

FORM 8-K

Current Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report: June 29, 2005
Date of Earliest Event Reported: June 23, 2005

NATURAL GAS SYSTEMS, INC.

(Exact Name of Registrant as Specified in its Charter)

Nevada
(State or Other Jurisdiction of Incorporation)

0-27862

80-0028196

(Commission File Number)

(I.R.S. Employer Identification No.)

820 Gessner, Suite 1340, Houston, Texas

77024

(Address of Principal Executive Offices)

(Zip Code)

(713) 935-0122
(Registrant's Telephone Number, Including Area Code)

(Former Name or Former Address, if Changed Since Last Report)

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Item 1.01 Entry Into a Material Definitive Agreement

Executive Employment Agreement: Daryl V. Mazzanti

On June 23, Natural Gas Systems, Inc. ("NGS" or the "Company") entered into an Executive Employment Contract with Mr. Daryl V. Mazzanti ("Mazzanti") and for Mazzanti to serve as Vice President of Operations of the Company (the "Employment Contract"). Under the Employment Contract, Mazzanti will receive an annual salary of \$155,000, a discretionary bonus of up to 75% of his annual salary, and a six month severance package. The Employment Contract provided for a grant of 350,000 stock options under the Company's 2004 Stock Plan, exercisable at \$1.61 and vesting quarterly over four years ("Stock Option Agreement"). Further, Mazzanti shall receive a sign-on bonus of 25,000 shares of the Company's common stock vesting over 12 months under the 2004 Stock Plan (the "Stock Grant Agreement") and a cash payment of \$10,000. In addition, the Company granted Mazzanti a revocable warrant to purchase 200,000 shares of the Company's common stock at an exercise price of \$1.61, vesting over four years and subject revocation upon the non-commencement of certain development projects (the "Revocable Warrant Agreement").

A copy of the Employment Contract, the Stock Option Agreement, the Stock Grant Agreement and the Revocable Warrant Agreement are attached hereto as Exhibits 10.1, 10.2, 10.3 and 10.4, respectively and are incorporated herein by reference. The foregoing summary does not purport to be complete and is qualified in its entirety by reference to the Employment Contract, the Stock Option Agreement, Stock Grant Agreement and the Revocable Warrant Agreement.

Item 3.02 Unregistered Sale of Equity Securities

On June 23, 2005, the Company granted to Mazzanti a revocable warrant to purchase 200,000 shares of Company common stock at \$1.61 per share, pursuant to the Revocable Warrant Agreement. In addition, the Company granted to Mazzanti a stock option to purchase 350,000 shares of Company common stock pursuant to the Stock Option Agreement. The Company also granted Mazzanti 25,000 shares of the Company's common stock pursuant to the Stock Grant Agreement. The Company granted the foregoing securities pursuant to certain exemptions from registration provided by Rule 506 of Regulation D and Section 4(2) and Section 4(6) of the Securities Act of 1933, as amended.

Item 9.01 Financial Statements and Exhibits

Exhibits.

The following exhibits are filed as an exhibit to this Current Report on Form 8-K:

Exhibit No.	Description
10.1	Executive Employment Agreement, Daryl V. Mazzanti, dated June 23, 2005.
10.2	Stock Option Agreement, dated June 23 2005
10.3	Stock Grant Agreement
10.4	Revocable Warrant Agreement, dated June 23, 2005

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 29, 2005

By: /s/ Robert Herlin

Robert Herlin, Chief Executive Officer

EXHIBIT INDEX

Exhibit No.	Description
10.1	Executive Employment Agreement, Daryl V. Mazzanti, dated June 23, 2005.
10.2	Stock Option Agreement, dated June 23 2005
10.3	Stock Grant Agreement
10.4	Revocable Warrant Agreement, dated June 23, 2005

Employment Agreement

THIS AGREEMENT ("Agreement") is entered into as of June 23, 2005, by and between Daryl V. Mazzanti (the "Executive") and Natural Gas Systems, Inc., a Nevada corporation (the "Company"). The Agreement supercedes any and all prior agreements, written or oral, including the Company's offer letter, dated June 2005.

1. Duties and Scope of Employment.

(a) Position. For the term of his employment under this Agreement (the "Employment"), the Company agrees to employ the Executive in the position of Vice President of Operations. The Executive shall report to the Company's President, or to such other person as the Company subsequently may determine.

(b) Obligations to the Company. During the term of employment under this Agreement, Executive shall devote his full business efforts and time to the Company. The foregoing shall not preclude the Executive from engaging in appropriate civic, charitable or religious activities or from devoting a minor amount of time to private investments or from serving on the boards of directors of other entities, as long as such activities and/or services do not interfere or conflict with his/her responsibilities to the Company. The Executive shall comply with the Company's policies and rules, as they may be in effect from time to time during his Employment.

(c) No Conflicting Obligations. The Executive represents and warrants to the Company that he is under no obligations or commitments, whether contractual or otherwise, that are inconsistent with his obligations under this Agreement.

2. Cash and Incentive Compensation. For clarification, it is understood by all parties that other than as specified herein, the Company is not obligated to award any future grants of stock options or other form of equity compensation to Executive during Executive's employment with the Company.

(a) Salary. The Company shall pay the Executive as compensation for his services a base salary at a gross annual rate of \$155,000.00, effective the first date of employment hereunder, which may be increased annually at the election and sole discretion of the board of directors. Such salary shall be payable in accordance with the Company's standard payroll procedures. The annual compensation specified in this Subsection (a), together with any increases in such compensation that the Company may grant from time to time, is referred to in this Agreement as "Base Salary.")

(b) Incentive Bonuses. The Executive shall be eligible to be considered for an annual incentive bonus of up to 75% of base salary based on objective or subjective criteria established by President after consultation with the Compensation Committee of the Board of Directors. The determinations of the President and the Compensation Committee with respect to such bonus, if any, shall be final and binding. The Executive shall not be entitled to an incentive bonus if he is not employed by the Company on the date when such bonus is payable.

(c) Stock Options. The Company shall grant the Executive a stock option covering Three Hundred Fifty Thousand (350,000) shares of the Company's Common Stock. Such option shall be granted as soon as reasonably practicable after the date of this Agreement. The exercise price of such option shall be equal to the fair market value of such stock on the date of grant or this agreement. The term of such option shall be 10 years, subject to earlier expiration in the event of the termination of the Executive's Employment. The Executive shall vest in the option shares in equal quarterly installments of 1/16th per quarter over the next four years of continuous service. The grant of such option shall be subject to the other terms and conditions set forth in the Company's 2004 Stock Plan and in the Stock Option Agreement, attached hereto as Exhibits A and B, respectively.

(d) Revocable Warrants. Subject to the approval of the Board and the Compensation Committee of the Board, the Company

shall grant the Executive warrants aggregating Two Hundred Thousand (200,000) shares of the Company's Common Stock. The grant of such warrants shall be subject to the terms and conditions set forth in the Warrant Agreement, attached hereto as Exhibit C.

(e) Sign-on Bonus. Subject to the approval of the Board and the Compensation Committee, the Company shall grant Executive a sign-on bonus of Ten Thousand Dollars (\$10,000) on his first day of employment and Twenty Five Thousand (25,000) shares of restricted common stock, vesting monthly over a 12 month period, and registered on Form S-8, subject to the terms and conditions set forth in the Stock Grant Agreement, attached hereto as Exhibit E.

3. Vacation and Executive Benefits. Executive shall be entitled to fifteen (15) days of vacation and five (5) personal days per year, to be taken in such amounts and at such times as shall be mutually convenient for Executive and the Company. Any vacation days exceeding five (5) days not taken by Executive in one year shall be forfeited and not carried forward to subsequent years. During his Employment, the Executive shall be eligible to participate in the employee benefit plans maintained by the Company, subject in each case to the generally applicable terms and conditions of the plan in question and to the determinations of any person or committee administering such plan.

4. Business Expenses. During his Employment, the Executive shall be authorized to incur necessary and reasonable travel, entertainment and other business expenses in connection with his duties hereunder. The Company shall reimburse the Executive for such expenses upon presentation of an itemized account and appropriate supporting documentation, all in accordance with the Company's generally applicable policies.

5. Term of Employment.

(a) Termination of Employment. The Company may terminate the Executive's Employment at any time and for any reason (or no reason), and with or without Cause, by giving the Executive ten day's notice in writing. The Executive may terminate his Employment by giving the Company ten days' advance notice in writing. The Executive's Employment shall terminate automatically in the event of his death. The termination of the Executive's Employment shall not limit or otherwise affect his obligations under Section 7.

(b) Employment at Will. The Executive's Employment with the Company shall be "at will," meaning that either the Executive or the Company shall be entitled to terminate the Executive's Employment at any time and for any reason, with or without Cause. Any contrary representations that may have been made to the Executive shall be superseded by this Agreement. This Agreement shall constitute the full and complete agreement between the Executive and the Company on the "at will" nature of the Executive's Employment, which may only be changed in an express written agreement signed by the Executive and a duly authorized officer of the Company.

(c) Constructive Termination. The term "Constructive Termination" shall mean any of the following: (i) any breach by the Company of any material provision of this Agreement, including, without limitation, the assignment to the Executive of duties inconsistent with his position specified in Section 1(a) hereof or any breach by the Company of such Section, which is not cured within 45 days after written notice of same by Executive (except that such cure period shall be fifteen days with respect to any breach of Section 10(h) hereof unless such breach is due to the actions or inactions of the Executive), describing in detail the breach asserted and stating that it constitutes notice pursuant to this Section 5(c); or (ii) relocation of Executive's offices in excess of 20 miles from its current location; or (iii) a substantial reduction of the responsibilities, authority or scope of work of Executive.

(d) Rights Upon Termination. Except as expressly provided in Section 6, upon the termination of the Executive's Employment, the Executive shall only be entitled to the compensation, benefits and expense reimbursements that the Executive has earned under this Agreement before the effective date of the termination. The payments under this Agreement shall fully discharge all responsibilities of the Company to the Executive.

6. Termination Benefits.

(a) General Release. Any other provision of this Agreement notwithstanding, Subsections (b) and (c) below shall not apply unless the Executive (i) has executed a general release of all claims (in a form prescribed by the Company) and (ii) has returned all property of the Company in the Executive's possession.

(b) Severance Pay. If the Company terminates the Executive's Employment for any reason other than Cause or Permanent Disability, or if the Executive subject to a Constructive Termination, then the Company shall pay the Executive his Base Salary and maintain and pay his medical benefit and long-term disability coverage for a period of six (6) months following the termination of his Employment (the "Continuation Period"). Such Base Salary shall be paid at the rate in effect at the time of the termination of Employment and in accordance with the Company's standard payroll procedures.

(c) Definition of "Cause." For all purposes under this Agreement, "Cause" shall mean:

(i) An unauthorized use or disclosure by the Executive of the Company's confidential information or trade secrets, which use or disclosure causes material harm to the Company;

(ii) A material breach by the Executive of any agreement between the Executive and the Company;

(iii) A material failure by the Executive to comply with the Company's written policies or rules;

(iv) The Executive's conviction of, or plea of "guilty" or "no contest" to, a felony under the laws of the United States or any state thereof;

(v) The Executive's gross negligence or willful misconduct; or

(vi) A continued failure by the Executive to perform assigned duties after receiving written notification of such failure from the Board of Directors.

(d) Definition of "Permanent Disability." For all purposes under this Agreement, "Permanent Disability" shall mean the Executive's inability to perform the essential functions of the Executive's position, with or without reasonable accommodation, for a period of at least 90 consecutive days because of a physical or mental impairment.

(e) Change in Control. In the event that a Change in Control of the Company occurs as a result of a sale or merger of the Company and the Executive is terminated or is subject to a Constructive Termination within one year following such event, then the Executive shall be paid an additional severance payment equal to six months of Base Salary, paid in monthly increments, (the "Change in Control Payment"), provided that if the Executive obtains similar employment before the end of the six months, then the remaining amount of the Change in Control Payment will be reduced by half. "Change in Control" shall mean: (1) The consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if persons who were not controlling stockholders of the Company immediately prior to such merger, consolidation or other reorganization own immediately after such merger, consolidation or other reorganization 50% or more of the voting power of the outstanding securities of each of (A) the continuing or surviving entity and (B) any direct or indirect parent corporation of such continuing or surviving entity; OR (2) The sale, transfer or other disposition of all or substantially all of the Company's assets. A Change in Control shall not occur if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

7. Proprietary Information and Inventions Agreement. The Executive shall be bound by the provisions of the Proprietary Information and Inventions Agreement, attached hereto as Exhibit D.

8. Successors.

(a) Company's Successors. This Agreement shall be binding upon any successor (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets that becomes bound by this Agreement.

(e) Executive's Successors. This Agreement and all rights of the Executive hereunder shall inure to the benefit of, and be enforceable by, the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

9. Arbitration.

(a) Scope of Arbitration Requirement. The parties hereby waive their rights to a trial before a judge or jury and agree to arbitrate before a neutral arbitrator any and all claims or disputes arising out of this Agreement, and any of the agreements referenced in the attached Exhibits, and any and all claims arising from or relating to the Executive's Employment, including (but not limited to) claims against any current or former employee, director or agent of the Company, claims of wrongful termination, retaliation, discrimination, harassment, breach of contract, breach of the covenant of good faith and fair dealing, defamation, invasion of privacy, fraud, misrepresentation, constructive discharge or failure to provide a leave of absence, or claims regarding commissions, stock options or bonuses, infliction of emotional distress or unfair business practices.

(b) Procedure. The arbitrator's decision shall be written and shall include the findings of fact and law that support the decision. The arbitrator's decision shall be final and binding on both parties, except to the extent applicable law allows for judicial review of arbitration awards. The arbitrator may award any remedies that would otherwise be available to the parties if they were to bring the dispute in court. The arbitration shall be conducted in accordance with the National Rules for the Resolution of Employment Disputes of the American Arbitration Association. The arbitration shall take place in Houston, Texas.

(c) Costs. The parties shall share the costs of arbitration equally. Both the Company and the Executive shall be responsible for their own attorneys' fees. Notwithstanding the forgoing, the non-prevailing party shall reimburse the prevailing party for arbitration costs and reasonable attorney's fees.

(d) Applicability. This Section 9 shall not apply to (i) workers' compensation or unemployment insurance claims or (ii) claims concerning the validity, infringement or enforceability of any trade secret, patent right, copyright or any other trade secret or Confidential Information held or sought by either the Executive or the Company.

10. Miscellaneous Provisions.

(a) Notice. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. In the case of the Executive, mailed notices shall be addressed to him at the home address that he most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

(b) Modifications and Waivers. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by the Executive and by an authorized officer of the Company (other than the Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Whole Agreement. This Agreement, and the agreements referenced herein, supersedes any previous offer letter or employment agreement. No other agreements, representations or understandings (whether oral or written and whether express or implied) which are not expressly set forth in this Agreement have been made or entered into by either party with respect to the subject matter hereof. This Agreement and the exhibits and agreements referenced herein contain the entire understanding of the parties with respect to the subject matter hereof.

(d) Withholding Taxes. All payments made under this Agreement shall be subject to reduction to reflect taxes or other charges required to be withheld by law.

(e) Choice of Law and Severability. This Agreement shall be interpreted in accordance with the laws of the State of Texas (except their provisions governing the choice of law). If any provision of this Agreement becomes or is deemed invalid, illegal or unenforceable in any applicable jurisdiction by reason of the scope, extent or duration of its coverage, then such provision shall be deemed amended to the minimum extent necessary to conform to applicable law so as to be valid and enforceable or, if such provision cannot be so amended without materially altering the intention of the parties, then such provision shall be stricken and the remainder of this Agreement shall continue in full force and effect. If any provision of this Agreement is rendered illegal by any present or future statute, law, ordinance or regulation (collectively the "Law"), then such provision shall be curtailed or limited only to the minimum extent necessary to bring such provision into compliance with the Law. All the other terms and provisions of this Agreement shall continue in full force and effect without impairment or limitation.

(f) No Assignment. This Agreement and all rights and obligations of the Executive hereunder are personal to the Executive and may not be transferred or assigned by the Executive at any time. The Company may assign its rights under this Agreement to any entity that assumes the Company's obligations hereunder in connection with any sale or transfer of all or a substantial portion of the Company's assets to such entity.

(g) Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(h) Indemnification. As an officer of the Company, Executive will be protected by the indemnification provisions of Article VIII of the Company's Certificate of Incorporation. In addition, the Company has purchased and currently maintains insurance protecting its officers and directors against certain losses arising out of actual or threatened actions, suits or proceedings to which such persons may be made or threatened or be made parties ("D&O Insurance"). The Company covenants to continue D&O Insurance coverage at current levels for the duration of Executive's service and for two (2) years thereafter.

IN WITNESS WHEREOF, each of the parties has executed this employment Agreement, in the case of the Company by its duly authorized officer, as of the day and year first above written.

Daryl V. Mazzanti

NATURAL GAS SYSTEMS, INC.

By: Robert S. Herlin
Title: CEO and President

NATURAL GAS SYSTEMS, INC.
2004 STOCK PLAN

STOCK OPTION AGREEMENT

Name of Optionee: Daryl V. Mazzanti

Optioned Shares: 350,000 shares of common stock, \$0.001 par value, of Natural Gas Systems, Inc.

Type of Option: INCENTIVE STOCK OPTION

Exercise Price Per Share: \$1.61

Option Grant Date: June 23, 2005

Vesting Commencement Date: June 23, 2005

Date Option Becomes Exercisable: This Option may be exercised with respect to an 1/16th of the total Optioned Shares subject to this option when the Optionee completes each three months of continuous employment starting from the Vesting Commencement Date. This option may become exercisable on an accelerated basis under Section 8 of this Stock Option Agreement.

Expiration Date of Option: June 23, 2015. This Option expires earlier if the Optionee's employment terminates earlier, as provided in Section 11 of the Plan.

This Stock Option Agreement (this "Agreement") is executed and delivered as of June 23, 2005 by and between Natural Gas Systems, Inc., a Nevada corporation (the "Company") and the Optionee. The Optionee and the Company hereby agree as follows:

1. The Company, pursuant to the Natural Gas Systems, Inc. 2004 Stock Plan (the "Plan"), which is incorporated herein by reference, and subject to the terms and conditions thereof, hereby grants to the Optionee an option to purchase the Optioned Shares at the Exercise Price Per Share.
2. The option granted hereby ("Option") shall be treated as an incentive stock option under the Internal Revenue Code.
3. The Option granted hereby shall terminate, subject to the provisions of the Plan, no later than at the close of business on the Expiration Date.
4. The Optionee shall comply with and be bound by all the terms and conditions contained in the Plan, as incorporated by reference herein.
5. Options granted hereby shall not be transferable except by will or the laws of descent and distribution. During the lifetime of the Optionee, the Option may be exercised only by the Optionee, the guardian or legal representative of the Optionee.
6. The obligation of the Company to sell and deliver any stock under this Option is specifically subject to all provisions of the Plan and all applicable laws, rules, regulations and governmental and stockholder approvals.
7. Any notice by the Optionee to the Company hereunder shall be in writing and shall be deemed duly given only upon receipt thereof by the Company at its principal offices. Any notice by the Company to the Optionee shall be in writing and shall be deemed duly given if mailed to the Optionee at the address last specified to the Company by the Optionee.
8. In addition to the change of control provisions specified under Section 14(e) of the Plan and the other conditions set forth in this Agreement, the Company hereby agrees that all or part of this Option may be exercised prior to its expiration at the time or times set forth below:

(a) If the Company is subject to a Change in Control (as defined in below in this Agreement and not as defined in the Plan) before the Optionee's employment terminates, this Option shall become exercisable in full if and only if (i) this Option does not remain outstanding following

the Change in Control; (ii) this Option is not assumed by the surviving corporation or its parent; (iii) the surviving corporation or its parent does not substitute an option with substantially the same terms for this Option; OR (iv) the full value of the vested shares under this Option is not settled in cash or cash equivalents.

(b) If the Option is not exercisable in full under Paragraph (a) above, AND if the Optionee is subject to an Involuntary Termination (defined below) within 12 months after the Change in Control, then this Option shall become exercisable in full. However, in the case of an employee incentive stock option described in Section 422(b) of the Code, the acceleration of exercisability shall not occur without the Optionee's written consent.

(c) If the Option is not exercisable in full under Paragraph (a) above, AND if the Company is subject to a Change of Control, then fifty percent (50%) of the remaining options shall become exercisable in full, and the remaining options shall become exercisable at the rate set forth herein, reduced by the accelerated Optioned Shares. All other terms and conditions shall remain unchanged.

(d) Definitions:

(i) "Change in Control" shall mean: (1) The consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if persons who were not controlling stockholders of the Company immediately prior to such merger, consolidation or other reorganization own immediately after such merger, consolidation or other reorganization 50% or more of the voting power of the outstanding securities of each of (A) the continuing or surviving entity and (B) any direct or indirect parent corporation of such continuing or surviving entity; OR (2) The sale, transfer or other disposition of all or substantially all of the Company's assets.

A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

(ii) "Involuntary Termination" shall mean the termination of the Optionee's employment by reason of: (1) The involuntary discharge of the Optionee by the Company for reasons other than Cause (as defined in Optionee's employment agreement with the Company, of even date herewith); or (2) The voluntary resignation of the Optionee following a reduction in the Optionee's base salary, a substantial reduction of the responsibilities, authority or scope of work of Executive, or receipt of notice that the Optionee's principal workplace will be relocated more than 20 miles.

9. The validity and construction of this Agreement shall be governed by the laws of the State of Nevada.

This Agreement is made under and subject to the provisions of the Plan, and all of the provisions of the Plan are also provisions of this Agreement. If there is a difference or conflict between the provisions of this Agreement and the provisions of the Plan, the provisions of the Plan will govern; provided, however, the acceleration of the Optioned Shares described in Section 8 above shall govern in the event of any conflict with the Plan. By signing this Agreement, the Optionee accepts and agrees to all of the foregoing terms and provisions and to all of the terms and provisions of the Plan incorporated herein by reference and confirms that he or she has received a copy of the Plan.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by a duly authorized representative and the Optionee has hereunto set his hand as of the date here above first written.

Natural Gas Systems, Inc.:

By: -----
Name: Robert S. Herlin
Title: President

Optionee: Daryl V. Mazzanti

NATURAL GAS SYSTEMS, INC.
2004 STOCK PLAN:

SUMMARY OF STOCK GRANT

By your signature and the signature of the Company's representative below, you and the Company agree that you are receiving shares subject to the terms and conditions of the 2004 Stock Plan and the Stock Grant Agreement, both of which are attached to and made a part of this document.

Name of Transferee:	Daryl V. Mazzanti
Total Number of Transferred Shares:	25,000
Sale Price Per Share:	\$0.001
Fair Market Value Per Share:	\$1.61
Date of Transfer:	June 23, 2005
Vesting Commencement Date:	June 23, 2005
Vesting Schedule:	The Forfeiture Condition shall lapse with respect to the first 1/12th of the Transferred Shares when the Transferee completes one month of continuous Service after the Vesting Commencement Date. The Forfeiture Condition shall lapse with respect to an additional 1/12th of the Transferred Shares when the Transferee completes each month of continuous Service thereafter.

TRANSFeree: NATURAL GAS SYSTEMS, INC.

By:

By: Robert S. Herlin, President

NATURAL GAS SYSTEMS, INC.
2004 STOCK PLAN:
STOCK GRANT AGREEMENT (FOR SERVICES)

SECTION 1. ACQUISITION OF SHARES.

(a) Transfer. On the terms and conditions set forth in the Summary of Stock Grant and this Agreement, the Company sell to the Transferee, and the Transferee agrees to purchase, the number of Shares set forth in the Summary of Stock Grant at the Sale Price, as set forth above. The transfer shall occur at the offices of the Company on the date of transfer set forth in the Summary of Stock Grant or at such other place and time as the parties may agree.

(b) Consideration. The Transferee and the Company agree that the Transferred Shares are being issued to the Transferee as consideration for a portion of the services performed by the Transferee for the Company. The value of such portion is agreed to be not less than 100% of the Fair Market Value of the Transferred Shares.

(c) Stock Plan and Defined Terms. The transfer of the Transferred Shares is subject to the Plan, a copy of which the Transferee acknowledges having received. The provisions of the Plan are incorporated into this Agreement by this reference. Capitalized terms are defined in Section 12 of this Agreement.

SECTION 2. FORFEITURE CONDITION.

(a) Scope of Forfeiture Condition. All Transferred Shares initially shall be Restricted Shares and shall be subject to forfeiture to the Company. The Transferee shall not transfer, assign, encumber or otherwise dispose of any Restricted Shares without the Company's written consent, except as provided in the following sentence. The Transferee may transfer Restricted Shares to one or more members of the Transferee's Immediate Family or to a trust established by the Transferee for the benefit of the Transferee and/or one or more members of the Transferee's Immediate Family, provided in either case that the Transferee agrees in writing on a form prescribed by the Company to be bound

by all provisions of this Agreement. If the Transferee transfers any Restricted Shares, then this Agreement shall apply to the Subsequent Transferee to the same extent as to the Transferee.

(b) Vesting. The Forfeiture Condition shall lapse and the Restricted Shares shall become vested in accordance with the vesting schedule set forth in the Summary of Stock Grant. The Company may, at its sole discretion, accelerate the vesting and waive the Forfeiture Condition, at any time.

(c) Execution of Forfeiture. The Forfeiture Condition shall be applicable only if the Transferee's Service terminates for Cause, including (without limitation) death or disability of Daryl Mazzanti, before all Restricted Shares have become vested. In the event that the Transferee's Service terminates for Cause, the certificate(s) representing any remaining Restricted Shares shall be delivered to the Company properly endorsed for transfer. The Company shall make no payment for Restricted Shares that are forfeited.

(d) Additional Shares or Substituted Securities. In the event of the declaration of a stock dividend, the declaration of an extraordinary dividend payable in a form other than stock, a spin-off, a stock split, an adjustment in conversion ratio, a recapitalization or a similar transaction affecting the Company's outstanding securities without receipt of consideration, any new, substituted or additional securities or other property (including money paid other than as an ordinary cash dividend) which are by reason of such transaction distributed with respect to any Restricted Shares or into which such Restricted Shares thereby become convertible shall immediately be subject to the Forfeiture Condition. Appropriate adjustments to reflect the distribution of such securities or property shall be made to the number and/or class of the Restricted Shares.

(e) Termination of Rights as Stockholder. If Restricted Shares are forfeited in accordance with this Section 2, then the person who is to forfeit such Restricted Shares shall no longer have any rights as a holder of such Restricted Shares. Such Restricted Shares shall be deemed to have been forfeited in accordance with the applicable provisions hereof, whether or not the certificate(s) therefor have been delivered as required by this Agreement.

(f) Escrow. Upon issuance, the certificates for Restricted Shares shall be deposited in escrow with the Company to be held in accordance with the provisions of this Agreement. Any new, substituted or additional securities or other property described in Subsection (d) above shall immediately be delivered to the Company to be held in escrow, but only to the extent the Transferred Shares are at the time Restricted Shares. All regular cash dividends on Restricted Shares (or other securities at the time held in escrow) shall be paid directly to the Transferee and shall not be held in escrow. Restricted Shares, together with any other assets or securities held in escrow hereunder, shall be (i) surrendered to the Company for forfeiture and cancellation in the event that the Forfeiture Condition applies or (ii) released to the Transferee upon the Transferee's request to the extent the Transferred Shares are no longer Restricted Shares (but not more frequently than once every six months). In any event, all Transferred Shares that have vested (and any other vested assets and securities attributable thereto) shall be released within 60 days after the earlier of the termination of the Transferee's Service.

SECTION 3. OTHER RESTRICTIONS ON TRANSFER.

(a) Transferee Representations. In connection with the issuance and acquisition of Shares under this Agreement, the Transferee hereby represents and warrants to the Company as follows:

(i) The Transferee is acquiring and will hold the Transferred Shares for investment for his or her account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act.

(ii) The Transferee understands that the Transferred Shares have not been registered under the Securities Act by reason of a specific exemption therefrom and that the Transferred Shares must be held indefinitely, unless they are subsequently registered under the Securities Act or the Transferee obtains an opinion of counsel, in form and substance satisfactory to the Company and its counsel, that such registration is not required. The Transferee further acknowledges and understands that the Company is under no obligation to register the Transferred Shares.

(iii) The Transferee is aware of the adoption of Rule 144 by the Securities and Exchange Commission under the Securities Act, which permits limited public resales of securities acquired in a non-public offering, subject to the satisfaction of certain conditions, including (without limitation) the availability of certain current public information about the issuer, the resale occurring only after the holding period required by Rule 144 has been satisfied, the sale occurring through an unsolicited "broker's transaction," and the amount of securities being sold during any three-month period not exceeding specified limitations. The Transferee acknowledges and understands that the conditions for resale set forth in Rule 144 have not been satisfied and that the Company has no plans to satisfy these conditions in the foreseeable future.

(iv) The Transferee will not sell, transfer or otherwise dispose of the Transferred Shares in violation of the Securities Act, the Securities Exchange Act of 1934, or the rules promulgated thereunder, including Rule 144 under the Securities Act. The Transferee agrees that he or she will not dispose of the Transferred Shares unless and until he or she has complied with all requirements of this Agreement applicable to the disposition of Transferred Shares and he or she has provided the Company with written assurances, in substance and form satisfactory to the Company, that (A) the proposed disposition does not require registration of the Transferred Shares under the Securities Act or all appropriate action necessary for compliance with the registration requirements of the Securities Act or with any exemption from registration available under the Securities Act (including Rule 144) has been taken and (B) the proposed disposition will not result in the contravention of any transfer restrictions applicable to the Transferred Shares under applicable state law.

(v) The Transferee has been furnished with, and has had access to, such information as he or she considers necessary or appropriate for deciding whether to invest in the Transferred Shares, and the Transferee has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the issuance of the Transferred Shares.

(vi) The Transferee is aware that his or her investment in the Company is a speculative investment that has limited liquidity and is subject to the risk of complete loss. The Transferee is able, without impairing his or her financial condition, to hold the Transferred Shares for an indefinite period and to suffer a complete loss of his or her investment in the Transferred Shares.

(vii) Transferee is an "accredited investor" as defined under Exhibit I attached hereto.

(b) Securities Law Restrictions. Regardless of whether the offering and sale of Shares under the Plan have been registered under the Securities Act or have been registered or qualified under the securities laws of any state, the Company at its discretion may impose restrictions upon the sale, pledge or other transfer of the Transferred Shares (including the placement of appropriate legends on stock certificates or the imposition of stop-transfer instructions) if, in the judgment of the Company, such restrictions are necessary or desirable in order to achieve compliance with the Securities Act, the securities laws of any state or any other law.

(c) Market Stand-Off. In connection with any underwritten public offering by the Company of its equity securities pursuant to an effective registration statement filed under the Securities Act, including the Company's initial public offering, the Transferee shall not directly or indirectly sell, make any short sale of, loan, hypothecate, pledge, offer, grant or sell any option or other contract for the purchase of, purchase any option or other contract for the sale of, or otherwise dispose of or transfer, or agree to engage in any of the foregoing transactions with respect to, any Transferred Shares without the prior written consent of the Company or its underwriters. Such restriction (the "Market Stand-Off") shall be in effect for such period of time following the date of the final prospectus for the offering as may be requested by the Company or such underwriters. In no event, however, shall such period exceed 180 days. The Market Stand-Off shall in any event terminate two years after the date of the Company's initial public offering. In the event of the declaration of a stock dividend, a spin-off, a stock split, an adjustment in conversion ratio, a recapitalization or a similar transaction affecting the Company's outstanding securities without receipt of consideration, any new, substituted or additional securities which are by reason of such transaction distributed with respect to any Shares subject to the Market Stand-Off, or into which such Shares thereby become convertible, shall immediately be subject to the Market Stand-Off. In order to enforce the Market Stand-Off, the Company may impose stop-transfer instructions with respect to the Transferred Shares until the end of the applicable stand-off period. The Company's underwriters shall be beneficiaries of the agreement set forth in this Subsection (c). This Subsection (c) shall not apply to Shares registered in the public offering under the Securities Act, and the Transferee shall be subject to this Subsection (c) only if the directors and officers of the Company are subject to similar arrangements.

(d) Rights of the Company. The Company shall not be required to (i) transfer on its books any Transferred Shares that have been sold or transferred in contravention of this Agreement or (ii) treat as the owner of Transferred Shares, or otherwise to accord voting, dividend or liquidation rights to, any Subsequent Transferee to whom Transferred Shares have been transferred in contravention of this Agreement.

SECTION 4. SUCCESSORS AND ASSIGNS.

Except as otherwise expressly provided to the contrary, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and be binding upon the Transferee and the Transferee's legal representatives, heirs, legatees, distributees, assigns and transferees by operation of law, whether or not any such person has become a party to this Agreement or has agreed in writing to join herein and to be bound by the terms, conditions and restrictions hereof.

SECTION 5. NO RETENTION RIGHTS.

Nothing in this Agreement or in the Plan shall confer upon the Transferee any right to continue providing services to the Company for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company or of the Transferee, which rights are hereby expressly reserved by each, to terminate his or her service at any time and for any reason, with or without cause.

SECTION 6. TAX ELECTION.

The acquisition of the Transferred Shares may result in adverse tax consequences that may be avoided or mitigated by filing an election under Code Section 83(b). Such election may be filed only within 30 days after the date of transfer set forth in the Summary of Stock Grant. The Transferee should consult with his or her tax advisor to determine the tax consequences of acquiring the Transferred Shares and the advantages and disadvantages of filing the Code Section 83(b) election. The Transferee acknowledges that it is his or her sole responsibility, and not the Company's, to file a timely election under Code Section 83(b), even if the Transferee requests the Company or its representatives to make this filing on his or her behalf.

SECTION 7. LEGENDS.

All certificates evidencing Transferred Shares shall bear the following legends:

"THE SHARES REPRESENTED HEREBY MAY NOT BE SOLD, ASSIGNED, TRANSFERRED, ENCUMBERED OR IN ANY MANNER DISPOSED OF, EXCEPT IN COMPLIANCE WITH THE TERMS OF A WRITTEN AGREEMENT BETWEEN THE COMPANY AND THE REGISTERED HOLDER OF THE SHARES (OR THE PREDECESSOR IN INTEREST TO THE SHARES). SUCH IMPOSES CERTAIN FORFEITURE CONDITIONS UPON TERMINATION OF SERVICE WITH THE COMPANY. THE SECRETARY OF THE COMPANY WILL UPON WRITTEN REQUEST FURNISH A COPY OF SUCH AGREEMENT TO THE HOLDER HEREOF WITHOUT CHARGE."

"THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, PLEDGED, OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED."

If required by the authorities of any state in connection with the issuance of the Transferred Shares, the legend or legends required by such state authorities shall also be endorsed on all such certificates.

SECTION 8. NOTICE.

Any notice required by the terms of this Agreement shall be given in writing. It shall be deemed effective upon (i) personal delivery, (ii) deposit with the United States Postal Service, by registered or certified mail, with postage and fees prepaid or (iii) deposit with Federal Express Corporation, with shipping charges prepaid. Notice shall be addressed to the Company at its principal executive office and to the Transferee at the address that he or she most recently provided to the Company in accordance with this Section 9.

SECTION 9. ENTIRE AGREEMENT.

The Summary of Stock Grant, this Agreement and the Plan constitute the entire contract between the parties hereto with regard to the subject matter hereof. They supersede any other agreements, representations or understandings (whether oral or written and whether express or implied) which relate to the subject matter hereof.

SECTION 10. CHOICE OF LAW.

This Agreement shall be governed by, and construed in accordance with, the laws of the State of Nevada, as such laws are applied to contracts entered into and performed in such State.

SECTION 11. DEFINITIONS.

(a) "Agreement" shall mean this Stock Grant Agreement.

(b) "Board of Directors" shall mean the Board of Directors of the Company, as constituted from time to time or, if a Committee has been appointed, such Committee.

(c) "Cause" shall mean:

(i) An unauthorized use or disclosure by the Transferee of the Company's material non-public information or trade secrets;

(ii) A material breach by the Transferee of any consulting agreement between the Transferee and the Company;

(iii) A failure to perform satisfactorily the services and duties that Transferee is required to perform under its agreement with the Company;

(iv) The Transferee's conviction of, or plea of "guilty" or "no contest" to, a felony under the laws of the United States or any state thereof; or

(v) The Transferee's gross negligence or willful misconduct;

The foregoing, however, shall not be deemed an exclusive list of all acts or omissions that the Company (or a Parent or Subsidiary) may consider as grounds for the discharge of the Transferee without Cause.

(d) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(e) "Committee" shall mean a committee of the Board of Directors, as described in Section 2 of the Plan.

(f) "Company" shall mean Natural Gas Systems, Inc., a Nevada corporation.

(g) "Consultant" shall mean a person who performs bona fide services for the Company, a Parent or a Subsidiary as a consultant or advisor, excluding Employees and Outside Directors.

(h) "Employee" shall mean any individual who is a common-law employee of the Company, a Parent or a Subsidiary.

(i) "Fair Market Value" shall mean the fair market value of a Share, as determined by the Board of Directors in accordance with the Plan.

(j) "Forfeiture Condition" shall mean the forfeiture condition described in Section 2.

(k) "Immediate Family" shall mean any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law and shall include adoptive relationships.

(l) "Outside Director" shall mean a member of the Board of Directors who is not an Employee.

(m) "Parent" shall mean any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

(n) "Plan" shall mean the Natural Gas Systems, Inc. 2004 Stock Plan, as amended.

(o) "Restricted Share" shall mean a Transferred Share that is subject to the Forfeiture Condition.

(p) "Securities Act" shall mean the Securities Act of 1933, as amended.

(q) "Service" shall mean service as an Employee, Outside Director or Consultant.

(r) "Share" shall mean one share of Stock, as adjusted in accordance with Section 14 of the Plan (if applicable).

(s) "Stock" shall mean the Common Stock of the Company, with a par value of \$0.001 per Share.

(t) "Subsequent Transferee" shall mean any person to whom the Transferee has directly or indirectly transferred any Transferred Shares.

(u) "Subsidiary" shall mean any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

(v) "Summary of Stock Grant" shall mean the document so entitled to which this Agreement is attached.

(w) "Transferee" shall mean the individual named in the Summary of Stock Grant.

(x) "Transfer Notice" shall mean the notice of a proposed transfer of Transferred Shares described in Section 3.

(y) "Transferred Shares" shall mean the Shares acquired by the Transferee pursuant to this Agreement.

Exhibit I

CERTIFICATE OF ACCREDITED INVESTOR STATUS

Except as may be indicated by the undersigned below, the undersigned is an "accredited investor," as that term is defined in Regulation D under the Securities Act of 1933, as amended (the "Securities Act"). The undersigned has checked the box below indicating the basis on which he is representing his status as an "accredited investor":

- a bank as defined in Section 3(a)(2) of the Securities Act, or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act whether acting in its individual or fiduciary capacity; a broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, as amended (the "Securities Exchange Act"); an insurance company as defined in Section 2(13) of the Securities Act; an investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; a small business investment company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; a plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, and such plan has total assets in excess of \$5,000,000; an employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are "accredited investors";
- a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940;
- an organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000;

- a natural person whose individual net worth, or joint net worth with the undersigned's spouse, at the time of this purchase exceeds \$1,000,000;
- a natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with the undersigned's spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;
- a trust with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a person who has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the prospective investment; or
- an entity in which all of the equity holders are "accredited investors" by virtue of their meeting one or more of the above standards.
- an individual who is a director or executive officer of Natural Gas Systems, Inc.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Accredited Investor Status effective as of _____, 2005.

Name of Recipient

By: _____
Name: _____
Title: _____

REVOCABLE WARRANT AGREEMENT

NATURAL GAS SYSTEMS, INC.

THIS REVOCABLE WARRANT AGREEMENT (this "Agreement") is made and entered into as of June __, 2005, between Natural Gas Systems, Inc., a Nevada corporation (the "Company"), and Daryl V. Mazzanti ("Holder").

R E C I T A L S

WHEREAS, the Company proposes to issue to Holder a maximum of TWO HUNDRED THOUSAND (200,000) revocable warrants (the "Revocable Warrants"), each such Revocable Warrant entitling the holder thereof to purchase, under certain conditions, one share of common stock, .001 par value, of the Company (the "Shares" or the "Common Stock");

WHEREAS, the Revocable Warrants which are the subject of this Agreement will be issued by the Company to Holder in connection with Holder's employment with the Company pursuant to the Employment Agreement ("Employment Agreement") and the Stock Option Agreement ("Stock Option Agreement").

WHEREAS, the Revocable Warrants shall be subject to revocation by the Company without any further consideration under the terms and conditions detailed herein.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein set forth, the parties hereto agree as follows:

A G R E E M E N T

1. Revocable Warrant Certificates. The warrant certificates to be delivered pursuant to this Agreement (the "Revocable Warrant Certificates") shall be in the form set forth in Exhibit A, attached hereto and made a part hereof, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Revocable Warrant Agreement.

2. Right to Exercise Revocable Warrants. Each Revocable Warrant may be exercised, in whole or in part, after those Revocable Warrants are fully vested and no longer Restricted Warrants (as defined in Section 3 below) until 11:59 P.M. (Eastern Standard Time) on the date that is ten (10) years after the date of this Agreement (the "Expiration Date"). Each Revocable Warrant not exercised or revoked on or before the Expiration Date shall expire.

Other than as specified in Section 3 herein, each Revocable Warrant shall entitle its holder to purchase from the Company one share of Common Stock (each an "Exercise Share") at an exercise price of _____ (\$_____) per share, subject to adjustment as set forth below ("Exercise Price").

The Company shall not be required to issue fractional shares of Common Stock upon the exercise of this Revocable Warrant or to deliver Revocable Warrant Certificates which evidence fractional shares of capital stock. In the event that a fraction of an Exercise Share would, except for the provisions of this paragraph 2, be issuable upon the exercise of this Revocable Warrant, the Company shall pay to the Holder exercising the Revocable Warrant an amount in cash equal to such fraction multiplied by the current market value of the Exercise Share. For purposes of this paragraph 2, the current market value shall be determined as follows:

(a) if the Shares are traded in the over-the-counter market and not on any national securities exchange and not in the NASDAQ Reporting System, the average of the mean between the last bid and asked prices per share, as reported by the National Quotation Bureau, Inc., or an equivalent generally accepted reporting service, for the last business day prior to the date on which the Revocable Warrant is exercised, or, if not so reported, the average of the closing bid and asked prices for a Share as furnished to the Company by any member of the National Association of Securities Dealers, Inc., selected by the Company and Holder for that purpose.

(b) if the Shares are listed or traded on a national securities exchange or in the NASDAQ Reporting System, the closing price on the principal national securities exchange on which they are so listed or traded or in the NASDAQ Reporting System, as the case may be, on the last business day prior to the date of the exercise of the Revocable Warrant. The closing price referred to in this Clause (b) shall be the last reported sales price or, in case no such reported sale takes place on such day, the average of the reported closing bid and asked prices on such day, in either case on the national securities exchange on which the Shares are then listed or in the NASDAQ

Reporting System; or

(c) if no such closing price or closing bid and asked prices are available, as determined by the Holder and the Board of Directors of the Company.

3. Revocation of the Revocable Warrants. Notwithstanding anything to the contrary, all Revocable Warrants granted by the Company to the Holder under this Agreement shall be subject to forfeiture, revocation and cancellation without any further or additional consideration due or owed to Holder as specified herein (the "Right of Revocation").

(a) Scope of Revocation Right. Until the Revocable Warrants vest in accordance with Subsection (b) below, the Revocable Warrants shall be restricted warrants and not exercisable under Section 2 hereof and shall be subject to the Company's Right of Revocation (the "Restricted Warrants"). The Company may exercise its Right of Revocation only during the period after one year of continuous employment and/or 180 consecutive days after on the date the Holder's Service terminates for any reason, including (without limitation) death or disability (the "Revocation Period"). The Right of Revocation may be exercised automatically under Subsection (d) below.

(b) Lapse of Revocation Right. Initially, all Revocable Warrants granted under this Agreement shall be Restricted Warrants subject to the Company's Right of Revocation. The Right of Revocation shall lapse with respect to the first 1/4th of the Revocable Warrants when the Holder completes one year and one day of continuous employment after the date of this Agreement. The Right of Revocation shall lapse with respect to an additional 1/4th of the total Revocable Warrants when the Holder completes each year of continuous employment thereafter.

(c) Escrow. Upon issuance, the certificate(s) for Restricted Warrants shall be deposited in escrow with the Company to be held in accordance with the provisions of this Agreement. Any additional or exchanged securities or other property described in Section 9 below shall immediately be delivered to the Company to be held in escrow. Restricted Warrants, together with any other assets held in escrow under this Agreement, shall be (i) surrendered to the Company for repurchase upon exercise of the Right of Revocation or (ii) released to the Holder upon his or her request to the extent that the Revocable Warrants have ceased to be Restricted Warrants. In any event, all Revocable Warrants that have ceased to be Restricted Warrants, together with any other vested assets held in escrow under this Agreement, shall be released within 10 days after the termination of the Holder's employment.

(d) Exercise of Revocation Right. The Company shall be deemed to have exercised its Right of Revocation automatically for all Restricted Warrants during the Revocation Period, if (i) the Holder's employment with the Company is terminated for any reason, or (ii) the Company HAS NOT commenced the "Development Project" within one year of date hereof, specified and defined in Exhibit B, attached hereto. If the Company HAS commenced the Development Project within one year of date hereof, then Company may not exercise its revocation rights except in the case of termination of employment of Holder for any reason. For clarification, if the Company does not commence the Development Project within one year of the date hereof, all warrants issued under this Agreement shall be revoked by the Company; if the Company does commence the Development Project within one year of the date hereof, then upon the one year anniversary of the Holder's employment with the Company, 1/4th of the total warrants will vest and no longer be subject to revocation, and the remaining Restricted Warrants shall vest annually in equal amounts. In such event, the certificate(s) representing the Restricted Warrants being repurchased shall be delivered to the Company properly endorsed for transfer. The Company may, at its sole discretion, choose to waive its Right of Revocation of the Restricted Stock as set forth in part (ii) of this section by providing written notice thereof prior to the date of revocation.

(e) Termination of Rights as Stockholder. If the Right of Revocation is exercised in accordance with this Section 3, then the Holder shall no longer have any rights as a holder of the Restricted Warrants. Such Restricted Warrants shall be deemed to have been revoked pursuant to this Section 3, whether or not the certificate(s) for such Restricted Warrants have been delivered to the Company.

(f) Transfer of Warrants. The Holder shall not transfer, assign, encumber or otherwise dispose of any Restricted Warrants without the Company's written consent, except as provided in the following sentence. The Revocable Warrants granted hereby shall not be transferable except by will or the laws of descent and distribution. During the lifetime of the Holder, the Revocable Warrant may be exercised only by the Holder, the guardian or legal representative of the Holder.

(g) Acceleration. In addition to the other conditions set forth in this Agreement, the Company's Right of Revocation with respect to unvested Restricted Warrants shall lapse prior to the vesting period specified in Section 3(b) above at the time or times set forth below:

(i) If the Company is subject to a Change in Control (as defined in below) before the Holder's employment terminates, the Right of Revocation shall lapse in full if and only if (1) this Revocable Warrant does not remain outstanding following the Change in Control; (2) this Revocable Warrant is not assumed by the surviving corporation or its parent; (3) the surviving corporation or its parent does not substitute an option with substantially the same terms for this Revocable Warrant; OR (iv) the full value of the vested Revocable Warrants under this Agreement is not settled in cash or cash equivalents.

(ii) If the Right of Revocation has not lapsed pursuant to Paragraph (i) above, AND if the Holder is subject to an Involuntary Termination (defined below) within 12 months after the Change in Control, then this Revocable Warrant shall become no longer be subject to a Right of Revocation.

(iii) If the Right of Revocation has not lapsed pursuant to Paragraph (i) above, AND if the Company is subject to a Change of Control, then fifty percent (50%) of the remaining Restricted Warrants shall no longer be subject to a Right of Revocation, and the remaining Restricted Warrants shall vest at the rate set forth in Section 3(b) above, reduced pro rata by the amount of Restricted Warrants no longer subject to a Right of Revocation pursuant to this Section. All other terms and conditions shall remain unchanged.

(iv) Definitions:

(1) "Change in Control" shall mean: (A) The consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if persons who were not controlling stockholders of the Company immediately prior to such merger, consolidation or other reorganization own immediately after such merger, consolidation or other reorganization 50% or more of the voting power of the outstanding securities of each of the continuing or surviving entity and any direct or indirect parent corporation of such continuing or surviving entity; OR (B) The sale, transfer or other disposition of all or substantially all of the Company's assets. A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

(2) "Involuntary Termination" shall mean the termination of the Optionee's employment by reason of: (A) The involuntary discharge of the Holder by the Company for reasons other than Cause (as defined in Holder's Employment Agreement with the Company, of even date herewith); or (B) The voluntary resignation of the Holder following a reduction in the Holder's base salary or assigned duties or receipt of notice that the Holder's principal workplace will be relocated more than 30 miles.

4. Mutilated or Missing Revocable Warrant Certificates. In case any of the Revocable Warrant Certificates shall be mutilated, lost, stolen or destroyed prior to the Expiration Date, the Company shall issue and deliver, in exchange and substitution for and upon cancellation of the mutilated Revocable Warrant Certificate, or in lieu of and in substitution for the Revocable Warrant Certificate lost, stolen or destroyed, a new Revocable Warrant Certificate of like tenor and representing an equivalent right or interest.

5. Reservation of Shares. The Company will at all times reserve and keep available, free from preemptive rights, out of the aggregate of its authorized but unissued Shares or its authorized and issued Shares held in its treasury for the purpose of enabling it to satisfy its obligation to issue Exercise Shares upon exercise of Revocable Warrants, the full number of Exercise Shares deliverable upon the exercise of all outstanding Revocable Warrants. The Company covenants that all Exercise Shares which may be issued upon exercise of Revocable Warrants will be validly issued, fully paid and non-assessable outstanding Shares of the Company.

6. Rights of Holder. The Holder shall not, by virtue of anything contained in this Revocable Warrant Agreement or otherwise, prior to exercise of this Revocable Warrant, be entitled to any right whatsoever, either in law or equity, of a stockholder of the Company, including without limitation, the right to receive dividends or to vote or to consent or to receive notice as a stockholder in respect of the meetings of stockholders or the election of directors of the Company of any other matter.

7. Investment Intent; Accredited Investor. Holder represents and warrants to the Company that Holder is acquiring the Revocable Warrants for investment purposes and with no present intention of distributing or reselling any of the Revocable Warrants. Holder represents that it is an "accredited investor" within the meaning of Rule 501 of Regulation D under the Securities Act of 1933, as amended (the "Act").

8. Certificates to Bear Legend. The Revocable Warrants and the certificate or certificates therefore shall bear the following legend by which each holder shall be bound:

"THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR PURSUANT TO RULE 144 OR AN OPINION OF COUNSEL, REASONABLY SATISFACTORY TO THE CORPORATION AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED. THE SECURITIES REPRESENTED BY THIS INSTRUMENT ARE SUBJECT TO TRANSFER RESTRICTIONS, VESTING AND REVOCATION UNDER THE TERMS OF THE REVOCABLE WARRANT AGREEMENT, DATED JUNE __, 2005"

The Exercise Shares and the certificate or certificates evidencing any such Exercise Shares shall bear the following legend:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. THE SHARES MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN OPINION OF COUNSEL ACCEPTABLE TO THE COMPANY THAT AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT IS AVAILABLE."

Certificates for Revocable Warrants or Exercise Shares, as the case may be, without such legend shall be issued if such Revocable Warrants or Exercise Shares are sold pursuant to an effective registration statement under the Act or if the Company has received an opinion from counsel reasonably satisfactory to counsel for the Company that such legend is no longer required under the Act.

9. Adjustment of Number of Shares and Class of Capital Stock Purchasable. The number of Exercise Shares and class of capital stock purchasable under this Revocable Warrant are subject to adjustment from time to time as set forth in this Section 9.

(a) Adjustment for Change in Capital Stock. If the Company:

- (i) pays a dividend or makes a distribution on its Common Stock, in each case, in shares of its Common Stock;
- (ii) subdivides its outstanding shares of Common Stock into a greater number of shares;
- (iii) combines its outstanding shares of Common Stock into a smaller number of shares; or
- (iv) makes a distribution on its Common Stock in shares of its capital stock other than Common Stock

then the number and classes of Exercise Shares purchasable upon exercise of each Revocable Warrant in effect immediately prior to such action shall be adjusted so that the holder of any Revocable Warrant thereafter exercised may receive the number and classes of shares of capital stock of the Company which such holder would have owned immediately following such action if such holder had exercised the Revocable Warrant immediately prior to such action.

For a dividend or distribution the adjustment shall become effective immediately after the record date for the dividend or distribution. For a subdivision, combination or reclassification, the adjustment shall become effective immediately after the effective date of the subdivision, combination or reclassification.

If after an adjustment the holder of a Revocable Warrant upon exercise of it may receive shares of two or more classes of capital stock of the Company, the Board of Directors of the Company shall in good faith determine the allocation of the adjusted Exercise Price between or among the classes of capital stock. After such allocation, that portion of the Exercise Price applicable to each share of each such class of capital stock shall thereafter be subject to adjustment on terms comparable to those applicable to the Exercise Shares in this Agreement.

(b) Consolidation, Merger or Sale of the Company. If the Company is a party to a consolidation, merger, transfer of assets or any other business combination which reclassifies or changes its outstanding Common Stock, the successor corporation (or corporation controlling the successor corporation or the Company, as the case may be) shall by operation of law assume the Company's obligations under this Agreement. Upon consummation of such transaction, the Revocable Warrants shall automatically become exercisable for the kind and amount of securities, cash or other assets which the holder of a Revocable Warrant would have owned immediately after the consolidation, merger, transfer or business combination if the holder had exercised the vested amount of the Revocable Warrant immediately before the effective date of such transaction. The Company shall arrange for the person or entity obligated to issue securities or deliver cash or other assets upon exercise of the Revocable Warrant to, concurrently with the consummation of such transaction, assume the Company's obligations hereunder by executing an instrument so providing and further providing for adjustments which shall be as nearly equivalent as may be practical to the adjustments provided for in this Section 9. The provisions of this Section 9(b) shall similarly apply to successive reclassifications, reorganizations, consolidations, mergers or other business combinations.

10. Successors. All the covenants and provisions of this Agreement by or for the benefit of the Company or Holder shall bind and inure to the benefit of their respective successor and assigns hereunder.

11. Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and such counterparts shall together constitute by one and the same instrument.

12. Notices. All notices or other communications under this Agreement shall be in writing and shall be deemed to have been given if delivered by hand or mailed by certified mail, postage prepaid, return receipt requested, addressed as follows: if to the Company: Natural Gas Systems, Inc., Two Memorial City Plaza, 820 Gessner, Suite 1340, Houston, TX 77024, Attention: Legal Counsel, and to the Holder at the address of the Holder appearing on the books of the Company or the Company's transfer agent, if any.

Either the Company or the Holder may from time to time change the address to which notices to it are to be mailed hereunder by notice in accordance with the provisions of this Paragraph 12.

13. Supplements and Amendments. The Company may from time to time supplement or amend this Agreement with the approval of the Holder in order to cure any ambiguity or to be correct or supplement any provision contained herein which may be defective or inconsistent with any other provision, or to make any other provisions in regard to matters or questions herein arising hereunder which the Company may deem necessary or desirable and which shall not materially adversely affect the interest of the Holder. Except as set forth in the immediately preceding sentence, this Agreement may not be amended without the prior written consent of the Holder and Company.

14. Severability. If for any reason any provision, paragraph or term of this Agreement is held to be invalid or unenforceable, all other valid provisions herein shall remain in full force and effect and all terms, provisions and paragraphs of this Agreement shall be deemed to be severable.

15. Governing Law. This Agreement shall be deemed to be a contract made under the laws of the State of Nevada and for all purposes shall be governed and construed in accordance with the laws of said State.

16. Headings. Paragraphs and subparagraph headings, used herein are included herein for convenience of reference only and shall not affect the construction of this Agreement nor constitute a part of this Agreement for any other purpose.

17. Taxes. The acquisition of the Revocable Warrants (and common stock issuable thereunder) may result in adverse tax consequences to the Holder. The Holder understands that he may suffer adverse tax consequences as a result of his acquisition or disposition of the Revocable Warrants (and common stock issuable thereunder). Holder represents that he has consulted any tax consultants Holder deems advisable in connection with the acquisition or disposition of the Revocable Warrants (and common stock issuable thereunder), including the advantages and disadvantages of filing the Code Section 83(b) election. The Holder acknowledges that it is his or her sole responsibility, and not the Company's, to file a timely election under Code Section 83(b), even if the Holder requests the Company or its representatives to make this filing on his or her behalf. and that Holder is not relying on the Company or the Company's attorney for any tax advice. Acquisitions or dispositions of cash or equity made under this Agreement may be subject to reduction to reflect taxes or other charges required to be withheld by law.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed, as of the date and year first above written.

COMPANY
Natural Gas Systems, Inc.

HOLDER:
Daryl V. Mazzanti

By: _____
Name: Robert S. Herlin, President

By: _____