

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

FORM 8-K

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

Date of Report (Date of earliest event reported): December 27, 2004

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

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

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

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

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

Item 1.01. Entry into a Material Definitive Agreement.

On December 27, 2004, Natural Gas Services Group, Inc., as borrower, and Western National Bank, as lender, entered into (a) a First Modification to Second Amended and Restated Loan Agreement, dated effective December 15, 2004 (the "Loan Modification Agreement"), and (b) a Modification Agreement, dated effective December 15, 2004 (the "Note Modification Agreement"). Natural Gas entered into the Loan Modification Agreement for the primary purpose of modifying its Second Amended and Restated Loan Agreement, dated November 3, 2003 (the "Loan Agreement"), between Natural Gas and Western National Bank, to allow for an increased borrowing base and extended advance period under the Advancing Line of Credit Promissory Note, dated November 3, 2003 (the "Advance Note"), payable to the order of Western National Bank in the original principal amount \$7,000,000.00. In particular, under the Loan Modification Agreement, the parties increased the borrowing base under the Advance Note from \$7,000,000.00 to \$10,000,000.00, and extended the ending date for the period during which Natural Gas can request an advance under the Advance Note from November 3, 2004, to December 14, 2005.

Under the Note Modification Agreement, the interest rate floor of the Advance Note was increased from five and one-quarter percent (5.25%) to six percent (6.00%), and specific amortization provisions were added which relate to advances made under the Advance Note during the period beginning on December 15, 2004, and ending December 14, 2005. The Note Modification Agreement provides

that advances under the Advance Note made prior to December 15, 2004, will be amortized as originally provided for in the Advance Note, and subsequent advances made after this date through December 14, 2005, will be amortized under a separate amortization schedule provided for in the Note Modification Agreement. This separate schedule provides that the sum of all advances made by Western National Bank during the period beginning on December 15, 2004, and ending December 14, 2005, will be amortized separately on a 60-month amortization schedule with the outstanding principal balance attributable to such advances to be recalculated by Western on a quarterly basis beginning March 31, 2005. Separate payments of principal are required to be made by Natural Gas with respect to the portion of the outstanding principal balance of the Advance Note attributable to advances made after December 15, 2004. These separate payments are in addition to those payments of principal originally required under the Advance Note and are due and payable on the 15th day of each month through October 15, 2009. One final installment of all outstanding principal and accrued, unpaid interest on the Advance Note is due and payable on November 15, 2009.

The remaining terms and provisions of the Loan Agreement and the Advance Note remain in full force and effect.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits.

Exhibit No. -----	Description -----
10.1	First Modification to Second Amended and Restated Loan Agreement, dated December 27, 2004, effective December 15, 2004, by and among Natural Gas Services Group, Inc. and Western National Bank.
10.2	Modification Agreement, dated December 27, 2004, effective December 15, 2004, by and among Natural Gas Services Group, Inc. and Western National Bank.

SIGNATURES

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

NATURAL GAS SERVICES GROUP, INC.

By: /s/ Wallace C. Sparkman

Wallace C. Sparkman, President

Dated: December 27, 2004

FIRST MODIFICATION TO
SECOND AMENDED AND RESTATED
LOAN AGREEMENT

This First Modification to Second Amended and Restated Loan Agreement (the "First Modification") is made and entered into effective December 15, 2004, by and among Natural Gas Services Group, Inc. ("Borrower") and Western National Bank ("Lender").

RECITALS

WHEREAS, Borrower, the guarantor parties thereto, and Lender entered into that certain Second Amended and Restated Loan Agreement dated November 3, 2003 (the "Loan Agreement"); and

WHEREAS, pursuant to the Loan Agreement, Borrower executed and delivered to Lender that certain Advancing Line of Credit Promissory Note dated November 3, 2003, in the original principal amount of \$10,000,000.00 (the "Note"), with an initial borrowing base of \$7,000,000.00, and other terms and conditions as set out in the Loan Agreement; and

WHEREAS, the guarantor parties to the Loan Agreement, Rotary Gas Systems, Inc., NGE Leasing, Inc., and Great Lakes Compression, Inc., which were Subsidiaries of Borrower, have now merged into Borrower; and

WHEREAS, Borrower and Lender now desire to modify the Loan Agreement (a) to increase in the borrowing base of the Note, (b) to extend the period for Borrower to request advances under the Note, and to modify certain other related provisions of the Loan Agreement.

NOW THEREFORE, in view of the foregoing and in consideration of the mutual covenants and agreements hereinafter contained, Borrower and Lender hereby agree as follows:

ARTICLE 1
Modification of Loan Agreement

The Loan Agreement is hereby amended on the effective date of this amendment in the following respects:

1. Paragraph 1.1 Defined Terms is amended in the following respects:

"Advance Note" means the Advancing Line of Credit Promissory Note described in Section 2.1(b) hereof, as modified on even date herewith, and as the same may be further renewed, extended, increased or otherwise modified from time to time.

2. Paragraph 2.1(b) Advance Type Term Loans is amended in the following respects:

"(b) Advance Type Term Loans. Contemporaneously with the execution and delivery hereof, the Borrower shall execute and deliver to the Lender the Modification Agreement in the form of Exhibit B hereto. Subject to and upon the terms and conditions of this Agreement and the Advance Note, the Borrower may, at any time and from time to time during the period commencing on the date of the Advance Note and ending at the close of business on December 14, 2005, request one or more Advances and borrow (without the ability to reborrow amounts paid under the Advance Note) under the Advance Note; provided, however, and notwithstanding the face amount of the Advance Note, without the prior written consent of Lender in its sole discretion the cumulative aggregate principal amount of all Advances under the Advance Note shall never exceed the lesser of (i) \$10,000,000.00 or (ii) the amount available for Advance under the Advance Note and Revolving Line of Credit Promissory Note as determined in accordance with and set forth in line 0 in the Borrowing Base Report. The Advance Note shall mature as provided therein 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 Advance Note. Principal and interest on the Advance Note shall be payable in the manner and on the dates specified therein. The Advance 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."

3. Paragraph 3.2 Conditions to Subsequent Advances, subparagraphs (d) and (e) are amended in the following respects:

"(d) After giving effect to the Advances under the Advance Note requested by Borrower to be made on any date, the cumulative aggregate principal amount of all Advances under the Advance Note shall not exceed \$10,000,000.00.

"(e) Each request for an Advance under the Advance Note shall have been received by Lender prior to December 14, 2005."

4. Exhibit D Borrowing Base Report, Line P, is amended to delete \$7,000,000.00 and substitute therefor \$10,000,000.00.

ARTICLE 2
Miscellaneous

1. The provisions of this First Modification to Second Amended and Restated Loan Agreement shall be binding upon and shall inure to the benefit of the parties hereto and are incorporated by reference into the Loan Agreement as if set out verbatim therein.

2. The Loan Agreement, as amended herein, is hereby ratified, adopted and confirmed by Borrower. Each agreement, representation, warranty and covenant made by Borrower in the Loan Agreement is hereby ratified, adopted, and confirmed by Borrower on the date of execution hereof.

3. The effective date of this First Modification to Second Amended and Restated Loan Agreement shall be December 15, 2004, at which time the provisions of this First Modification to Second Amended and Restated Loan Agreement shall become operative and are incorporated into the Loan Agreement.

THIS WRITTEN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Executed on _____, 2004, but effective as of December 15, 2004.

BORROWER:

Natural Gas Services Group, Inc.

By: _____
Wallace C. Sparkman, President

LENDER:

Western National Bank

By: _____
Scott A. Lovett, Executive Vice President

MODIFICATION AGREEMENT

This Modification Agreement ("Modification Agreement") is effective as of December 15, 2004. The parties to the Modification Agreement are Natural Gas Services Group, Inc. ("Borrower") and Western National Bank ("Lender").

RECITALS

On November 3, 2003, Borrower executed and delivered to Lender that certain Advancing Line of Credit Promissory Note in the original principal sum of \$10,000,000.00, bearing interest at the rate stated therein, with a stated final maturity date of November 15, 2009 (the "Note"), pursuant to that certain Second Amended and Restated Loan Agreement dated November 3, 2003 (the "Loan Agreement"). All liens, security interests and assignments securing the Note are collectively called the "Liens". Terms defined in the Note or the Loan Agreement and not otherwise defined herein shall have the same meanings here as in those documents.

Contemporaneously with the execution and delivery by Borrower to Lender of that certain First Modification to Second Amended and Restated Loan Agreement of even date herewith between Borrower and Lender, (the "First Modification"), Borrower and Lender agreed (a) to increase the Borrowing Base of said Note from \$7,000,000.00 to \$10,000,000.00, (b) extend the period for Borrower to request advances under the Note from November 3, 2004, to December 14, 2005, (c) modify the provisions relating to the amortization of advances between the date hereof and an December 14, 2005, and (d) to make other related changes to the Loan Agreement to incorporate such agreement and substitution.

Further, Borrower and Lender agreed to enter into this Modification Agreement to modify the interest provisions of the Note to provide for an increase in the interest floor from five and one-fourth percent (5.25%) to six percent (6%), and to ratify the Liens.

AGREEMENT

1. Modification of Interest Provisions of the Note. In lieu of the following provisions which were contained in the first paragraph of Note:

"...at a rate per annum which shall from day to day be equal to the lesser of (a) a rate per annum (the "Established Rate") equal to the greater of (i) one percent (1%) over the Prime Rate in effect from day to day, or (ii) five and one-fourth percent (5.25%), or (b) the Highest Lawful Rate, in each case calculated on the basis of actual days elapsed, but computed as if each calendar year consisted of 360 days."

such provisions of the Note are changed to read in their entirety as follows:

"...at a rate per annum which shall from day to day be equal to the lesser of (a) a rate per annum (the "Established Rate") equal to the greater of (i) one percent (1%) over the Prime Rate in effect from day to day, or (ii) six percent (6.0%), or (b) the Highest Lawful Rate, in each case calculated on the basis of actual days elapsed, but computed as if each calendar year consisted of 360 days."

2. Modification of Payment Provisions of the Note. In lieu of the following provision which was contained in the fourth (4th) paragraph of the Note:

"The principal of this Note shall be due and payable in (a) fifty-nine consecutive monthly installments which shall each be in an amount equal to 1/60th of the outstanding principal balance of this Note on December 15, 2004, with the first such installment being due and payable on December 15, 2004, and a like installment being due and payable on the fifteenth day of each succeeding month to and including October 15, 2009; 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 November 15, 2009. Interest, computed on the unpaid balance of this Note, shall be due and payable monthly as it accrues, on the same dates as, but in addition to each installment of principal."

such provision of the Note is changed to read as follows:

"The principal of this Note shall be due and payable as follows:

- (a) with respect to the principal balance outstanding under this Note on December 15, 2004, in fifty-nine (59) consecutive monthly installments of \$116,666.67, with the first (1st) such installment being due and payable on December 5, 2004 and a like installment being due and payable on the 15th day of each succeeding month to and including October 15, 2009; plus
- (b) 1/60th of the sum of all advances made by Lender under this note after December 15, 2004 and prior to March 31, 2005 and a like installment being due and payable on the 15th day of each succeeding month to and including October 15, 2009; plus
- (c) 1/60th of the sum of all advances made by Lender under this note after April 1, 2005 and prior to June 30, 2005, and a like installment being due and payable on the 15th day of each succeeding month to and including October 15, 2009; plus
- (d) 1/60th of the sum of all advances made by Lender under this note after July 1, 2005 and prior to September 30, 2005 and a like installment being due and payable on the 15th day of each succeeding month to and including October 15, 2009; plus

- (e) 1/60th of the sum of all advances made by Lender under this note after October 1, 2005 and prior to December 15, 2005 and a like installment being due and payable on the 15th day of each succeeding month to and including October 15, 2009; plus
- (f) one final installment in an amount equal to all remaining unpaid principal and accrued and unpaid interest on the Note shall be due and payable on November 15, 2009.

Interest, computed on the unpaid balance of the Note, shall be due and payable monthly as it accrues, on the same dates as, but in addition to each installment of principal."

3. Ratification of Liens. Borrower and Lender further agree that all Liens securing the Note shall continue and carry forward until the Note and all indebtedness evidenced thereby is paid in full. Borrower further agrees that such liens are hereby ratified and affirmed as valid and subsisting against the collateral described therein, and that this Modification Agreement shall in no manner vitiate, affect or impair the Note or the Liens (except as expressly modified in this Modification Agreement) and that such Liens shall not in any manner be waived, released, altered or modified.

4. Miscellaneous.

- (a) As modified hereby, the provisions of the Note and the Liens shall continue in full force and effect, and Borrower acknowledges and affirms its liability to Lender thereunder. In the event of an inconsistency between this Modification Agreement and the terms of the Note or of the Liens, this Modification Agreement shall govern.
- (b) Borrower hereby agrees to pay all costs and expenses incurred by Lender in connection with the execution and administration of this Modification Agreement.
- (c) Any default by Borrower in the performance of his obligations herein contained shall constitute a default under the Note and the Liens and shall allow Lender to exercise any or all of its remedies set forth in such Note and Liens or at law or in equity.
- (d) Lender does not, by its execution of this Modification Agreement, waive any rights it may have against any person not a party hereto.

(e) All terms, provisions, covenants, agreements, and conditions of the Note and the Liens are unchanged, except as provided herein. Borrower agrees that this Modification Agreement and all of the covenants and agreements contained herein shall be binding upon Borrower and shall inure to the benefit of Lender and each of their respective heirs, executors, legal representatives, successors, and permitted assigns.

THIS MODIFICATION AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Borrower:

Natural Gas Services Group, Inc.

By: _____
Wallace C. Sparkman, President

Lender:

Western National Bank

By: _____
Scott A. Lovett, Executive Vice President

STATE OF TEXAS ss.
 ss.
COUNTY OF MIDLAND ss.

This instrument was acknowledged before me on December _____, 2004, by Wallace C. Sparkman, President of Natural Gas Services Group, Inc., a Colorado corporation, on behalf of said corporation.

Notary Public, State of Texas

STATE OF TEXAS ss.
 ss.
COUNTY OF MIDLAND ss.

This instrument was acknowledged before me on December _____, 2004, by Scott A. Lovett, Executive Vice President of Western National Bank, a national banking association, on behalf of said association.

Notary Public, State of Texas