NATURAL GAS SERVICES GROUP INC
Form PRE 14A
April 23, 2003

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant |X|
Filed by a Party other than the Registrant |_|

Check the appropriate box:
|X| Preliminary Proxy Statement
|_| Confidential for use of the Commission Only (as permitted by Rule 14a-6(e)(2))
|_| Definitive Proxy Statement
|_| Definitive Additional Materials
|_| Soliciting Material Pursuant to Section 240.14a-12

NATURAL GAS SERVICES GROUP, INC.

(Name of Registrant as Specified in its Charter)

Payment of Filing Fee (Check the appropriate box):
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(1) Title of each class of securities to which the transaction applies:

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(2) Aggregate number of securities to which transaction applies:
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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11:
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(5) Total fee paid:

|_| Fee paid previously with preliminary materials.

|_| Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:
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(2) Form, Schedule or Registration Statement No.:
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(4) Date Filed:

PRELIMINARY COPY

NATURAL GAS SERVICES GROUP, INC.
2911 South County Road 1260
Midland, Texas 79706

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To be held on June 18, 2003

NOTICE IS HEREBY GIVEN that an annual meeting of shareholders of Natural Gas Services Group, Inc., a Colorado corporation, will be held at the Hilton Hotel, 117 West Wall Avenue, Midland, Texas 79701 on Wednesday, June 18, 2003 at 9:00 a.m., Central Time, for the purpose of considering and voting upon proposals to:

1. elect one director to serve until the annual meeting of shareholders to be held in 2004; elect one director to serve until the annual meeting of shareholders to be held in 2005; and elect two directors to serve until the annual meeting of shareholders to be held in 2006 or until their successors are elected and qualify;

2. adopt an amendment to the articles of incorporation of Natural Gas Services Group, Inc. to reduce the number of designated shares of 10% Convertible Series A Preferred Stock; and

3. transact such other business as may lawfully come before the meeting or at any adjournment(s) of the meeting.

Only shareholders of record at the close of business on May 14, 2003, are entitled to notice of and to vote at the meeting and at any adjournment(s) of the meeting.

The enclosed proxy is solicited by and on behalf of the Board of Directors of Natural Gas Services Group, Inc. All shareholders are cordially invited to attend the meeting in person. Whether you plan to attend or not, please date, sign and return the accompanying proxy card in the enclosed return envelope, to which no postage need be affixed if mailed in the United States. The giving of a proxy will not affect your right to vote in person if you attend the meeting.

BY ORDER OF THE BOARD OF DIRECTORS

SCOTT W. SPARKMAN, SECRETARY

Midland, Texas
May 19, 2003

PRELIMINARY COPY

NATURAL GAS SERVICES GROUP, INC.
2911 South County Road 1260
Midland, Texas 79706

PROXY STATEMENT
ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON JUNE 18, 2003

This proxy statement is being furnished in connection with the solicitation of proxies by the Board of Directors of Natural Gas Services Group, Inc., a Colorado corporation, to be used at an annual meeting of shareholders to be held at the Hilton Hotel, 117 West Wall Avenue, Midland, Texas 79701 on Wednesday, June 18, 2003 at 9:00 a.m., Central Time, and at any adjournment(s) of the meeting.

This proxy statement and the accompanying proxy will be mailed to Natural Gas' shareholders on or about May 19, 2003.

Any person signing and mailing the enclosed proxy may revoke it at any time before it is voted by:

- giving written notice of the revocation to Natural Gas' corporate secretary;
- voting in person at the meeting; or
- voting again by submitting a new proxy card.

Only the latest dated proxy card, including one which a person may vote in person at the meeting, will count. If not revoked, the proxy will be voted at the meeting in accordance with the instructions indicated on the proxy by the shareholder, or, if no instructions are indicated, will be voted FOR the slate of directors described in the proxy and for the adoption of the amendment to the articles of incorporation.

VOTING SECURITIES

Voting rights are vested in the holders of Natural Gas' $0.01 par value common stock and 10% Series A Preferred Stock, with each share entitled to one vote. Cumulative voting in the election of directors is not permitted. Only shareholders of record at the close of business on May 14, 2003, are entitled to notice of and to vote at the meeting or any adjournments of the meeting. On May 14, 2003 Natural Gas had 4,857,632 shares of common stock and 381,654 shares of 10% Convertible Series A Preferred Stock outstanding.

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ACTIONS TO BE TAKEN AT MEETING

The meeting has been called by the Board of Directors of Natural Gas to consider and act upon the following matters:

1. elect one director to serve until the annual meeting of shareholders to be held in 2004; elect one director to serve until the annual meeting of shareholders to be held in 2005; and elect two directors to serve until the annual meeting of shareholders to be held in 2006 or until their successors are elected and qualify;

2. adopt an amendment to the articles of incorporation of Natural Gas Services Group, Inc. to reduce the number of designated shares of 10% Convertible Series A Preferred Stock; and

3. transact such other business as may lawfully come before the meeting or at any adjournment(s) of the meeting.

The holders of a majority of the combined outstanding shares of common stock and 10% Convertible Series A Preferred Stock present at the meeting in person or represented by proxy shall constitute a quorum. If a quorum is present, directors are elected by a plurality of the vote, i.e., the candidates receiving the highest number of votes cast in favor of their election will be elected to the Board of Directors. As to all other actions voted on at the meeting, if a quorum is present, the affirmative vote of a majority of the shares represented in person or by proxy at the meeting and entitled to vote on the subject matter shall be the act of the shareholders. Where brokers have not received any instruction from their clients on how to vote on a particular proposal, brokers are permitted to vote on routine proposals but not on nonroutine matters. The absence of votes on nonroutine matters are "broker nonvotes." Abstentions and broker nonvotes will be counted as present for purposes of establishing a quorum, but will have no effect on the election of directors. Abstentions and broker nonvotes on proposals other than the election of directors, if any, will be counted as present for purposes of the other proposals and will count as votes against all other proposals.

PROPOSAL NUMBER ONE

ELECTION OF DIRECTORS

The number of directors on Natural Gas' Board of Directors has been established by the shareholders as seven directors. Therefore, there currently are two vacancies on the Board of Directors. The Board of Directors has been divided into three classes with directors serving staggered terms. With respect to the existing Board of Directors, the terms of James T. Grigsby and Scott W. Sparkman will expire at the meeting, the term of Wayne L. Vinson will expire in 2004, and the terms of Charles G. Curtis and Wallace O. Sellers will expire in 2005.

The persons named in the enclosed form of Proxy will vote the shares represented by such Proxy for the election of the four nominees for director named below. If, at the time of the meeting, any of these nominees shall become unavailable for any reason, which event is not expected to occur, the persons entitled to vote the Proxy will vote for such substitute nominee or nominees, if any, as they determine in their sole discretion. If elected, Richard L. Yadon, Gene A. Strasheim, James T. Grigsby and Scott W. Sparkman will hold office until the annual meetings of shareholders to be held in 2004, 2005 and 2006, respectively, until their successors are duly elected or appointed or until their earlier death, resignation or removal. The nominees for director, each of whom has consented to serve if elected, are as follows:

Name of Nominee	Director Since	Age	Principal Occupation for At Least the Last Five Years

Richard L. Yadon	Not currently a Director	45	Mr. Yadon is one of the original founders of Rotary Gas Systems Inc. and has served as advisor to Natural Gas' Board of Directors since June 2002. Since 1981, Mr. Yadon has owned and operated Yadeco Pipe & Equipment and since December 1994, has co-owned and presided as President of Midland Pipe & Equipment, Inc. Both companies are directly related to drilling and completion of oil and gas wells in Texas, New Mexico, Louisiana and Oklahoma. Since 1981, he has owned Yadon Properties, which owns and operates real estate in Midland, Texas. Mr. Yadon has 22 years of experience in the energy service industry.

Gene A. Strasheim	Not currently a Director	62	Since 2001, Mr. Strasheim has been a financial consultant to Skyline Electronics/Products, a manufacturer of circuit boards and large remotely controlled digital interstate highway signs. From 1992 to 2001, Mr. Strasheim was the Chief Financial Officer of Skyline Electronics/Products. From 1985 to 1992, Mr. Strasheim was the Vice President-Finance and Treasurer of CF&I Steel Corporation. Prior to that, Mr. Strasheim was the Vice President-Finance for two companies and was a partner with Deloitte Haskins & Sells, a large accounting firm. Mr. Strasheim practiced as a Certified Public Accountant in three states and has a BS degree from the University of Wyoming.
James T. Grigsby	1999	55	Mr. Grigsby has been one Natural Gas' directors since 1999. 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.

Scott W. Sparkman	1998	41	Mr. Sparkman has served as one of Natural Gas' directors since 1998, has served as Executive Vice-President of NGE Leasing, Inc., or NGE, since July 2001, has served as Secretary and Treasurer of NGE since March 1999 and has served as the Secretary of Great Lakes Compression, Inc. 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.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE IN FAVOR OF THE ELECTION OF THE NOMINEES LISTED ABOVE.

OTHER DIRECTORS

The current directors of Natural Gas are James T. Grigsby and Scott W. Sparkman, information pertaining to whom is set forth under "Election of Directors" above, and Charles G. Curtis, Wallace O. Sellers and Wayne L. Vinson, information pertaining to whom is set forth below.

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Name of Executive Officer	Director Since	Age	Principal Occupation for at Least the Last Five Years
Charles G. Curtis	2001	70	Mr. Curtis has been one of Natural Gas' 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
Wallace O. Sellers	1998	73	Mr. Sellers is one of Natural Gas' founders and has served as a director and the Chairman of Natural Gas' Board of Directors since December 17, 1998. 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. 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	2000	44	Mr. Vinson has served as one of Natural Gas' directors since April 2000, as Natural Gas' President since July 2001, as Natural Gas' Executive Vice President from October 31, 2000 to July 2001, as the President of Rotary Gas Systems, Inc. (and its predecessor, Hi-Tech Compressor Company) since February 1994, and as Executive Vice President of Great Lakes Compression Inc. since February 2001. He also served as Natural Gas' 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.

Natural Gas' Board of Directors held three meetings during the fiscal year ending December 31, 2002. All of Natural Gas' directors attended all of the aggregate of (1) the total number of meetings of the Board of Directors (held during the period for which he has been a director) and (2) the total number of meetings held by all committees of the Board of Directors for which he served (during the periods that he served). The Board of Directors acts from time to time by unanimous written consent in lieu of holding a meeting. During the fiscal year ending December 31, 2002, the Board of Directors conducted eight meetings by unanimous written consent.

Directors who are not employees are paid $1,000 per quarter and at December 31 of each year are issued a five year option to purchase 2,500 shares of Natural Gas' common stock at the then market value. Natural Gas also reimburses its directors for accountable expenses incurred on Natural Gas' behalf.

None of Natural Gas' directors is a director of any other entity that has its securities registered pursuant to Section 12 of the Securities Exchange Act of 1934 or that is subject to the requirements of Section 15(d) of the 1934 Act.

PROPOSAL NUMBER TWO

APPROVAL OF AN AMENDMENT TO NATURAL GAS' AMENDED ARTICLES OF INCORPORATION TO REDUCE THE NUMBER OF DESIGNATED SHARES OF 10% CONVERTIBLE SERIES A PREFERRED STOCK

Natural Gas' articles of incorporation presently authorize the issuance of 5,000,000 shares of preferred stock. Of these 5,000,000 shares, Natural Gas designated 1,177,000 shares as 10% Convertible Series A Preferred Stock. Natural Gas sold 381,654 shares of its 10% Convertible Series A Preferred Stock in a

private offering in 2001. Natural Gas does not plan on selling additional shares of 10% Convertible Series A Preferred Stock. Natural Gas' Board of Directors is recommending that the number of shares of 10% Convertible Series A Preferred Stock be reduced to 381,654 shares and the balance of 795,346 shares of 10% Series A Preferred Stock be returned to undesignated shares of preferred stock. If the number of designated shares of 10% Convertible Series A Preferred Stock is reduced to 381,654 shares, the Board of Directors will be able to retain the balance of the shares, or 795,346 shares, for further issuances of preferred stock.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE IN FAVOR OF THE PROPOSAL TO APPROVE AN AMENDMENT TO NATURAL GAS' AMENDED ARTICLES OF INCORPORATION TO REDUCE THE NUMBER OF DESIGNATED SHARES OF 10% CONVERTIBLE SERIES A PREFERRED STOCK

EXECUTIVE OFFICERS

The executive officers of Natural Gas are Scott W. Sparkman and Wayne L. Vinson, information pertaining to whom is set forth under "Election of Directors" and "Other Directors" above, and Earl R. Wait, information pertaining to whom is set forth below. The executive officers of Natural Gas are elected annually at the first meeting of the Board of Directors held after each annual meeting of shareholders. Each executive officer will hold office until his or her successor duly is elected and qualified, until his or her death or resignation or until he or she shall be removed in the manner provided by Natural Gas' bylaws. Earl R. Wait's positions with Natural Gas, the periods during which he has served as an executive officer of Natural Gas, his age and his biography are as follows:

Name of Executive Officer	Age	Principal Occupation for At Least the Last Five Years
Earl R. Wait	59	Mr. Wait has served as Natural Gas' Chief Financial Officer since May 2000 and Natural Gas' Treasurer since 1998. Mr. Wait was Natural Gas' Chief Accounting Officer from 1998 to May 2000. Mr. Wait has been the Chief Financial Officer and Secretary/Treasurer of Flare King, Inc. and then Rotary Gas Systems, Inc. since April 1993, the Assistant Secretary/Treasurer for Hi-Tech Compressor Company since June 1996, the Controller and Assistant Secretary/Treasurer for Hi-Tech Compressor Company from 1994 to 1999, and the Chief Accounting Officer and Treasurer of Great Lakes Compression Inc. 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 Natural Gas' employees whom Natural Gas considers to be key employees.

Name of Employee	Age	
Wallace C. Sparkman	73	Mr. Sparkman is one of the founders of Natural Gas and has been the President of NGE since July 2001, the President of Rotary Gas Systems, Inc. (and its predecessor, Flare King) from April 1993 to April 1997. Mr. Sparkman served as Natural Gas' President from May 2000 to July 2001 and as the President of Great Lakes Compression, Inc. 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 Natural Gas' 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	58	Mr. Bingham has served as the President of Great Lakes Compression, Inc. since 2001. From March 2001 to July 2001, Mr. Bingham was the General Manager of Great Lakes Compression, Inc. 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.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires Natural Gas' officers and directors and persons who own more than 10% of the outstanding common stock of Natural Gas to file reports of ownership with the Securities and Exchange Commission ("SEC"). Directors, officers and greater than 10% shareholders are required by SEC regulations to furnish Natural Gas with copies of all Section 16(a) forms they file.

Based solely on a review of Forms 3, 4 and 5 and amendments thereto furnished to Natural Gas during and for its fiscal year ended December 31, 2002, there were no directors, officers or more than 10% shareholders of Natural Gas who failed to timely file a report required by Section 16(a) of the Securities Exchange Act of 1934 except that Charles G. Curtis filed an amendment to his Form 3 to add 10% Convertible Series A Preferred Stock he owned, filed an amendment to a Form 4 to include common stock and warrants that were not previously reported and was late in filing a Form 4 to report the granting of an option to him; Diamond S DGT Trust was late in filing its Form 3; James T. Grigsby filed an amendment to his Form 4 to report warrants that were previously not included on his Form 4 and was late in filing a Form 4 to report the granting of an option to him; Alan P. Kurus, a former officer, filed amendments to his Form 3 to change the nature of his ownership of common stock and to report a stock option that he owned; Sharon Renee Pipes was late in filing her Form 3; Wallace O. Sellers was late in filing a Form 4 to report the granting of an option to him; and Earl R. Wait filed an amendment to his Form 3 to report a stock option that he owned.

EXECUTIVE COMPENSATION

The following table sets forth information regarding the compensation paid during the years ended December 31, 2002, 2001 and 2000 by Natural Gas to Wayne L. Vinson and Earl R. Wait, Natural Gas' only executive officers whose combined salary and bonuses exceeded $100,000 during the year ended December 31, 2002.

		Annual Compensation		Long-Term Compensation Award
Name and Principal Position	Year	Salary	Bonus	Securities Underlying Op
Wayne L. Vinson	2002	$ 120,000(1)	$ 39,452	-0- (2)
Executive Vice President	2001	102,692	25,583	-0-
until 7/25/01	2000	74,423	25,604	-0-
President since 7/25/01				

Earl R. Wait	2002	$ 90,000	$ 29,589	15,000
Chief Financial Officer	2001	85,385	23,164	-0-
	2000	80,088	7,416	-0-

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(1) Does not include any compensation paid to the wife of Wayne L. Vinson for her services as Natural Gas' accounts payable and payroll clerk for 2002, 2001 and 2000, respectively.

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(2) 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 Natural Gas' common stock at $2.50 per share in consideration for CAV-RDV, Ltd. guaranteeing a portion of Natural Gas' 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.

Natural Gas has established a bonus program for its officers. At the end of each of Natural Gas' fiscal years, its Board of Directors reviews its operating history and determines whether or not any bonuses should be paid to its officers. If so, the Board of Directors determines what amount should be allocated. The Board of Directors may discontinue the bonus program at any time.

Option Grants in Last Fiscal Year

The following table sets forth information pertaining to option grants to Wayne L. Vinson and Earl R. Wait, Natural Gas' only executive officers whose combined salary and bonuses exceeded $100,000 during the year ended December 31, 2002:

Name	Number of Securities Underlying Options	% of Total Options Granted to Employees in Fiscal Year	Exercise Price	Expiration Date
Wayne L. Vinson	0	0	N/A	N/A
Earl R. Wait	15,000	35	$3.25	04/23/2012

Aggregate Option Exercises in Last Fiscal Year and Fiscal Year End Option Values

The following table sets forth information pertaining to option exercises by and fiscal year end option values of options held by, Wayne L. Vinson and Earl R. Wait, Natural Gas' only executive officers whose combined salary and bonuses exceeded $100,000 during the year ended December 31, 2002:

Fiscal Year End Option Values

Name	Shares Acquired On Exercise	Value Received	Number of Securities Underlying Unexercised Options at Fiscal Year End Exercisable/Unexercisable	Value of Unexercis In-the-Money Opti at Fiscal Year En Exercisable/Unexerci
Wayne L. Vinson	0	0	0/0	
Earl R. Wait	0	0	0/15,000	0/$

Compensation of Directors

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 Natural Gas' common stock at the then market value. Natural Gas also reimburses its directors for accountable expenses incurred on its behalf.

1998 Stock Option Plan

Natural Gas has the 1998 Stock Option Plan which provides for the issuance of options to purchase up to 150,000 shares of its 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 its 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 Natural Gas' common stock at an exercise price of $2.00 per share, options to purchase 42,000 shares of Natural Gas' common stock at an exercise price of $3.25 per share, and options to purchase 7,500 shares of Natural Gas' common stock at an exercise price of $3.88 per share have been granted under the plan and are outstanding.

Compensation Committee

The Compensation Committee of the Board of Directors determines Natural Gas' executive compensation policy and sets compensation for Natural Gas' executive officers.

The Compensation Committee's policy is to offer the executive officers competitive compensation packages that will permit Natural Gas to attract and retain individuals with superior abilities and to motivate and reward such individuals in an appropriate fashion in the long-term interests of Natural Gas and its shareholders. Currently, executive compensation is comprised of salary and cash bonuses that may be awarded from time to time such as long-term incentive opportunities in the form of stock options under Natural Gas' 1998 Stock Option Plan. Messrs. Curtis, Grigsby and Sellers are members of Natural Gas' Compensation Committee. The Compensation Committee met five times in 2002.

PRINCIPAL SHAREHOLDERS AND SECURITY OWNERSHIP OF MANAGEMENT

The following table sets forth, as of the May 14, 2003, the beneficial ownership of Natural Gas' common stock and 10% Series A Preferred Stock: (i) by each of its directors, its nominees for director and its executive officers; (ii) by all of its executive officers and directors as a group; and (iii) by all persons known by it to beneficially own more than five percent of its common stock and of its 10% Series A Preferred Stock:

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Name and Address	Shares of Common Stock and 10% Convertible Series A Preferred Stock Beneficially Owned	Percent Beneficially Owned
Wallace O. and Naudain Sellers P.O. Box 106, 6539 Upper York Road Solebury, PA 18963-0106	698,159(1)	13.2%
Wayne L. Vinson 5619 Fenway Midland, TX 79707	0(2)	0.0%
Scott W. Sparkman 1604 Ventura Avenue Midland, TX 79705	516,467(3)	9.8%
Charles G. Curtis 1 Penrose Lane Colorado Springs, CO 80906	70,500(4)	1.3%
James T. Grigsby 3345 Grimsby Lane Lincoln, NE 68502	81,700(5)	1.8%
Earl R. Wait 109 Seco Portland, TX 78374	75,000(6)	1.4%
Richard L. Yadon	294,183(7)	5.6%

P.O. Box 8715 Midland, TX 79708-8715		
Gene A. Strasheim 165 Huntington Place Colorado Springs, CO 80906	0	0.0%
All current directors and executive officers as a group (six persons)	1,441,826(8)	26.7%

CAV-RDV, Ltd. 1541 Shannon Drive Lewisville, TX 75077	486,006(2)	9.2%
RWG Investments LLC 5980 Wildwood Drive Rapid City, SD 57902	394,000(9)	7.3%

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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, 9,032 shares of common stock and 5,000 shares of common stock at $ 2.50 per share, at $3.25 per share and at $6.25 per share, respectively, owned by Wallace Sellers, an option to purchase 2,500 shares of common stock at $3.88 per share owned by Wallace Sellers, 34,691 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, an option to purchase 2,500 shares of common stock at $3.88 per share, warrants to purchase 5,000 shares of common stock at $6.25 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) Includes warrants to purchase 9,600 shares at $6.25 per share and an option to purchase 2,500 shares at $3.88 per share.

(6) Includes an option to purchase 15,000 shares of common stock at $3.25

per share that began to vest in April 2003.

(7) Includes warrants to purchase 9,365 shares and 5,318 shares of common stock at $2.50 per share and $3.25 per share, respectively.

(8) Includes the shares set forth in footnotes (1) through (6) above.

(9) 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.

TRANSACTIONS WITH MANAGEMENT AND OTHERS AND CERTAIN BUSINESS RELATIONSHIPS

In March 2001, Natural Gas issued warrants that will expire on December 31, 2006, to purchase shares of its common stock at $2.50 per share to the following persons for guaranteeing the amount of its 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

(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 Natural Gas 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.

None of the guarantees are still in effect.

In April 2002, Natural Gas issued five year warrants to purchase shares of its common stock at $3.25 per share to the following persons for guaranteeing its 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

(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.

None of the guarantees are still in effect.

Wayne L. Vinson, Earl R. Wait and Wallace C. Sparkman have also guaranteed approximately $21,479, $53,361 and $48,384, respectively, of additional debt for Natural Gas without consideration. This debt was incurred when Natural Gas acquired vehicles, equipment and software. The following schedule provides information as to the remaining debt balances as of December 31, 2002:

Guarantor	Balance at December 31, 2002	Interest Rate	Maturity Date
Earl Wait	$13,283	1.90%	3/26/2004
Earl Wait	40,078	10.50%	10/10/2005
Wallace Sparkman	48,384	Prime + 1.0%	7/06/2004
Wayne Vinson	1,802	Prime + 1.0%	7/15/2003
Wayne Vinson	11,873	1.90%	4/22/2004
Wayne Vinson	7,804	7.50%	6/21/2004

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

Hunter Wise Financial Group LLC served as Natural Gas' investment banker and advisor in connection with its acquisition of the compression related assets of Dominion Michigan for which Natural Gas paid Hunter Wise a total fee of $440,000. James T. Grigsby, one of Natural Gas' directors, has a 1% interest in Hunter Wise.

Charles G. Curtis, one of Natural Gas' directors, Alan P. Kurus, one of Natural Gas' officers until April 14, 2003, and RWG Investments, LLC, a beneficial owner of more than 5% of Natural Gas' outstanding stock, purchased Natural Gas' 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 Natural Gas' directors, and RWG Investments, LLC, a beneficial owner of more than 5% of Natural Gas' outstanding stock, purchased 18,000 shares and 12,000 shares, respectively, or $58,500 and $39,000, respectively, of Natural Gas' 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.

Wallace O. Sellers, Charles G. Curtis and James T. Grigsby, Natural Gas' independent directors, were each paid $1,000 and were each issued an option to purchase 2,500 shares of Natural Gas' common stock at $3.88 per share for serving as Natural Gas' directors during the year ended December 31, 2002.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee met five times in 2002 and is responsible for Natural Gas' internal controls and the financial reports process. Messrs. Curtis, Grigsby and Sellers are members of Natural Gas' Audit Committee.

Natural Gas' independent accountants are responsible for performing an independent audit of Natural Gas' consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and issuing an independent accountants' report on such financial statements. The Audit Committee reviews with management Natural Gas' consolidated financial statements; reviews with the independent accountants their independent accountants' report; and reviews the activities of the independent accountants. The Audit Committee selects Natural Gas' independent accountants each year. The Audit Committee also considers the adequacy of Natural Gas' internal controls and accounting policies. The chairman and members of the Audit Committee are all independent directors of Natural Gas within the meaning of Section 121(A) of the listing standards of the American Stock Exchange.

The Audit Committee has reviewed and discussed the audited financial statements with management of Natural Gas. The Audit Committee has discussed with Natural Gas' independent auditors the matters required to be discussed by SAS 61. In addition, the Audit Committee has received the written disclosures and letter from Natural Gas' independent accountants required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), as may be modified or supplemented, and has discussed with the independent accountants matters pertaining to their independence. The Audit Committee also considered whether the additional services unrelated to Audit Services performed by HEIN + ASSOCIATES LLP were compatible with maintaining their independence in performing their Audit Services. Based upon the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in Natural Gas' Annual Report on Form 10-KSB for 2002 for filing with the Securities and Exchange Commission. The Audit Committee and Board of Directors has also selected HEIN + ASSOCIATES LLP as Natural Gas' independent accountants for the fiscal year ending December 31, 2003. The members of Natural Gas' Audit Committee are independent. The Audit Committee has a written Audit Committee Charter that has been adopted by the Natural Gas Board of Directors and is attached hereto as Exhibit A.

Respectfully submitted by the Audit Committee:

Wallace O. Sellers Charles G. Curtis James T. Grigsby

INDEPENDENT PUBLIC ACCOUNTANTS

The principal accountant selected for Natural Gas' fiscal year ended December 31, 2003 is HEIN + ASSOCIATES LLP. Representatives of HEIN + ASSOCIATES LLP, Natural Gas' auditors for Natural Gas' fiscal year ended December 31, 2002, are expected to be present at the annual meeting of shareholders, they will have an opportunity to make a statement if they desire to do so and such representatives are expected to be available to respond to appropriate questions.

Audit Fees

The aggregate fees billed for professional services rendered by HEIN + ASSOCIATES LLP for the audit of Natural Gas' financial statements for its fiscal year ended December 31, 2002 and the review of the financial statements in its Forms 10-QSB for such fiscal year were $43,691.

Financial Information Systems Design and Implementation Fees

No fees were billed by HEIN + ASSOCIATES LLP during Natural Gas' fiscal year ended December 31, 2002 for any service related to financial information systems design and implementation.

All Other Fees

The aggregate fees billed for services rendered by HEIN + ASSOCIATES LLP, other than as listed above, for Natural Gas' fiscal year ended December 31, 2002 were $29,216.

2002 ANNUAL REPORT TO SHAREHOLDERS

You may obtain Natural Gas' 2002 Annual Report on Form 10-KSB for the fiscal year ended December 31, 2002 upon written request to Scott W. Sparkman, Secretary, at its principal offices, 2911 South County Road 1260, Midland, Texas 79706. Each such request must set forth a good faith representation that, as of May 14, 2003 the person making the request was a beneficial owner of Natural Gas' common stock or its 10% Convertible Series A Preferred Stock. In addition, the exhibits to the Annual Report on Form 10-KSB, as amended, for the fiscal year ended December 31, 2002 may be obtained by any stockholder upon written request to Mr. Sparkman. Each person making any such request will be required to pay a fee of $0.25 per page to cover Natural Gas' expenses in furnishing such exhibits.

SHAREHOLDER PROPOSALS

Proposals of shareholders intended for inclusion in the proxy statement to be furnished to all shareholders entitled to vote at the 2004 Annual Meeting of shareholders must be received at Natural Gas' principal executive offices not later than January 20, 2004 or in the event that the due date of the 2004 Annual Meeting changes by more than 30 days from the day that the 2004 Annual Meeting is held, a reasonable time before Natural Gas mails its proxy materials for the 2004 Annual Meeting. In order to curtail controversy as to the date on which a proposal was received by us, it is suggested that proponents submit their proposals by certified mail-return receipt requested. Such proposals must also meet the other requirements established by the Securities and Exchange Commission for shareholder proposals.

DISCRETIONARY AUTHORITY

If Natural Gas does not have notice of a matter by April 3, 2004, then the Proxies at Natural Gas' next Annual Meeting of Shareholders will be able to exercise discretionary authority in voting on such matters.

SOLICITATION OF PROXIES

The cost of soliciting proxies, including the cost of preparing, assembling and mailing this proxy material to shareholders, will be borne by Natural Gas. Solicitations will be made only by use of the mails, except that, if necessary to obtain a quorum, officers and regular employees of Natural Gas may make solicitations of proxies by telephone or electronic facsimile or by personal calls. Brokerage houses, custodians, nominees and fiduciaries will be requested to forward the proxy soliciting material to the beneficial owners of Natural Gas' shares held of record by such persons and Natural Gas will reimburse them for their charges and expenses in this connection.

OTHER BUSINESS

Natural Gas' Board of Directors does not know of any matters to be presented at the meeting other than the matters set forth herein. If any other business should come before the meeting, the person's names in the enclosed proxy card will vote such proxy according to their judgment on such matters.

BY ORDER OF THE BOARD OF DIRECTORS

SCOTT W. SPARKMAN, SECRETARY

Midland, Texas
May 19, 2003

EXHIBIT A

AUDIT COMMITTEE CHARTER
OF
NATURAL GAS SERVICES GROUP, INC.

I. Composition of the Audit Committee. The Audit Committee shall be comprised of all independent directors to be appointed by the Board of Directors. To be an independent director, such director shall not be an officer or employee of the Company or its subsidiaries, shall be free from any relationship which, in the opinion of the Board of Directors of the Company ("Board"), would interfere with the exercise of his or her independent judgment in carrying out the responsibilities of a director, shall not own or control 20% or more of the Company's securities, or such lower measurement as may be established by the Securities and Exchange Commission ("SEC") in rule making under Section 302 of the Sarbanes-Oxley Act of 2002, shall be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement and cash flow statement, shall not, directly or indirectly, accept any consulting, advisory or other compensation fee from the Company, be an affiliated person of the Company of any subsidiary thereof (except as a member of the Audit Committee, the Board or any Committee of the Board) and shall otherwise satisfy the applicable membership requirements under the rules of the American Stock Exchange all as such requirements are interpreted by the Board. On and after December 31, 2003, or at such time as is required by the rules of the American Stock Exchange, which ever is earlier, at least one member of the Audit Committee shall be a "financial expert" as such term is defined by rules adopted by the SEC.

II. Purposes of the Audit Committee. The Audit Committee's primary duties and responsibilities are to:

1. Monitor the integrity of the Company's financial reporting process and systems of internal controls regarding finance, accounting and legal compliance.

2. Monitor the independence and performance of the Company's independent auditors and internal auditing department.

3. Provide an avenue of communication among the independent auditors, management, the internal auditing department and the Board.

The function of the Audit Committee is oversight. The management of the Company is responsible for the preparation, presentation and integrity of the Company's financial statements. Management and the internal auditing department are responsible for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures that provide for compliance with accounting standards and applicable laws and regulations. The outside auditors are responsible for planning and carrying out a proper audit of the Company's financial statements, reviews of the Company's quarterly financial statements prior to the filing of each quarterly report on Form I O-Q or Form I O-QSB, and other procedures. In fulfilling their responsibilities hereunder, it

is recognized that members of the Audit Committee are not fulltime employees of the Company and are not, and do not represent themselves to be, accountants or auditors by profession or experts in the fields of accounting or auditing including in respect of auditor independence. As such, it is not the duty or responsibility of the Audit Committee or its members to conduct "field work" or other types of auditing or accounting reviews or procedures or to set auditor independence standards, and each member of the Audit Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and outside the Company from which it receives information (ii) the accuracy of the financial and other information provided to the Audit Committee by such persons or organizations absent actual knowledge to the contrary (which shall be promptly reported to the Board of Directors) and (111) representations made by management as to any information technology, internal audit and other non-audit services provided by the auditors to the Company.

Notwithstanding the foregoing, the Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and shall have direct access to the independent auditors as well as any employee of the Company. The Audit Committee has the ability to retain, at the Company's expense, special legal, accounting, or other consultants or experts it deems necessary in the performance of its duties.

III. Meeting of the Audit Committee.

Audit Committee members shall be appointed by the Board. If an Audit Committee Chair is not designated or present, the members of the Committee may designate a Chair by majority vote of the Committee membership.

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. The Audit Committee Chair shall prepare and/or approve an agenda in advance of each meeting. In addition, the Committee should meet privately in executive session at least annually with management, the director of the internal auditing department, the independent auditors, and as a committee to discuss any matters that the Committee or each of these groups believe should be discussed.

IV. Audit Committee Responsibilities and Duties.

1. Review Procedures.

The Audit Committee shall:

a. Review and reassess the adequacy of this Charter at least annually, submit the charter to the Board of Directors for approval and have the document published at least every three years in accordance with SEC regulations.

b. Review the Company's annual audited financial statements prior to filing or distribution. Review should include discussion with management and independent auditors of significant issues regarding accounting principles, practices, and judgments.

c. In consultation with management, the independent auditors and the internal auditors, consider the integrity of the Company's financial reporting processes and controls. Meet periodically with management to discuss significant financial risk exposures and the steps management has taken to monitor, control, and report such exposures. Review significant findings prepared by the independent auditors and the internal auditing department together with management's responses.

d. Review with financial management and the independent auditors the Company's quarterly financial results prior to the release of earnings and/or the Company's quarterly financial statements prior to filing or distribution. Discuss any significant changes to the Company's accounting principles and any items required to be communicated by the independent auditors in accordance with SAS 61. The Chair of the Committee may represent the entire Audit Committee for purposes of this quarterly review.

2. Independent Auditors.

The independent auditors are ultimately accountable to the Audit Committee. The Audit Committee shall review the independence and performance of the auditors. The Audit Committee, shall select, evaluate, and where deemed appropriate, replace the outside auditors (or nominate the outside auditors to be proposed for shareholder approval in any proxy statement).

The outside auditors shall submit to the Company annually a formal written statement delineating all relationships between the outside auditors and the Company ("Statement as to Independence"), addressing each non-audit service provided to the Company and at least the matters set forth in Independence Standards Board No. 1.

The Audit Committee shall:

a. Approve the fees and other significant compensation to be paid to the independent auditors for audit services and approve the retention of the independent auditors for any non-audit service and the fee for any such service.

b. On an annual basis, ensure that the independent auditors prepare and deliver a Statement as to Independence, and review and discuss with the independent auditors all significant relationships they have with the Company that could impair the auditors' independence. The Audit Committee shall take appropriate action to oversee the independence of the independent auditors.

c. Review the independent auditors' audit plan, discussing scope, staffing, locations, reliance upon management, and internal audit and general audit approach.

d. Prior to releasing the year-end earnings, discuss the results of the audit with the independent auditors.

e. Consider the independent auditors' judgment about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.

f. Instruct the independent auditors that the independent auditors are ultimately accountable to the Audit Committee.

g. Resolve any disagreements between the management of the Company and the Company's independent auditors.

3. Internal Audit Department and Legal Compliance.

The Audit Committee shall:

a. Review the budget, plan, changes in plan, activities, organization structure, and qualifications of the internal audit department, as needed.

b. Review the appointment, performance, and replacement of the senior internal audit executive.

c. Review significant reports prepared by the internal audit department together with management's response and follow-up to these reports.

d. Consider any reports or communications (and management's and/or the internal audit department's responses thereto) submitted to the Audit Committee by the independent auditors required by or referred to in SAS 6 1, as may be modified or supplemented.

e. Review on a regular basis with the Company's counsel any legal matters that could have a material impact on the organization's financial statements, the Company's compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies.

4. Other Audit Committee Responsibilities.

The Audit Committee shall:

a. Annually prepare a report to shareholders as required by the Securities and Exchange Commission. The report should be included in the Company's annual proxy statement.

b. Maintain minutes of meetings and periodically report to the Board of Directors on significant results of the foregoing activities.

c. Periodically perform self-assessment of Audit Committee performance.

d. Annually review policies and procedures associated with directors' and officers' expense accounts and perquisites.

e. Approve in advance all director, officer and other person related party transactions with the Company.

f. Monitor a code of ethics for the Company's Chief Executive Officer, Chief Financial Officer, Principal Accounting Officer or Controller or persons performing similar functions.

g. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

h. Engage independent counsel and other advisors as it deems necessary to carry out its duties.

i. Determine funding for independent counsel and other advisors employed under paragraph IV.4.h of this Charter.

j. Review any other aspects of the Company's affairs as the Committee deems necessary or appropriate.

k. Perform any other activities consistent with this Charter, the Company's by-laws, and governing law, as the Committee or the Board deems necessary or appropriate.

PRELIMINARY COPY

APPENDIX

PROXY

NATURAL GAS SERVICES GROUP, INC.
PROXY SOLICITED BY THE BOARD OF DIRECTORS
FOR THE ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD June 18, 2003

The undersigned hereby constitutes and appoints Wallace O. Sellers and Scott W. Sparkman, and each of them, the true and lawful attorneys and proxies of the undersigned with full power of substitution and appointment, for and in the name, place and stead of the undersigned, to act for and to vote all of the undersigned's shares of $0.01 par value common stock and 10% Convertible Series A Preferred Stock of Natural Gas Services Group, Inc., a Colorado corporation, to be used at an annual meeting of shareholders to be held will be held at the Hilton Hotel, 117 West Wall Avenue, Midland, Texas 79701 on Wednesday, June 18, 2003 at 9:00 a.m. Central Time, and at any adjournment(s) thereof for the following purposes:

1. Election of Directors:

[ ] FOR THE DIRECTOR NOMINEES LISTED BELOW (EXCEPT AS MARKED TO THE CONTRARY BELOW)	[ ] WITHHOLD AUTHORITY TO VOTE FOR ALL NOMINEES LISTED BELOW

INSTRUCTIONS: TO WITHHOLD AUTHORITY TO VOTE FOR ANY INDIVIDUAL NOMINEE, STRIKE A LINE THROUGH THE NOMINEE'S NAME IN THE LIST BELOW.

Richard L. Yadon

Gene A. Strasheim

James T. Grigsby

Scott W. Sparkman

2. Adopt an amendment to the articles of incorporation of Natural Gas Services Group, Inc. to reduce the number of designated shares of 10% Convertible Series A Preferred Stock:

[ ] FOR [ ] AGAINST [ ] ABSTAIN

The undersigned hereby revokes any proxies as to said shares heretofore given by the undersigned and ratifies and confirms all that said attorneys and proxies lawfully may do by virtue hereof.

THE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED AS SPECIFIED. IF NO SPECIFICATION IS MADE, THEN THE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED AT THE MEETING FOR THE ELECTION OF THE DIRECTORS AND FOR THE AMENDMENT TO NATURAL GAS' ARTICLES OF INCORPORATION.

It is understood that this proxy confers discretionary authority in respect to matters not known or determined at the time of the mailing of the Notice of Annual Meeting of to the undersigned. The proxies and attorneys intend to vote the shares represented by this proxy on such matters, if any, as determined by the Board of Directors.

The undersigned hereby acknowledges receipt of the Notice of Special Meeting of Shareholders, and the Proxy Statement and Annual Report furnished therewith.

Dated and Signed:

______________________________________, 2003

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____

Signature(s) should agree with the name(s) stenciled hereon. Executors, administrators, trustee, guardians and attorneys should so indicate when signing. Attorneys should submit powers of attorney.