

SIGNIFICANT IMPROVEMENT IN LIQUIDITY

As a result of our recent transaction with Denbury described above, our liquidity has improved significantly. Under the terms of this transaction, on June 12, 2006 we received approximately \$50 million in cash, and a 25% after payout back-in working interest in the enhanced oil recovery project Denbury has undertaken to fund and operate.

Of the approximately \$50 million in proceeds, we immediately used approximately \$5.4 million to repay in full our credit facility and used approximately \$257,000 to repay a subordinated loan to our Laird Q. Cagan, the chairman of our board of directors. Consequently, we currently have no indebtedness, other than ordinary course trade payables, and we have sufficient cash resources to continue with the implementation of our business strategy for the foreseeable future. We plan to deposit a minimum of \$3 million, and a maximum of up to \$16 million of the proceeds, with the U. S. Treasury and the Louisiana Department of Revenue for income taxes due on the gain on sale of our Delhi property, depending on the amount of IRC 1031 like-kind property exchanges we ultimately consummate. The estimated remaining balance of these proceeds (being a range of approximately \$28.3 million to \$41.3 million, depending on our ultimate taxable gain) will be used to identify and close additional oil and gas investment opportunities that fit our business plan, and for working capital and general corporate purposes.

We have not determined the exact amounts we plan to expend on the above uses or the timing of such expenditures. The amounts actually expended and the timing are at our discretion and may vary significantly depending upon a number of factors, including our ability to identify and close additional oil and gas opportunities that fit our business plan within the 45 and 180 day windows allotted to identify and consummate any IRC 1031 like-kind exchanges. Pending their use as set forth above, such proceeds will be invested in a U.S. Government money market account.

FORWARD-LOOKING RESULTS WILL LIKELY CHANGE

Due to our purchase and sale agreement with Denbury Onshore LLC, described under "Transaction Involving our Delhi Field" above, further initiatives concerning our Delhi Development Drilling Program are expected to be replaced with the much larger enhanced oil recovery (EOR) project utilizing CO2 flood technology, which Denbury has undertaken to fund and operate. The Denbury agreement, although exceeding our original expectations for development results at Delhi, will result in the immediate loss of production and revenues from Delhi (excluding our override on existing production) until such time as the EOR project is completed and brought online by Denbury. Without further acquisitions of new properties, or production increases at our Tullos Field Area, our production and revenues will decline in the foreseeable future, as compared to our previously reported March 31, 2006 results.

APPROVAL TO LIST OUR SHARES ON THE AMERICAN STOCK EXCHANGE

On June 20, 2006, we received approval from the American Stock Exchange to accept our shares for trading. However, AMEX approval is contingent upon our being in compliance with all applicable listing standards on the date we begin trading on the Exchange, and may be rescinded if we are not in compliance with such standards.

Although we can give no assurances, we are actively attempting to complete this process, with the expectation that our shares may begin trading by early July, 2006.

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 SYSTEMS, INC.

Date: June 28, 2006

By: /s/ Robert Herlin

Robert Herlin, Chief Executive Officer