options and warrants granted based on an option pricing model. However, as permitted by SFAS 123, the Company continues to account for stock options and warrants granted to directors and employees pursuant to Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. See Note 11.

Description of Leasing Arrangements

The Company's leasing operations principally consist of the leasing of natural gas compressor packages and flare stacks. The Company has one seven-year lease of natural gas irrigation engines to an agricultural entity that is classified as a sales-type lease. The remaining leases are all classified as operating leases. See Note 5.

Income Taxes

The Company files a consolidated tax return for all the entities. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases, and operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Use of Estimates

The preparation of the Company's financial statements in conformity with generally accepted accounting principles requires the Company's management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates. Significant estimates include the valuation of assets and goodwill acquired in acquisitions. It is at least reasonably possible these estimates could be revised in the near term and the revisions would be material.

Recently Issued Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statements of Financial Accounting Standards No. 141, Business Combinations ("FAS 141"), and No. 142, Goodwill and Other Intangible Assets ("FAS 142"). FAS 141 requires all business combinations initiated after June 30, 2001 to be accounted for under the purchase method. For all business combinations for which the date of acquisition is after June 30, 2001, FAS 141 also establishes specific criteria for the recognition of intangible assets separately from goodwill and requires unallocated negative goodwill to be written off immediately as an extraordinary gain, rather than deferred and amortized. FAS 142 changes the

accounting for goodwill and other intangible assets after an acquisition. The most significant changes made by FAS 142 are: 1) goodwill and intangible assets with indefinite lives will no longer be amortized; 2) goodwill and intangible assets with indefinite lives must be tested for impairment at least annually; and 3) the amortization period for intangible assets with finite lives will no longer be limited to forty years. The Company does not believe that the adoption of FAS 141 will have a material effect on its financial position, results of operations, or cash flows. The Company adopted FAS 142 on January 1, 2002, at which time it ceased the amortization of goodwill. The result of the application of the non-amortization provisions of FAS 142 for goodwill resulted in a $42,502 reduction of amortization expense for the six months ended June 30, 2002 as compared to the six months ended June 30, 2001. At June 30, 2002, the Company's goodwill had a carrying value of $2,589,655. Pursuant to FAS 142, the Company completed its initial test for goodwill impairment at which time no impairment was indicated. See Note 15.

In June 2001, the FASB also approved for issuance FAS 143, Asset Retirement Obligations. FAS 143 establishes accounting requirements for retirement obligations associated with tangible long-lived assets, including 1) the timing of the liability recognition, 2) initial measurement of the liability, 3) allocation of asset retirement cost to expense, 4) subsequent measurement of the liability and 5) financial statement disclosures. FAS 143 requires that an asset retirement cost should be capitalized as part of the cost of the related long-lived asset and subsequently allocated to expense using a systematic and rational method. The Company will adopt the statement effective no later than January 1, 2003, as required. The transition adjustment resulting from the adoption of FAS 143 will be reported as a cumulative effect of a change in accounting principle. The Company does not believe that the adoption of this statement will have a material effect on its financial position, results of operations, or cash flows.

In October 2001, the FASB also approved for issuance FAS 144, Accounting for the Impairment or Disposal of Long-Lived Assets. FAS 144 replaces SFAS 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of. The new accounting model for long-lived assets to be disposed of by sale applies to all long-lived assets, including discontinued operations, and replaces the provisions of APB Opinion No. 30, Reporting Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, for the disposal of segments of a business. FAS 144 requires that those long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. Therefore, discontinued operations will no longer be measured at net realizable value or include amounts for operating losses that have not yet occurred. FAS 144 also broadens the reporting of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity and that will be eliminated from the ongoing operations of the entity in a disposal transaction. The provisions of FAS 144 are effective for financial statements issued for fiscal years beginning after December 15, 2001 and, generally, are to be applied prospectively. Presently, the Company does not believe the adoption of this statement will have a material effect on its financial position, results of operations, or cash flows.

Unaudited Information

The balance sheet as of June 30, 2002 and the statements of income for the six-month periods ended June 30, 2002 and 2001 were taken from the Company's books and records without audit. However, in the opinion of management, such information includes all adjustments which are necessary to properly reflect the Company's financial position as of June 30, 2002 and the results of operations for the six months ended June 30, 2002 and 2001. The results of operations for the interim periods presented are not necessarily indicative of those expected for the year.

2. ACQUISITION

In March 2001, the Company acquired the assets, primarily compressors, office furniture and fixtures, building and land of Dominion Michigan Production Services, Inc. ("Dominion") for a total purchase price of $8 million, subject to adjustment. $1 million of the purchase price was paid in cash with the remainder financed by the seller (see Note 7). The transaction was accounted for under the purchase method of accounting and the purchase price was allocated to the net assets acquired based on their estimated fair values. The excess of cost over the fair value of net assets acquired totaled approximately $741,000 and was recorded as goodwill as of the acquisition date. The operating results of the acquired business have been included in the Company's financial statements beginning April 1, 2001.

The following unaudited pro forma information has been prepared as if the acquisition of the assets of Dominion had occurred at the beginning of each of the years ended December 31, 2001 and 2000. Such information is not necessarily reflective of the actual results that would have occurred had the acquisition occurred on those dates.

	SIX MONTHS ENDED JUNE 30, 2001	YEAR ENDED DECEMBER 31, 2001	YEAR ENDED DECEMBER 31, 2000
Net sales	$ 4,699,020	$ 9,563,146	$ 7,306,065
Net income	$ 268,681	$ 429,276	$ 897,895
Net income per common share	$ 0.08	$ 0.13	$ 0.27
Net income per common share, assuming dilution	$ 0.08	$ 0.12	$ 0.27

In connection with the acquisition, a total fee of $440,000 was paid to the investment banker/advisor. A director of the Company has a 1% interest in the investment banker/advisor.

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

JUNE 30,
DECEMBER

	31, 2002	2001
	(Unaudited)	
Land and building	$ 1,345,740	$ 1,345,740
Leasehold improvements	90,757	70,201
Equipment and furniture	531,122	505,120
Rental equipment	13,219,980	11,043,564
Vehicles	623,957	550,974
	15,811,556	13,515,599
Less accumulated depreciation	(1,597,012)	(1,073,231)
	$ 14,214,544	$ 12,442,368

Depreciation expense for property and equipment of $751,257 and $227,816 was recognized for the years ended December 31, 2001 and 2000, respectively. Depreciation expense for property and equipment of $523,858 and $299,513 was recognized for the six months ended June 30, 2002 and 2001, respectively.

4. INVESTMENT IN JOINT VENTURE

The Company owns a non-controlling 50% interest in a joint venture, Hy-Bon Rotary Compression, LLC ("Hy-Bon"). This interest is accounted for on the equity method, in which the Company recognizes its share of the earnings or loss of the joint venture determined in accordance with the Hy-Bon operating agreement. The Company's total equity method investment in Hy-Bon at December 31, 2001 was $118,669. The Company's equity in the earnings of Hy-Bon was $224,231 and $17,792 in 2001 and 2000, respectively. Summarized financial information of Hy-Bon follows:

	DECEMBER 31, 2001
BALANCE SHEET:	
ASSETS:	
Accounts receivable	$ 178,255
Other current assets	62,842
Equipment, net	100,770
Total assets	$ 341,867
LIABILITIES:	
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	$ 16,582
Notes payable	73,773
Members' capital	251,512
Total liabilities and equity	$ 341,867

	FOR THE YEAR ENDED DECEMBER 31,	
	2001	2000
STATEMENT OF OPERATIONS:		
Total revenue	$ 644,170	$ 36,392
Total expenses	193,756	15,427
Net income	$ 450,414	$ 20,965

5. LEASING ACTIVITY

The following lists the components of the net investment in the Company's sales-type lease:

	JUNE 30, 2002	DECEMBER 31, 2001
Total minimum lease payments receivable	$ 303,868	$ 364,632
Less unearned income	(49,402)	(69,212)
	$ 254,466	$ 295,420

Future minimum lease payments are $121,536 per year until the lease expiration in December 2004.

The Company leases natural gas compressor packages to entities in the petroleum industry. These leases are classified as operating leases and generally have original lease terms of one to five years and continue on a month-to-month basis thereafter. Future minimum lease payments for leases not on a month-to-month basis at December 31, 2001 are as follows:

Year Ended December 31, --	
2002	$ 1,680,476
2003	799,831
2004	828,085
2005	861,208
Total	$ 4,169,600

6. LINE OF CREDIT

The Company has a line of credit with a financial institution that allows for borrowings up to $750,000, bears interest at the prime rate plus 1% (5.75% and 6.75% at December 31, 2001 and June 30, 2002, respectively) and requires monthly interest payments with principal due at maturity on December 15, 2002. The note is collateralized by substantially all of the assets of the Company and is personally guaranteed by certain shareholders and their affiliated entities. Warrants were issued in 2001 to these shareholders for their guarantees (see Note 10). The line of credit includes certain covenants, the most restrictive of which requires the Company to maintain certain working capital and debt to equity ratios and certain minimum net worth. The Company was in compliance with all covenants on the line of credit at December 31, 2001. At December 31, 2001, there was no outstanding balance. This line of credit was consolidated with other notes outstanding at the same financial institution in April 2002.

7. LONG-TERM DEBT

Long-term debt consists of the following:

	JUNE 30, 2002 (Unaudited)	DECEMBER 31, 2001
Note payable to a bank, interest at bank's prime rate plus 1.5% (6.25% at December 31, 2001), monthly payments of principal and interest of $10,127, until maturity in November 2002, with a final lump-sum payment. This note is collateralized by equipment leased to a third party under a sales-type lease and is guaranteed by certain officers and shareholders of the Company	$ 106,487	$ 213,302
Three notes payable to a bank, interest at the prime rate plus 1%		

- 1.5% (5.75% - 6.25% at December 31, 2001), monthly principal payments of $11,667, $12,500 and $25,000, plus interest, until maturity in January 2006, November 2006 and December 2004. In April 2002, the notes were consolidated into a single note, interest at prime rate plus 1% (5.75% at June 30, 2002), monthly principal payments of $45,746 plus interest until maturity March 15, 2006. The note has the same collateral and personal guarantees as the line of credit (Note 6) 2,009,423 2,294,162

Note payable to a bank, interest at prime rate plus 1% (5.75% at June 30, 2002), monthly payments of interest only until all outstanding principal and interest due upon maturity on March 15, 2003. This note replaces the line of credit (Note 6), and has the same collateral and personal guarantees 1,295,000 --

Note payable to an individual, interest at 10%, monthly payments of principal and interest totaling $1,255 until maturity in August 2010 This note is collateralized by a building 84,405 87,623

	JUNE 30, 2002	DECEMBER 31, 2001
	(Unaudited)	
Note payable to a bank, interest at 11%, monthly payments of principal and interest totaling $2,614, until maturity in September 2010, collateralized by a building	217,961	221,407
Various notes payable to commercial lenders, interest rates ranging from 1.9% to 10.5%, monthly payments of principal and interest until maturity dates ranging from March 2004 to October 2005. These notes are collateralized by various vehicles	87,932	68,901
Various notes payable to a bank, interest rates ranging from prime plus 1% (5.75% at December 31, 2001 and June 30, 2002) to 9.5%, monthly payments of principal and interest until maturity dates ranging from April 2002 to July 2004. These notes are collateralized by various vehicles and certain of these notes are guaranteed by an officer and shareholder	109,565	114,229
Note payable to Dominion (Note 2), interest at		

9%, monthly payments of interest only until all outstanding principal and interest due upon maturity in March 2003. This note is collateralized by all assets originally acquired by GLC and a stock pledge of all issued and outstanding shares of GLC. No cash flow from GLC operations can be used to pay down any debt except this note until paid in full. 87.5% of the proceeds from any sale of collateralized assets must be immediately remitted to Dominion	6,952,464	6,952,464
Total	10,863,237	9,952,088
Less current portion	(9,030,177)	(904,060)
	$ 1,833,060	$ 9,048,028

Maturities of long-term debt based on contractual requirements for the years ending December 31, 2001 are as follows:

2002	$ 904,060
2003	7,624,487
2004	697,918
2005	309,092
2006	194,569
Thereafter	221,962
	$ 9,952,088

8. SUBORDINATED NOTES

On October 31, 2000, the Company initiated a private placement of subordinated debt units. Each unit consists of a $25,000 10% subordinated note due December 31, 2006 and a five-year warrant to purchase 10,000 shares of the Company's common stock at $3.25 per share. Interest only is payable annually, with all principal due at maturity. The warrants were valued at their estimated fair market value resulting in a discount relating to the warrants of $87,128. Proceeds from this offering totaled $1,539,260. Under the terms of the offering, all proceeds from the notes must be used for the operations of NGE Leasing.

In connection with the offering, a placement agent was paid a 10% cash commission and 3% non-accountable expense allowance totaling $200,104, and was issued warrants in the same form as those issued in the offering for a total of 61,570 shares. The warrants were valued at their estimated fair market value of $9,236. Total debt issuance costs of $237,658 plus the $87,128 discount related to warrants issued as part of the offering

result in total debt discount of $324,786 which is being amortized using the effective interest rate method over the life of the notes.

Certain shareholders, officers and directors purchased units in this offering, (totaling $259,261 in notes and warrants representing 103,704 shares) on the same terms and conditions as non-affiliated purchasers in the offering.

9. INCOME TAXES

The provision for income taxes consists of the following:

	FOR THE YEAR ENDED DECEMBER 31,	
	2001	2000
Current provision:		
Federal	$ --	$ 12,967
State	9,100	25,295
	9,100	38,262
Deferred provision:		
Federal	269,100	72,823
State	35,700	36,150
	304,800	108,973
	$ 313,900	$ 147,235

The income tax effects of temporary differences that give rise to significant portions of deferred income tax assets and liabilities are as follows:

	AS OF DECEMBER 31, 2001
Deferred income tax asset- Net operating loss	260,048
Deferred income tax liabilities:	
Property and equipment	735,600
Goodwill and other intangible assets	137,885
Total deferred income tax liabilities	873,485
Net deferred income tax liabilities	

$ 613,437

The effective tax rate differs from the statutory rate as follows:

	FOR THE YEAR ENDED DECEMBER 31,	
	2001	2000
Statutory rate	34%	34%
State and local taxes	6%	4%
Non-deductible goodwill amortization	14%	9%
Other	(9%)	5%
Disposal of discontinued operations	--	(38%)
Effective rate	45%	14%

At December 31, 2001, the Company had available net operating loss ("NOL") carryforwards of approximately $705,700, which may be used to reduce future taxable income and begin to expire in 2020 through 2021.

10. SHAREHOLDERS' EQUITY

Warrants

In March 2001 and April 2002, five year warrants to purchase common stock at $2.50 per share and $3.25 per share, respectively, exercisable immediately, were issued to certain board members and shareholders as consideration for their debt guarantees. These warrants were recorded at their estimated fair value of $23,137 and $42,025, respectively.

Preferred Stock

The Company has a total of 5,000,000 authorized preferred shares, with rights and preferences as designated by the Board of Directors. Of the preferred shares, 1,177,000 shares are designated 10% Convertible Series A Preferred Stock. The Series A shares have a cumulative annual dividend rate of 10%, when and if declared by the Board of Directors payable thirty days after the end of each quarter. Holders are entitled to one vote per share and the Series A shares are convertible into common stock initially at a price of $3.25 per share, subject to adjustment based on the market price and various other contingencies. In addition, Series A shares will automatically be converted to common stock on a one-for-one basis if or when the Company's common stock trades on a public exchange at a price of $6.50 per share or greater for twenty consecutive days. The Series A shares have a liquidation preference of $3.25 per share plus accrued and unpaid dividends over common stock.

The Company initiated a private placement of its Series A shares in July 2001. Under the terms of the placement agreement, the Company offered a maximum of 770,000 Series A shares at a price of $3.25 per share. As of December 31, 2001, the Company had received gross proceeds of $1,225,751 from the offering, net of $322,518 of offering costs, for 377,154 Series A shares. Included in the offering costs, are a 10% commission and 3% non-accountable expense allowance paid to the placement agent. Subsequent to December 31, 2001, additional proceeds of $14,625 were received representing 4,500 additional Series A shares issued. Total Series A shares outstanding at June 30, 2002 were 381,654.

A total of 18,000 and 12,000 Series A shares were issued in this offering to a director and a shareholder, respectively, on the same terms and conditions as those sold to non-affiliated purchasers in the private offering.

11. STOCK-BASED COMPENSATION

Stock Options

In December 1998, the Board of Directors adopted the 1998 Stock Option Plan (the "Plan"). 150,000 shares of common stock have been reserved for issuance under the Plan. All options granted under the Plan will expire ten years after date of grant. The option price is to be determined by the Board of Directors on date of grant.

In September 1999, the Company granted 27,000 non-qualified stock options to certain employees to purchase the Company's common stock at $2.00 per share. The options vest over three years and expire in 2009. Also in

September 1999, the Company granted 100,000 non-qualified stock options to an advisory director to purchase the Company's common stock at $2.00 per share anytime through September 30, 2004.

The following is a summary of activity for the stock options outstanding for the years ended December 31, 2001 and 2000:

	DECEMBER 31, 2001		DECEMBER 31, 2000	
	Number Of Shares	Weighted Average Exercise Price	Number Of Shares	Weighted Average Exercise Price
Outstanding, beginning of year	112,000	$ 2.00	127,000	$ 2.00
Canceled or expired	--	--	(15,000)	--
Granted	--	--	--	--
Exercised	--	--	--	--
Outstanding, end of year	112,000	$ 2.00	112,000	$ 2.00
Exercisable, end of year	112,000	$ 2.00	104,000	$ 2.00

Pro Forma Stock-Based Compensation Disclosures

As discussed in Note 1, the Company applies APB Opinion No. 25 and related interpretations in accounting for its stock options. Accordingly, no compensation cost has been recognized for grants of options to employees since the exercise prices were not lower than the market prices of the Company's common stock on the measurement date. Had compensation been determined based on the estimated fair value at the measurement dates for awards under those plans consistent with the method prescribed by SFAS No. 123, the Company's net income

would have been changed to the pro forma amounts indicated below.

	2001	2000
Net income:		
As reported	$ 381,993	$ 909,078
Pro forma	$ 373,390	$ 900,475

The fair value of each option granted prior to fiscal year 2000 was estimated on the date of grant using the Black-Scholes option-pricing model. There were no options issued in 2001 or 2000.

12. DISCONTINUED OPERATIONS

On March 31, 2000, the Company disposed of CNG Engine Co. ("CNG") in a transaction whereby NGSG transferred all of the common stock of CNG to the former owner in exchange for all of the former owner's outstanding common stock in NGSG (692,368 shares) and a note receivable for $350,000. During the year ended December 31, 2000, the former owner defaulted on all payments due under the note receivable, and the entire amount has been reserved and reflected as a reduction in the gain from discontinued operations. The sale resulted in a non-taxable gain from discontinued operations of $943,771. Pre-tax loss from discontinued operations of $232,000 in the accompanying statement of income reflects the net loss from operations of CNG from January 1, 2000 through the date of disposal. Total revenue of CNG was $828,000 from January 1, 2000 through the date of disposal.

13. COMMITMENT

401(k) Plan

Effective January 1, 2001, the Company offered a 401(k) Plan (the "Plan") to all employees that had reached the age of eighteen and had completed six months of service. The participants may contribute up to 15% of their salary. Employer contributions are subject to Board discretion and are subject to a vesting schedule of 20% each year after the first year and 100% after six years. The Company contributed $43,500 to the Plan in 2001.

14. MAJOR CUSTOMERS AND CONCENTRATION OF CREDIT RISK

Sales to one customer in the year ended December 31, 2001 and one customer in the year ended December 31, 2000 amounted to a total of 26% and 12% of consolidated revenue, respectively. No other single customer accounted for more than 10% of the Company's sales in 2001 or 2000. At December 31, 2001, the Company had one customer that accounted for 18% of the Company's trade accounts receivable. Sales to one customer in the six months ended June 30, 2002 and to one customer in the six months ended June 30, 2001, amounted to a total of 37% and 15% of our consolidated revenue, respectively. At June 30, 2002, the Company had one customer that accounted for 17% of the Company trade accounts receivable. The Company generally does not obtain collateral, but requires deposits of as much as 50% on large custom contracts. The Company performs periodic credit evaluations on its customers' financial condition and believes that no allowance for doubtful accounts for trade receivables is necessary at December 31, 2001 or June 30, 2002.

15. GOODWILL--ADOPTION OF STATEMENT 142 (UNAUDITED)

The Company adopted FAS 142 on January 1, 2002, at which time it ceased the amortization of goodwill. At June 30, 2002, the Company's goodwill had a carrying value of $2,589,655. Pursuant to FAS 142, the Company completed its initial test for goodwill impairment and no impairment was indicated. The following table sets forth the effect of the adoption of FAS 142 for each period:

	FOR THE SIX MONTHS ENDED JUNE 30,		FOR THE YEAR ENDED DECEMBER 31,	
	2002	2001	2001	2000
Reported net income	$ 263,495	$ 172,205	$ 371,085	$ 909,078
Add back: Goodwill amortization, net of tax effect	--	50,202	124,425	100,363
Adjusted net income	$ 263,495	$ 222,407	$ 495,510	$ 1,009,441
BASIC EARNINGS PER				

SHARE:				
Reported net income	$ .08	$ .05	$ .11	$ .27
Goodwill amortization	--	.01	.04	.03
Adjusted net income	$ .08	$ .06	$ .15	$ .30
DILUTED EARNINGS PER SHARE:				
Reported net income	$ .06	$ .05	$ .11	$ .27
Goodwill amortization	--	.01	.04	.03
Adjusted net income	$ .06	$ .06	$ .15	$ .30

16. SEGMENT INFORMATION

FAS No. 131, Disclosures About Segments of an Enterprise and Related Information, establishes standards for public companies relating to the reporting of financial and descriptive information about their operating segments in financial statements. Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by chief operating decision makers in deciding how to allocate resources and in assessing performance.

The Company identifies its segments based on its subsidiary entities.

The Company's reportable operating segments have been determined as separately identifiable business units. The Company measures segment earnings as operating earnings, defined as income before interest and income taxes. The following amounts are expressed in thousands:

	RGS	NGE	GLC	NGSG	Total
FOR THE SIX MONTHS ENDED JUNE 30, 2002:					
Revenue from external customers	$ 1,571	$ 1,059	$ 2,490	$ --	$ 5,120
Inter-segment revenue	3,046	--	--	--	3,046
Gross profit	656	761	897	--	2,314
Depreciation and amortization	59	189	270	20	538
Interest expense	4	186	313	20	523
Equity in earnings of joint venture	--	208	--	--	208
Other income	1	1	--	--	2
Income taxes	--	--	--	280	280
Net income	196	515	188	(560)	339
AS OF JUNE 30, 2002:					
Segment assets	3,397	7,828	9,160	685	21,070
Goodwill	1,873	--	717	--	2,590
FOR THE SIX MONTHS ENDED JUNE 30, 2001:					
Revenue					

from external customers $ 2,170 $ 695 $ 1,033 $ -- $ 3,898 Inter- segment revenue 1,102 -- -- -- 1,102 Gross profit 767 496 520 -- 1,783 Depreciation and amortization 52 112 137 54 355 Interest expense 1 196 159 15 371 Equity in earnings of joint venture -- 67 -- -- 67 Other income 1 80 -- -- 81 Income taxes -- -- -- 202 202 Net income 208 250 125 (411) 172 AS OF JUNE 30, 2001: Segment assets 1,818 4,503 8,898 2,348 17,567 Goodwill 1,873 -- 717 -- 2,590 FOR THE YEAR ENDED DECEMBER 31, 2001: Revenue from external customers $ 3,841 $ 1,519 $ 3,402 $ -- $ 8,762 Inter- segment revenue 2,691 -- -- -- 2,691 Gross profit 1,231 1,076 1,513 -- 3,820 Depreciation and amortization 104 252 423 124 903 Interest expense 4 395 489 36 924 Equity in earnings of joint venture -- 224 -- -- 224 Other income 19 130 3 45 197 Income taxes -- -- -- 314 314 Net income 180 549 307 (654) 382

AS OF DECEMBER 31, 2001:					
Segment assets	3,073	6,109	9,181	447	18,810
Goodwill	1,873	--	717	--	2,590
FOR THE YEAR ENDED DECEMBER 31, 2000:					
Revenue from external customers	$ 2,576	$ 1,076	$ --	--	$ 3,652
Inter-segment revenue	2,119	--	--	--	2,119
Gross profit	1,291	826	--	--	2,117
Depreciation and amortization	91	163	--	102	356
Interest expense	7	194	--	6	207
Equity earnings of joint venture	--	18	--	--	18
Other income	13	33	--	(16)	30
Income taxes	--	--	--	147	147
Discontinued operations	--	--	--	692	692
Net income	306	335	--	268	909
AS OF DECEMBER 31, 2000:					
Segment assets	3,409	4,236	--	364	8,009
Goodwill	1,974	--	--	--	1,974

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ASSETS ACQUIRED BY
GREAT LAKES COMPRESSION, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Great Lakes Compression, Inc.

We have audited the accompanying statement of revenue and direct expenses of assets acquired by Great Lakes Compression, Inc. for the year ended December 31, 2000. This statement of revenue and direct expenses is the responsibility of the Company's management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenue and direct expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission as described in Note 1 and is not intended to be a complete presentation of the revenues and expenses related to the net assets acquired.

In our opinion, the statement of revenue and direct expenses presents fairly, in all material respects, the revenues and direct expenses for the year ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

HEIN + ASSOCIATES LLP

Dallas, Texas
July 31, 2001

ASSETS ACQUIRED BY
GREAT LAKES COMPRESSION, INC.

STATEMENTS OF REVENUE AND DIRECT EXPENSES

	FOR THE THREE MONTHS ENDED MARCH 31, 2001	FOR THE YEAR ENDED DECEMBER 31, 2000
	(Unaudited)	
REVENUE:		
Compressor fabrication and sales	$ 298,831	$ 102,731
Compressor leasing and service	502,208	3,551,681
Total revenue	801,039	3,654,412
COSTS AND EXPENSES:		
Costs of compressor sales	96,296	118,885
Costs of compressor leasing and service	251,104	2,013,920
Total costs and expenses	347,400	2,132,805
EXCESS OF REVENUE OVER DIRECT EXPENSES	$ 453,639	$ 1,521,607

ASSETS ACQUIRED BY
GREAT LAKES COMPRESSION, INC.

1. BASIS OF PRESENTATION

The accompanying financial statements present the historical revenue and direct expenses of certain compressors, facilities and related equipment (the "Assets") which were owned by Dominion Michigan Production Services, Inc. ("Dominion") and sold to Great Lakes Compression, Inc. (the "Company" or "GLC") on March 29, 2001 (Note 5). The assets are primarily located in Michigan. GLC is a wholly-owned subsidiary of Natural Gas Services Group, Inc.

These financial statements present the revenue and direct expenses of these acquired assets on the accrual basis. These financial statements do not include general and administrative, depreciation or interest expense, because the Company only acquired certain assets of a cost center maintained by Dominion, not an entire business, and, therefore, these items are not expected to be comparable with those that would result from future operations of the assets. The financial statements were prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and are not intended to be a complete presentation of the results of operations of Dominion or GLC.

The activity from March 29, 2001, through March 31, 2001, is insignificant to the financial statements as a whole. Therefore, these financial statements are presented as if the acquisition closed on March 31, 2001.

Unaudited Information

The accompanying revenue and direct expenses for the three-month period ended March 31, 2001 are included herein without audit. In the opinion of management, these financial statements contain all adjustments (consisting only of normal recurring items) necessary to make the financial position and the results of operations for the periods presented not misleading. The results of operations as of and for the three months ended March 31, 2001 are not necessarily indicative of the results to be expected for the full year.

2. NATURE OF OPERATIONS

GLC fabricates, leases and services natural gas compressors to producers of oil and natural gas, primarily in Michigan.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Revenue from the sale of fabricated equipment and services is recognized upon shipping of equipment and providing services to the customer. Rental and lease revenue is recognized over the terms of the respective lease agreements based upon the classification of the lease.

Depreciation

Depreciation of property, plant and equipment are computed using the straight-line method of accounting with estimated economic lives ranging from 3 to 30 years. Maintenance, repairs, and minor replacements are charged to expense as incurred.

Depreciation expense was approximately $66,456 (unaudited) for the three months ended March 31, 2001, and $178,392 (unaudited) for the year ended December 31, 2000.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

4. COMMITMENTS AND CONTINGENCIES

Lease Commitments

The Company's leasing arrangements consist primarily of compressor leases that are classified as operating leases requiring monthly payments of $10,800. The minimum required rental period has expired and all leases are now on a month-to-month basis.

Service Agreements

The Company has compressor service agreements covering approximately seventy compressors that are owned by Dominion Exploration & Production, Inc. Under these agreements, GLC is to provide certain daily maintenance and routine service to these units for an agreed-upon monthly fee through December 31, 2005. For these services, GLC receives total monthly fees from Dominion Exploration & Production, Inc. of $77,620.

Environmental

The Company is subject to environmental issues which are not considered routine for its business activities. In the opinion of management, the ultimate liability to the Company of such issues will not have a material adverse impact on its financial position.

5. SUBSEQUENT EVENT

On March 29, 2001 GLC completed the purchase of all operating compression related assets from Dominion for cash consideration of $1,000,000 and a note payable to the seller of $7,000,000 subject to final purchase price adjustments. This acquisition included all tangible compression assets of the seller including compression fleet assets, related real estate, all compressor leases and service contracts as well as intangible compression assets owned by the seller including the corporate name of Great Lakes Compression, Inc. The acquisition was effective for accounting purposes March 31, 2001 and will be accounted for as a purchase.

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UNTIL __________, 2002, ALL DEALERS THAT EFFECT TRANSACTIONS IN THESE SECURITIES, WHETHER OR NOT PARTICIPATING IN THIS OFFERING, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE DEALERS' OBLIGATION TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

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NATURAL GAS SERVICES GROUP, INC.

1,650,000 SHARES OF
COMMON STOCK
AND
1,650,000 WARRANTS TO
PURCHASE 1,650,000 SHARES
OF COMMON STOCK

PROSPECTUS

NEIDIGER, TUCKER, BRUNER, INC.

__________, 2002

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 24. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 7-109-102 of the Colorado Business Corporation Act permits a Colorado corporation to indemnify any director against liability if such person acted in good faith and, in the case of conduct in an official capacity with the corporation, that the director's conduct was in the corporation's best interests and, in all other cases, that the director's conduct was at least not opposed to the best interests of the corporation or, with regard to criminal proceedings, the director had no reasonable cause to believe the director's conduct was unlawful.

Section 7-109-103 of the Colorado Business Corporation Act provides that, unless limited by its articles of incorporation, a Colorado corporation shall indemnify a person who was wholly successful, on the merits or otherwise, in the defense of any proceeding to which the person was a party because the person is or was a director, against reasonable expenses incurred by him or her in connection with the proceeding.

Section 3 of Article IX of our articles of incorporation, filed as Exhibit 3.1 hereto, provides that we shall indemnify, to the maximum extent permitted by law in effect from time to time, any person who is or was a director, officer, agent, fiduciary or employee of ours against any claim, liability or expense arising against or incurred by such person made party to a proceeding because such person is or was a director, officer, agent, fiduciary or employee of ours or because such person is or was serving another entity as a director, officer, partner, trustee, employee, fiduciary or agent at our request. We further have the authority to the maximum extent permitted by law to purchase and maintain insurance providing such indemnification.

Article VI of our bylaws, filed as Exhibit 3.4 hereto, provides for the indemnification of certain persons.

Section 8(b) of the form of underwriting agreement filed as Exhibit 1.1 hereto provides that the underwriter agrees to indemnify and hold harmless us, each of our directors, each of our officers who has signed the registration statement, each other person, if any, who controls us within the meaning of Section 15 of the Securities Act of 1933 or Section 20(a) of the Securities Exchange Act of 1934 with respect to statements or omissions, if any, made in any preliminary prospectus, the registration statement or the prospectus, or any amendment or supplement thereto, or in any application, in reliance upon and in conformity with written information furnished to us with respect to the underwriters, by or on behalf of the underwriters expressly for inclusion in any such document. Section 8(c) provides for contribution in circumstances where the indemnity provisions are unavailable.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable.

ITEM 25. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

Expenses payable by us in connection with the issuance and distribution of the securities being registered hereby are as follows:

SEC Registration Fee	$ 2,556
NASD Filing Fee	3,275
American Stock Exchange Listing Fee	55,000*
Accounting Fees and Expenses	65,000*
Legal Fees and Expenses	120,000*
Representative's Non-Accountable Expense Allowance	198,000
Printing, Freight and Engraving	70,000*
Transfer Agent Fee	1,250*
Miscellaneous	4,919*
Total	$ 520,000

*Estimated.

ITEM 26. RECENT SALES OF UNREGISTERED SECURITIES.

Beginning in March 1999, we issued 1,000,000 shares of our common stock to 25 investors. The shares were issued in transactions not involving a public offering and were issued in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933. The persons to whom the shares were issued had access to full information concerning us and represented that they acquired the shares for their own account and not for the purpose of distribution. The certificates for the shares contain a restrictive legend advising that the shares may not be offered for sale, sold or otherwise transferred without having first been registered under the 1933 Act or pursuant to an exemption from registration under the 1933 Act. The underwriter of this offering was Berry-Shino Securities, Inc. which received a commission of $126,000 and a nonaccountable expense allowance of $15,000.

Beginning in October 2000, we issued 62 units comprised of Series A 10% Subordinated Notes and Five Year Warrants to Purchase Common Stock to 34 investors. The units were issued in transactions not involving a public offering and were issued in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933. A Form D relating to the offering was filed with the Securities and Exchange Commission. The persons to whom the units were issued had access to full information concerning us and represented that they acquire the shares for their own account and not for the purpose of distribution. The certificates for the securities contain a restrictive legend advising that the shares may not be offered for sale, sold or otherwise transferred without having first been registered under the 1933 Act or pursuant to an exemption from registration under the 1933 Act. The underwriter of this offering was Berry-Shino Securities, Inc. which received a commission of $153,926, a nonaccountable expense allowance of $46,178 and warrants to purchase 61,570 shares of our common stock at $3.25 per share.

In March 2001, we issued five year warrants to purchase 68,524 shares of our common stock at $2.50 per share in exchange for persons guaranteeing approximately $1,749,000 of our debt. The warrants were issued in a transaction not involving a public offering and were issued in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933. The persons to whom the warrants were issued had access to full information concerning us. The certificates for the warrants contain a restrictive legend advising that the warrants and underlying shares may not be offered for sale, sold or otherwise transferred without having first been registered under the 1933 Act or pursuant to an

exemption from registration under the 1933 Act. There was no underwriter involved in the exchange of the warrants for the guaranteeing of the debt.

Beginning in July 2001, we issued 381,654 shares of our 10% Convertible Series A Preferred Stock to 35 investors. The shares were issued in transactions not involving a public offering and were issued in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933. A Form D relating to the offering was filed with the Securities and Exchange Commission. The persons to whom the shares were issued had access to full information concerning us and represented that they acquired the shares for their own account and not for the purpose of distribution. The certificates for the shares contain a restrictive legend advising that the shares may not be offered for sale, sold or otherwise transferred without having first been registered under the 1933 Act or pursuant to an exemption from registration under the 1933 Act. The underwriter of this offering was Neidiger, Tucker, Bruner, Inc. which received a commission of $124,037 a nonaccountable expense allowance of $37,211 and warrants to purchase 38,165 shares of our 10% Convertible Series A Preferred Stock.

In April 2002, we issued five year warrants to purchase 16,472 shares of our common stock at $3.25 per share in exchange for three persons guaranteeing approximately $824,000 of our debt. The warrants were issued in a transaction not involving a public offering and were issued in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933. The persons to whom the warrants were issued had access to full information concerning us. The certificates for the warrants contain a restrictive legend advising that the warrants and underlying shares may not be offered for sale, sold or otherwise transferred without having first been registered under the 1933 Act or pursuant to an exemption from registration under the 1933 Act. There was no underwriter involved in the exchange of the warrants for the guaranteeing of the debt.

ITEM 27. EXHIBITS.

The following is a list of all exhibits filed as part of this Registration Statement:

EXHIBIT NO.	DESCRIPTION AND METHOD OF FILING
1.1	Underwriting agreement.
1.2	Form of selected dealers agreement.*
3.1	Articles of incorporation.*
3.2	Amendment to articles of incorporation dated March 31, 1999, and filed on May 25, 1999.*
3.3	Amendment to articles of incorporation dated July 25, 2001, and filed on July 30, 2001.*
3.4	Bylaws.*
4.1	Form of warrant certificate.*
4.2	Form of warrant agent agreement.*
4.3	Form of lock-up agreement.*
4.4	Form of representative's option for the purchase of common stock.*
4.5	Form of representative's option for the purchase of warrants.*

EXHIBIT NO. DESCRIPTION AND METHOD OF FILING - ----------- ------------------------------- 4.6 Form of consulting agreement between Natural Gas Services Group, Inc. and the representative.* 5.1 Opinion of Dorsey & Whitney LLP on legality.* 10.1 1998 Stock Option Plan.* 10.2 Asset Purchase Agreement between Natural Gas Acquisition Corporation and Great Lakes Compression, Inc. dated January 1, 2001.* 10.3 Amendment to Guaranty Agreement between Natural Gas Services Group, Inc. and Dominion Michigan Production Services, Inc.* 10.4 Loan Agreement between Natural Gas Services Group, Inc., Wallace Sparkman, Wallace O. Sellers, CAV-RDV, Ltd., Diamente Investments, L.P., Rotary Gas Systems, Inc., NGE Leasing, Inc. and Western National Bank dated September 15, 1999, and First Amendment dated March 9, 2001, Second Amendment dated March 20, 2001 and Third Amendment dated July 25, 2001.* 10.5 Employment Agreement between Natural Gas Services Group, Inc. and Alan Kurus dated August 31, 2000.* 10.6 Employment Agreement between Natural Gas Services Group, Inc. and Wayne Vinson dated January 1, 1999.* 10.7 Employment Agreement between Natural Gas Services Group, Inc. and

Earl R. Wait dated January 1, 1999.* 10.8 Form of Series A 10% Subordinated Notes due December 31, 2006.* 10.9 Form of Five-Year Warrants to Purchase Common Stock.* 10.10 Warrants issued to Berry-Shino Securities, Inc.* 10.11 Warrants issued to Neidiger, Tucker, Bruner, Inc.* 10.12 Form of warrant issued in March 2001 for guaranteeing debt.* 10.13 Form of warrant issued in April 2002 for guaranteeing debt.* 10.14 Exhibits 3(c)(1), 3(c)(2), 3(c)(3), 3(1)(4), 13(d)(1), 13(d)(2) and 13(d)(3) to Asset Purchase Agreement between Natural Gas Acquisition Corporation and Great Lakes Compression, Inc. dated January 1, 2001.* 10.15 Sixth Amendment dated May 6, 2002 to Loan Agreement between Natural Gas Services Group, Inc., Wallace Sparkman, Wallace O. Sellers, CAV-RDV, Ltd., Diamente Investments, L.P., Rotary Gas Systems, Inc., NGE Leasing, Inc. and Western National Bank.* 10.16 Certain exhibits to Loan Agreement between Natural Gas Services Group, Inc., Wallace Sparkman, Wallace O. Sellers, CAV-RDV, Ltd., Diamente Investments, L.P., Rotary Gas Systems, Inc., NGE Leasing, Inc. and Western National Bank dated September 15, 1999.*

EXHIBIT NO. DESCRIPTION AND METHOD OF FILING - --

10.17 Commitment Letter dated June 24, 2002, from Western National Bank to Natural Gas Services Group, Inc.* 10.18 Articles of Organization of Hy-Bon Rotary Compression, L.L.C. dated April 17, 2000 and filed on April 20, 2001.* 10.19 Regulations of Hy-Bon Rotary Compression, L.L.C.* 10.20 Fourth Amendment dated December 12, 2002 and Fifth Amendment dated April 2, 2002, to Loan Agreement between Natural Gas Services Group, Inc., Wallace Sparkman, Wallace D. Sellers, CAV-RDV, Ltd., Diamente Investments, L.P., Rotary Gas Systems, Inc., NGE Leasing, Inc. and Western National Bank. 10.21 Multiple Advance Term Promissory Note dated April 3, 2002, in the amount of $1,853,340 from Natural gas Securities Group, Inc. to Western National Bank. 10.22 Consolidated Term Promissory Note dated April 3, 2002, in the amount of $2,146,660.93 from Natural Gas Service

Group, Inc. to Western National Bank. 10.23 Revolving Line of Credit Promissory Note dated April 3, 2002, in the amount of $750,000 from Natural Gas Services Group, Inc. to Western National Bank. 10.24 Seventh Amendment dated September 30, 2002 to Loan Agreement between Natural Gas Services Group, Inc., Wallace Sparkman, Wallace D. Sellers, CAV-RDV, Ltd., Diamente Investments, L.P., Rotary Gas Systems, Inc., NGE Leasing, Inc. and Western National Bank. 21 Subsidiaries of the registrant.* 23.1 Consent of HEIN + ASSOCIATES LLP. 23.4 Consent of Dorsey & Whitney LLP (included in Exhibit 5.1).*

*Previously filed.

ITEM 28. UNDERTAKINGS.

The undersigned will:

(1) File, during any period in which it offers or sells securities, a post-effective amendment to this registration statement to:

(i) include any prospectus required by section 10(a)(3) of the Securities Act;

(ii) reflect in the prospectus any facts or events which, individually or together, represent a fundamental change in the information in the registration statement; and

(iii) include any additional or changed material information on the plan of distribution.

(2) For determining liability under the Securities Act, treat each post-effective amendment as a new registration statement of the securities offered, and the offering of the securities at that time to be the initial bona fide offering.

(3) File a post-effective amendment to remove from registration any of the securities that remain unsold at the end of the offering.

The undersigned will provide to the underwriter at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may

be permitted to directors, officers and controlling persons of the undersigned pursuant to the foregoing provisions, or otherwise, the undersigned has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the undersigned of expenses incurred or paid by a director, officer or controlling person of the undersigned in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the undersigned will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned will:

(1) For determining any liability under the Securities Act, treat the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the undersigned under Rule 424(b)(1), or (4) or 497(h) under the Securities Act as part of this registration statement as of the time the Securities and Exchange Commission declared it effective.

(2) For determining any liability under the Securities Act, treat each post-effective amendment that contains a form of prospectus as a new registration statement for the securities offered in the registration statement, and that offering of the securities at that time as the initial bona fide offering of those securities.

SIGNATURES

In accordance with the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements of filing on Form SB-2 and authorized this registration statement to be signed on its behalf by the undersigned, in the City of Midland, State of Texas on October 15, 2002.

NATURAL GAS SERVICES GROUP, INC.

/s/ Wayne L. Vinson

Wayne L. Vinson, President and Principal Executive Officer

/s/ Earl R. Wait

Earl R. Wait, Principal Financial and Accounting Officer

In accordance with the requirements of the Securities Act of 1933, this registration statement was signed by the following persons in the capacities and on the dates stated:

SIGNATURE
TITLE
DATE - -

----- --
-- /s/
Wallace
O.
Sellers
Director
October
15, 2002
- ------

Wallace
O.
Sellers
/s/
Wayne L.
Vinson
Director
October
15, 2002
- ------

Wayne L.
Vinson
/s/
Scott W.
Sparkman
Director
October
15, 2002
- ------

Scott W.
Sparkman
/s/
Charles
G.
Curtis
Director
October
15, 2002
- ------

Charles
G.
Curtis
/s/
James T.

Grigsby
Director
October
15, 2002
- ------

James T.
Grigsby

EXHIBIT INDEX

EXHIBIT NUMBER DESCRIPTION - - ------ -------- --- 1.1 Underwriting agreement. 1.2 Form of selected dealers agreement.* 3.1 Articles of incorporation.* 3.2 Amendment to articles of incorporation dated March 31, 1999, and filed on May 25, 1999.* 3.3 Amendment to articles of incorporation dated July 25, 2001, and filed on July 30, 2001.* 3.4 Bylaws.* 4.1 Form of warrant certificate.* 4.2 Form of warrant agent agreement.* 4.3 Form of lock-up agreement.* 4.4 Form of representative's option for the purchase of common stock.* 4.5 Form of representative's option for the purchase of warrants.* 4.6 Form of consulting agreement between Natural Gas Services Group, Inc. and the representative.* 5.1 Opinion of Dorsey & Whitney LLP on legality.* 10.1 1998 Stock Option Plan.* 10.2 Asset Purchase Agreement between Natural Gas Acquisition Corporation and Great Lakes Compression, Inc. dated January 1, 2001.* 10.3 Amendment to Guaranty Agreement between Natural Gas Services Group, Inc. and Dominion Michigan Production Services, Inc.* 10.4 Loan Agreement between Natural Gas Services Group, Inc., Wallace Sparkman,

Wallace O. Sellers, CAV-RDV, Ltd., Diamente Investments, L.P., Rotary Gas Systems, Inc., NGE Leasing, Inc. and Western National Bank dated September 15, 1999, and First Amendment dated March 9, 2001, Second Amendment dated March 20, 2001 and Third Amendment dated July 25, 2001.*

10.5 Employment Agreement between Natural Gas Services Group, Inc. and Alan Kurus dated August 31, 2000.*

EXHIBIT NUMBER DESCRIPTION
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10.6 Employment Agreement between Natural Gas Services Group, Inc. and Wayne Vinson dated January 1, 1999.*

10.7 Employment Agreement between Natural Gas Services Group, Inc. and Earl R. Wait dated January 1, 1999.*

10.8 Form of Series A 10% Subordinated Notes due December 31, 2006.*

10.9 Form of Five-Year Warrants to Purchase Common Stock.*

10.10 Warrants issued to Berry-Shino Securities, Inc.*

10.11 Warrants issued to Neidiger, Tucker, Bruner, Inc.*

10.12 Form of warrant issued in March 2001 for guaranteeing debt.*

10.13 Form of warrant issued in April 2002 for guaranteeing debt.*

10.14 Exhibits 3(c)(1), 3(c)(2), 3(c)(3), 3(1)(4), 13(d)(1), 13(d)(2) and 13(d)(3) to Asset Purchase Agreement between Natural Gas Acquisition Corporation and Great Lakes Compression, Inc. dated January 1, 2001.*

10.15 Sixth Amendment dated May 6, 2002 to Loan Agreement between

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*Previously filed.

EXHIBIT 1.1

1,650,000 SHARES OF COMMON STOCK

1,650,000 WARRANTS TO PURCHASE COMMON STOCK

NATURAL GAS SERVICES GROUP, INC.

UNDERWRITING AGREEMENT

October ___, 2002

Neidiger, Tucker, Bruner, Inc.
1675 Larimer Street, Suite 300
Denver, Colorado 80202

Dear Sirs:

Natural Gas Services Group, Inc., a Colorado corporation (the "Company"), hereby confirms its agreement with you (sometimes hereinafter referred to as the "Representative") and with the other members of the underwriting group (together with the Representative, the "Underwriters") named on Schedule 1 hereto as follows:

1. Introductory. Subject to the terms and conditions contained herein, the Company proposes to issue and sell to the Underwriters 1,650,000 shares of common stock and 1,650,000 redeemable warrants to purchase common stock. In addition, solely for the purpose of covering over-allotments, the Company grants to the Representative two options to purchase up to an additional 247,500 shares of common stock and/or 247,500 warrants, respectively (hereinafter collectively referred to as the "Representative's Options," as more fully described in Section 3, with the additional shares of common stock and additional warrants being collectively referred to as the "Additional Securities"), which options to purchase shall be exercisable, in whole or in part, from time to time during the sixty (60) day period commencing on the date on which the Registration Statement (as hereinafter defined) is initially declared effective (the "Effective Date") by the Securities and Exchange Commission (the "Commission"). The 1,650,000 shares of common stock, together with the additional 247,500 shares of common stock issuable on exercise of the over-allotment option, is referred to hereinafter as the "Common Stock," and the 1,650,000 warrants and the 247,500 warrants issuable on exercise of the over-allotment option

are referred to hereinafter as the "Warrants." The Common Stock and Warrants shall be offered and sold separately and traded separately on the American Stock Exchange.

Each Warrant will entitle the holder to purchase one share of common stock (a "Warrant Share") at a price equal to 125% of the offering price of the Common Stock during the four year exercise period of the Warrants, subject to the Company's right of redemption. The Warrants may be redeemed by the Company commencing one year from the Effective Date of the Registration Statement upon at least 30 days prior written notice, in whole but not in part, at a price of $.25 per Warrant provided the closing price for the Company's common stock is at least 175% of the exercise price of the Warrant during each day of the twenty (20) trading days immediately preceding the date of the Company's written notice of redemption; provided, that notice of any such redemption must be given not more than five days after such 20 day trading period. The terms and provisions of the Warrants shall be governed by a warrant agreement between the Company and its transfer agent (the "Warrant Agreement"), which Warrant Agreement will contain, among other provisions, anti-dilution protection for warrantholders on terms acceptable to the Representative. The Common Stock and Warrants are more fully described in the Prospectus referred to below. All references to the Company below shall be deemed to include, where appropriate, the Company's subsidiaries, if any.

2. Representations and Warranties of the Company. The Company represents and warrants to, and agrees with, each of the Underwriters that:

a. The Company has filed with the Commission a registration statement, and may have filed one or more amendments thereto, on Form SB-2 (Registration No. 333-88314), including in such registration statement and each such amendment a facing sheet, the information called for by Part I, audited consolidated financial statements for the past three fiscal years or such other period as may be appropriate, the information called for by Part II, the undertakings to deliver certificates, file reports and file post-effective amendments, the required signatures, consents of experts, exhibits, a related preliminary prospectus (a "Preliminary Prospectus") and any other information or documents which are required for the registration of the Common Stock and Warrants, the Warrant Shares, the Representative's Options and the underlying warrants and common stock, under the Securities Act of 1933, as amended (the "Act"). As used in this Agreement, the term

"Registration Statement" means such registration statement, including incorporated documents, all exhibits and consolidated financial statements and schedules thereto, as amended, when it becomes effective, and shall include information with respect to the Common Stock, the Warrants, the Warrant Shares and the Representative's Options, and the offering thereof permitted to be omitted from the Registration Statement when it becomes effective pursuant to Rule 430A of the General Rules and Regulations promulgated under the Act (the "Regulations"), which information is deemed to be included therein when it becomes effective as provided by Rule 430A; the term "Preliminary Prospectus" means each prospectus included in the Registration Statement or any amendments thereto, before it becomes effective under the Act and any prospectus filed by the Company with the consent of the Representative pursuant to Rule 424(a) of the Regulations; and the term "Prospectus" means the final prospectus included as part of the Registration Statement, except that if the prospectus relating to the securities covered by the Registration Statement in the form first filed on behalf of the Company with the Commission pursuant to Rule 424(b) of the Regulations shall differ from such final prospectus, the term "Prospectus" shall mean the prospectus as filed pursuant to Rule 424(b) from and after the date on which it shall have first been used.

b. When the Registration Statement becomes effective, and at all times subsequent thereto, to and including the Closing Date (as defined in Section 3) and each Additional Closing Date (as defined in Section 3), and during such longer period as the Prospectus may be required to be delivered in connection with sales by the Underwriters or any dealers, and during such longer period until any post-effective amendment thereto shall become effective, the Registration Statement (and any post-effective amendment thereto) and the Prospectus (as amended or as supplemented if the Company shall have filed with the Commission any amendment or supplement to the Registration Statement or the Prospectus) will contain all statements which are required to be stated therein in accordance with the Act and the Regulations, will comply with the Act and the Regulations, and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and no event will have occurred which should have been set forth in an

amendment or supplement to the Registration Statement or the Prospectus which has not then been set forth in such an amendment or supplement; and no Preliminary Prospectus, as of the date filed with the Commission, included any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein not misleading; except that no representation or warranty is made in this Section 2(b) with respect to statements or omissions made in reliance upon and in conformity with written information furnished to the Company as stated in Section 8(b) with respect to the Underwriters by or on behalf of the Underwriters expressly for inclusion in any Preliminary Prospectus, the Registration Statement, or the Prospectus, or any amendment or supplement thereto.

c. Neither the Commission nor the "blue sky" or securities authority of any jurisdiction has issued an order (a "Stop Order") suspending the effectiveness of the Registration Statement, preventing or suspending the use of any Preliminary Prospectus, the Prospectus, the Registration Statement, or any amendment or supplement thereto, refusing to permit the effectiveness of the Registration Statement, or suspending the registration or qualification of the Common Stock, the Warrants, the Warrant Shares, or the Representative's Options, nor has any of such authorities instituted or threatened to institute any proceedings with respect to a Stop Order.

d. Any contract, agreement, instrument, lease, or license required to be described in the Registration Statement or the Prospectus has been properly described therein. Any contract, agreement, instrument, lease, or license required to be filed as an exhibit to the Registration Statement has been filed with the Commission as an exhibit to or has been incorporated as an exhibit by reference into the Registration Statement.

e. The Company is a corporation duly organized, validly existing, and in good standing under the laws of the State of Colorado, with full power and authority, and all necessary consents, authorizations, approvals, orders, licenses, certificates, and permits of and from, and declarations and filings with, all federal, state, local, and other governmental authorities and all courts and other tribunals, to own, lease, license, and use its properties and assets and to carry on the business in the manner described in the Prospectus. The Company is duly qualified to do business and is in good standing in

every jurisdiction in which its ownership, leasing, licensing, or use of property and assets or the conduct of its business makes such qualifications necessary. The Company has no subsidiaries except as disclosed in the Prospectus.

f. The authorized capital stock of the Company consists of 30,000,000 shares of common stock, of which 3,357,632 shares of common stock are issued and outstanding, 1,336,089 shares of common stock are reserved for issuance upon the exercise or conversion of currently outstanding options and warrants and 10% Convertible Series A Preferred Stock ("Convertible Preferred Stock"), 96,000 shares of common stock are reserved for issuance upon the exercise of the remaining options authorized under the Company's option plan; and 5,000,000 shares of preferred stock, of which 381,654 shares of Convertible Preferred Stock are issued and outstanding. Each outstanding share of common stock and Convertible Preferred Stock is validly authorized, validly issued, fully paid, and nonassessable, without any personal liability attaching to the ownership thereof, and has not been issued and is not owned or held in violation of any preemptive rights of stockholders. There is no commitment, plan, or arrangement to issue, and no outstanding option, warrant, or other right calling for the issuance of, any share of capital stock of the Company or any security or other instrument which by its terms is convertible into, exercisable for, or exchangeable for capital stock of the Company, except as set forth above, and as may be properly described in the Prospectus. On the Closing Date, the Company plans to purchase the Representative's warrants to purchase 38,165 shares of the Company's Convertible Preferred Stock for a total of $_______.

g. The consolidated financial statements of the Company included in the Registration Statement and the Prospectus fairly present with respect to the Company the consolidated financial position, the results of operations, and the other information purported to be shown therein at the respective dates and for the respective periods to which they apply. Such consolidated financial statements have been prepared in accordance with generally accepted accounting principles, except to the extent that certain footnote disclosures regarding any stub period may have been omitted in accordance with the applicable rules of the Commission under the Securities Exchange Act of 1934, as

amended (the "Exchange Act"), consistently applied throughout the periods involved, are correct and complete, and are in accordance with the books and records of the Company. The accountants whose report on the audited consolidated financial statements is filed with the Commission as a part of the Registration Statement are, and during the periods covered by their report(s) included in the Registration Statement and the Prospectus were, independent certified public accountants with respect to the Company within the meaning of the Act and the Regulations. No other financial statements are required by Form SB-2 or otherwise to be included in the Registration Statement or the Prospectus. There has at no time been a material adverse change in the consolidated financial condition, results of operations, business, properties, assets, liabilities, or future prospects of the Company from the latest information set forth in the Registration Statement or the Prospectus, except as may be properly described in the Prospectus.

h.There is no litigation, arbitration, claim, governmental or other proceeding (formal or informal), or investigation pending, or, to the knowledge of the Company, threatened, or in prospect with respect to the Company or any of its operations, businesses, properties, or assets, except as may be properly described in the Prospectus or such as individually or in the aggregate do not now have and will not in the future have a material adverse effect upon the operations, business, properties, or assets of the Company. The Company is not in violation of, or in default with respect to, any law, rule, regulation, order, judgment, or decree except as may be properly described in the Prospectus or such as in the aggregate do not now have and will not in the future have a material adverse effect upon the operations, business, properties, or assets of the Company; nor is the Company required to take any action in order to avoid any such violation or default.

i.The Company has good and marketable title in fee simple absolute to all real properties and good title to all other properties and assets which the Prospectus indicates are are owned by it, free and clear of all liens, security interests, pledges, charges, encumbrances, and mortgages except as may be properly described in the Prospectus or such as in the aggregate do not now have and will not in the future have a material adverse effect upon the operations, business, properties, or assets of the Company. No

real property owned, leased, licensed, or used by the Company lies in an area which is, or to the knowledge of the Company will be, subject to zoning, use, or building code restrictions which would prohibit, and no state of facts relating to the actions or inaction of another person or entity or his or its ownership, leasing, licensing, or use of any real or personal property exists or will exist which would prevent, the continued effective ownership, leasing, licensing, or use of such real property in the business of the Company as presently conducted or as the Prospectus indicates it contemplates conducting, except as may be properly described in the Prospectus or such as in the aggregate do not now have and will not in the future have a material adverse effect upon the operations, business, properties, or assets of the Company.

j. Neither the Company nor any other party is now or is expected by the Company to be in violation or breach of, or in default with respect to complying with, any material provision of any contract, agreement, instrument, lease, license, arrangement, or understanding which is material to the Company, and each such contract, agreement, instrument, lease, license, arrangement, and understanding is in full force and is the legal, valid, and binding obligation of the parties thereto and is enforceable as to them in accordance with its terms. The Company enjoys peaceful and undisturbed possession under all leases and licenses under which it is operating. The Company is not a party to or bound by any contract, agreement, instrument, lease, license, arrangement, or understanding, or subject to any charter or other restriction, which has had or may in the future have a material adverse effect on the financial condition, results of operations, business, properties, assets, liabilities, or future prospects of the Company. The Company is not in violation or breach of, or in default with respect to, any term of its Articles of Incorporation (or other charter document) or bylaws.

k. All patents, patent applications, trademarks, trademark applications, trade names, service marks, copyrights, franchises, technology, know-how and other intangible properties and assets (all of the foregoing being herein called "Intangibles") that the Company owns or has pending, or under which it is licensed, are in good standing and uncontested. Except as otherwise disclosed in the Prospectus, the Intangibles are owned by the Company, free and clear of all liens, security interests, pledges, and encumbrances.

All registered trademarks used by the Company to identify its services are protected by registration in the name of the Company on the principal register of the United States Patent Office. There is no right under any Intangible necessary to the business of the Company as presently conducted or as the Prospectus indicates it contemplates conducting (except as may be so designated in the Prospectus). The Company has not infringed, is not infringing, and has not received notice of infringement with respect to asserted Intangibles of others. To the knowledge of the Company, there is no infringement by others of Intangibles of the Company. To the knowledge of the Company, there is no Intangible of others which has had or may in the future have a materially adverse effect on the financial condition, results of operations, business, properties, assets, liabilities, or future prospects of the Company.

l. Neither the Company nor any director, officer, agent, employee, or other person associated with or acting on behalf of the Company has, directly or indirectly: used any corporate funds for unlawful contributions, gifts, entertainment, or other unlawful expenses relating to political activity; made any unlawful payment to foreign or domestic government officials or employees or to foreign or domestic political parties or campaigns from corporate funds; violated any provision of the Foreign Corrupt Practices Act of 1977, as amended; or made any bribe, rebate, payoff, influence payment, kickback, or other unlawful payment. The Company has not accepted any material advertising allowances or marketing allowances from suppliers to the Company and, to the extent any advertising allowance has been accepted, the Company has provided proper documentation to the supplier with respect to advertising as to which the advertising allowance has been granted.

m. The Company has all requisite power and authority to execute and deliver, and to perform thereunder each of this Agreement, the Warrants, the Representative's Options and the Consulting Agreement described in Section 5(dd). All necessary corporate proceedings of the Company have been duly taken to authorize the execution and delivery, and performance thereunder by the Company of this Agreement, the Warrants, the Representative's Options and the Consulting Agreement. This Agreement has been duly authorized, executed, and delivered by the Company, is a legal, valid, and

binding obligation of the Company, and is enforceable as to the Company in accordance with its terms. Each of the Warrants and the Consulting Agreement has been duly authorized by the Company and, when executed and delivered by the Company, will each be a legal, valid, and binding obligation of the Company, and will be enforceable against the Company in accordance with its respective terms. No consent, authorization, approval, order, license, certificate, or permit of or from, or declaration or filing with, any federal, state, local, or other governmental authority or any court or other tribunal is required by the Company for the execution and delivery, or performance thereunder by the Company of this Agreement, the Warrants, the Representative's Options or the Consulting Agreement except filings under the Act which have been or will be made before the Closing Date and such consents consisting only of consents under "blue sky" or securities laws which are required in connection with the transactions contemplated by this Agreement and which have been obtained at or prior to the date of this Agreement. No consent of any party to any contract, agreement, instrument, lease, license, arrangement, or understanding to which the Company is a party, or to which any of its properties or assets are subject, is required for the execution or delivery, or performance thereunder of this Agreement, the Warrants, the Representative's Options or the Consulting Agreement; and the execution and delivery, and performance thereunder of this Agreement, the Warrants, the Representative's Options and the Consulting Agreement will not violate, result in a breach of, conflict with, or (with or without the giving of notice or the passage of time or both) entitle any party to terminate or call a default under any such contract, agreement, instrument, lease, license, arrangement, or understanding, or violate or result in a breach of any term of the Articles of Incorporation or by-laws of the Company, or violate, result in a breach of, or conflict with any law, rule, regulation, order, judgment, or decree binding on the Company or to which any of its operations, businesses, properties, or assets are subject.

n. The Common Stock, the Warrants, the Warrant Shares, and the common stock and warrants underlying the Representative's Options are validly authorized and reserved for issuance. The Common Stock, when issued and delivered in accordance with this Agreement, the Warrant Shares, when issued and delivered upon exercise of the

Warrants, the common stock underlying the Representative's Options, when issued and delivered upon exercise of the Representative's Options, upon payment of the exercise price therefor, will be validly issued, fully paid, and nonassessable, without any personal liability attaching to the ownership thereof, and will not be issued in violation of any preemptive rights of stockholders, and purchasers of any of the foregoing will receive good title thereto, all such title free and clear of all liens, security interests, pledges, charges, encumbrances, stockholders' agreements, and voting trusts.

o. The Common Stock, the Warrants, the Warrant Shares, and the Representative's Options conform to all statements relating thereto contained in the Registration Statement and the Prospectus.

p. Subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus, and except as may otherwise be properly described in the Prospectus, the Company has not (i) issued any securities or incurred any liability or obligation, primary or contingent, for borrowed money, (ii) entered into any transaction not in the ordinary course of business, or (iii) declared or paid any dividend on its capital stock.

q. Neither the Company nor any of its officers, directors, or affiliates (as defined in the Regulations), has taken or will take, directly or indirectly, prior to the termination of the distribution of securities contemplated by this Agreement, any action designed to stabilize or manipulate the price of any security of the Company, or which has caused or resulted in, or which might in the future reasonably be expected to cause or result in, stabilization or manipulation of the price of any security of the Company, to facilitate the sale or resale of the Common Stock and Warrants.

r. The Company has not incurred any liability for a fee, commission, or other compensation on account of the employment of a broker or finder in connection with the transactions contemplated by this Agreement.

s. The Company has obtained from each officer, director and person who beneficially owns 5% or more of the shares of the Company's common stock or derivative securities convertible into shares of the Company's common stock his or her enforceable written agreement that for a period of 12 months from the Effective Date, he,

she or it will not, without the Representative's prior written consent, offer, sell, contract to sell, pledge, hypothecate, or grant any option to purchase, or otherwise dispose of, directly or indirectly, any shares of common stock or any security or other instrument convertible into or exchangeable for shares of common stock (except that, subject to compliance with applicable securities laws, any such officer, director or stockholder may transfer his, her or its stock in a transaction specified in such agreement, provided that any such transferee shall agree, as a condition to such transfer, to be bound by the restrictions set forth in the agreement).

t. Except as otherwise provided in the Registration Statement, no person or entity has the right to require registration of shares of common stock or other securities of the Company because of the filing or effectiveness of the Registration Statement.

u. The Company is eligible to use Form SB-2 for registration of the Common Stock, the Warrants, the Warrant Shares and the Representative's Options.

v. No unregistered securities of the Company or of a predecessor of the Company have been sold by the Company or a predecessor within three years prior to the date hereof, except as described in the Registration Statement.

w. Except as set forth in the Prospectus, there is and at the Closing Date there will be no action, suit or proceeding before any court, arbitration tribunal or governmental agency, authority or body pending or, to the knowledge of the Company, threatened which might result in judgments against the Company not adequately covered by insurance or which collectively might result in any material adverse change in the condition (financial or otherwise), the business or the prospects of the Company or would materially affect the properties or assets of the Company.

x. The Company has filed all federal and state tax returns which are required to be filed by it and has paid all taxes shown on such returns and all assessments received by it to the extent such taxes have become due. All taxes with respect to which the Company is obligated have been paid or adequate accruals have been set up to cover any such unpaid taxes.

y. Except as set forth in the Prospectus:

i. The Company has obtained all permits, licenses and other authorizations which are required under the Environmental Laws for the ownership, use and operation of each location operated or leased by the Company (the "Property"), all such permits, licenses and authorizations are in effect, no appeal nor any other action is pending to revoke any such permit, license or authorization, and the Company is in full compliance with all terms and conditions of all such permits, licenses and authorizations.

ii. The Company and the Property are in material compliance with all Environmental Laws including, without limitation, all restrictions, conditions, standards, limitations, prohibitions, requirements, obligations, schedules and timetables contained in the Environmental Laws or contained in any regulation, code, plan, order, decree, judgment, injunction, notice or demand letter issued, entered, promulgated or approved thereunder.

iii. The Company has not, and to the best knowledge of the Company's executive officers, no other person has, released, placed, stored, buried or dumped any Hazardous Substances, Oils, Pollutants or Contaminants or any other wastes produced by, or resulting from, any business, commercial, or industrial activities operations, or processes, on, beneath, or adjacent to the Property or any property formerly owned, operated or leased by the Company except for inventories of such substances to be used, and wastes generated therefrom, in the ordinary course of business of the Company (which inventories and wastes, if any, were and are stored or disposed of in accordance with applicable laws and regulations and in a manner such that there has been no material release of any such substances into the environment).

iv. Except for a Phase I Environmental Assessment and Limited Subsurface Investigation Report dated May 21, 2001 and prepared by Gosling Czubak Engineering Sciences, Inc. and a report by Innovative Risk Management dated December 27, 1999, there exists no written or tangible report, synopsis or summary of any asbestos, toxic waste or Hazardous Substances, Oils, Pollutants or Contaminants investigation made with respect to all or any portion of the assets

of the Company (whether or not prepared by experts and whether or not in the possession of the executive officers of the Company).

v. Definitions: As used herein:

(1) Environmental Laws means all federal, state and local laws, regulations, rules and ordinances relating to pollution or protection of the environment, including, without limitation, laws relating to Releases or threatened Releases of Hazardous Substances, Oils, Pollutants or Contaminants into the indoor or outdoor environment (including, without limitation, ambient air, surface water, groundwater, land, surface and subsurface strata) or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, Release, transport or handling of Hazardous Substances, Oils, Pollutants or Contaminants.

(2) Hazardous Substances, Oils, Pollutants or Contaminants means all substances defined as such in the National Oil and Hazardous Substances Pollutant Contingency Plan, 40 C.F.R. Section 300.6, or defined as such under any Environmental Law.

(3) Release means any release, spill, emission, discharge, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration into the indoor or outdoor environmental (including, without limitation, ambient air, surface water, groundwater, and surface or subsurface strata) or into or out of any property, including the movement of Hazardous Substances, Oils, Pollutants or Contaminants through or in the air, soil, surface water, groundwater or any property.

z. Any pro forma financial or other information and related notes included in the Registration Statement, each Preliminary Prospectus and the Prospectus comply in all material respects with the requirements of the Act and the rules and regulations of the Commission thereunder and present fairly the pro forma information shown, as of the dates and for the periods covered by such pro forma information. Such pro forma information, including any related notes and schedules, has been prepared on a basis consistent with the historical financial statements and other historical information, as

applicable, included in the Registration Statement, the Preliminary Prospectus and the Prospectus, except for the pro forma adjustments specified therein, and give effect to assumptions made on a reasonable basis to give effect to historical and, if applicable, proposed transactions described in the Registration Statement, each Preliminary Prospectus and the Prospectus.

All of the above representations and warranties shall survive the performance or termination of this Agreement.

3. Purchase, Sale, and Delivery of the Common Stock and the Warrants. On the basis of the representations, warranties, covenants, and agreements of the Company herein contained, but subject to the terms and conditions herein set forth, the Company agrees to sell to the Underwriters, severally and not jointly, and the Underwriters, severally and not jointly, agree to purchase from the Company the number of shares of the Common Stock and Warrants set forth opposite the Underwriters' names in Schedule 1 hereto.

The purchase price per share of the Common Stock to be paid by the Underwriters shall be $__________ and the purchase price per warrant of the Warrants to be paid by the Underwriters shall be $.2275. The initial public offering price per share of the Common Stock shall be $__________ and the initial public offering price per warrant of the Warrants shall be $.25.

With respect to the initial delivery of the Common Stock and Warrants (not including any of the numbers of shares or warrants comprising any of the Additional Securities), payment therefore by the Underwriters shall be made by certified or official bank check in clearing house funds, payable to the order of the Company at the offices of the Representative (or at such other place in Denver, Colorado as the Representative shall determine and advise the Company by at least two full days' advance written notice) upon delivery of such Common Stock and Warrants to the Representative. Such delivery and payment shall be made at 10:00 a.m., Mountain Time, on the third business day following the time of the initial public offering, as defined in Section 10(a). The time and date of such delivery and payment are herein called the "Closing Date."

The Representative's Options to purchase all or a portion of the Additional Securities, as may be necessary to cover over-allotments, shall be exercisable at the same purchase price per Additional Security as the price per share of the Common Stock or price per warrant of the

Warrants provided above in this Section 3. The Representative may purchase such respective numbers of shares of common stock and/or warrants when exercising such options as the Representative may determine in its sole discretion. These options may be exercised by the Representative on the basis of the representations, warranties, covenants, and agreements of the Company herein contained, but subject to the terms and conditions herein set forth, at any time and from time to time on or before the 60th day following the Effective Date of the Registration Statement, by written notice by the Representative to the Company. Such notice shall set forth the numbers of the respective types (common stock or warrants) of Additional Securities as to which the option is being exercised, and the time and date, as determined by the Representative, when such Additional Securities are to be delivered (each such time and date are herein called an "Additional Closing Date"); provided, however, that no Additional Closing Date shall be earlier than the Closing Date nor earlier than the third business day after the date on which the notice of the exercise of the option shall have been given nor later than the eighth business day after the date on which such notice shall have been given; and further provided, that not more than two such additional purchases of any Additional Securities shall be closed following the initial purchase of Additional Securities by the Representative.

Payment for the Additional Securities shall be made by certified or official bank check in clearing house funds payable to the order of the Company at the offices of the Representative, or at such other place in Denver, Colorado as you shall determine and advise the Company by at least two full days' notice in writing, upon delivery of certificates representing the Additional Securities to you.

Certificates for the Common Stock and Warrants purchased shall be registered in such name or names and in such authorized denominations as you may request in writing at least two full business days prior to the Closing Date or Additional Closing Date, as applicable. The Company shall permit you to examine and package such certificates for delivery at least one full business day prior to any such closing with respect thereto.

If for any reason one or more Underwriters shall fail or refuse (otherwise than for a reason sufficient to justify the termination of this Agreement under the provisions of Section 10 hereof) to purchase and pay for the number of shares of Common Stock and the number of warrants of the Warrants agreed to be purchased by such Underwriter, the Company shall

immediately give notice thereof to the Representative, and the non-defaulting Underwriters shall have the right within 24 hours after the receipt by the Representative of such notice, to purchase or procure one or more other Underwriters to purchase, in such proportions as may be agreed upon among the Representative and such purchasing Underwriter or Underwriters and upon the terms herein set forth, the number of shares of Common Stock and number of warrants of the Warrants which such defaulting Underwriter or Underwriters agreed to purchase. If the non-defaulting Underwriters fail so to make such arrangements with respect to all such number of shares of Common Stock and number of warrants of the Warrants, the number of shares of Common Stock and number of warrants of the Warrants which each non-defaulting Underwriter is otherwise obligated to purchase under the Agreement shall be automatically increased pro rata to absorb the remaining number of shares of Common Stock and number of warrants of the Warrants which the defaulting Underwriter or Underwriters agreed to purchase; provided, however, that the non-defaulting Underwriters shall not be obligated to purchase any of the number of shares of Common Stock or number of warrants of the Warrants which the defaulting Underwriter or Underwriters agreed to purchase in excess of 10% of the total number of shares of Common Stock and number of warrants of the Warrants which such non-defaulting Underwriter agreed to purchase hereunder, and provided further that the non-defaulting Underwriters shall not be obligated to purchase any number of shares of Common Stock or number of warrants of the Warrants which the defaulting Underwriter or Underwriters agreed to purchase if such additional purchase would cause the Underwriter to be in violation of the net capital rule of the Commission or other applicable law. If the total number of shares of Common Stock and number of warrants of the Warrants which the defaulting Underwriter or Underwriters agreed to purchase shall not be purchased or absorbed in accordance with the two preceding sentences, the Company shall have the right, within the 24 hours next succeeding the 24-hour period above referred to, to make arrangements with other underwriters or purchasers satisfactory to the Representative for the purchase of such number of shares of Common Stock and number of warrants of the Warrants on the terms herein set forth. In any such case, either the Representative or the Company shall have the right to postpone the Closing for not more than seven business days after the date originally fixed as the Closing in order for any necessary changes in the Registration Statement, the Prospectus or any other documents or arrangements to be made. If neither the non-defaulting

Underwriters nor the Company shall make arrangements within the 24-hour periods stated above for the purchase of all of the number of shares of Common Stock and number of warrants of the Warrants which the defaulting Underwriter or Underwriters agreed to purchase hereunder, this Agreement shall be terminated without further act or deed and without any liability on the part of the Company to any non-defaulting Underwriter, except the Company shall be liable for actual expenses incurred by the Representative as provided in Section 10 hereof, and without any liability on the part of any non-defaulting Underwriter to the Company.

Nothing contained herein shall relieve any defaulting Underwriter of its liability, if any, to the Company or to the remaining Underwriters for damages occasioned by its default hereunder.

4. Offering. The Underwriters are to make a public offering of the Common Stock and Warrants as soon, on or after the effective date of the Registration Statement, as the Representative deems it advisable so to do. The Common Stock and Warrants are to be initially offered to the public at the initial public offering prices as provided for in Section 3 (such prices being herein called the "public offering prices"). After the initial public offering, you may from time to time increase or decrease the prices of the Common Stock and/or Warrants, in your sole discretion, by reason of changes in general market conditions or otherwise.

5. Covenants of the Company. The Company covenants that it will:

a. Use its best efforts to cause the Registration Statement to become effective as promptly as possible. If the Registration Statement has become or becomes effective with a form of Prospectus omitting certain information pursuant to Rule 430A of the Regulations, or filing of the Prospectus is otherwise required under Rule 424(b), the Company will file the Prospectus, properly completed, pursuant to Rule 424(b) within the time period prescribed and will provide evidence satisfactory to you of such timely filing.

b. Notify you immediately, and confirm such notice in writing, (i) when the Registration Statement and any post-effective amendment thereto become effective, (ii) of the receipt of any comments from the Commission or the "blue sky" or securities authority of any jurisdiction regarding the Registration Statement, any post-effective amendment thereto, the Prospectus, or any amendment or supplement thereto, and (iii) of the receipt of any notification with respect to a Stop Order or the initiation or threatening

of any proceeding with respect to a Stop Order. The Company will use its best efforts to prevent the issuance of any Stop Order and, if any Stop Order is issued, to obtain the lifting thereof as promptly as possible.

c. During the time when a prospectus relating to the Common Stock and Warrants is required to be delivered hereunder or under the Act or the Regulations, comply so far as it is able with all requirements imposed upon it by the Act, as now existing and as hereafter amended, and by the Regulations, as from time to time in force, so far as necessary to permit the continuance of sales of or dealings in the Common Stock and Warrants in accordance with the provisions hereof and the Prospectus. If, at any time when a prospectus relating to the Common Stock and Warrants is required to be delivered hereunder or under the Act or the Regulations, any event shall have occurred as a result of which, in the reasonable opinion of counsel for the Company or counsel for the Representative, the Registration Statement or the Prospectus, as then amended or supplemented, contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading, or if, in the opinion of either of such counsel, it is necessary at any time to amend or supplement the Registration Statement or the Prospectus to comply with the Act or the Regulations, the Company will immediately notify you and promptly prepare and file with the Commission an appropriate amendment or supplement (in form and substance satisfactory to you) which will correct such statement or omission or which will effect such compliance and will use its best efforts to have any such amendment declared effective as soon as possible.

d. Deliver without charge to you such number of copies of each Preliminary Prospectus as you may reasonably request and, as soon as the Registration Statement or any amendment thereto becomes effective or a supplement is filed, deliver without charge to you two signed copies of the Registration Statement or such amendment thereto, as the case may be, including exhibits, and two copies of any supplement thereto, and deliver without charge to you such number of copies of the Prospectus, the Registration Statement, and amendments and supplements thereto, if any, without exhibits, as you may reasonably request for the purposes contemplated by the Act.

e. Endeavor in good faith, in cooperation with you, at or prior to the time the Registration Statement becomes effective, to qualify the Common Stock and Warrants for offering and sale under the "blue sky" or securities laws of such jurisdictions as you reasonably may designate; provided, however, that no such qualification shall be required in any jurisdiction where, as a result thereof, the Company would be subject to service of general process or to taxation as a foreign corporation doing business in such jurisdiction to which it is not then subject. In each jurisdiction where such qualification shall be effected, the Company will, unless you agree in writing that such action is not at the time necessary or advisable, file and make such statements or reports at such times as are or may be required by the laws of such jurisdiction.

f. Make generally available (within the meaning of Section 11 (a) of the Act and the Regulations) to its security holders as soon as practicable, but not later than fifteen (15) months after the date of the Prospectus, an earnings statement (which need not be certified by independent certified public accountants unless required by the Act or the Regulations, but which shall satisfy the provisions of Section 11(a) of the Act and the Regulations) covering a period of at least 12 months beginning after the effective date of the Registration Statement.

g. For a period of 12 months after the date of the Prospectus, not, without your prior written consent, offer, issue, sell, contract to sell, grant any option for the sale of, or otherwise dispose of, directly or indirectly, any shares of preferred stock (particularly additional shares of Convertible Preferred Stock) or any shares of common stock (or any security or other instrument which by its terms is convertible into, exercisable for, or exchangeable for shares of common stock) except as provided in Section 3 and except for (i) the issuance of Warrant Shares issuable upon the exercise of Warrants or issuance of common stock underlying options or warrants outstanding on the date hereof, (ii) the issuance of shares underlying the Representative's Options, (iii) the issuance of common stock upon conversion of Convertible Preferred Stock, or (iv) the grant of options pursuant to the Company's existing stock option plan.

h. For a period of five years after the Effective Date of the Registration Statement, furnish you, without charge, the following:

i. Within 90 days after the end of each fiscal year, three copies of consolidated financial statements certified by independent certified public accountants, including a balance sheet, statement of operations, and statement of cash flows of the Company and its then existing subsidiaries, with supporting schedules, prepared in accordance with generally accepted accounting principles, at the end of such fiscal year and for the 12 months then ended;

ii. As soon as practicable after they have been sent to stockholders of the Company or filed with the Commission, three copies of each annual and interim financial and other report or communication sent by the Company to its stockholders or filed with the Commission;

iii. As soon as practicable, two copies of every press release and every material news item and article in respect of the Company or its affairs which was released by the Company;

iv. Notice of any regular quarterly or special meeting of the Company's Board of Directors concurrently with the sending of such notice to the Company's directors; and

v. Such additional documents and information with respect to the Company and its affairs and the affairs of any of its subsidiaries as you may from time to time reasonably request.

i. Designate an Audit Committee and a Compensation Committee, the members of which shall be subject to your reasonable approval, which will generally supervise the financial affairs of the Company and review executive compensation, respectively.

j. Furnish to you as early as practicable prior to the Closing Date and any Additional Closing Date, as the case may be, but not less than two full business days prior thereto, a copy of the latest available unaudited interim consolidated financial statements of the Company which have been read by the Company's independent certified public accountants, as stated in their letters to be furnished pursuant to Section 7(e).

k. File no amendment or supplement to the Registration Statement or Prospectus at any time, whether before or after the Effective Date of the Registration

Statement, unless such filing shall comply with the Act and the Regulations and unless you shall previously have been advised of such filing and furnished with a copy thereof, and you and counsel for the Representative shall have approved such filing in writing within a reasonable time of receipt thereof.

l. Comply with all periodic reporting and proxy solicitation requirements which may from time to time be applicable to the Company as a result of the Company's registration under the Exchange Act on a Registration Statement on Form 8-A as required under Section 7(a) hereof.

m. Comply with all provisions of all undertakings contained in the Registration Statement.

n. Prior to the Closing Date or any Additional Closing Date, as the case may be, issue no press release or other communication, directly or indirectly, and hold no press conference and grant no interviews with respect to the Company, the financial condition, results of operations, business, properties, assets, or liabilities of the Company, or this offering, without your prior written consent.

o. File timely with the Commission, the National Association of Securities Dealers, Inc. (the "NASD"), or the American Stock Exchange all reports required to be filed.

p. On or prior to the Closing Date, sell to the Representative for a total purchase price of $100, Representative's Options entitling the Representative or its assigns to purchase (i) 165,000 shares of common stock at a price equal to 125% of the public offering price of the Common Stock, and (ii) 165,000 warrants at a price equal to 125% of the public offering price of the Warrants, with the terms of the Representative's Options, including exercise period, anti-dilution provisions, exercise price, exercise provisions, transferability, and registration rights, to be in the form filed as an exhibit to the Registration Statement.

q. Until expiration of the Representative's Options, keep reserved sufficient shares of common stock for issuance upon exercise of the Representative's Options, and shares of common stock for issuance upon exercise of the warrants contained in the Representative's Options.

r. Upon the Closing Date, engage a financial public relations firm acceptable to the Representative to assist the Company in preparing regular announcements and disseminating such information to the financial community, such engagement to extend for four consecutive six month terms; provided the Representative shall have the right to approve the public relations firm before the renewal of any six-month term.

s. Adopt procedures for the application of the net proceeds the Company receives from the sale of the Common Stock and Warrants and apply the net proceeds from the sale of the Common Stock and Warrants substantially in the manner set forth in the Prospectus, which does not contemplate repayment of debt to officers, directors, stockholders or affiliates of the Company, unless any deviation from such application is in accordance with the Prospectus and occurs only after approval by the Board of Directors of the Company and then only after the Board of Directors has obtained the written opinion of recognized legal counsel experienced in federal and state securities laws as to the propriety of any such deviation.

t. Within the time period which the Prospectus is required to be delivered under the Act, comply, at its own expense, with all requirements imposed upon it by the Act, by the Regulations, as from time to time may be enforced, and by any order of the Commission, so far as necessary to permit the continuance of sales or dealing in the Common Stock and Warrants.

u. At the Closing, deliver to the Representative true and correct copies of the Articles of Incorporation of the Company and all amendments thereto, all such copies to be certified by the Secretary of the Company; true and correct copies of the by-laws of the Company and of the minutes of all meetings of the directors and stockholders of the Company held prior to the Closing which in any way relate to the subject matter of this Agreement or the Registration Statement.

v. Use all reasonable efforts to comply or cause to be complied with the conditions precedent to the several obligations of the Underwriters in Section 7 hereof.

w. File with the Commission all required information concerning use of proceeds of the Public Offering in Forms 10-QSB and 10-KSB in accordance with the

provisions of the Act and to provide a copy of such reports to the Representative and its counsel.

x. Supply to the Representative and the Representative's counsel at the Company's cost, two bound volumes each containing material documents relating to the offering of the Common Stock and Warrants within a reasonable time after the Closing, not to exceed 90 days.

y. As soon as possible prior to the Effective Date, and as a condition of the Underwriter's obligations hereunder, (i) have the Company listed on an accelerated basis, and maintain such listing for not less than five years from the Closing Date, in Standard & Poor's Standard Corporation Records; (ii) have the Common Stock and Warrants authorized for listing on the American Stock Exchange as of the Effective Date, on the Closing Date, on the Additional Closing Date and thereafter for at least five years provided the Company is in compliance with the American Stock Exchange maintenance requirements; and (iii) have appointed Computershare Investor Services, Inc. in Denver, Colorado or a firm acceptable to the Representative as its transfer agent, subject to competitive pricing.

z. As soon as possible prior to the Effective Date and at such time as the Company qualifies for listing on the American Stock Exchange, take all steps necessary to have the Common Stock and Warrants, to the extent eligible, listed on the American Stock Exchange.

aa. Continue, for a period of at least three years following the Effective Date of the Registration Statement, to appoint such auditors as are reasonably acceptable to the Representative, which auditors shall (i) prepare consolidated financial statements in accordance with Regulation S-B or, if applicable, Regulation S-X under the Regulations of the Act and (ii) examine (but not audit) the Company's consolidated financial statements for each of the first three (3) fiscal quarters prior to the announcement of quarterly financial information, the filing of the Company's 10-QSB quarterly report and the mailing of quarterly financial information to security holders.

bb. Upon the Effective Date of the Registration Statement, obtain "key man" life insurance policies in the amount of $1,000,000 on the lives of certain key employees

designated by the Representative, with the Company designated as the beneficiary of such policy, and pay the annual premiums thereon for a period of not less than three years from the Effective Date of the Registration Statement.

cc. Cause its transfer agent to furnish the Representative a duplicate copy of the daily transfer sheets prepared by the transfer agent during the six-month period commencing on the Effective Date of the Registration Statement and instruct the transfer agent to timely provide, upon the request of the Representative, duplicate copies of such transfer sheets and/or a duplicate copy of a list of stockholders, all at the Company's expense, for a period of 4 1/2 years after such six-month period.

dd. On the Closing Date, enter into a Consulting Agreement with the Representative whereby the Company will agree to pay the Representative a financial consulting fee of $3,000 per month for the succeeding 24 month period.

ee. Afford the Representative the right, but not the obligation, commencing on the Effective Date and surviving for a period of three years, to designate an observer to attend meetings of the Board of Directors. The designee, if any, and the Representative will receive notice of each meeting of the Board of Directors in accordance with Colorado law. Any such designee will receive reimbursement for all reasonable costs and expenses incurred in attending meetings of the Board of Directors, including but not limited to, food, lodging and transportation, together with such other fee or such compensation as is paid by the Company to the highest compensated outside member of the Board of Directors. Moreover, to the extent permitted by law, the Representative and its designee shall be indemnified for the actions of such designee as an observer to the Board of Directors and in the event the Company maintains a liability insurance policy affording coverage for the acts of its officers and/or directors, to the extent permitted under such policy, each of the Representative and its designee shall be an insured under such policy. During the stated three-year period, the Representative's adviser to the Company's Board of Directors will be (i) invited to attend meetings of the Company's Board of Directors; (ii) provided with a copy of all Actions by Unanimous Written consent of the Board of Directors in lieu of an actual meeting; (iii) furnished with a copy of all public filings by the Company and Company press releases as released; (iv) updated by the Company's

management on at least a quarterly basis, regarding the Company's activities, prospects and financial condition; and (v) advised immediately of material events to the extent consistent with applicable law. During the subject three-year period, the Company will hold meetings of its Board of Directors at intervals of not less than 90 days. Any adviser designated by the Representative, as herein provided, shall be acceptable to the Company, which acceptance shall not be unreasonably withheld, and such designated adviser shall make certain representations in writing to the Company concerning his responsibilities under the federal securities laws with respect to information obtained by such adviser as a result of his attendance at meetings of the Board of Directors of the Company and as a result of the receipt by him of other nonpublic information concerning the Company. It is currently anticipated that the Representative will request Anthony B. Petrelli to be appointed as Board adviser

6. Payment of Expenses. The Company hereby agrees to pay all expenses (subject to the last sentence of this Section 6) in connection with the offering, including but not limited to (a) the preparation, printing, filing, distribution, and mailing of the Registration Statement and the Prospectus, including NASD, Commission and American Stock Exchange filing and/or application fees, and the printing, filing, distribution, and mailing of this Agreement, any Agreement Among Underwriters, Selected Dealers Agreement, preliminary and final Blue Sky Memorandums, material to be circulated to the Underwriters by you and other incidental or related documents, including the cost of all copies thereof and of the Preliminary Prospectuses and of the Prospectus, and any amendments or supplements thereto, supplied to the Representative in quantities as hereinabove stated, (b) the issuance, sale, transfer, and delivery of the Common Stock and Warrants, the Warrant Shares and the Representative's Options, including, without limitation, any original issue, transfer or other taxes payable thereon and the costs of preparation, printing and delivery of certificates representing such securities, as applicable, (c) the qualification of the Common Stock and Warrants, Warrant Shares and the Representative's Options under state or foreign "blue sky" or securities laws, (d) the fees and disbursements of counsel for the Company and the accountants for the Company, (e) the listing of the Common Stock and Warrants on the American Stock Exchange, and (f) a Representative's non-accountable expense allowance equal to 2% of the aggregate gross proceeds from the sale of

the Common Stock and Warrants. Prior to or immediately following the Closing Date, the Company shall bear the costs of tombstone announcements not to exceed $4,000, if requested to do so by the Representative. The Company shall pay all expenses incurred in connection with any road shows.

The Company has previously remitted to the Representative the sum of $40,000, which sum has been credited as a partial payment in advance of the non-accountable expense allowance provided for in Section 6(f) above.

7. Conditions of Underwriters' Obligations. The Underwriters' obligation to purchase and pay for the Common Stock and Warrants, as provided herein, shall be subject to the continuing accuracy of the representations and warranties of the Company contained herein and in each certificate and document contemplated under this Agreement to be delivered to you, as of the date hereof and as of the Closing Date (or the Additional Closing Date, as the case may be), to the performance by the Company of its obligations hereunder, and to the following conditions:

a. The Registration Statement shall have become effective under the Act, and the Common Stock and Warrants shall have been registered under Section 12(b) of the Exchange Act, not later than 5:00 p.m., local Denver time, on the date of this Agreement or such later date and time as shall be consented to in writing by you.

b. At the Closing Date and any Additional Closing Date, you shall have received the favorable opinion of Dorsey & Whitney LLP, counsel for the Company, dated the date of delivery, addressed to you, and in form and scope satisfactory to your counsel, to the effect that:

i. The Company is a corporation duly organized, validly existing, and in good standing under the laws of the State of Colorado, with corporate power to own, lease, license, and use its properties and assets and to conduct its business in the manner described in the Prospectus. The Company is duly qualified to do business as a foreign corporation and is in good standing in every jurisdiction in which its ownership, leasing, licensing, or use of property and assets or the conduct of its business makes such qualification necessary, except where the failure to be so qualified would not preclude it from enforcing its rights with respect to any material contract or expose it to any material liability;

ii. The authorized capital stock of the Company as of the date of this Agreement consisted of 30,000,000 shares of common stock, of which 3,357,632 shares of common stock are issued and outstanding, 1,297,924 shares of common stock are reserved for issuance upon the exercise or conversion of outstanding options, warrants and Convertible Preferred Stock; 96,000 shares of common stock are reserved for issuance upon the exercise of the remaining options authorized under the Company's option plan; and 5,000,000 shares of preferred stock, of which 381,654 shares of Convertible Preferred Stock are issued and outstanding. Each outstanding share of capital stock has been duly authorized, validly issued and fully paid and is nonassessable. Based upon a written inquiry to the Company and a review of the records of the Company in counsel's possession, counsel is not aware of any (i) commitment, plan, or arrangement to issue, or of an outstanding option, warrant, or other right calling for the issuance of, any share of capital stock of the Company or any security or other instrument which by its terms is convertible into, exercisable for, or exchangeable for capital stock of the Company, except as set forth above, and except as is properly described in the Prospectus or (ii) any outstanding a security or other instrument which by its terms is convertible into or exchangeable for capital stock of the Company, except as described in the Prospectus;

iii. Based upon a written inquiry to the Company and a review of the records of the Company in counsel's possession, counsel is not aware of any litigation, arbitration, claim, governmental or other proceeding (formal or informal), or investigation pending, threatened, or in prospect (or any basis therefor) with respect to the Company or any of its respective operations, businesses, properties, or assets, except as may be properly described in the Prospectus or such as individually or in the aggregate do not now have and will not in the future have a material adverse effect upon the operations, business, properties, or assets of the Company. Based upon a written inquiry to the Company and a review of the records of the Company in counsel's possession, counsel is not aware of any violation of, or in default with respect to, any law,

rule, regulation, order, judgment, or decree, except as may be properly described in the Prospectus or such as in the aggregate have been disclosed to the Representative and do not now have and will not in the future have a material adverse effect upon the operations, business, properties, or assets of the Company; nor is counsel aware that the Company is required to take any action in order to avoid any such violation or default;

iv. Neither the Company nor any other party is now or is expected by the Company to be in violation or breach of, or in default with respect to, complying with any material provision of any contract, agreement, instrument, lease, license, arrangement, or understanding which is material to the Company;

v. The Company is not in violation or breach of, or in default with respect to, any term of its Articles of Incorporation or by-laws;

vi. The Company has all requisite corporate power and authority to execute and deliver and to perform under this Agreement, the Warrants, the Representative's Options and the Consulting Agreement. All necessary corporate proceedings of the Company have been taken to authorize the execution and delivery and performance thereunder by the Company of this Agreement, the Warrants, the Representative's Options and the Consulting Agreement. Each of this Agreement, the Warrants, the Representative's Options and the Consulting Agreement have been duly authorized, executed and delivered by the Company, and is a legal, valid, and binding obligation of the Company, and (subject to applicable bankruptcy, insolvency, and other laws affecting the enforceability of creditors' rights generally and equitable principles that may limit the enforceability of certain terms, including concepts of mutuality, responsibility, good faith and fair dealing, and other similar doctrines affecting the enforceability of agreements generally), enforceable as to the Company in accordance with their respective terms. No opinion need be given, however, as to the enforceability of any indemnity provisions, forum selection clauses or arbitration clauses. No consent, authorization, approval, order, license, certificate, or permit of or from, or declaration or filing with, any federal, state, local, or other governmental

authority or any court or other tribunal is required by the Company for the execution or delivery, or performance thereunder by the Company of this Agreement, the Warrants, Representative's Options and the Consulting Agreement (except filings under the Act which have been made prior to the Closing Date and consents consisting only of consents under "blue sky" or securities laws which are required in connection with the transactions contemplated by this Agreement, and which have been obtained on or prior to the date the Registration Statement becomes effective under the Act). No consent of any party to any contract, agreement, instrument, lease, license, arrangement, or understanding to which the Company is a party, or to which any of its properties or assets are subject, is required for the execution or delivery, or performance thereunder of this Agreement, the Warrants, the Representative's Options or the Consulting Agreement; and the execution and delivery and performance thereunder of this Agreement, the Warrants, the Representative's Options and the Consulting Agreement will not violate, result in a breach of, conflict with, or (with or without the giving of notice or the passage of time or both) entitle any party to terminate or call a default under any such contract, agreement, instrument, lease, license, arrangement, or understanding, or violate or result in a breach of any term of the Articles of Incorporation or by-laws of the Company, or violate, result in a breach of, or conflict with any law, rule, regulation, order, judgment, or decree binding on the Company or to which any of its operations, businesses, properties, or assets are subject;

vii. The shares of Common Stock are, the shares of common stock issuable on exercise of the Warrants will be, and the shares of common stock underlying the Representative's Options will be upon exercise of the Representative's Options and upon issuance, delivery and payment therefor as described in the Registration Statement, validly authorized, validly issued, fully paid, and nonassessable and not issued in violation of any preemptive rights of stockholders of the Company, and the Underwriters will have received good title to the Common Stock and Warrants purchased by them from the Company, free

and clear of all liens, security interests, pledges, charges, encumbrances, stockholders' agreements, and voting trusts; upon payment for the Warrant Shares and the Representative's Options, the holders thereof will receive good title to such securities, free and clear of all liens, security interests, pledges, charges, encumbrances, stockholders' agreement and voting trusts. The Common Stock, the Warrants, the Warrant Shares and the Representative's Options conform to all statements relating thereto contained in the Registration Statement or the Prospectus;

viii. The Warrant Shares have been duly and validly reserved for issuance pursuant to the terms of the Warrant Agreement between the Company and its transfer agent, and shares of common stock underlying the Representative's Options have been duly and validly reserved for issuance pursuant to the terms of the Representative's Options or the Warrant Agreement, as the case may be;

ix. Any contract, agreement, instrument, lease, or license that is known to counsel and that is required to be described in the Registration Statement or the Prospectus has been properly described therein. Any contract, agreement, instrument, lease, or license that is known to counsel and that is required to be filed as an exhibit to the Registration Statement has been filed with the Commission as an exhibit to or has been incorporated as an exhibit by reference into the Registration Statement;

x. Insofar as statements in the Prospectus purport to summarize the status of litigation or the provisions of laws, rules, regulations, orders, judgments, decrees, contracts, agreements, instruments, leases, or licenses, such statements have been prepared or reviewed by such counsel and accurately reflect the status of such litigation and provisions purported to be summarized and are correct in all material respects;

xi. Except as provided in the Registration Statement, no person or entity has the right to require registration of shares of common stock or other

securities of the Company because of the filing or effectiveness of the Registration Statement;

xii. The Registration Statement has been declared effective under the Act. No Stop Order has been issued and no proceedings for that purpose have been instituted or threatened, and the Common Stock and Warrants have been registered under the Exchange Act;

xiii. The Registration Statement and the Prospectus, and any amendment or supplement thereto, comply as to form in all material respects with the requirements of the Act and the Regulations;

xiv Such counsel has no reason to believe that either the Registration Statement or the Prospectus, or any amendment or supplement thereto, contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading (except that no opinion need be expressed as to the consolidated financial statements and other financial data and schedules which are or should be contained therein);

xv. Since the Effective Date of the Registration Statement, such counsel has not been informed of any event which has occurred which should have been set forth in an amendment or supplement to the Registration Statement or the Prospectus and which has not been set forth in such an amendment or supplement;

xvi. The Company has not informed counsel that the Company is currently offering any securities for sale except as described in the Registration Statement;

xvii. Such counsel has no knowledge of any promoter, affiliate, parent or subsidiaries of the Company except as are described in the Registration Statement;

xviii. Counsel has no knowledge of any subsidiaries of the Company except as described in the Registration Statement;

xix. Such counsel has not been informed that Company is a party to any agreement giving rise to any obligation by the Company or any subsidiary to pay any third-party royalties or fees of any kind whatsoever with respect to any technology developed, employed, used or licensed by the Company or any subsidiary, other than is disclosed in the Prospectus;

xx. The Common Stock and Warrants are eligible for listing on the American Stock Exchange;

xxi. Such counsel has no reason to believe that issued and outstanding shares of common stock and all other securities issued and sold or exchanged by the Company or its subsidiaries have not been issued and sold or exchanged in compliance with all applicable state and federal securities laws and regulations; and

xxii. Such counsel has not been informed that Company or any of its Property are not in compliance with any Environmental Laws or that the Company is not in full compliance with all permits, licenses and authorizations relating to Environmental Laws.

In rendering such opinion, counsel for the Company may rely (A) as to matters involving the application of laws other than the laws of the United States and the laws of the State of Colorado, to the extent counsel for the Company deems proper and to the extent specified in such opinion, upon an opinion or opinions (in form and substance satisfactory to counsel for the Representative) of other counsel, acceptable to counsel for the Representative, familiar with the applicable laws, in which case the opinion of counsel for the Company shall state that the opinion or opinions of such other counsel are satisfactory in scope, form, and substance to counsel for the Company and that reliance thereon by counsel for the Company is reasonable; (B) as to matters of fact, to the extent the Representative deems proper, on certificates of responsible officers of the Company; and (C) to the extent they deem proper, upon written statements or certificates of officers of departments of various jurisdictions having custody of documents respecting the corporate existence or good standing of the Company, provided that copies of any such statements or certificates shall be delivered to counsel for the Representative.

c. On or prior to the Closing Date and any Additional Closing Date, as the case may be, you shall have been furnished such information, documents, certificates, and opinions as you may reasonably require for the purpose of enabling you to review the matters referred to in Section 7(b), and in order to evidence the accuracy, completeness, or satisfaction of any of the representations, warranties, covenants, agreements, or conditions herein contained, or as you may reasonably request.

d. At the Closing Date and any Additional Closing Date, as the case may be, you shall have received a certificate of the chief executive officer and of the chief financial officer of the Company, dated the Closing Date or such Additional Closing Date, as the case may be, to the effect that the conditions set forth in Section 7(a) have been satisfied, that as of the date of this Agreement and as of the Closing Date or such Additional Closing Date, as the case may be, the representations and warranties of the Company contained herein were and are accurate, and that as of the Closing Date or such Additional Closing Date, as the case may be, the obligations to be performed by the Company hereunder on or prior thereto have been fully performed.

e. At the time this Agreement is executed and at the Closing Date and any Additional Closing Date, as the case may be, you shall have received a letter from HEIN + ASSOCIATES, LLP, Certified Public Accountants, addressed to you and dated the date of delivery but covering a period within three business days of such date, in form and substance satisfactory to you.

f. All proceedings taken in connection with the issuance, sale, transfer, and delivery of the Common Stock and Warrants shall be satisfactory in form and substance to you and to counsel for the Representative, and you shall have received a favorable opinion from counsel to the Company, dated as of the Closing Date or any Additional Closing Date, as the case may be, with respect to such of the matters set forth under Section 7(b), and with respect to such other related matters, as you may reasonably request.

g. The NASD, upon review of the terms of the public offering of the Common Stock and Warrants, shall not have objected to your participation in such offering.

h. The Company shall have received notice that the Common Stock and Warrants are eligible to be listed on the American Stock Exchange as of the Effective Date.

i. Prior to or simultaneously with the Closing hereunder, the Company shall have entered into a credit agreement with a commercial bank pursuant to which, and immediately upon Closing, at least $3.5 million will be loaned to the Company and used by the Company along with proceeds from the Closing hereunder to pay in full the Dominion Michigan note of approximately $7 million in principal face amount. Such credit agreement shall provide for a term loan of at least $3.5 million repayable over at least four years.

Any certificate or other document signed by any officer of the Company and delivered to you or to counsel for the Representative shall be deemed a representation and warranty by the Company hereunder to the Representative as to the statements made therein. If any condition to your obligations hereunder to be fulfilled prior to or at the Closing Date or any Additional Closing Date, as the case may be, is not so fulfilled, you may terminate this Agreement or, if you so elect, in writing waive any such conditions which have not been fulfilled or extend the time for their fulfillment.

8. Indemnification and Contribution.

a. Subject to the conditions set forth below, the Company agrees to indemnify and hold harmless the Underwriters, the Representative, and each of their officers, directors, partners, employees, agents, and counsel, and each person, if any, who controls the Representative or any one of the Underwriters within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act, against any and all loss, liability, claim, damage, and expense whatsoever (which shall include, for all purposes of this Section 8, but not be limited to, attorneys' fees and any and all expense whatsoever incurred in investigating, preparing, or defending against any litigation, commenced or threatened, or any claim whatsoever and any and all amounts paid in settlement of any claim or litigation) as and when incurred arising out of, based upon, or in connection with (i) any untrue statement or alleged untrue statement of a material fact contained (A) in any Preliminary Prospectus, the Registration Statement, or the Prospectus (as from time

to time amended and supplemented), or any amendment or supplement thereto, or (B) in any application or other document or communication (in this Section 8 collectively called an "application") in any jurisdiction in order to qualify the Common Stock and Warrants under the "blue sky" or securities laws thereof or filed with the Commission or any securities exchange; or any omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or (ii) any breach of any representation, warranty, covenant, or agreement of the Company contained in this Agreement. The foregoing agreement to indemnify shall be in addition to any liability the Company may otherwise have, including liabilities arising under this Agreement; however, the Company shall have no liability under this Section 8 if such statement or omission was made in reliance upon and in conformity with written information furnished to the Company as stated in Section 8(b) with respect to the Underwriters by or on behalf of the Underwriters expressly for inclusion in any Preliminary Prospectus, the Registration Statement, or the Prospectus, or any amendment or supplement thereto, or in any application, as the case may be.

If any action is brought against the Underwriters, the Representative or any of their officers, directors, partners, employees, agents, or counsel, or any controlling persons of an Underwriter or the Representative (an "indemnified party") in respect of which indemnity may be sought against the Company pursuant to the foregoing paragraph, such indemnified party or parties shall promptly notify the Company in writing of the institution of such action (but the failure so to notify shall not relieve the Company from any liability it may have other than pursuant to this Section 8(a)) and the Company shall promptly assume the defense of such action, including the employment of counsel (satisfactory to such indemnified party or parties) and payment of expenses. Such indemnified party or parties shall have the right to employ its or their own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of such indemnified party or parties unless the employment of such counsel shall have been authorized in writing by the Company in connection with the defense of such action or the Company shall not have promptly employed counsel satisfactory to such indemnified party or parties to have charge of the defense of such action or such indemnified party or

parties shall have reasonably concluded that there may be one or more legal defenses available to it or them or to other indemnified parties which are different from or additional to those available to the Company, in any of which events such fees and expenses shall be borne by the Company. Anything in this paragraph to the contrary notwithstanding, the Company shall not be liable for any settlement of any such claim or action effected without its written consent. The Company agrees promptly to notify the Underwriters and the Representative of the commencement of any litigation or proceedings against the Company or against any of its officers or directors in connection with (i) the sale of the Common Stock or Warrants, (ii) any Preliminary Prospectus, the Registration Statement, the Prospectus, or any amendment or supplement to any of the foregoing in this clause (ii), or (iii) any application.

b. The Underwriters agree to indemnify and hold harmless the Company, each director of the Company, each officer of the Company who shall have signed the Registration Statement, each other person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act, to the same extent as the foregoing indemnity from the Company to the Underwriters in Section 8(a), but only with respect to statements or omissions, if any, made in any Preliminary Prospectus, the Registration Statement, or the Prospectus (as from time to time amended and supplemented), or any amendment or supplement thereto, or in any application, in reliance upon and in conformity with written information furnished to the Company as stated in this Section 8(b) with respect to the Underwriters by or on behalf of the Underwriters expressly for inclusion in any Preliminary Prospectus, the Registration Statement, or the Prospectus, or any amendment or supplement thereto, or in any application, as the case may be; provided, however, that the obligation of the Underwriters to provide indemnity under the provisions of this Section 8(b) shall be limited to the amount which represents the product of the number of shares of Common Stock and Warrants sold hereunder and the initial public offering prices per share of the Common Stock and price per warrant of the Warrants set forth on the cover page of the Prospectus. For all purposes of this Agreement, the amounts of the selling concession and reallowance set forth in the Prospectus, the information under "Underwriting" and the

identification of counsel to the Representative under "Legal Matters" constitute the only information furnished in writing by or on behalf of the Underwriters expressly for inclusion in any Preliminary Prospectus, the Registration Statement, or the Prospectus (as from time to time amended or supplemented), or any amendment or supplement thereto, or in any application, as the case may be. If any action shall be brought against the Company or any other person so indemnified based on any Preliminary Prospectus, the Registration Statement or the Prospectus, or any amendment or supplement thereto, or any application, and in respect of which indemnity may be sought against the Underwriters pursuant to this Section 8(b), the Underwriters shall have the rights and duties given to the Company, and the Company and each other person so indemnified shall have the rights and duties given to the indemnified parties, by the provisions of Section 8(a).

c. In order to provide for just and equitable contribution in circumstances in which the indemnity agreement provided for in this Section 8 is for any reason held to be unavailable to the Underwriters or the Company, then the Company shall contribute to the damages paid by the several Underwriters, and the several Underwriters shall contribute to the damages paid by the Company; provided, however, that no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. In determining the amount of contribution to which the respective parties are entitled, there shall be considered the relative benefits received by each party from the sale of the Common Stock and Warrants (taking into account the portion of the proceeds of the offering realized by each), the parties' relative knowledge and access to information concerning the matter with respect to which the claim was asserted, the opportunity to correct and prevent any statement or omission, and any other equitable considerations appropriate in the circumstances. The Company and the Underwriters agree that it would not be equitable if the amount of such contribution were determined by pro rata or per capita allocation (even if the Underwriters were treated as one entity for such purpose). No Underwriter or person controlling such Underwriter shall be obligated to make contribution hereunder which in the aggregate exceeds the total public offering

price of the portion of the Common Stock and Warrants purchased by such Underwriter under this Agreement, less the aggregate amount of any damages which such Underwriter and its controlling persons have otherwise been required to pay in respect of the same or any substantially similar claim. The Underwriters' obligations to contribute hereunder are several in proportion to their respective underwriting obligations and not joint. For purposes of this Section, each person, if any, who controls an Underwriter within the meaning of Section 15 of the Act shall have the same rights to contribution as such Underwriter, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the Act, shall have the same rights to contribution as the Company. Anything in this Section 8(c) to the contrary notwithstanding, no party shall be liable for contribution with respect to the settlement of any claim or action effected without its written consent. This Section 8(c) is intended to supersede any right to contribution under the Act, the Exchange Act, or otherwise.

9. Representations and Agreements to Survive Delivery. All representations, warranties, covenants, and agreements contained in this Agreement shall be deemed to be representations, warranties, covenants, and agreements at the Closing Date and any Additional Closing Date, and such representations, warranties, covenants, and agreements of the Underwriters and the Company, including the indemnity and contribution agreements contained in Section 8, shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Representative, the Underwriters or any indemnified person, or by or on behalf of the Company or any person or entity which is entitled to be indemnified under Section 8(b), and shall survive termination of this Agreement or the delivery of the Common Stock and Warrants to the Underwriters for a period equal to the statute of limitations for claims related hereto, but not to exceed an aggregate of three years from the date hereof. In addition, the provisions of Sections 5(a), 6, 8, 9, 10, and 12 shall survive termination of this Agreement, whether such termination occurs before or after the Closing Date or any Additional Closing Date.

10. Effective Date of This Agreement and Termination Thereof.

a. This Agreement shall be executed within 24 hours of the Effective Date of the Registration Statement and shall become effective on the Effective Date or at the time of the

initial public offering of the Common Stock and Warrants, whichever is earlier. The time of the initial public offering shall mean the time, after the Registration Statement becomes effective, of the release by the Representative for publication of the first newspaper advertisement which is subsequently published relating to the Common Stock and Warrants or the time, after the Registration Statement becomes effective, when the Common Stock and Warrants are first released by the Representative for offering by dealers by letter or telegram, whichever shall first occur. The Representative or the Company may prevent this Agreement from becoming effective without liability of any party to any other party, except as noted below in this Section 10, by giving the notice indicated in Section 10(c) before the time this Agreement becomes effective.

b. The Representative shall have the right to terminate this Agreement at any time prior to the Closing Date or any Additional Closing Date, as the case may be, by giving notice to the Company if there shall have been a general suspension of, or a general limitation on prices for, trading in securities on the New York Stock Exchange or the American Stock Exchange or in the over-the-counter market; or if there shall have been an outbreak of major hostilities or other national or international calamity, or terrorist activity, that causes significant disruption in the financial markets; or if a banking moratorium has been declared by a state or federal authority; or if a moratorium in foreign exchange trading by major international banks or persons has been declared; or if there shall have been a material interruption in the mail service or other means of communication within the United States; or if the Company shall have sustained a material or substantial loss by fire, flood, accident, hurricane, earthquake, theft, sabotage, or other calamity or malicious act which, whether or not such loss shall have been insured, will, in the Representative's opinion, make it inadvisable to proceed with the offering, sale, or delivery of the Common Stock and Warrants or any portion of the Common Stock or Warrants comprised of all or part of the Additional Securities, as the case may be; or if there shall have been such material and adverse change in the market for securities in general so as to make it inadvisable to proceed with the offering, sale, and delivery of the Common Stock and Warrants or any portion of the Common or Warrants comprised of all or part of the Additional Securities, as the case may be, on the terms contemplated by the Prospectus due to the impaired investment quality of the

Common Stock or Warrants; or if the Dow Jones Industrial Average shall have fallen by 15% or more from its closing price on the day immediately preceding the date that the Registration Statement is declared effective by the Commission.

c. If the Representative elects to prevent this Agreement from becoming effective as provided in this Section 10, or to terminate this Agreement, it shall notify the Company promptly by telephone or facsimile, confirmed by letter. If, as so provided, the Company elects to prevent this Agreement from becoming effective, the Company shall notify the Representative promptly by telephone or facsimile, confirmed by letter.

d. Anything in this Agreement to the contrary notwithstanding other than Section 10(e), if this Agreement shall not become effective by reason of an election pursuant to this Section 10 or if this Agreement shall terminate or shall otherwise not be carried out prior to September 30, 2002 because (i) of any reason solely within the control of the Company or its stockholders and not due to the breach of any representation, warranty or covenant or bad faith of the Representative, (ii) the Company unilaterally withdraws the proposed Public Offering from the Representative in favor of another underwriter, (iii) the Company does not permit the Registration Statement to become effective for any reason other than if the Common Stock is proposed to be priced at less than $5.00 per share, in which event this provision will not apply, (iv) of any material discrepancy in any representation by the Company and/or its officers, directors, stockholders, agents, advisers or representatives, made in writing, including but not limited to the Registration Statement, to the Representative, (v) the Company is, directly and/or indirectly, negotiating with other persons or entities of whatsoever nature relating to a possible Public Offering of its securities, or (vi) of any failure on the part of the Company to perform any covenant or agreement or satisfy any condition of this Agreement by it to be performed or satisfied, then, in any of such events, the Company shall be obligated to reimburse the Representative for its out-of-pocket expenses on an accountable basis. Should the Representative be required to account for "out-of-pocket" expenses, any expense incurred by the Representative shall be deemed to be reasonable and unobjectionable upon a reasonable showing by the Representative that such expenses were incurred, directly or indirectly, in connection with the proposed transaction and/or

relationship of the parties hereto, as described herein. In no event will the Representative be entitled to reimbursement of accountable expenses exceeding $70,000, inclusive of the $40,000 advanced against the non-accountable expense allowance.

e. Notwithstanding any election hereunder or any termination of this Agreement, and whether or not this Agreement is otherwise carried out, the provisions of Sections 5(a), 6, 8, 9, and 10 shall not be in any way affected by such election or termination or failure to carry out the terms of this Agreement or any part hereof.

f. Anything in this Agreement to the contrary notwithstanding other than Sections 10(d) and (e), if this Agreement shall not be carried out within the time specified herein for any reason other than as set forth in Section 10(d), the Company shall have no liability to the Representative other than for the Representative's accountable expenses up to a maximum aggregate amount of $40,000, which amount has been paid in advance in accordance with Section 6 hereof.

11. Notices. All communications hereunder, except as may be otherwise specifically provided herein, shall be in writing and, if sent to the Representative, shall be mailed, delivered, or sent by facsimile transmission and confirmed by original letter, to Neidiger, Tucker, Bruner, Inc., 1675 Larimer Street, Suite 300, Denver, Colorado 80202, Attention: Anthony B. Petrelli, with a copy to Samuel E. Wing, Jones & Keller, P.C., 1625 Broadway, Suite 1600, Denver, Colorado 80202; or if sent to the Company shall be mailed, delivered, or telexed or telegraphed and confirmed by letter, to Natural Gas Services Group, Inc., 2911 South County Road 1260, Midland, Texas 79706, Attention: Wayne L. Vinson, President, with a copy to Thomas S. Smith, Esq., Dorsey & Whitney LLP, 370 17th Street, Suite 4700, Denver, Colorado 80202. All notices hereunder shall be effective upon receipt by the party to which it is addressed.

12. Parties. This Agreement shall inure solely to the benefit of, and shall be binding upon, the Underwriters, the Company, and the persons and entities referred to in Section 8 who are entitled to indemnification or contribution, and their respective successors, legal representatives, and assigns (which shall not include any buyer, as such, of the Common Stock or the Warrants) and no other person shall have or be construed to have any legal or equitable right, remedy, or claim under or in respect of or by virtue of this Agreement or any provision herein contained.

13. Construction. This Agreement shall be construed in accordance with the laws of the State of Colorado, without giving effect to conflict of laws. Time is of the essence in this Agreement. The parties acknowledge that this Agreement was initially prepared by the Representative, and that all parties have read and negotiated the language used in this Agreement. The parties agree that, because all parties participated in negotiating and drafting this Agreement, no rule of construction shall apply to this Agreement which construes ambiguous language in favor of or against any party by reason of that party's role in drafting this Agreement.

If the foregoing correctly sets forth the understanding between us, please so indicate in the space provided below for that purpose, whereupon this letter shall constitute a binding agreement between us.

Very truly yours,

NATURAL GAS SERVICES
GROUP, INC.

By:

Wayne L. Vinson, President

Accepted as of the date first above written.
Denver, Colorado

NEIDIGER, TUCKER, BRUNER, INC.

By:

Anthony B. Petrelli, Vice President

NATURAL GAS SERVICES GROUP, INC.

(A COLORADO CORPORATION)

SCHEDULE 1

This Schedule sets forth the name of each Underwriter referred to in the Underwriting Agreement and the number of shares of Common Stock and Warrants to be sold by the Company.

NAME	NUMBER OF SHARES OF COMMON STOCK	NUMBER OF WARRANTS
Neidiger, Tucker, Bruner, Inc.		
Total	1,650,000	1,650,000

EXHIBIT 10.20

FOURTH AMENDMENT TO LOAN AGREEMENT

This Fourth Amendment to Loan Agreement (this "Amendment"), dated as of December 12, 2001, is made and entered into by and among Natural Gas Services Group, Inc., a Colorado corporation ("Borrower"), Wallace C. Sparkman, Wallace O. Sellers, CAV-RDV, LTD., Diamente Investments, L.P., Rotary Gas Systems, Inc., NGE Leasing, Inc. and Western National Bank, a national banking association ("Lender").

WITNESSETH:

WHEREAS, Borrower and Lender entered into that certain Loan Agreement, dated as of September 15, 1999, as amended by that certain First Amendment and Waiver to Loan Agreement, dated as of March 9, 2001, as further amended by that certain Second Amendment to Loan Agreement, dated as of March 20, 2001, and as further amended by that certain Third Amendment and Waiver to Loan Agreement, dated as of July 25, 2001 (said Loan Agreement, as so amended, the "Agreement"), providing for, among other things, loans to Borrower evidenced by (i) that certain Revolving Line of Credit Promissory Note (the "Revolving Note"), dated September 15, 1999, in the original principal amount of $750,000.00, (ii) that certain Term A Promissory Note, dated September 15, 1999, in the original principal amount of $1,500,000.00, and (iii) that certain Term B Promissory Note, dated March 9, 2001, in the original principal amount of $700,000.00;

WHEREAS, Borrower has requested that Lender (i) renew and extend the Revolving Note and (ii) provide an additional term loan to Borrower in the amount of $750,000.00;

WHEREAS, Borrower desires to amend the Agreement to provide for the renewal of the Revolving Note, the additional term loan and the other matters set forth herein;

WHEREAS, the Lender is agreeable to the Borrower's requests but only upon and subject to the terms and provisions which are hereinafter specified.

NOW THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained, and intending to be legally bound hereby, the parties hereto hereby agree as follows:

SECTION 1. DEFINED TERMS.

In addition to the terms defined in this Amendment, all terms defined in the Agreement, and not otherwise defined herein, shall have the meaning given them in the Agreement when used herein.

SECTION 2. AMENDMENTS TO LOAN AGREEMENT.

2.1 Amendment to Definitions. The definitions of "Consolidated Tangible Net Worth", "Debt","Notes" and "Subordinated Notes" contained in Section 1.1 of the Agreement are amended to read as follows:

> "Consolidated Tangible Net Worth" means at a particular date (i) the sum of (a) all amounts which would be included under stockholders' equity, on a consolidated balance sheet of the Borrower and its Subsidiaries, and (b) the Subordinated Notes in the outstanding principal amount of $1,250,000.00, less (ii) the sum of the aggregate book value of Consolidated Intangible Assets, all determined on a consolidated basis.
>
> "Debt" means, for the Borrower and any Subsidiary, at any particular date, and without duplication, the sum at such date of (i) all indebtedness of such person for borrowed money or for the deferred purchase price of property or services (other than current trade liabilities incurred in the ordinary course of business and payable in accordance with customary practices) for which such person is liable, contingently or otherwise, as obligor, guarantor or otherwise, or in respect of which such person otherwise assures a creditor against loss; (ii) all obligations of such person under leases which shall have been, or should have been, in accordance with generally accepted accounting

principles, recorded as capital leases in respect of which such person is liable, contingently or otherwise, as obligor, guarantor or otherwise, or in respect of which obligations such person otherwise assures a creditor against loss, (iii) unfunded vested benefits under each ERISA Plan; (iv) all indebtedness and other liabilities secured by any Lien on any property owned by such person even though such person has not assumed or otherwise become liable for payment thereof; (v) all obligations of such person in respect of letters of credit, acceptances or similar obligations issued or created for the account of such person; and (vi) indebtedness of such person evidenced by a bond, debenture, note or similar instrument, excluding, however, the Subordinated Notes in the outstanding principal amount of $1,250,000.00.

"Notes" means the Term A Promissory Note, the Term B Promissory Note, the Term C Promissory Note and the Revolving Line of Credit Promissory Note, as further described in Section 2.1 of this Agreement.

"Subordinated Notes" means the Series A 10% Subordinated Notes due December 31, 2006 in the aggregate outstanding principal amount of $1,250,000.00 issued by NGE Leasing, Inc.

2.2 Term Loans. Section 2.1(a) of the Agreement is amended by adding a new third paragraph at the end of Section 2.1(a), which new paragraph reads in full as follows:

The Borrower shall execute and deliver to the Lender the Term C Promissory Note in the form of Exhibit A-2 hereto in the original principal amount of $750,000.00 (the "Term C Promissory Note"). Subject to and upon the terms and conditions of this Agreement, the entire amount of the Term C Promissory Note will be funded in a single Advance.

> The Term C Promissory Note shall be stated to mature five years from the date of such note and shall bear interest on the unpaid principal amount thereof from time to time outstanding at the applicable interest rate per annum as provided in the Term C Promissory Note. Principal and interest on the Term C Promissory Note shall be payable in the manner and on the dates specified therein.

2.3 Order of Application. Section 2.6 of the Agreement is amended to read in full as follows:

> 2.6 Order of Application. Except as otherwise provided in the Loan Papers, all payments and prepayments on the Obligations, including proceeds from the exercise of any Rights of Lender under the Loan Papers, shall be applied to the Obligations in the following order: (i) first, to reasonable expenses for which Lender shall not have been reimbursed under the Loan Papers and then to all amounts to which Lender is entitled to indemnification under the Loan Papers; (ii) to the accrued interest on the Note being paid or prepaid; (iii) to the principal of the Note being paid or prepaid and, with regard to the Term A Promissory Note, the Term B Promissory Note and the Term C Promissory Note, applied upon installments of most remote maturity; and (iv) to the remaining Obligations.

2.4 Initial Advances. Section 3.1(a)(2) of the Agreement is amended to read as follows:

> (2) the Term A Promissory Note, the Term B Promissory Note and the Term C Promissory Note.

2.5 Purpose of Loan. Section 4.11(a) of the Agreement is amended to read in full as follows:

> (a) with respect to loans made pursuant to and evidenced by the Term A Promissory Note, for the

repayment of the indebtedness described on Schedule II hereto, and with respect to loans made pursuant to and evidenced by the Term B Promissory Note and the Term C Promissory Note, for repaying the outstanding principal and accrued and unpaid interest on the Revolving Line of Credit Promissory Note.

2.6 New Exhibit. There is added to the Agreement a new Exhibit A-2 which is identical to Exhibit A-2 attached to this Amendment.

2.7 Consolidated Tangible Net Worth. Section 6.1(b) of the Agreement is amended to read in full as follows:

(b) Consolidated Tangible Net Worth. Permit the Consolidated Tangible Net Worth, as defined herein and calculated pursuant to Exhibit M hereto, to be less than $3,300,000.00 as of the end of each month.

2.8 Consolidated Debt to Consolidated Tangible Net Worth. Section 6.1(d) of the Agreement is amended to read in full as follows:

(d) Consolidated Debt to Consolidated Tangible Net Worth Ratio. Permit the ratio of (i) Consolidated Debt to (ii) Consolidated Tangible Net Worth, as such terms are defined herein and calculated pursuant to Exhibit O hereof, to be more than 3.75 to 1.00 as of the end of each month.

2.9. Exhibit M. Exhibit M to the Agreement is amended to read in full as set forth in Exhibit M to this Amendment.

SECTION 3. REVOLVING LOANS.

Borrower's repayment of all outstanding principal and accrued and unpaid interest on the Revolving Note shall not be in extinguishment or termination of the Revolving Note, and Borrower may continue to borrow, prepay and reborrow under such note in accordance with and subject to the terms and conditions of the Agreement and such Revolving Note.

SECTION 4. REPRESENTATIONS AND WARRANTIES.

To induce Lender to enter into this Amendment, Borrower hereby represents and warrants to the Lender as follows:

(a) Borrower has the corporate power, authority and legal right to make and deliver this Amendment and to perform its obligations under the Agreement, as amended hereby, and has taken all action necessary to authorize the execution and delivery of this Amendment and the performance of the Agreement as amended hereby.

(b) This Amendment has been duly executed and delivered on behalf of Borrower by its duly authorized officer, and this Amendment constitutes a legal, valid and binding obligation of Borrower, enforceable in accordance with its terms, except as the enforceability thereof may be limited by applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

(c) The proceeds of the loans to be made to Borrower on the date hereof shall be used by Borrower to repay and refinance all amounts outstanding under the Revolving Note.

(d) The execution, delivery and performance by Borrower of this Amendment do not violate or constitute a default under any provision of applicable law or any agreement binding upon Borrower or the Subsidiaries of Borrower or result in the creation or imposition of any Lien upon any of the assets of Borrower or the Subsidiaries of Borrower, except Liens expressly permitted by the Agreement.

(e) the representations and warranties contained in Article IV of the Agreement are true and correct on and as of the date hereof as though made on and as of the hereof.

(f) no Event of Default has occurred and is continuing (before and after giving effect to this Amendment).

SECTION 5. RATIFICATION OF SECURITY DOCUMENTS.

Borrower and each Subsidiary (other than Natural Gas Acquisition Corporation and Hy-Bon Rotary Compression, LLC) hereby (a) ratify and confirm in all respects (i) the First Amended and Restated Stock Pledge Agreement, dated as of March 9, 2001, (ii) each First Amended and Restated Security Agreement, dated as of March 9, 2001, and (iii) each Guaranty Agreement, dated as of March 9, 2001 (as any of the same have been amended or restated), to which it is a party, and (b) acknowledge, understand and agree that (i) all such pledge agreements, security agreements and guarantees are and shall continue to remain in full force and effect in accordance with the terms thereof as if reexecuted as of the date of this Amendment, and that (ii) payment of the Term C Promissory Note is secured by all such agreements. The amendments contemplated hereby shall not limit or impair any Bank Liens securing the Obligations, each of which are hereby ratified, affirmed and extended to secure the Obligations as renewed and increased pursuant hereto.

SECTION 6. RATIFICATION OF LIMITED GUARANTY AGREEMENTS.

Each of Wallace C. Sparkman, Wallace O. Sellers, CAV-RDV, LTD. and Diamente Investments, L.P. (individually, a "Limited Guarantor") executed a Limited Guaranty Agreement, dated as of March 9, 2001 (each such Limited Guaranty Agreement being referred to herein as a "Limited Guaranty") in favor of the Lender. Each Limited Guarantor guaranteed to the Lender the prompt and full payment of the "Guaranteed Indebtedness" (as defined in each Limited Guaranty). Each Limited Guarantor acknowledges and agrees that this Amendment and the transactions contemplated hereby shall not serve as a waiver, modification, impairment or release of any of such Limited Guarantor's obligations under his or its Limited Guaranty, all of which are and shall remain in full force and effect. Each Limited Guarantor reaffirms in all respects the Limited Guaranty to which such Limited Guarantor is a party, together with all of such Limited Guarantor's obligations as set forth in his or its Limited Guaranty. Each Limited Guarantor acknowledges and agrees that there are no claims or offsets against, or defenses or counterclaims to, the terms and provisions of and the obligations created and evidenced by such Limited Guarantor's Limited Guaranty. Each Limited Guarantor acknowledges and consents to the execution, delivery, and performance of this Amendment by the Lender and the Borrower and the transactions contemplated hereby, in all respects.

SECTION 7. CONDITIONS PRECEDENT.

This Amendment, and the Lender's commitment to make additional loans to the Borrower evidenced by the Term C Promissory Note, shall be effective only upon satisfaction of the following conditions precedent:

(a) Lender shall have received counterparts of this Amendment duly executed and delivered by the Borrower and Guarantors;

(b) Lender shall have received the Term C Promissory Note in the form of Exhibit A-2 hereto, executed and delivered by a duly authorized officer of Borrower;

(c) Lender shall have received the Revolving Line of Credit Promissory Note in the form of Exhibit B hereto, executed and delivered by a duly authorized officer of Borrower;

(d) no Event of Default shall have occurred and be continuing as of the date of this Amendment, both before and after giving effect to this Amendment;

(e) Lender shall have received a copy of the resolutions, in form and substance satisfactory to Lender, of the Board of Directors of Borrower authorizing (i) the execution, delivery and performance of this Amendment, the Term C Promissory Note, the Revolving Line of Credit Promissory Note and the other documents to be entered into in connection herewith to which it is a party, and (ii) the borrowings contemplated hereby, certified by its Secretary or Assistant Secretary, which certificate shall state that the resolutions thereby certified have not been amended, modified, revoked or rescinded as of the date of such certificate and shall be in form and substance satisfactory to Lender;

(f) Lender shall have received a copy of the resolutions, in form and substance satisfactory to Lender, of the Board of Directors of Rotary Gas Systems, Inc. authorizing the execution, delivery and performance of this Amendment, certified by its Secretary or Assistant Secretary, which

certificate shall state that the resolutions thereby certified have not been amended, modified, revoked or rescinded as of the date of such certificate and shall be in form and substance satisfactory to Lender; and

(g) Lender shall have received a copy of the resolutions, in form and substance satisfactory to Lender, of the Board of Directors of NGE Leasing, Inc. authorizing the execution, delivery and performance of this Amendment, certified by its Secretary or Assistant Secretary, which certificate shall state that the resolutions thereby certified have not been amended, modified, revoked or rescinded as of the date of such certificate and shall be in form and substance satisfactory to Lender;

(h) Lender shall have received a copy of the resolutions, in form and substance satisfactory to Lender, of the Board of Directors, General Partner or other governing bodies of each of Diamente Investments, L.P. and CAV-RDV, LTD. authorizing the execution, delivery and performance of this Amendment, certified by its Secretary or Assistant Secretary, which certificate shall state that the resolutions thereby certified have not been amended, modified, revoked or rescinded as of the date of such certificate and shall be in form and substance satisfactory to Lender; and

(i) Lender shall have received such other agreements, documents or instruments as Lender may require.

SECTION 8. NO OTHER AMENDMENTS; RATIFICATION OF LOAN PAPERS.

Except as expressly amended and modified by this Amendment, all of the provisions and covenants of the Agreement, all exhibits thereto and all other Loan Papers (as any of the same have been amended) are and shall continue to remain in full force and effect in accordance with the terms thereof and are hereby ratified and confirmed by Borrower, the Subsidiaries parties hereto and the Limited Guarantors as of the date of this Amendment as if the Agreement and such other Loan Papers were reexecuted as of the date of this Amendment.

SECTION 9. NO ADDITIONAL COMMITMENTS.

Borrower, Subsidiaries and Guarantors understand, acknowledge and agree that Lender has not made any commitments, and has no obligation, to renew, extend, refinance, increase or otherwise modify any of the Notes after the respective maturity date of each such Note.

SECTION 10. COUNTERPARTS.

This Amendment may be executed by one or more of the parties hereto in any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

SECTION 11. GOVERNING LAW.

THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS.

SECTION 12. GLOBAL AMENDMENT OF LOAN PAPERS.

All of the Loan Papers are hereby modified wherever necessary, and even though not specifically addressed herein, so as to conform to the amendments to the Agreement as set forth herein, and Borrower, the Subsidiaries and Guarantors covenant to observe, comply with and perform each of the terms and provisions of the Loan Papers to which they are parties, as modified hereby. Each Loan Paper to which Borrower and the Subsidiaries or any Guarantor is a party is hereby amended so that any reference in each such Loan Paper to the Agreement shall mean a reference to the Agreement as amended hereby.

SECTION 13. RELEASE.

The Borrower, Subsidiaries and Guarantors hereby release the Lender and its officers, directors, shareholders, agents, employees, attorneys, agents and representatives (collectively, the "Released Parties") from any

and all (i) damages, claims, liabilities, causes of action, contracts or controversies of any type, kind, nature, description or character; (ii) debts, accounts, sums of money, compensation, losses, costs or expense; (iii) breaches of contract, duty or any other type of relationship (iv) acts of omission, negligence, misfeasance or malfeasance; and (v) commitments or promises of any type made prior to the date hereof (the matters described in the preceding clauses (i) through (v), inclusive, being herein called the "Claims", whether or not the Claims are now known, unknown, or unforeseen, or are liquidated or unliquidated, which in any manner arise out of, or relate to, the Notes, this Amendment, the Agreement or otherwise arising out of facts or events existing or occurring prior to the date hereof; including, without limitation, any Claims of the Borrower relating to: (a) the negotiation of the terms of the Term C Promissory Note, this Amendment or the Agreement; or (b) any action or inaction of any of the Released Parties with respect to the Notes, this Amendment or the Agreement.

SECTION 14. FINAL AGREEMENT.

THE AGREEMENT, AS AMENDED BY THIS AMENDMENT, AND THE OTHER LOAN PAPERS REPRESENT THE ENTIRE AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS BETWEEN THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered by their respective duly authorized officers as of the date and year first above written.

BORROWER:

NATURAL GAS SERVICES GROUP, INC.

By: /s/ Wallace C. Sparkman

Wallace C. Sparkman, President

LENDER:

WESTERN NATIONAL BANK

By: /s/ Scott A. Lovett

Scott A. Lovett, Executive Vice President

GUARANTORS:

/s/ Wallace C. Sparkman

Wallace C. Sparkman

/s/ Wallace O. Sellers

Wallace O. Sellers

CAV-RDV, LTD.

By: /s/ Kirk Mehaffey

Kirk Mehaffey, General Partner

DIAMENTE INVESTMENTS, L.P.

By: Diamente Management, LLC, its general partner

By: /s/ Wallace C. Sparkman

Wallace C. Sparkman, President

SUBSIDIARY GUARANTORS:

ROTARY GAS SYSTEMS, INC.

By: /s/ Wayne Vinson

Wayne Vinson, President

NGE LEASING, INC.

By: /s/ Wallace Sparkman

Name: Wallace Sparkman

Title: President

FIFTH AMENDMENT TO LOAN AGREEMENT

This Fifth Amendment to Loan Agreement (this "Amendment"), dated as of April 3, 2002, is made and entered into by and among Natural Gas Services Group, Inc., a Colorado corporation ("Borrower"), Wallace C. Sparkman, Wallace O. Sellers, CAV-RDV, LTD., Diamente Investments, L.P., Rotary Gas Systems, Inc., NGE Leasing, Inc. and Western National Bank, a national banking association ("Lender").

WITNESSETH:

WHEREAS, Borrower and Lender entered into that certain Loan Agreement, dated as of September 15, 1999, as amended by that certain First Amendment and Waiver to Loan Agreement, dated as of March 9, 2001, as further amended by that certain Second Amendment to Loan Agreement, dated as of March 20, 2001, as further amended by that certain Third Amendment and Waiver to Loan Agreement, dated as of July 25, 2001, and as further amended by that certain Fourth Amendment to Loan Agreement, dated as of December 12, 2001 (said Loan Agreement, as so amended, the "Agreement"), providing for, among other things, loans to Borrower evidenced by (i) that certain Revolving Line of Credit Promissory Note (the "Revolving Note"), dated December 12, 2001, in the original principal amount of $750,000.00, (ii) that certain Term A Promissory Note, dated September 15, 1999, in the original principal amount of $1,500,000.00 (the "Term A Promissory Note"), (iii) that certain Term B Promissory Note, dated March 9, 2001, in the original principal amount of $700,000.00 (the "Term B Promissory Note"), and (iv) that certain Term C Promissory Note, dated December 12, 2001, in the original principal amount of $750,000.00 (the "Term C Promissory Note").

WHEREAS, Borrower has requested that Lender (i) renew, rearrange and consolidate the outstanding indebtedness evidenced by the Term A Promissory Note, the Term B Promissory Note and the Term C Promissory Note, (ii) provide an additional term loan to Borrower in the amount of $1,853,340.00 and (iii) renew and extend the Revolving Note;

WHEREAS, Borrower desires to amend the Agreement to provide for (i) the renewal, rearrangement and consolidation of the Term A Promissory Note, Term B Promissory Note and the Term C Promissory Note, (ii) the additional term loan, (iii) the renewal and extension of the Revolving Note, and (iv) the other matters set forth herein;

WHEREAS, the Lender is agreeable to the Borrower's requests but only upon and subject to the terms and provisions which are hereinafter specified.

NOW THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained, and intending to be legally bound hereby, the parties hereto hereby agree as follows:

SECTION 1. DEFINED TERMS.

In addition to the terms defined in this Amendment, all terms defined in the Agreement, and not otherwise defined herein, shall have the meaning given them in the Agreement when used herein.

SECTION 2. AMENDMENTS TO LOAN AGREEMENT.

2.1 Amendment to Definitions. The definitions of "Notes" contained in Section 1.1 of the Agreement is amended to read as follows:

> "Notes" means the Consolidated Term Promissory Note, the Multiple Advance Term Promissory Note, and the Revolving Line of Credit Promissory Note, as further described in Section 2.1 of this Agreement, as any of the same may be renewed, extended, increased or otherwise modified from time to time.

2.2 Term Loans. Section 2.1(a) of the Agreement is amended to read in it entirety as follows:

> The Borrower shall execute and deliver to the Lender the Consolidated Term Promissory Note in the form of Exhibit A-3 hereto in the original principal amount of $2,146,660.93 (the

"Consolidated Term Promissory Note"). Principal and interest on the Consolidated Term Promissory Note will be payable at the rate, in the manner and on the dates specified therein.

The Borrower shall also execute and deliver to the Lender the Multiple Advance Term Promissory Note in the form of Exhibit A-4 hereto in the original principal amount of $1,853,340.00 (the "Multiple Advance Term Promissory Note"). Subject to and upon the terms and conditions of this Agreement and the Multiple Advance Term Promissory Note, the Borrower may, at any time and from time to time until maturity of the Multiple Advance Term Promissory Note, request one or more Advances and borrow (without the ability to reborrow amounts prepaid under the Multiple Advance Term Promissory Note) under the Multiple Advance Term Promissory Note; provided, however, the cumulative aggregate principal amount of all Advances under the Multiple Advance Term Promissory Note shall not exceed $1,853,340.00. The Multiple Advance Term Promissory Note, including the loans evidenced thereby, is a multiple advance term loan facility and shall not be construed as a revolving line of credit as reborrowings are not permitted. Principal and interest on the Multiple Advance Term Promissory Note will be payable at the rate, in the manner and on the dates specified therein.

2.3 Procedure for Borrowings. Section 2.2(a) of the Agreement is amended to read as follows:

(a) At the time of the initial Advance under the Multiple Advance Term Promissory Note or the Revolving Line of Credit Promissory Note, as the case may be, the conditions set forth in Section 3.1 of this Agreement shall have been satisfied and, with respect to each Subsequent Advance under the Revolving Line of Credit Promissory Note or the

Multiple Advance Term Promissory Note, the conditions set forth in Section 3.2 hereof shall have been satisfied at the time of each such Subsequent Advance. At the time of each request for a Subsequent Advance under the Revolving Line of Credit Promissory Note or the Multiple Advance Term Promissory Note, the Borrower shall simultaneously furnish to the Lender a written notice of borrowing (dated as of the date of the request for such Subsequent Advance and otherwise being in substantially the form attached hereto as Exhibit C) confirming (i) the amount of the requested Subsequent Advance and (ii) the absence of any Event of Default at the date of such request. Each request for a Subsequent Advance under the Revolving Line of Credit Promissory Note must be in the minimum amount of $50,000.00 or the unadvanced portion of the Revolving Line of Credit Promissory Note, whichever is less. Each request for a Subsequent Advance under the Multiple Advance Term Promissory Note must be in the minimum amount of $50,000.00 or the unadvanced portion of the Multiple Advance Term Promissory Note, whichever is less. Assuming the satisfaction of the conditions set forth in this Section 2.2, requests for Subsequent Advances under the Revolving Line of Credit Promissory Note and the Multiple Advance Term Promissory Note will be funded on the same Business Day that Lender receives Borrower's request for each such Subsequent Advance; provided that Borrower's request is received by the Lender prior to 12:00 noon on the date of any such request.

2.4 Order of Application. Section 2.6 of the Agreement is amended to read in full as follows:

2.6 Order of Application. Except as otherwise provided in the Loan Papers, all payments and prepayments on the Obligations, including proceeds from the exercise of any Rights of Lender under the Loan Papers, shall be applied to the Obligations in the following order: (i) first, to reasonable expenses for which Lender shall not have been reimbursed under the Loan Papers and then to all amounts to which Lender is entitled to indemnification under the Loan Papers; (ii) to the accrued interest on the Note being paid or prepaid; (iii) to the principal of the Note being paid or prepaid and, with regard to the Consolidated Term Promissory Note, applied upon installments of most remote maturity; and (iv) to the remaining Obligations.

2.5 Purpose of Loan. Section 4.11(a) of the Agreement is amended to read in full as follows:

(a) with respect to loans made pursuant to and evidenced by the Consolidated Term Promissory Note, in renewal, rearrangement and consolidation of the Term A Promissory Note, Term B Promissory Note and the Term C Promissory Note, and with respect to loans made pursuant to and evidenced by the Multiple Advance Term Promissory Note for the purchase of equipment to be used in the construction of natural gas compressors and for purchasing natural gas compressors.

2.6 Consolidated Debt to Consolidated Tangible Net Worth. Section 6.1(d) of the Agreement is amended to read in full as follows:

(d) Consolidated Debt to Consolidated Tangible Net Worth Ratio. Permit the ratio of (i) Consolidated Debt to (ii) Consolidated Tangible Net Worth, as such terms are defined herein and calculated pursuant to Exhibit O hereof, to be more than 3.75 to 1.00 as of the end of each month through and including December 31, 2002, or more

than 3.00 to 1.00 as of the end of each month after December 31, 2002.

2.7 New Exhibit. There is added to the Agreement a new Exhibit A-3 which is identical to Exhibit A-3 attached to this Amendment, and a new Exhibit A-4 which is identical to Exhibit A-4 attached to this Amendment.

SECTION 3. REPRESENTATIONS AND WARRANTIES.

To induce Lender to enter into this Amendment, Borrower hereby represents and warrants to the Lender as follows:

(a) Borrower has the corporate power, authority and legal right (i) to make and deliver this Amendment, the Consolidated Term Promissory Note and the Multiple Advance Term Promissory Note; (ii) to perform its obligations under the Notes and the Agreement, as amended hereby; and (iii) Borrower has taken all action necessary to authorize the execution and delivery of the Consolidated Term Promissory Note, the Multiple Advance Term Promissory Note, this Amendment and the performance of the Agreement, as amended hereby.

(b) This Amendment, the Consolidated Term Promissory Note, and the Multiple Advance Term Promissory Note have been duly executed and delivered on behalf of Borrower by its duly authorized officer, and this Amendment, the Consolidated Term Promissory Note and the Multiple Advance Term Promissory Note each constitute a legal, valid and binding obligation of Borrower, enforceable in accordance with its terms, except as the enforceability thereof may be limited by applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

(c) The execution, delivery and performance by Borrower of this Amendment and the transactions contemplated hereby do not violate or constitute a default under any provision of applicable law or any agreement binding upon Borrower or the Subsidiaries of Borrower or result in the creation or imposition of any Lien upon any of the assets of Borrower or the Subsidiaries of Borrower, except Liens expressly permitted by the Agreement.

(d) the representations and warranties contained in Article IV of the Agreement are true and correct on and as of the date hereof as though made on and as of the hereof.

(e) no Event of Default has occurred and is continuing (before and after giving effect to this Amendment).

SECTION 4. RATIFICATION OF SECURITY DOCUMENTS.

Borrower and each Subsidiary (other than Natural Gas Acquisition Corporation and Hy-Bon Rotary Compression, LLC) hereby (a) ratify and confirm in all respects (i) the First Amended and Restated Stock Pledge Agreement, dated as of March 9, 2001, (ii) each First Amended and Restated Security Agreement, dated as of March 9, 2001, and (iii) each Guaranty Agreement, dated as of March 9, 2001 (as any of the same have been amended or restated), to which it is a party, and (b) acknowledge, understand and agree that (i) all such pledge agreements, security agreements and guarantees are and shall continue to remain in full force and effect in accordance with the terms thereof as if reexecuted as of the date of this Amendment, and that (ii) payment of the Consolidated Term Promissory Note, the Multiple Advance Term Promissory Note and the Revolving Note is secured by all such agreements. The amendments contemplated hereby shall not limit or impair any Bank Liens securing the Obligations, each of which are hereby ratified, affirmed and extended to secure the Obligations as renewed and consolidated and increased pursuant hereto.

SECTION 5. CONDITIONS PRECEDENT.

This Amendment and the Lender's commitment to renew, rearrange and consolidate the Term A Promissory Note, the Term B Promissory Note and the Term C Promissory Note, and the Lender's commitment to make additional loans to the Borrower evidenced by the Multiple Advance Term Promissory Note, shall be effective only upon satisfaction of the following conditions precedent:

(a) Lender shall have received counterparts of this Amendment duly executed and delivered by the Borrower and Guarantors;

(b) Lender shall have received the Consolidated Term Promissory Note in the form of Exhibit A-3 hereto, executed and delivered by a duly authorized officer of Borrower;

(c) Lender shall have received the Multiple Advance Term Promissory Note in the form of Exhibit A-4 hereto, executed and delivered by a duly authorized officer of Borrower;

(d) Lender shall have received the Revolving Line of Credit Promissory Note in the form of Exhibit B hereto, executed and delivered by a duly authorized officer of Borrower;

(e) no Event of Default shall have occurred and be continuing as of the date of this Amendment, both before and after giving effect to this Amendment;

(f) Lender shall have received a copy of the resolutions, in form and substance satisfactory to Lender, of the Board of Directors of Borrower authorizing (i) the execution, delivery and performance of this Amendment, the Consolidated Term Promissory Note, the Multiple Advance Term Promissory Note and the other documents to be entered into in connection herewith to which it is a party, and (ii) the borrowings contemplated hereby, certified by its Secretary or Assistant Secretary, which certificate shall state that the resolutions thereby certified have not been amended, modified, revoked or rescinded as of the date of such certificate and shall be in form and substance satisfactory to Lender;

(g) Lender shall have received a copy of the resolutions, in form and substance satisfactory to Lender, of the Board of Directors of Rotary Gas Systems, Inc. authorizing the execution, delivery and performance of this Amendment, certified by its Secretary or Assistant Secretary, which certificate shall state that the resolutions thereby certified have not been amended, modified, revoked or rescinded as of the date of such certificate and shall be in form and substance satisfactory to Lender; and

(h) Lender shall have received a copy of the resolutions, in form and substance satisfactory to Lender, of the Board of Directors of NGE Leasing, Inc. authorizing the execution, delivery and performance of this Amendment, certified by its Secretary or Assistant Secretary, which

certificate shall state that the resolutions thereby certified have not been amended, modified, revoked or rescinded as of the date of such certificate and shall be in form and substance satisfactory to Lender;

(i) Lender shall have received a copy of the resolutions, in form and substance satisfactory to Lender, of the Board of Directors, General Partner or other governing bodies of each of Diamente Investments, L.P. and CAV-RDV, LTD. authorizing the execution, delivery and performance of this Amendment, certified by its Secretary or Assistant Secretary or other authorized officer or partner, which certificate shall state that the resolutions thereby certified have not been amended, modified, revoked or rescinded as of the date of such certificate and shall be in form and substance satisfactory to Lender;

(j) Lender shall have received from each of Wallace O. Sellers, Richard L. Yadon, CAV-RDV, Ltd. and Wallace C. Sparkman and Diamente Investments, L.P. a Limited Guaranty Agreement in form and substance satisfactory to Lender in its sole discretion; and

(k) Lender shall have received such other agreements, documents or instruments as Lender may require.

SECTION 6. NO OTHER AMENDMENTS; RATIFICATION OF LOAN PAPERS.

Except as expressly amended and modified by this Amendment, all of the provisions and covenants of the Agreement, all exhibits thereto and all other Loan Papers (as any of the same have been amended) are and shall continue to remain in full force and effect in accordance with the terms thereof and are hereby ratified and confirmed by Borrower, the Subsidiaries parties hereto and the Limited Guarantors as of the date of this Amendment as if the Agreement and such other Loan Papers were reexecuted as of the date of this Amendment.

SECTION 7. NO ADDITIONAL COMMITMENTS.

Borrower, Subsidiaries and Guarantors understand, acknowledge and agree that Lender has not made any commitments, and has no obligation, to renew, extend, refinance, increase or otherwise modify any of the Notes after the respective maturity date of each such Note.

SECTION 8. COUNTERPARTS.

This Amendment may be executed by one or more of the parties hereto in any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

SECTION 9. GOVERNING LAW.

THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS.

SECTION 10. GLOBAL AMENDMENT OF LOAN PAPERS.

All of the Loan Papers are hereby modified wherever necessary, and even though not specifically addressed herein, so as to conform to the amendments to the Agreement as set forth herein, and Borrower, the Subsidiaries and Guarantors covenant to observe, comply with and perform each of the terms and provisions of the Loan Papers to which they are parties, as modified hereby. Each Loan Paper to which Borrower and the Subsidiaries or any Guarantor is a party is hereby amended so that any reference in each such Loan Paper to the Agreement shall mean a reference to the Agreement as amended hereby. Without limiting the foregoing, each and any reference to the "Term A Promissory Note", "Term B Promissory Note" and the "Term C Promissory Note" in the Agreement as in effect prior to the date of this Amendment or any collective reference to such promissory notes shall mean and refer to the Consolidated Term Promissory Note.

SECTION 11. RELEASE.

The Borrower, Subsidiaries and Guarantors hereby release the Lender and its officers, directors, shareholders, agents, employees, attorneys, agents and representatives (collectively, the "Released Parties") from any and all (i) damages, claims, liabilities, causes of action, contracts or controversies of any type, kind, nature, description or character; (ii) debts,

accounts, sums of money, compensation, losses, costs or expense; (iii) breaches of contract, duty or any other type of relationship (iv) acts of omission, negligence, misfeasance or malfeasance; and (v) commitments or promises of any type made prior to the date hereof (the matters described in the preceding clauses (i) through (v), inclusive, being herein called the "Claims", whether or not the Claims are now known, unknown, or unforeseen, or are liquidated or unliquidated, which in any manner arise out of, or relate to, the Notes, this Amendment, the Agreement or otherwise arising out of facts or events existing or occurring prior to the date hereof; including, without limitation, any Claims of the Borrower relating to: (a) the negotiation of the terms of the Consolidated Term Promissory Note, the Multiple Advance Term Promissory Note, this Amendment or the Agreement; or (b) any action or inaction of any of the Released Parties with respect to the Notes, this Amendment or the Agreement.

SECTION 12. FINAL AGREEMENT.

THE AGREEMENT, AS AMENDED BY THIS AMENDMENT, AND THE OTHER LOAN PAPERS REPRESENT THE ENTIRE AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS BETWEEN THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered by their respective duly authorized officers as of the date and year first above written.

BORROWER:

NATURAL GAS SERVICES GROUP, INC.

By: /s/ Wayne Vinson

Wayne Vinson, President

LENDER:

WESTERN NATIONAL BANK

By: /s/ Scott A. Lovett

Scott A. Lovett, Executive Vice President

LIMITED GUARANTORS:

/s/ Wallace O. Sellers

Wallace O. Sellers, Individually

CAV-RDV, LTD.

By: /s/ Kirk Mehaffey

Kirk Mehaffey, General Partner

DIAMENTE INVESTMENTS, L.P.

By: Diamente Management, LLC, its general partner

By: /s/ Wallace Sparkman

Wallace C. Sparkman, President

/s/ Wallace Sparkman

Wallace C. Sparkman, Individually

/s/ Richard L. Yadon

Richard L. Yadon, Individually

SUBSIDIARY GUARANTORS:

ROTARY GAS SYSTEMS, INC.

By: /s/ Wayne Vinson

Wayne Vinson, President

NGE LEASING, INC.

By: /s/ Wallace Sparkman

Wallace C. Sparkman, President

EXHIBIT A-3

CONSOLIDATED TERM PROMISSORY NOTE

$2,146,660.93 April 3, 2002

FOR VALUE RECEIVED, in the manner, on the dates and in the amounts herein stipulated, NATURAL GAS SERVICES GROUP, INC., a Colorado corporation ("Borrower"), hereby promises and agrees to pay to the order of WESTERN NATIONAL BANK, a national banking association ("Lender"), in Midland, Midland County, Texas, the principal sum of Two Million One Hundred Forty Six Thousand Six Hundred Sixty and 93/100 Dollars ($2,146,660.93) in lawful money of the United States of America, which shall be legal tender in payment of all debts and dues, public and private, at the time of payment, together with interest on the unpaid principal amount hereof from time to time outstanding until maturity at a rate per annum which shall from day to day be equal to the lesser of (a) one percent (1.00%) over the Prime Rate (the "Established Rate") in effect from day to day (calculated on the basis of actual days elapsed, but computed as if each calendar year consisted of 360 days) or (b) the Highest Lawful Rate. Each change in the rate of interest charged under this Consolidated Term Promissory Note (this "Note") shall, subject to the terms hereof, become effective, without notice to Borrower, upon the effective date of each change in the Prime Rate or the Highest Lawful Rate, as the case may be. Notwithstanding the foregoing, if at any time the Established Rate exceeds the Highest Lawful Rate, the rate of interest on this Note shall be limited to the Highest Lawful Rate, but any subsequent reductions in the Established Rate shall not reduce the rate of interest hereon below the Highest Lawful Rate until the total amount of interest accrued hereon approximately equals the amount of interest which would have accrued hereon if the Established Rate had at all times been in effect. In the event that at maturity (stated or by acceleration), or at final payment of this Note, the total amount of interest paid or accrued hereon is less than the amount of interest which would have accrued if the Established Rate had at all times been in effect, then, at such time and to the extent permitted by applicable laws, Borrower shall pay to Lender an amount equal to the difference between (a) the lesser of the amount of interest which would

have accrued if the Established Rate had at all times been in effect or the amount of interest which would have accrued if the Highest Lawful Rate had at all times been in effect, and (b) the amount of interest actually paid or accrued on this Note. Interest calculations may be made ten days prior to any interest install ment due date under this Note, in which event, if there is an adjustment in the interest rate in accordance with the terms hereof during such ten- day period, then Borrower shall subsequently, on demand, pay to Lender any underpayment, or Lender shall pay to Borrower, any overpayment, as the case may be, as a result of any adjustment during such ten-day period.

This Note is given in renewal, rearrangement and consolidation, but not extinguishment or novation, of the Term A Promissory Note, Term B Promissory Note and the Term C Promissory Note, and is the Consolidated Term Promissory Note referred to in the Loan Agreement, dated as of September 15, 1999, as amended by that certain First Amendment and Waiver to Loan Agreement, dated as of March 9, 2001, as further amended by that certain Second Amendment to Loan Agreement, dated as of March 20, 2001, as further amended by that certain Third Amendment and Waiver to Loan Agreement, dated as of July 25, 2001, as further amended by that certain Fourth Amendment to Loan Agreement, dated as of December 12, 2001, and as further amended by that certain Fifth Amendment to Loan Agreement, dated as of April 3, 2002 (said Loan Agreement, as amended, and as the same may be further amended, supplemented or otherwise modified from time to time, the "Loan Agreement"), by and between Borrower and Lender, and is subject to the terms and conditions thereof. Reference is made to the Loan Agreement for provisions for the disbursement of funds hereunder and for a further statement of the rights, remedies, powers, privileges, benefits, duties and obligations of Borrower and Lender under the Loan Agreement and this Note. Terms used herein which are defined in the Loan Agreement shall have such defined meanings unless otherwise defined herein. The holder of this Note shall be entitled to the benefits of the Loan Agreement.

The principal of this Note shall be due and payable (a) in forty- seven consecutive monthly installments of $45,746.00 each, with the first such installment being due and payable on April 15, 2002, and a like installment being due and payable on the fifteenth day of each succeeding month to and including February 15, 2006; and (b) one final installment in an amount equal to all remaining unpaid principal and accrued and unpaid interest on this Note shall be due and payable on March 15, 2006.

Interest, computed on the unpaid balance of this Note, shall be due and payable as it accrues, on the same dates as, but in addition to, the installments of principal. All payments and prepayments shall be applied first to accrued and unpaid interest, and the balance to principal. Partial prepayments of principal shall be applied to the installments of principal thereof in the inverse order of their maturity. All of the past due principal and accrued interest hereunder shall, at the option of Lender, bear interest from maturity (stated or by acceleration) until paid at a rate per annum equal to the Highest Lawful Rate.

This Note is secured as provided in the Loan Agreement and in the other Loan Papers, to which reference is hereby made for a description of the properties and assets in which a lien and security interest has been granted, the nature and extent of the security, the terms and conditions upon which the liens and security interests were granted and the rights of the holder of this Note with respect thereto.

Time is of the essence of this Note. Upon the occurrence of any one or more of the Events of Default specified in the Loan Agreement, all amounts then remaining unpaid on this Note shall become, or may be declared to be, immediately due and payable, all as provided therein.

Borrower and any and all co-makers, endorsers, guarantors and sureties severally waive notice (including, but not limited to, notice of protest, notice of dishonor, notice of intent to accelerate and notice of acceleration), demand, presentment for payment, protest, diligence in collecting or bringing suit and the filing of suit for the purpose of fixing liability, and consent that the time of payment hereof may be extended and re-extended from time to time without notice to them or any of them, and each agrees that his, her or its liability on or with respect to this Note shall not be affected, diminished or impaired by any (a) release of any security at any time existing for this Note, (b) substitution for any security at any time existing for this Note, or (c) failure to perfect (or to maintain perfection of) any lien on or security interest in any such security, in each case in whole or in part, with or without notice, before or after maturity.

It is the intention of Borrower and Lender that Lender shall conform strictly to usury laws applicable to it. Accordingly, if the transactions contemplated by the Loan Agreement and this Note would be usurious as to Lender under laws applicable to it (including the laws of the United States of America and the State of Texas or any other jurisdiction whose

laws may be mandatorily applicable to Lender notwithstanding the other provisions of the Loan Agreement and this Note), then, in that event, notwithstanding anything to the contrary in this Note, the Loan Agreement or any other Loan Paper or other agreement entered into in connection with or as security for this Note, (i) the aggregate of all consideration which is contracted for, taken, reserved, charged or received by Lender under this Note, the Loan Agreement or any other Loan Paper or agreement entered into in connection with or as security for this Note shall under no circumstances exceed the maximum amount allowed by such applicable law, and any excess shall be credited by Lender on the principal amount of the Obligations to Lender (or, to the extent that the principal amount of the Obligations shall have been or would thereby be paid in full, refunded by Lender to the Borrower); and (ii) in the event that the maturity of this Note is accelerated by reason of an Event of Default under the Loan Agreement or otherwise, or in the event of any prepayment, then such consideration that constitutes interest under law applicable to Lender may never include more than the maximum amount allowed by such applicable law, and excess interest, if any, provided for in this Note, the Loan Agreement or otherwise shall be cancelled automatically by Lender as of the date of such acceleration of prepayment and, if theretofore paid, shall be credited by Lender on the principal amount of the Obligations (or, to the extent that the principal amount of such Obligations shall have been or would thereby be paid in full, refunded by Lender to the Borrower).

To the extent that Texas Finance Code Section 303.002 is relevant to Lender for the purposes of determining the Highest Lawful Rate, the applicable rate ceiling under such provisions shall be determined by the indicated (weekly) rate ceiling from time to time in effect, subject to Lender's right subsequently to change such method in accordance with applicable law. Notwithstanding anything to the contrary contained herein or in any of the other Loan Papers, it is not the intention of the Lender to accelerate the maturity of any interest that has not accrued at the time of such acceleration or to collect unearned interest at the time of such acceleration.

This Note is performable and payable in the County of Midland, State of Texas, and shall be construed in accordance with, and governed by, the laws of the State of Texas; provided, however, that the laws pertaining to allowable rates of interest may, from time to time, be governed by the laws of the United States of America.

NATURAL GAS SERVICES GROUP, INC.

By: /s/ Wayne Vinson

Wayne Vinson, President

EXHIBIT A-4

MULTIPLE ADVANCE TERM PROMISSORY NOTE

$1,853,340.00 April 3, 2002

FOR VALUE RECEIVED, in the manner, on the dates and in the amounts herein stipulated, NATURAL GAS SERVICES GROUP, INC., a Colorado corporation ("Borrower"), hereby promises and agrees to pay to the order of WESTERN NATIONAL BANK, a national banking association ("Lender"), in Midland, Midland County, Texas, the principal sum of One Million Eight Hundred Fifty Three Thousand Three Hundred Forty and No/100 Dollars ($1,853,340.00) or, if less, the aggregate unpaid principal amount outstanding hereunder, in lawful money of the United States of America, which shall be legal tender in payment of all debts and dues, public and private, at the time of payment, together with interest on the unpaid principal amount hereof from time to time outstanding until maturity at a rate per annum which shall from day to day be equal to the lesser of (a) one percent (1.00%) over the Prime Rate (the "Established Rate") in effect from day to day (calculated on the basis of actual days elapsed, but computed as if each calendar year consisted of 360 days) or (b) the Highest Lawful Rate. Each change in the rate of interest charged under this Multiple Advance Term Promissory Note (this "Note") shall, subject to the terms hereof, become effective, without notice to Borrower, upon the effective date of each change in the Prime Rate or the Highest Lawful Rate, as the case may be. Notwithstanding the foregoing, if at any time the Established Rate exceeds the Highest Lawful Rate, the rate of interest on this Note shall be limited to the Highest Lawful Rate, but any subsequent reduction in the Established Rate shall not reduce the rate of interest hereon below the Highest Lawful Rate until the total amount of interest accrued hereon approxi mately equals the amount of interest which would have accrued hereon if the Established Rate had at all times been in effect. In the event that at maturity (stated or by acceleration), or at final payment of this Note, the total amount of interest paid or accrued hereon is less than the amount of interest which would have accrued if the Established Rate had at all times been in effect, then, at such time and to the extent permitted by applicable laws, Borrower shall pay to Lender an

amount equal to the difference between (a) the lesser of the amount of interest which would have accrued if the Established Rate had at all times been in effect or the amount of interest which would have accrued if the Highest Lawful Rate had at all times been in effect, and (b) the amount of interest actually paid or accrued on this Note. Interest calculations may be made ten days prior to any interest installment due date under this Note, in which event, if there is an adjustment in the interest rate in accordance with the terms hereof during such ten-day period, then Borrower shall subse quently, on demand, pay to Lender any underpayment, or Lender shall pay to Borrower, any overpayment, as the case may be, as a result of any adjustment during such ten-day period.

This Note is the Multiple Advance Term Promissory Note referred to in the Loan Agreement, dated as of September 15, 1999, as amended by that certain First Amendment and Waiver to Loan Agreement, dated as of March 9, 2001, as further amended by that certain Second Amendment to Loan Agreement, dated as of March 20, 2001, as further amended by that certain Third Amendment and Waiver to Loan Agreement, dated as of July 25, 2001, as further amended by that certain Fourth Amendment to Loan Agreement, dated as of December 12, 2001, and as further amended by that certain Fifth Amendment to Loan Agreement, dated as of April 3, 2002 (said Loan Agreement, as amended, and as the same may be further amended, supplemented or otherwise modified from time to time, the "Loan Agreement"), by and between Borrower and Lender, and is subject to the terms and conditions thereof. Reference is made to the Loan Agreement for provisions for the disbursement of funds hereunder and for a further statement of the rights, remedies, powers, privileges, benefits, duties and obligations of Borrower and Lender under the Loan Agreement and this Note. Terms used herein which are defined in the Loan Agreement shall have such defined meanings unless otherwise defined herein. The holder of this Note shall be entitled to the benefits of the Loan Agreement.

Subject to the terms hereof and of the Loan Agreement, from the date of this Note until maturity, the Lender will make Advances and Subsequent Advances under this Note in accordance with the provisions of the Loan Agreement. The aggregate principal amount of all such Advances as may be made by the Lender to the Borrower under this Note shall never exceed One Million Eight Hundred Fifty Three Thousand Three Hundred Forty and No/100 Dollars ($1,853,340.00).

Interest on the outstanding principal balance of this Note shall be due and payable monthly on the fifteenth day of each month, commencing April 15, 2002. The then outstanding principal balance of this Note and all accrued and unpaid interest shall be due and payable on March 15, 2003. All of the past due principal and accrued interest hereunder shall, at the option of Lender, bear interest from maturity (stated or by acceleration) until paid at a rate per annum equal to the Highest Lawful Rate.

This Note is secured as provided in the Loan Agreement and in the other Loan Papers, to which reference is hereby made for a description of the properties and assets in which a lien and security interest has been granted, the nature and extent of the security, the terms and conditions upon which the liens and security interests were granted and the rights of the holder of this Note with respect thereto.

Time is of the essence of this Note. Upon the occurrence of any one or more of the Events of Default specified in the Loan Agreement, all amounts then remaining unpaid on this Note shall become, or may be declared to be, immediately due and payable, all as provided therein.

Borrower and any and all co-makers, endorsers, guarantors and sureties severally waive notice (including, but not limited to, notice of protest, notice of dishonor, notice of intent to accelerate and notice of acceleration), demand, presentment for payment, protest, diligence in collecting or bringing suit and the filing of suit for the purpose of fixing liability, and consent that the time of payment hereof may be extended and re-extended from time to time without notice to them or any of them, and each agrees that his, her or its liability on or with respect to this Note shall not be affected, diminished or impaired by any (a) release of any security at any time existing for this Note, (b) substitution for any security at any time existing for this Note, or (c) failure to perfect (or to maintain perfection of) any lien on or security interest in any such security, in each case in whole or in part, with or without notice, before or after maturity.

It is the intention of Borrower and Lender that Lender shall conform strictly to usury laws applicable to it. Accordingly, if the transactions contemplated by the Loan Agreement and this Note would be usurious as to Lender under laws applicable to it (including the laws of the United States of America and the State of Texas or any other jurisdiction whose laws may be mandatorily applicable to Lender notwithstanding the other

provisions of the Loan Agreement and this Note), then, in that event, notwithstanding anything to the contrary in this Note, the Loan Agreement or any other Loan Paper or other agreement entered into in connection with or as security for this Note, (i) the aggregate of all consideration which is contracted for, taken, reserved, charged or received by Lender under this Note, the Loan Agreement or any other Loan Paper or agreement entered into in connection with or as security for this Note shall under no circumstances exceed the maximum amount allowed by such applicable law, and any excess shall be credited by Lender on the principal amount of the Obligations to Lender (or, to the extent that the principal amount of the Obligations shall have been or would thereby be paid in full, refunded by Lender to the Borrower); and (ii) in the event that the maturity of this Note is accelerated by reason of an Event of Default under the Loan Agreement or otherwise, or in the event of any prepayment, then such consideration that constitutes interest under law applicable to Lender may never include more than the maximum amount allowed by such applicable law, and excess interest, if any, provided for in this Note, the Loan Agreement or otherwise shall be cancelled automatically by Lender as of the date of such acceleration of prepayment and, if theretofore paid, shall be credited by Lender on the principal amount of the Obligations (or, to the extent that the principal amount of such Obligations shall have been or would thereby be paid in full, refunded by Lender to the Borrower).

To the extent that Texas Finance Code Section 303.002 is relevant to Lender for the purposes of determining the Highest Lawful Rate, the applicable rate ceiling under such provisions shall be determined by the indicated (weekly) rate ceiling from time to time in effect, subject to Lender's right subsequently to change such method in accordance with applicable law. Notwithstanding anything to the contrary contained herein or in any of the other Loan Papers, it is not the intention of the Lender to accelerate the maturity of any interest that has not accrued at the time of such acceleration or to collect unearned interest at the time of such acceleration.

This Note is performable and payable in the County of Midland, State of Texas, and shall be construed in accordance with, and governed by, the laws of the State of Texas; provided, however, that the laws pertaining to allowable rates of interest may, from time to time, be governed by the laws of the United States of America.

NATURAL GAS SERVICES GROUP, INC.

By: /s/ Wayne Vinson

Wayne Vinson, President

EXHIBIT 10.21

MULTIPLE ADVANCE TERM PROMISSORY NOTE

$1,853,340.00 April 3, 2002

FOR VALUE RECEIVED, in the manner, on the dates and in the amounts herein stipulated, NATURAL GAS SERVICES GROUP, INC., a Colorado corporation ("Borrower"), hereby promises and agrees to pay to the order of WESTERN NATIONAL BANK, a national banking association ("Lender"), in Midland, Midland County, Texas, the principal sum of One Million Eight Hundred Fifty Three Thousand Three Hundred Forty and No/100 Dollars ($1,853,340.00) or, if less, the aggregate unpaid principal amount outstanding hereunder, in lawful money of the United States of America, which shall be legal tender in payment of all debts and dues, public and private, at the time of payment, together with interest on the unpaid principal amount hereof from time to time outstanding until maturity at a rate per annum which shall from day to day be equal to the lesser of (a) one percent (1.00%) over the Prime Rate (the "Established Rate") in effect from day to day (calculated on the basis of actual days elapsed, but computed as if each calendar year consisted of 360 days) or (b) the Highest Lawful Rate. Each change in the rate of interest charged under this Multiple Advance Term Promissory Note (this "Note") shall, subject to the terms hereof, become effective, without notice to Borrower, upon the effective date of each change in the Prime Rate or the Highest Lawful Rate, as the case may be. Notwithstanding the foregoing, if at any time the Established Rate exceeds the Highest Lawful Rate, the rate of interest on this Note shall be limited to the Highest Lawful Rate, but any subsequent reduction in the Established Rate shall not reduce the rate of interest hereon below the Highest Lawful Rate until the total amount of interest accrued hereon approximately equals the amount of interest which would have accrued hereon if the Established Rate had at all times been in effect. In the event that at maturity (stated or by acceleration), or at final payment of this Note, the total amount of interest paid or accrued hereon is less than the amount of interest which would have accrued if the Established Rate had at all times been in effect, then, at such time and to the extent permitted by applicable laws, Borrower shall pay to Lender an amount equal to the difference between (a) the lesser of the amount of interest which

would have accrued if the Established Rate had at all times been in effect or the amount of interest which would have accrued if the Highest Lawful Rate had at all times been in effect, and (b) the amount of interest actually paid or accrued on this Note. Interest calculations may be made ten days prior to any interest installment due date under this Note, in which event, if there is an adjustment in the interest rate in accordance with the terms hereof during such ten-day period, then Borrower shall subsequently, on demand, pay to Lender any underpayment, or Lender shall pay to Borrower, any overpayment, as the case may be, as a result of any adjustment during such ten-day period.

This Note is the Multiple Advance Term Promissory Note referred to in the Loan Agreement, dated as of September 15, 1999, as amended by that certain First Amendment and Waiver to Loan Agreement, dated as of March 9, 2001, as further amended by that certain Second Amendment to Loan Agreement, dated as of March 20, 2001, as further amended by that certain Third Amendment and Waiver to Loan Agreement, dated as of July 25, 2001, as further amended by that certain Fourth Amendment to Loan Agreement, dated as of December 12, 2001, and as further amended by that certain Fifth Amendment to Loan Agreement, dated as of April 3, 2002 (said Loan Agreement, as amended, and as the same may be further amended, supplemented or otherwise modified from time to time, the "Loan Agreement"), by and between Borrower and Lender, and is subject to the terms and conditions thereof. Reference is made to the Loan Agreement for provisions for the disbursement of funds hereunder and for a further statement of the rights, remedies, powers, privileges, benefits, duties and obligations of Borrower and Lender under the Loan Agreement and this Note. Terms used herein which are defined in the Loan Agreement shall have such defined meanings unless otherwise defined herein. The holder of this Note shall be entitled to the benefits of the Loan Agreement.

Subject to the terms hereof and of the Loan Agreement, from the date of this Note until maturity, the Lender will make Advances and Subsequent Advances under this Note in accordance with the provisions of the Loan Agreement. The aggregate principal amount of all such Advances as may be made by the Lender to the Borrower under this Note shall never exceed One Million Eight Hundred Fifty Three Thousand Three Hundred Forty and No/100 Dollars ($1,853,340.00).

Interest on the outstanding principal balance of this Note shall be due and payable monthly on the fifteenth day of each month, commencing April 15, 2002. The then outstanding principal balance of this Note and all accrued and unpaid

interest shall be due and payable on March 15, 2003. All of the past due principal and accrued interest hereunder shall, at the option of Lender, bear interest from maturity (stated or by acceleration) until paid at a rate per annum equal to the Highest Lawful Rate.

This Note is secured as provided in the Loan Agreement and in the other Loan Papers, to which reference is hereby made for a description of the properties and assets in which a lien and security interest has been granted, the nature and extent of the security, the terms and conditions upon which the liens and security interests were granted and the rights of the holder of this Note with respect thereto.

Time is of the essence of this Note. Upon the occurrence of any one or more of the Events of Default specified in the Loan Agreement, all amounts then remaining unpaid on this Note shall become, or may be declared to be, immediately due and payable, all as provided therein.

Borrower and any and all co-makers, endorsers, guarantors and sureties severally waive notice (including, but not limited to, notice of protest, notice of dishonor, notice of intent to accelerate and notice of acceleration), demand, presentment for payment, protest, diligence in collecting or bringing suit and the filing of suit for the purpose of fixing liability, and consent that the time of payment hereof may be extended and re-extended from time to time without notice to them or any of them, and each agrees that his, her or its liability on or with respect to this Note shall not be affected, diminished or impaired by any (a) release of any security at any time existing for this Note, (b) substitution for any security at any time existing for this Note, or (c) failure to perfect (or to maintain perfection of) any lien on or security interest in any such security, in each case in whole or in part, with or without notice, before or after maturity.

It is the intention of Borrower and Lender that Lender shall conform strictly to usury laws applicable to it. Accordingly, if the transactions contemplated by the Loan Agreement and this Note would be usurious as to Lender under laws applicable to it (including the laws of the United States of America and the State of Texas or any other jurisdiction whose laws may be mandatorily applicable to Lender notwithstanding the other provisions of the Loan Agreement and this Note), then, in that event, notwithstanding anything to the contrary in this Note, the Loan Agreement or any other Loan Paper or other agreement entered into in connection with or as security for this Note, (i) the aggregate of all consideration which is contracted for, taken, reserved, charged or received by Lender under this Note, the Loan Agreement or any other Loan Paper or agreement entered into in

connection with or as security for this Note shall under no circumstances exceed the maximum amount allowed by such applicable law, and any excess shall be credited by Lender on the principal amount of the Obligations to Lender (or, to the extent that the principal amount of the Obligations shall have been or would thereby be paid in full, refunded by Lender to the Borrower); and (ii) in the event that the maturity of this Note is accelerated by reason of an Event of Default under the Loan Agreement or otherwise, or in the event of any prepayment, then such consideration that constitutes interest under law applicable to Lender may never include more than the maximum amount allowed by such applicable law, and excess interest, if any, provided for in this Note, the Loan Agreement or otherwise shall be cancelled automatically by Lender as of the date of such acceleration of prepayment and, if theretofore paid, shall be credited by Lender on the principal amount of the Obligations (or, to the extent that the principal amount of such Obligations shall have been or would thereby be paid in full, refunded by Lender to the Borrower).

To the extent that Texas Finance Code Section 303.002 is relevant to Lender for the purposes of determining the Highest Lawful Rate, the applicable rate ceiling under such provisions shall be determined by the indicated (weekly) rate ceiling from time to time in effect, subject to Lender's right subsequently to change such method in accordance with applicable law. Notwithstanding anything to the contrary contained herein or in any of the other Loan Papers, it is not the intention of the Lender to accelerate the maturity of any interest that has not accrued at the time of such acceleration or to collect unearned interest at the time of such acceleration.

This Note is performable and payable in the County of Midland, State of Texas, and shall be construed in accordance with, and governed by, the laws of the State of Texas; provided, however, that the laws pertaining to allowable rates of interest may, from time to time, be governed by the laws of the United States of America.

NATURAL GAS SERVICES GROUP, INC.

By: /s/ Wayne Vinson

Wayne Vinson, President

EXHIBIT 10.22

CONSOLIDATED TERM PROMISSORY NOTE

$2,146,660.93 April 3, 2002

FOR VALUE RECEIVED, in the manner, on the dates and in the amounts herein stipulated, NATURAL GAS SERVICES GROUP, INC., a Colorado corporation ("Borrower"), hereby promises and agrees to pay to the order of WESTERN NATIONAL BANK, a national banking association ("Lender"), in Midland, Midland County, Texas, the principal sum of Two Million One Hundred Forty Six Thousand Six Hundred Sixty and 93/100 Dollars ($2,146,660.93) in lawful money of the United States of America, which shall be legal tender in payment of all debts and dues, public and private, at the time of payment, together with interest on the unpaid principal amount hereof from time to time outstanding until maturity at a rate per annum which shall from day to day be equal to the lesser of (a) one percent (1.00%) over the Prime Rate (the "Established Rate") in effect from day to day (calculated on the basis of actual days elapsed, but computed as if each calendar year consisted of 360 days) or (b) the Highest Lawful Rate. Each change in the rate of interest charged under this Consolidated Term Promissory Note (this "Note") shall, subject to the terms hereof, become effective, without notice to Borrower, upon the effective date of each change in the Prime Rate or the Highest Lawful Rate, as the case may be. Notwithstanding the foregoing, if at any time the Established Rate exceeds the Highest Lawful Rate, the rate of interest on this Note shall be limited to the Highest Lawful Rate, but any subsequent reductions in the Established Rate shall not reduce the rate of interest hereon below the Highest Lawful Rate until the total amount of interest accrued hereon approximately equals the amount of interest which would have accrued hereon if the Established Rate had at all times been in effect. In the event that at maturity (stated or by acceleration), or at final payment of this Note, the total amount of interest paid or accrued hereon is less than the amount of interest which would have accrued if the Established Rate had at all times been in effect, then, at such time and to the extent permitted by applicable laws, Borrower shall pay to Lender an amount equal to the difference between (a) the lesser of the amount of interest which would

have accrued if the Established Rate had at all times been in effect or the amount of interest which would have accrued if the Highest Lawful Rate had at all times been in effect, and (b) the amount of interest actually paid or accrued on this Note. Interest calculations may be made ten days prior to any interest install ment due date under this Note, in which event, if there is an adjustment in the interest rate in accordance with the terms hereof during such ten- day period, then Borrower shall subsequently, on demand, pay to Lender any underpayment, or Lender shall pay to Borrower, any overpayment, as the case may be, as a result of any adjustment during such ten-day period.

This Note is given in renewal, rearrangement and consolidation, but not extinguishment or novation, of the Term A Promissory Note, Term B Promissory Note and the Term C Promissory Note, and is the Consolidated Term Promissory Note referred to in the Loan Agreement, dated as of September 15, 1999, as amended by that certain First Amendment and Waiver to Loan Agreement, dated as of March 9, 2001, as further amended by that certain Second Amendment to Loan Agreement, dated as of March 20, 2001, as further amended by that certain Third Amendment and Waiver to Loan Agreement, dated as of July 25, 2001, as further amended by that certain Fourth Amendment to Loan Agreement, dated as of December 12, 2001, and as further amended by that certain Fifth Amendment to Loan Agreement, dated as of April 3, 2002 (said Loan Agreement, as amended, and as the same may be further amended, supplemented or otherwise modified from time to time, the "Loan Agreement"), by and between Borrower and Lender, and is subject to the terms and conditions thereof. Reference is made to the Loan Agreement for provisions for the disbursement of funds hereunder and for a further statement of the rights, remedies, powers, privileges, benefits, duties and obligations of Borrower and Lender under the Loan Agreement and this Note. Terms used herein which are defined in the Loan Agreement shall have such defined meanings unless otherwise defined herein. The holder of this Note shall be entitled to the benefits of the Loan Agreement.

The principal of this Note shall be due and payable (a) in forty- seven consecutive monthly installments of $45,746.00 each, with the first such installment being due and payable on April 15, 2002, and a like installment being due and payable on the fifteenth day of each succeeding month to and including February 15, 2006; and (b) one final installment

in an amount equal to all remaining unpaid principal and accrued and unpaid interest on this Note shall be due and payable on March 15, 2006. Interest, computed on the unpaid balance of this Note, shall be due and payable as it accrues, on the same dates as, but in addition to, the installments of principal. All payments and prepayments shall be applied first to accrued and unpaid interest, and the balance to principal. Partial prepayments of principal shall be applied to the installments of principal thereof in the inverse order of their maturity. All of the past due principal and accrued interest hereunder shall, at the option of Lender, bear interest from maturity (stated or by acceleration) until paid at a rate per annum equal to the Highest Lawful Rate.

This Note is secured as provided in the Loan Agreement and in the other Loan Papers, to which reference is hereby made for a description of the properties and assets in which a lien and security interest has been granted, the nature and extent of the security, the terms and conditions upon which the liens and security interests were granted and the rights of the holder of this Note with respect thereto.

Time is of the essence of this Note. Upon the occurrence of any one or more of the Events of Default specified in the Loan Agreement, all amounts then remaining unpaid on this Note shall become, or may be declared to be, immediately due and payable, all as provided therein.

Borrower and any and all co-makers, endorsers, guarantors and sureties severally waive notice (including, but not limited to, notice of protest, notice of dishonor, notice of intent to accelerate and notice of acceleration), demand, presentment for payment, protest, diligence in collecting or bringing suit and the filing of suit for the purpose of fixing liability, and consent that the time of payment hereof may be extended and re-extended from time to time without notice to them or any of them, and each agrees that his, her or its liability on or with respect to this Note shall not be affected, diminished or impaired by any (a) release of any security at any time existing for this Note, (b) substitution for any security at any time existing for this Note, or (c) failure to perfect (or to maintain perfection of) any lien on or security interest in any such security, in each case in whole or in part, with or without notice, before or after maturity.

It is the intention of Borrower and Lender that Lender shall conform strictly to usury laws applicable to it. Accordingly, if the transactions contemplated by the Loan Agreement and this Note would be usurious as to Lender under laws applicable to it (including the laws of the United States of America and the State of Texas or any other jurisdiction whose laws may be mandatorily applicable to Lender notwithstanding the other provisions of the Loan Agreement and this Note), then, in that event, notwithstanding anything to the contrary in this Note, the Loan Agreement or any other Loan Paper or other agreement entered into in connection with or as security for this Note, (i) the aggregate of all consideration which is contracted for, taken, reserved, charged or received by Lender under this Note, the Loan Agreement or any other Loan Paper or agreement entered into in connection with or as security for this Note shall under no circumstances exceed the maximum amount allowed by such applicable law, and any excess shall be credited by Lender on the principal amount of the Obligations to Lender (or, to the extent that the principal amount of the Obligations shall have been or would thereby be paid in full, refunded by Lender to the Borrower); and (ii) in the event that the maturity of this Note is accelerated by reason of an Event of Default under the Loan Agreement or otherwise, or in the event of any prepayment, then such consideration that constitutes interest under law applicable to Lender may never include more than the maximum amount allowed by such applicable law, and excess interest, if any, provided for in this Note, the Loan Agreement or otherwise shall be cancelled automatically by Lender as of the date of such acceleration of prepayment and, if theretofore paid, shall be credited by Lender on the principal amount of the Obligations (or, to the extent that the principal amount of such Obligations shall have been or would thereby be paid in full, refunded by Lender to the Borrower).

To the extent that Texas Finance Code Section 303.002 is relevant to Lender for the purposes of determining the Highest Lawful Rate, the applicable rate ceiling under such provisions shall be determined by the indicated (weekly) rate ceiling from time to time in effect, subject to Lender's right subsequently to change such method in accordance with applicable law. Notwithstanding anything to the contrary contained herein or in any of the other Loan Papers, it is not the intention of the Lender to accelerate the maturity of any interest that has not accrued at the time of such acceleration or to collect unearned interest at the time of such acceleration.

This Note is performable and payable in the County of Midland, State of Texas, and shall be construed in accordance with, and governed by, the laws of the State of Texas; provided, however, that the laws pertaining to allowable rates of interest may, from time to time, be governed by the laws of the United States of America.

NATURAL GAS SERVICES GROUP, INC.

By: /s/ Wayne Vinson

Wayne Vinson, President

EXHIBIT 10.23

REVOLVING LINE OF CREDIT PROMISSORY NOTE

$750,000.00 April 3, 2002

FOR VALUE RECEIVED, in the manner, on the dates and in the amounts herein stipulated, NATURAL GAS SERVICES GROUP, INC., a Colorado corporation ("Borrower"), hereby promises and agrees to pay to the order of WESTERN NATIONAL BANK, a national banking association ("Lender"), in Midland, Midland County, Texas, the principal sum of Seven Hundred Fifty Thousand and No/100 Dollars ($750,000.00) or, if less, the aggregate unpaid principal amount outstanding hereunder, in lawful money of the United States of America, which shall be legal tender in payment of all debts and dues, public and private, at the time of payment, together with interest on the unpaid principal amount hereof from time to time outstanding until maturity at a rate per annum which shall from day to day be equal to the lesser of (a) one percent (1.00%) over the Prime Rate (the "Established Rate") in effect from day to day (calculated on the basis of actual days elapsed, but computed as if each calendar year consisted of 360 days) or (b) the Highest Lawful Rate. Each change in the rate of interest charged under this Revolving Line of Credit Promissory Note (this "Note") shall, subject to the terms hereof, become effective, without notice to Borrower, upon the effective date of each change in the Prime Rate or the Highest Lawful Rate, as the case may be. Notwithstanding the foregoing, if at any time the Established Rate exceeds the Highest Lawful Rate, the rate of interest on this Note shall be limited to the Highest Lawful Rate, but any subsequent reductions in the Established Rate shall not reduce the rate of interest hereon below the Highest Lawful Rate until the total amount of interest accrued hereon approximately equals the amount of interest which would have accrued hereon if the Established Rate had at all times been in effect. In the event that at maturity (stated or by acceleration), or at final payment of this Note, the total amount of interest paid or accrued hereon is less than the amount of interest which would have accrued if the Established Rate had at all times been in effect, then, at such time and to the extent permitted by applicable laws, Borrower shall pay to Lender an amount equal to the difference between (a) the lesser of the amount of interest which would have accrued if the Established Rate

had at all times been in effect or the amount of interest which would have accrued if the Highest Lawful Rate had at all times been in effect, and (b) the amount of interest actually paid or accrued on this Note. Interest calculations may be made ten days prior to any interest installment due date under this Note, in which event, if there is an adjustment in the interest rate in accordance with the terms hereof during such ten-day period, then Borrower shall subsequently, on demand, pay to Lender any underpayment, or Lender shall pay to Borrower, any overpayment, as the case may be, as a result of any adjustment during such ten-day period.

This Note (i) is given in renewal, extension and rearrangement, but not in extinguishment, of that certain Revolving Line of Credit Promissory Note, dated December 12, 2001, in the original principal amount of $750,000.00, and (ii) is the Revolving Line of Credit Promissory Note referred to in the Loan Agreement, dated as of September 15, 1999, as amended by that certain First Amendment and Waiver to Loan Agreement, dated as of March 9, 2001, as further amended by that certain Second Amendment to Loan Agreement, dated as of March 20, 2001, as further amended by that certain Third Amendment and Waiver to Loan Agreement, dated as of July 25, 2001, as further amended by that certain Fourth Amendment to Loan Agreement, dated as of December 12, 2001, and as further amended by that certain Fifth Amendment to Loan Agreement, dated as of April 3, 2002 (said Loan Agreement, as amended, and as the same may be further amended, supplemented or otherwise modified from time to time, the "Loan Agreement"), by and between Borrower and Lender, and is subject to the terms and conditions thereof. Reference is made to the Loan Agreement for provisions for the disbursement of funds hereunder and for a further statement of the rights, remedies, powers, privileges, benefits, duties and obligations of Borrower and Lender under the Loan Agreement and this Note. Terms used herein which are defined in the Loan Agreement shall have such defined meanings unless otherwise defined herein. The holder of this Note shall be entitled to the benefits of the Loan Agreement.

Advances and Subsequent Advances under this Note shall be made in accordance with the provisions of the Loan Agreement. Subject to the terms hereof and of the Loan Agreement, Borrower may borrow, repay and reborrow at any time and from time to time under this Note; provided, however, that the principal sum outstanding hereunder at any one time shall never exceed the lesser of (i) $750,000.00 or (ii) the Borrowing Base then in effect.

Interest on the outstanding principal balance of this Note shall be due and payable on the fifteenth day of each month, commencing April 15, 2002. The then outstanding principal balance of this Note and all accrued and unpaid interest shall be due and payable on March 15, 2003. All of the past due principal and accrued interest hereunder shall, at the option of Lender, bear interest from maturity (stated or by acceleration) until paid at a rate per annum equal to the Highest Lawful Rate.

This Note is secured as provided in the Loan Agreement and in the other Loan Papers, to which reference is hereby made for a description of the properties and assets in which a lien and security interest has been granted, the nature and extent of the security, the terms and conditions upon which the liens and security interests were granted and the rights of the holder of this Note with respect thereto.

Time is of the essence of this Note. Upon the occurrence of any one or more of the Events of Default specified in the Loan Agreement, all amounts then remaining unpaid on this Note shall become, or may be declared to be, immediately due and payable, all as provided therein.

Borrower and any and all co-makers, endorsers, guarantors and sureties severally waive notice (including, but not limited to, notice of protest, notice of dishonor, notice of intent to accelerate and notice of acceleration), demand, presentment for payment, protest, diligence in collecting or bringing suit and the filing of suit for the purpose of fixing liability, and consent that the time of payment hereof may be extended and re-extended from time to time without notice to them or any of them, and each agrees that his, her or its liability on or with respect to this Note shall not be affected, diminished or impaired by any (a) release of any security at any time existing for this Note, (b) substitution for any security at any time existing for this Note, or (c) failure to perfect (or to maintain perfection of) any lien on or security interest in any such security, in each case in whole or in part, with or without notice, before or after maturity.

It is the intention of Borrower and Lender that Lender shall conform strictly to usury laws applicable to it. Accordingly, if the transactions contemplated by the Loan Agreement and this Note would be usurious as to Lender under laws applicable to it (including the laws of the United States of America and the State of Texas or any other jurisdiction whose laws may be mandatorily applicable to Lender notwithstanding the other provisions of the Loan Agreement and this Note), then, in that event,

notwithstanding anything to the contrary in this Note, the Loan Agreement or any other Loan Paper or other agreement entered into in connection with or as security for this Note, (i) the aggregate of all consideration which is contracted for, taken, reserved, charged or received by Lender under this Note, the Loan Agreement or any other Loan Paper or agreement entered into in connection with or as security for this Note shall under no circumstances exceed the maximum amount allowed by such applicable law, and any excess shall be credited by Lender on the principal amount of the Obligations to Lender (or, to the extent that the principal amount of the Obligations shall have been or would thereby be paid in full, refunded by Lender to the Borrower); and (ii) in the event that the maturity of this Note is accelerated by reason of an Event of Default under the Loan Agreement or otherwise, or in the event of any prepayment, then such consideration that constitutes interest under law applicable to Lender may never include more than the maximum amount allowed by such applicable law, and excess interest, if any, provided for in this Note, the Loan Agreement or otherwise shall be cancelled automatically by Lender as of the date of such acceleration of prepayment and, if theretofore paid, shall be credited by Lender on the principal amount of the Obligations (or, to the extent that the principal amount of such Obligations shall have been or would thereby be paid in full, refunded by Lender to the Borrower).

To the extent that Texas Finance Code Section 303.002 is relevant to Lender for the purposes of determining the Highest Lawful Rate, the applicable rate ceiling under such provisions shall be determined by the indicated (weekly) rate ceiling from time to time in effect, subject to Lender's right subsequently to change such method in accordance with applicable law. Notwithstanding anything to the contrary contained herein or in any of the other Loan Papers, it is not the intention of the Lender to accelerate the maturity of any interest that has not accrued at the time of such acceleration or to collect unearned interest at the time of such acceleration.

This Note is performable and payable in the County of Midland, State of Texas, and shall be construed in accordance with, and governed by, the laws of the State of Texas; provided, however, that the laws pertaining to allowable rates of interest may, from time to time, be governed by the laws of the United States of America.

NATURAL GAS SERVICES GROUP, INC.

By: /s/ Wayne Vinson

Wayne Vinson, President

EXHIBIT 10.24

SEVENTH AMENDMENT TO LOAN AGREEMENT

This Seventh Amendment to Loan Agreement (this "Amendment"), dated as of September 30, 2002, is made and entered into by and among Natural Gas Services Group, Inc., a Colorado corporation ("Borrower"), Rotary Gas Systems, Inc., a Texas corporation, NGE Leasing, Inc., a Texas corporation, and Great Lakes Compression, Inc., a Colorado corporation (collectively, the "Guarantors") and Western National Bank, a national banking association ("Lender").

WITNESSETH:

WHEREAS, Borrower and Lender entered into that certain Loan Agreement, dated as of September 15, 1999, as amended by that certain First Amendment and Waiver to Loan Agreement, dated as of March 9, 2001, as further amended by that certain Second Amendment to Loan Agreement, dated as of March 20, 2001, as further amended by that certain Third Amendment and Waiver to Loan Agreement, dated as of July 25, 2001, as further amended by that certain Fourth Amendment to Loan Agreement, dated as of December 12, 2001, as further amended by that certain Fifth Amendment to Loan Agreement, dated as of April 3, 2002, and as further amended by that certain Sixth Amendment to Loan Agreement, dated as of May 6, 2002 (said Loan Agreement, as so amended, the "Agreement"), providing for, among other things, loans to Borrower evidenced by (i) that certain Revolving Line of Credit Promissory Note, dated April 3, 2002, in the original principal amount of $750,000.00, (ii) that certain Consolidated Term Promissory Note, dated April 3, 2002, in the original principal amount of $2,146,660.93, and (iii) that certain Multiple Advance Term Promissory Note, dated April 3, 2002, in the original principal amount of $1,853,340.00.

WHEREAS, Borrower has requested that Lender provide an additional term loan to Borrower in the amount of $3,500,000.00;

WHEREAS, Borrower desires to amend the Agreement to provide for (i) the additional term loan and (ii) the other matters set forth herein;

WHEREAS, the Lender is agreeable to the Borrower's requests but only upon and subject to the terms and provisions which are hereinafter specified.

NOW THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained, and intending to be legally bound hereby, the parties hereto hereby agree as follows:

SECTION 1. DEFINED TERMS.

In addition to the terms defined in this Amendment, all terms defined in the Agreement, and not otherwise defined herein, shall have the meaning given them in the Agreement when used herein.

SECTION 2. AMENDMENTS TO LOAN AGREEMENT.

2.1 Amendment to Definitions. The definition of "Guarantors" and "Notes" contained in Section 1.1 of the Agreement are amended to read as follows:

> "Guarantors" means Rotary Gas Systems, Inc., NGE Leasing, Inc. and Great Lakes Compression, Inc.
>
> "Notes" means the Consolidated Term Promissory Note, the Multiple Advance Term Promissory Note, the Revolving Line of Credit Promissory Note and the Term Promissory Note, as further described in Section 2.1 of this Agreement, as any of the same may be renewed, extended, increased or otherwise modified from time to time.

2.2 Term Loans. Section 2.1(a) of the Agreement is amended to read in it entirety as follows:

> The Borrower shall execute and deliver to the Lender the Consolidated Term Promissory Note in the form of Exhibit A-3 hereto in the original principal amount of $2,146,660.93 (the "Consolidated Term Promissory

Note"). Principal and interest on the Consolidated Term Promissory Note will be payable at the rate, in the manner and on the dates specified therein.

The Borrower shall also execute and deliver to the Lender the Multiple Advance Term Promissory Note in the form of Exhibit A-4 hereto in the original principal amount of $1,853,340.00 (the "Multiple Advance Term Promissory Note"). Subject to and upon the terms and conditions of this Agreement and the Multiple Advance Term Promissory Note, the Borrower may, at any time and from time to time until maturity of the Multiple Advance Term Promissory Note, request one or more Advances and borrow (without the ability to reborrow amounts prepaid under the Multiple Advance Term Promissory Note) under the Multiple Advance Term Promissory Note; provided, however, the cumulative aggregate principal amount of all Advances under the Multiple Advance Term Promissory Note shall not exceed $1,853,340.00. The Multiple Advance Term Promissory Note, including the loans evidenced thereby, is a multiple advance term loan facility and shall not be construed as a revolving line of credit as reborrowings are not permitted. Principal and interest on the Multiple Advance Term Promissory Note will be payable at the rate, in the manner and on the dates specified therein.

The Borrower shall also execute and deliver to the Lender the Term Promissory Note in the form of Exhibit A-5 hereto in the original principal amount of $3,500,000.00 (the "Term Promissory Note"). Principal and interest on the Term Promissory Note will be payable at the rate, in the manner and on the dates specified therein.

2.3 Order of Application. Section 2.6 of the Agreement is amended to read in full as follows:

2.6 Order of Application. Except as otherwise provided in the Loan Papers, all payments and prepayments on the Obligations, including proceeds from the exercise of any Rights of Lender under the Loan Papers, shall be applied to the Obligations in the following order: (i) first, to reasonable expenses for which Lender shall not have been reimbursed under the Loan Papers and then to all amounts to which Lender is entitled to indemnification under the Loan Papers; (ii) to the accrued interest on the Note being paid or prepaid; (iii) to the principal of the Note being paid or prepaid and, with regard to the Consolidated Term Promissory Note and the Term Promissory Note, applied upon installments of most remote maturity; and (iv) to the remaining Obligations.

2.4 Purpose of Loan. Section 4.11(a) of the Agreement is amended to read in full as follows:

(a) with respect to loans made pursuant to and evidenced by the Consolidated Term Promissory Note, in renewal, rearrangement and consolidation of (i) that certain Term Promissory Note, dated September 15, 1999, in the original principal amount of $1,500,000.00, (ii) that certain Term B Promissory Note, dated March 9, 2001, in the original principal amount of $700,000.00 and (iii) that certain Term C Promissory Note, dated December 12, 2001, in the original principal amount of $750,000.00; with respect to loans made pursuant to and evidenced by the Multiple Advance Term Promissory Note, for the purchase of equipment to be used in the construction of natural gas compressors and for purchasing natural gas compressors; and with respect to loans made pursuant to and evidenced by the Term Promissory Note, solely for the payment of indebtedness owed by the Borrower to Dominion Michigan Petroleum Services, Inc.

2.5 Subsidiaries. Section 4.18 of the Agreement is amended to read in full as follows:

4.18 Subsidiaries. The following constitute all the Subsidiaries of the Borrower at September 24, 2002:

NGE Leasing, Inc.
Rotary Gas Systems, Inc.
Great Lakes Compression, Inc.

Each Subsidiary listed above is wholly-owned by the Borrower., In addition to the above Subsidiaries, the Borrower owns a non-controlling 50% interest in a joint venture, Hy-Bon Rotary Compression, LLC.

2.6 Financial Statements and Other Information. Sections 5.1(a) and 5.1(b) of the Agreement are amended to read in full as follows:

(a) as soon as available, but in any event not later than 90 days after the end of each fiscal year of the Borrower, a copy of the audited consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such year and the related consolidated statements of income and changes in cash flows for such year, setting forth in each case in comparative form the figures for the previous year, reported on without a "going concern" or like qualification or exception, or qualification arising out of the scope of the audit, by Hein + Associates LLP or other independent certified public accounting firm of recognized standing acceptable to the Lender;

(b) as soon as available, but in any event not later than 45 days after the end of each month, the unaudited consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such month and the related unaudited consolidated statements of income and changes in cash flows of the Borrower and its consolidated Subsidiaries for such month and for the period from the beginning of the most recent fiscal year to

the end of such month, certified by the chief financial officer of the Borrower (subject to normal year-end audit adjustments);

A new subparagraph (l) is also added to Section 5.1 of the Agreement which reads in full as follows:

(l) As soon as available and in any event within 15 days after the filing thereof with the U.S. Internal Revenue Service, a complete and correct copy of each federal income tax return, together with all schedules, attachments and exhibits thereto, filed by the Borrower with the U.S. Internal Revenue Service.

2.7 Consolidated Current Ratio. Section 6.1(a) of the Agreement is amended to read in full as follows:

(a) Consolidated Current Ratio. Permit the Consolidated Current Ratio, as defined herein and calculated pursuant to Exhibit L hereto, to be less than 1.5 to 1.0 as of October 31, 2002 and as of the end of each month after October 31, 2002.

2.8 Consolidated Tangible Net Worth. Section 6.1(b) of the Agreement is amended to read in full as follows:

(b) Consolidated Tangible Net Worth Ratio. Permit the Consolidated Tangible Net Worth, as defined herein and calculated pursuant to Exhibit M hereto, to be less than $11,500,000.00 as of October 31, 2002 and as of the end of each month after October 31, 2002.

2.9 Consolidated Debt to Consolidated Tangible Net Worth Ratio. Section 6.1(d) of the Agreement is amended to read in full as follows:

(d) Consolidated Debt to Consolidated Tangible Net Worth Ratio. Permit the ratio of (i) Consolidated Debt to (ii) Consolidated Tangible Net Worth, as such terms are

defined herein and calculated pursuant to Exhibit O hereof, to be more than 1.00 to 1.00 as of October 31, 2002 and as of the end of each month after October 31, 2002.

2.10 Events of Default. A new subparagraph (m) is added to Section 7.1 of the Agreement which reads in full as follows:

(m) if, at any time, the then existing President of the Borrower or the then existing Chief Executive Officer (if there shall be one) of the Borrower ceases, for any reason, to hold such office and a replacement for such officer acceptable to Lender is not appointed within 120 days thereafter.

2.11 New Exhibit. There is added to the Agreement a new Exhibit A-5 which is identical to Exhibit A-5 attached to this Amendment.

SECTION 3. REPRESENTATIONS AND WARRANTIES.

To induce Lender to enter into this Amendment, Borrower hereby represents and warrants to the Lender as follows:

(a) Borrower has the corporate power, authority and legal right (i) to make and deliver this Amendment and the Term Promissory Note; (ii) to perform its obligations under the Notes and the Agreement, as amended hereby; and (iii) Borrower has taken all action necessary to authorize the execution and delivery of the Term Promissory Note, this Amendment and the performance of the Agreement, as amended hereby.

(b) This Amendment and the Term Promissory Note have been duly executed and delivered on behalf of Borrower by its duly authorized officer, and this Amendment and the Term Promissory Note each constitute a legal, valid and binding obligation of Borrower, enforceable in accordance with its terms, except as the enforceability thereof may be limited by applicable bankruptcy, reorganization,

insolvency, moratorium or other laws affecting creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

(c) The execution, delivery and performance by Borrower of this Amendment and the transactions contemplated hereby do not violate or constitute a default under any provision of applicable law or any agreement binding upon Borrower or the Subsidiaries of Borrower or result in the creation or imposition of any Lien upon any of the assets of Borrower or the Subsidiaries of Borrower, except Liens expressly permitted by the Agreement.

(d) the representations and warranties contained in Article IV of the Agreement are true and correct on and as of the date hereof as though made on and as of the hereof.

(e) The state organizational numbers and federal tax identification numbers for the Borrower and each Subsidiary are as follows:

	State Organizational Number	Federal Tax Identification Number
Natural Gas Services Group, Inc.	19981223954	75-2811855
NGE Leasing, Inc.	0138732700	75-2746480
Rotary Gas Systems, Inc.	0113184200	74-2551158
Great Lakes Compression, Inc.	20011027485	91-2103644
Hy-Bon Rotary Compression, LLC	0706734622	75-2895123

(f) no Event of Default has occurred and is continuing (before and after giving effect to this Amendment).

SECTION 4. RATIFICATION OF SECURITY DOCUMENTS.

Borrower and each Guarantor hereby (a) ratify and confirm in all respects (i) each pledge agreement, security agreement, guaranty agreement and each other

agreement (as any of the same have been amended or restated) to which it is a party, and (b) acknowledge, understand and agree that (i) all such pledge agreements, security agreements, guaranty agreements and other agreements are and shall continue to remain in full force and effect in accordance with the terms thereof, as previously amended or as any of the same are amended in connection with this Amendment, and that (ii) payment of the Consolidated Term Promissory Note, the Multiple Advance Term Promissory Note, the Revolving Line of Credit Promissory Note and the Term Promissory Note is secured by all such agreements. The amendments contemplated hereby shall not limit or impair any Bank Liens securing the Obligations, each of which are hereby ratified, affirmed and extended to secure the Obligations as renewed and consolidated and increased pursuant hereto.

SECTION 5. CONDITIONS PRECEDENT.

This Amendment and the Lender's commitment to make additional loans to the Borrower evidenced by the Term Promissory Note shall be effective only upon satisfaction of the following conditions precedent:

(a) Lender shall have received counterparts of this Amendment duly executed and delivered by the Borrower and Guarantors;

(b) Lender shall have received the Term Promissory Note in the form of Exhibit A-5 hereto, executed and delivered by a duly authorized officer of Borrower;

(c) no Event of Default shall have occurred and be continuing as of the date of this Amendment, both before and after giving effect to this Amendment;

(d) Lender shall have received a copy of the resolutions, in form and substance satisfactory to Lender, of the Board of Directors of Borrower authorizing (i) the execution, delivery and performance of this Amendment, the Term Promissory Note and the other Loan Papers to be entered into in connection herewith to which it is a party, and (ii) the borrowings contemplated hereby, certified by its Secretary or Assistant Secretary, which certificate shall state that the resolutions thereby certified have not been amended, modified, revoked or rescinded as of the date of such certificate and shall be in form and substance satisfactory to Lender;

(e) Lender shall have received a copy of the resolutions, in form and substance satisfactory to Lender, of the Board of Directors of Rotary Gas Systems, Inc. authorizing the execution, delivery and performance of this Amendment, the Guaranty (as defined in paragraph (h) below) and the other Loan Papers to be entered into in connection herewith to which it is a party, certified by its Secretary or Assistant Secretary, which certificate shall state that the resolutions thereby certified have not been amended, modified, revoked or rescinded as of the date of such certificate and shall be in form and substance satisfactory to Lender; and

(f) Lender shall have received a copy of the resolutions, in form and substance satisfactory to Lender, of the Board of Directors of NGE Leasing, Inc. authorizing the execution, delivery and performance of this Amendment, the Guaranty (as defined in paragraph (h) below) and the other Loan Papers to be entered into in connection herewith to which it is a party, certified by its Secretary or Assistant Secretary, which certificate shall state that the resolutions thereby certified have not been amended, modified, revoked or rescinded as of the date of such certificate and shall be in form and substance satisfactory to Lender;

(g) Lender shall have received a copy of the resolutions, in form and substance satisfactory to Lender, of the Board of Directors of Great Lakes Compression, Inc. authorizing the execution, delivery and performance of this Amendment, the Guaranty (as defined in paragraph (h) below) and the other Loan Papers to be entered into in connection herewith to which it is a party, certified by its Secretary or Assistant Secretary, which certificate shall state that the resolutions thereby certified have not been amended, modified, revoked or rescinded as of the date of such certificate and shall be in form and substance satisfactory to Lender;

(h) Borrower's registration statement on Form SB-2, No. 333-88314 (the "Registration Statement"), filed by Borrower with the Securities and Exchange Commission ("SEC") shall have become effective under and in accordance with the Securities Act of 1933, as amended, and the rules and regulations of the SEC thereunder, and evidence thereof satisfactory to Lender in its sole discretion shall have been delivered to Lender;

(i) the net proceeds to the Borrower from the sale of its securities pursuant to the Registration Statement shall not be less than $7,000,000.00;

(j) Wayne L. Vinson shall have executed and delivered to the Lender an assignment of life insurance policy or policies on his life in the face amount of not less than $1,000,000.00, together with the proceeds thereof, in form and substance satisfactory to the Lender and issued by an insurance company or companies acceptable to the Lender in its sole discretion;

(k) Lender shall have received from each of Rotary Gas Systems, Inc., NGE Leasing, Inc. and Great Lakes Compression, Inc. a Guaranty Agreement (the "Guaranty") in form and substance satisfactory to Lender in its sole discretion;

(l) Lender shall have received from each of Rotary Gas Systems, Inc., NGE Leasing, Inc. and Borrower, a Second Amended and Restated Security Agreement in form and substance satisfactory to Lender in its sole discretion;

(m) Lender shall have received from Great Lakes Compression, Inc. a Security Agreement in form and substance satisfactory to Lender in its sole discretion;

(n) Lender shall have received from Borrower a Second Amended and Restated Stock Pledge Agreement granting and conveying to the Lender Bank Liens in and to all of the outstanding shares of capital stock of Rotary Gas Systems, Inc.; a First Amended and Restated Stock Pledge Agreement granting and conveying to the Lender Bank Liens in and to all of the outstanding shares of capital stock of NGE Leasing, Inc.; and a Stock Pledge Agreement granting and conveying to the Lender Bank Liens in and to all of the outstanding shares of capital stock of Great Lakes Compression, Inc.;

(o) Lender shall have received from Borrower a Pledge Agreement granting and conveying to the Lender Bank Liens in and to all membership interests in Hy-Bon Rotary Compression, LLC owned by Borrower;

(p) Dominion Michigan Petroleum Services, Inc. or any of its affiliates claiming a Lien in any of the assets or shares of stock of Great Lakes Compression, Inc. shall have released, by instruments in form and substance satisfactory to Lender in its sole discretion, (A) all Liens they may have or claim in, to or on (i) any assets or property owned by Great Lakes Compression, Inc. and (ii) any shares of capital stock issued by Great Lakes Compression, Inc., and (B) Borrower from each and any

guaranty executed and delivered by Borrower to Great Lakes Compression, Inc., a Michigan corporation.

(q) Lender shall have received a copy of the charter documents of Great Lakes Compression, Inc. and all amendments thereto, certified by the appropriate official of its state of organization, and a copy of the bylaws of Great Lakes Compression, Inc.

(r) Lender shall have received the fees required by Section 14 of this Amendment; and

(s) Lender shall have received such other agreements, opinions, documents and instruments as Lender may require in its sole discretion.

Lender, in its sole discretion, may (but shall not be obligated to) fund loans to the Borrower notwithstanding the fact that one or more of the foregoing conditions have not been satisfied, have not occurred or do not exist, but such action by Lender shall not be deemed to be a waiver of the requirement that any such condition be satisfied, have occurred and/or exist as a condition precedent to any future disbursements by Lender pursuant to this Amendment, the Agreement or any of the other Loan Papers.

SECTION 6. NO OTHER AMENDMENTS; RATIFICATION OF LOAN PAPERS.

Except as expressly amended and modified by this Amendment, all of the provisions and covenants of the Agreement, all exhibits thereto and all other Loan Papers (as any of the same have been amended) are and shall continue to remain in full force and effect in accordance with the terms thereof and are hereby ratified and confirmed by Borrower, the Subsidiaries parties hereto and the Guarantors as of the date of this Amendment as if the Agreement and such other Loan Papers were reexecuted as of the date of this Amendment.

SECTION 7. NO ADDITIONAL COMMITMENTS.

Borrower and Guarantors understand, acknowledge and agree that Lender has not made any commitments, and has no obligation, to renew, extend, refinance, increase or otherwise modify any of the Notes after the respective maturity date of each such Note.

SECTION 8. RELEASE.

The Borrower and Guarantors hereby release the Lender and its officers, directors, shareholders, agents, employees, attorneys, agents and representatives (collectively, the "Released Parties") from any and all (i) damages, claims, liabilities, causes of action, contracts or controversies of any type, kind, nature, description or character; (ii) debts, accounts, sums of money, compensation, losses, costs or expense; (iii) breaches of contract, duty or any other type of relationship;(iv) acts of omission, negligence, misfeasance or malfeasance; and (v) commitments or promises of any type made prior to the date hereof (the matters described in the preceding clauses (i) through (v), inclusive, being herein called the "Claims", whether or not the Claims are now known, unknown, or unforeseen, or are liquidated or unliquidated, which in any manner arise out of, or relate to, the Notes, this Amendment, the Agreement or otherwise arising out of facts or events existing or occurring prior to the date hereof; including, without limitation, any Claims of the Borrower relating to: (a) the negotiation of the terms of the Term Promissory Note, this Amendment or the Agreement; or (b) any action or inaction of any of the Released Parties with respect to the Notes, this Amendment or the Agreement.

SECTION 9. GOVERNING LAW.

THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS.

SECTION 10. GLOBAL AMENDMENT OF LOAN PAPERS.

All of the Loan Papers are hereby modified wherever necessary, and even though not specifically addressed herein, so as to conform to the amendments to the Agreement as set forth herein, and Borrower, the Subsidiaries and Guarantors covenant to observe, comply with and perform each of the terms and provisions of the Loan Papers to which they are parties, as modified hereby. Each Loan Paper to which Borrower and the Subsidiaries or any Guarantor is a party is hereby amended so that any reference in each such Loan Paper to the Agreement shall mean a reference to the Agreement as amended hereby.

SECTION 11. COUNTERPARTS.

This Amendment may be executed by one or more of the parties hereto in any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

SECTION 12. FINAL AGREEMENT.

THE AGREEMENT, AS AMENDED BY THIS AMENDMENT, AND THE OTHER LOAN PAPERS REPRESENT THE ENTIRE AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS BETWEEN THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

SECTION 13. DISCHARGE OF CERTAIN GUARANTORS.

As soon as practicable after each and all of the conditions precedent set forth in Section 5 of this Amendment have been fully and completely satisfied, Lender will release and discharge each of Wallace C. Sparkman, Danny M. Crocker, Wallace O. Sellers, CAV-RDV, LTD., Richard L. Yadon and Diamente Investments, L.P. from any and all liabilities and obligations arising out of their respective Limited Guaranty's executed and delivered to the Lender in connection with the Agreement.

SECTION 14. COMMITMENT AND ARRANGEMENT FEE.

The Borrower shall pay to the Lender a one-time nonrefundable commitment and arrangement fee in the amount of $17,500.00.

SECTION 15. WAIVER.

The Lender hereby waives Borrower's non-compliance with Section 6.1(a) of the Agreement until September 29, 2002.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered by their respective duly authorized officers as of the date and year first above written.

BORROWER:

NATURAL GAS SERVICES GROUP, INC.

By: /s/ WAYNE L. VINSON

Wayne L. Vinson, President

LENDER:

WESTERN NATIONAL BANK

By: /s/ SCOTT A. LOVETT

Scott A. Lovett, Executive Vice President

GUARANTORS:

ROTARY GAS SYSTEMS, INC.

By:

Wayne L. Vinson, President

NGE LEASING, INC.

By:

Wallace C. Sparkman, President

GREAT LAKES COMPRESSION, INC.

By:

Ronald D. Bingham, President

EXHIBIT A-5

TERM PROMISSORY NOTE

$3,500,000.00 September 30, 2002

FOR VALUE RECEIVED, in the manner, on the dates and in the amounts herein stipulated, NATURAL GAS SERVICES GROUP, INC., a Colorado corporation ("Borrower"), hereby promises and agrees to pay to the order of WESTERN NATIONAL BANK, a national banking association ("Lender"), in Midland, Midland County, Texas, the principal sum of THREE MILLION FIVE HUNDRED THOUSAND AND NO/100 DOLLARS ($3,500,000.00) in lawful money of the United States of America, which shall be legal tender in payment of all debts and dues, public and private, at the time of payment, together with interest on the unpaid principal amount hereof from time to time outstanding until maturity at a rate per annum which shall from day to day be equal to the lesser of (a) one percent (1.00%) over the Prime Rate (the "Established Rate") in effect from day to day (calculated on the basis of actual days elapsed, but computed as if each calendar year consisted of 360 days) or (b) the Highest Lawful Rate. Each change in the rate of interest charged under this Term Promissory Note (this "Note") shall, subject to the terms hereof, become effective, without notice to Borrower, upon the effective date of each change in the Prime Rate or the Highest Lawful Rate, as the case may be. Notwithstanding the foregoing, if at any time the Established Rate exceeds the Highest Lawful Rate, the rate of interest on this Note shall be limited to the Highest Lawful Rate, but any subsequent reductions in the Established Rate shall not reduce the rate of interest hereon below the Highest Lawful Rate until the total amount of interest accrued hereon approximately equals the amount of interest which would have accrued hereon if the Established Rate had at all times been in effect. In the event that at maturity (stated or by acceleration), or at final payment of this Note, the total amount of interest paid or accrued hereon is less than the amount of interest which would have accrued if the Established Rate had at all times been in effect, then, at such time and to the extent permitted by applicable laws, Borrower shall pay to Lender an amount equal to the difference between (a) the lesser of the amount of interest which would have accrued if the Established Rate had at all times been in effect or the amount of interest which would have accrued if the Highest Lawful Rate had at all times been in effect, and (b) the amount of interest actually paid or accrued on this Note. Interest calculations may be made ten days prior to any interest installment due date under this Note, in which event, if there is an adjustment in the interest rate in accordance with the terms hereof during such ten-day period, then Borrower shall subsequently, on demand,

pay to Lender any underpayment, or Lender shall pay to Borrower, any overpayment, as the case may be, as a result of any adjustment during such ten-day period.

This Note is the Term Promissory Note referred to in the Loan Agreement, dated as of September 15, 1999, as amended by that certain First Amendment and Waiver to Loan Agreement, dated as of March 9, 2001, as further amended by that certain Second Amendment to Loan Agreement, dated as of March 20, 2001, as further amended by that certain Third Amendment and Waiver to Loan Agreement, dated as of July 25, 2001, as further amended by that certain Fourth Amendment to Loan Agreement, dated as of December 12, 2001, as further amended by that certain Fifth Amendment to Loan Agreement, dated as of April 3, 2002, as further amended by that certain Sixth Amendment to Loan Agreement, dated as of May 6, 2002, and as further amended by that certain Seventh Amendment to Loan Agreement dated as of September 30, 2002 (said Loan Agreement, as amended, and as the same may be further amended, supplemented or otherwise modified from time to time, the "Loan Agreement"), by and between Borrower and Lender, and is subject to the terms and conditions thereof. Reference is made to the Loan Agreement for provisions for the disbursement of funds hereunder and for a further statement of the rights, remedies, powers, privileges, benefits, duties and obligations of Borrower and Lender under the Loan Agreement and this Note. Terms used herein which are defined in the Loan Agreement shall have such defined meanings unless otherwise defined herein. The holder of this Note shall be entitled to the benefits of the Loan Agreement.

The principal of this Note shall be due and payable (a) in fifty-nine consecutive monthly installments of $58,333.00 each, with the first such installment being due and payable on November 15, 2002, and a like installment being due and payable on the fifteenth day of each succeeding month to and including September 15, 2007; and (b) one final installment in an amount equal to all remaining unpaid principal and accrued and unpaid interest on this Note shall be due and payable on October 15, 2007. Interest, computed on the unpaid balance of this Note, shall be due and payable as it accrues, on the same dates as, but in addition to, the installments of principal. All payments and prepayments shall be applied first to accrued and unpaid interest, and the balance to principal. Partial prepayments of principal shall be applied to the installments of principal thereof in the inverse order of their maturity. All of the past due principal and accrued interest hereunder shall, at the option of Lender, bear interest from maturity (stated or by acceleration) until paid at a rate per annum equal to the Highest Lawful Rate.

This Note is secured as provided in the Loan Agreement and in the other Loan Papers, to which reference is hereby made for a description of the properties and assets in which a lien and security interest has been granted, the nature and extent of the security,

the terms and conditions upon which the liens and security interests were granted and the rights of the holder of this Note with respect thereto.

Time is of the essence of this Note. Upon the occurrence of any one or more of the Events of Default specified in the Loan Agreement, all amounts then remaining unpaid on this Note shall become, or may be declared to be, immediately due and payable, all as provided therein.

Borrower and any and all co-makers, endorsers, guarantors and sureties severally waive notice (including, but not limited to, notice of protest, notice of dishonor, notice of intent to accelerate and notice of acceleration), demand, presentment for payment, protest, diligence in collecting or bringing suit and the filing of suit for the purpose of fixing liability, and consent that the time of payment hereof may be extended and re-extended from time to time without notice to them or any of them, and each agrees that his, her or its liability on or with respect to this Note shall not be affected, diminished or impaired by any (a) release of any security at any time existing for this Note, (b) substitution for any security at any time existing for this Note, or (c) failure to perfect (or to maintain perfection of) any lien on or security interest in any such security, in each case in whole or in part, with or without notice, before or after maturity.

It is the intention of Borrower and Lender that Lender shall conform strictly to usury laws applicable to it. Accordingly, if the transactions contemplated by the Loan Agreement and this Note would be usurious as to Lender under laws applicable to it (including the laws of the United States of America and the State of Texas or any other jurisdiction whose laws may be mandatorily applicable to Lender notwithstanding the other provisions of the Loan Agreement and this Note), then, in that event, notwithstanding anything to the contrary in this Note, the Loan Agreement or any other Loan Paper or other agreement entered into in connection with or as security for this Note, (i) the aggregate of all consideration which is contracted for, taken, reserved, charged or received by Lender under this Note, the Loan Agreement or any other Loan Paper or agreement entered into in connection with or as security for this Note shall under no circumstances exceed the maximum amount allowed by such applicable law, and any excess shall be credited by Lender on the principal amount of the Obligations to Lender (or, to the extent that the principal amount of the Obligations shall have been or would thereby be paid in full, refunded by Lender to the Borrower); and (ii) in the event that the maturity of this Note is accelerated by reason of an Event of Default under the Loan Agreement or otherwise, or in the event of any prepayment, then such consideration that constitutes interest under law applicable to Lender may never include more than the maximum amount allowed by such applicable law, and excess interest, if any, provided for in this Note, the Loan Agreement or otherwise shall be cancelled automatically by Lender as of the date of such

acceleration of prepayment and, if theretofore paid, shall be credited by Lender on the principal amount of the Obligations (or, to the extent that the principal amount of such Obligations shall have been or would thereby be paid in full, refunded by Lender to the Borrower).

To the extent that Texas Finance Code Section 303.002 is relevant to Lender for the purposes of determining the Highest Lawful Rate, the applicable rate ceiling under such provisions shall be determined by the indicated (weekly) rate ceiling from time to time in effect, subject to Lender's right subsequently to change such method in accordance with applicable law. Notwithstanding anything to the contrary contained herein or in any of the other Loan Papers, it is not the intention of the Lender to accelerate the maturity of any interest that has not accrued at the time of such acceleration or to collect unearned interest at the time of such acceleration.

This Note is performable and payable in the County of Midland, State of Texas, and shall be construed in accordance with, and governed by, the laws of the State of Texas; provided, however, that the laws pertaining to allowable rates of interest may, from time to time, be governed by the laws of the United States of America.

NATURAL GAS SERVICES GROUP, INC.

By:

Wayne L. Vinson, President

EXHIBIT 23.1

INDEPENDENT AUDITOR'S CONSENT

We consent to the use in the Registration Statement and Prospectus of Natural Gas Services Group, Inc. of our reports dated March 14, 2002 and July 31, 2001 accompanying the financial statements of Natural Gas Services Group, Inc. and the statement of revenue and direct operating expenses of assets acquired by Great Lakes Compression, Inc. respectively, contained in such Registration Statement, and to the use of our name and the statements with respect to us, as appearing under the heading "Experts" in the Prospectus.

HEIN + ASSOCIATES LLP

Dallas, Texas
October 15th, 2002