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NATURAL GAS SERVICES GROUP INC
Form 8-K
August 10, 2004

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): August 4, 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.)

2911 South County Road 1260 Midland, Texas
(Address of Principal Executive Offices)

79706
(Zip Code)

432-563-3974
(Registrant's telephone number, including area code)

Item 5. Other Events and Regulation FD Disclosure.

On July 27, 2004, we reported that Natural Gas Services Group, Inc. and CBarney Investments, Ltd. had entered into a Securities Purchase Agreement. Under the agreement, Natural Gas Services Group agreed to issue and sell 649,574 shares of its common stock to CBarney at \$7.69736 per share, for a total of

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\$5,000,000.00. The per share price was determined by multiplying (x) \$8.747, the average closing market price of the common stock on the American Stock Exchange for the twenty consecutive trading days ended July 15, 2004, times (y) eighty-eight percent.

On August 4, 2004, we closed the transaction and issued a total of 549,574 shares of our common stock to CBarney Investments, Ltd. and 100,000 shares to Mark X Energy Company, an affiliate of CBarney Investments, Ltd.

Net proceeds from the sale of the shares are estimated to be approximately \$4,950,000.00. We plan to use the net proceeds from the sale of the stock to advance the growth of our rental fleet of natural gas compressors, working capital and general corporate purposes, including possible acquisition of strategically located compressor companies. Subject to certain exceptions contained in the agreement, we are prohibited from using the proceeds to:

- o pay dividends;
- o pay for an increase in executive compensation or make any loan or advance to any officer, employee, shareholder, director or other affiliate of Natural Gas Services Group; or
- o purchase debt or equity securities of any entity (including our own securities).

Under the agreement, for a period of twenty-four months following the closing, CBarney has the right, subject to certain limitations, to participate with respect to the issuance of (a) future equity or equity-linked securities, and (b) debt which is convertible into equity or in which there is an equity component (collectively, the "Additional Securities"), on the same terms and conditions as offered by Natural Gas Services Group to other purchasers of such Additional Securities. CBarney's participation right does not apply to:

- o the issuance or sale of securities to employees, officers, directors, or consultants of Natural Gas Services Group for the primary purpose of soliciting or retaining their employment or service pursuant to a stock option plan (or similar equity incentive plan) approved by the Board of Directors and the shareholders of Natural Gas Services Group;
- o the conversion of any convertible or exercisable securities outstanding as of the closing;

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- o the issuance of shares of common stock of Natural Gas Services Group in connection with an underwritten public offering; or
- o the issuance of securities in connection with mergers, acquisitions, strategic business partnerships or joint ventures.

Natural Gas Services Group did not engage any underwriters, brokers, agents or finders in connection with the agreement or the issuance and sale of the shares.

CBarney and its representatives and agents have the right, no more than

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twice in any year, to visit and inspect any of the properties of Natural Gas Services Group, to examine its books of account and records, and to discuss the affairs, finances and accounts of Natural Gas Services Group with our officers, employees and independent public accountants. We also agreed to permit a representative selected by CBarney to attend and observe Board meetings, subject to certain conditions.

The issuance and sale of the common stock was made in reliance upon the exemption from registration under Section 4(2) of the Securities Act of 1933, as amended, as a transaction not involving a public offering. All of the shares are "restricted" securities within the meaning of Rule 144 under the Securities Act and will bear a legend to that effect. However, we agreed to file a registration statement with the Securities and Exchange Commission within the next sixty days to register the resale of the common stock.

The foregoing is a summary of the material features of the agreement. This summary does not purport to be complete and is qualified in its entirety by reference to the terms of the agreement, which is incorporated herein by reference.

A press release dated August 4, 2004, announcing the agreement is filed herewith as Exhibit 99.1 and is also incorporated herein by reference.

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Item 7. Financial Statements and Exhibits.

(c) Exhibits

The Exhibits listed below are filed as part of this Current Report on Form 8-K.

Exhibit No.	Description
4.1	Securities Purchase Agreement, dated July 20, 2004, between Natural Gas Services Group, Inc. and CBarney Investments, Ltd. (Incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K, dated July 20, 2004, and filed with the Securities and Exchange Commission on July 27, 2004)
99.1	Press Release dated August 4, 2004, issued by Natural Gas Services Group, Inc.

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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: August 9, 2004

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