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: April 8, 2005
Date of Earliest Event Reported: April 4, 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)

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

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

|_| Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425).

|_| Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12).

|_| Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b)).

|_| Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c)).

ITEM 1.01 ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT

Executive Employment Agreement: Robert S. Herlin

On September 23, 2003, Natural Gas Systems, Inc., a Delaware corporation ("Old NGS"), a subsidiary of Natural Gas Systems, a Nevada corporation (the "Company"), entered into an Executive Employment Contract (the "Original Herlin Employment Contract") with Robert S. Herlin for Mr. Herlin to serve as President and Chief Executive Officer of the Company. Pursuant to the Original Herlin Employment Contract, Mr. Herlin was granted a stock option to purchase 250,000 shares of Old NGS common stock with an exercise price equal to $0.001 that vests over four years, that were to be cancelled when the Company granted warrants to Tatum CFO Partners, LLP, a provider of contract CFO's and other executive level executives ("Tatum"), in connection with Herlin's status as a partner of Tatum and certain other services to be provided by Tatum. In addition, under the Original Herlin Employment Contract Mr. Herlin received an annual salary of $180,000, an annual discretionary bonus of up to $180,000, a six month severance package, and purchased founders' stock of 1,000,000 shares of common stock of Old NGS, with Old NGS having a repurchase right under a reverse vesting arrangement over 27 months (the "Stock Purchase Agreement"). The Original Herlin Employment Contract and Stock Purchase Agreement were assumed by the Company

when a subsidiary of the Company merged with Old NGS in May 2004. In addition, the stock options were exchanged in the merger for stock options exercisable for shares of Company common stock.

On April 4, 2005, the Company made effective an Executive Employment Contract (the "New Herlin Employment Contract") with Mr. Herlin. The New Herlin Employment Contract supersedes the Original Herlin Employment Contract. Pursuant to the New Herlin Employment Contract, Mr. Herlin will continue to serve as President and Chief Executive Officer of the Company. He will receive $180,000 annual salary, which shall increase to $210,000 at the end of one year, and a one year severance package. Mr. Herlin is also eligible to receive an annual discretionary bonus equal to 100% of his annual salary. As a bonus for fiscal 2004, Mr. Herlin will retain the 250,000 stock options granted to him under the Original Employment Agreement. The Company has entered into a new agreement with Tatum, which supercedes the original agreement with Tatum and provides for the Company to grant Tatum a warrant to purchase 250,000 shares of Company common stock, exercisable at $0.001 exercisable for five years. We refer you to "Restated and Amended Agreement with Tatum Partners".

In addition, on April 4, 2005, the Company made effective a grant to Mr. Herlin for a stock option to purchase 500,000 shares of Company common stock, with an exercise price equal to $1.80 that vests over four years ("Herlin Stock Option Agreement"), as well as an additional grant of a warrant to purchase 287,500 shares of Company common stock, with an exercise price equal to $1.80 that vests over four years ("Herlin Warrant Agreement"). A copy of the New Herlin Employment Contract, Herlin Stock Option Agreement, and Herlin Warrant Agreement are attached hereto as Exhibits 10.1, 10.2 and 10.3, respectively, and are incorporated herein by reference to this Item 1.01. The foregoing summary does not purport to be complete and is qualified in its entirety by reference to the New Herlin Employment Contract, Herlin Stock Option Agreement, and Herlin Warrant Agreement.

Restated and Amended Agreement with Tatum Partners.

On or about September 23, 2003, Old NGS entered into a Resources Agreement with Tatum CFO Partners, LLP (the "Original Tatum Contract"). The Original Tatum Contract provided for Tatum to provide the services of its partner, Robert S. Herlin to Old NGS and provide access to various Tatum resources in exchange for sharing of Mr. Herlin's compensation from Old NGS. The Original Tatum Contract was assumed by the Company when a subsidiary of the Company merged with Old NGS in May 2004.

On April 4, 2005, the Company made effective an Amended and Restated Resources Agreement (the "Amended and Restated Tatum Contract") with Tatum. Pursuant to the Amended and Restated Tatum Contract, Tatum will receive $12,000 per year for access to its services. In addition, the Company granted a warrant to purchase 250,000 shares of Company common stock, exercisable at $0.001 per share and exercisable for a period of five years, under the terms of the Tatum Warrant Agreement (the "Tatum Warrant Agreement").

A copy of the Amended and Restated Tatum Contract and the Tatum Warrant Agreement is attached hereto as Exhibits 10.5 and 10.5, respectively, and is incorporated herein by reference to this Item 1.01. The foregoing summary does not purport to be complete and is qualified in its entirety by reference to the Amended and Restated Tatum Contract and Tatum Warrant Agreement.

Executive Employment Agreement: Sterling H. McDonald

On November 10, 2003, Old NGS entered into an Executive Employment Contract with Sterling H. McDonald for Mr. McDonald to serve as Chief Financial Officer of the Company (the "Original McDonald Employment Contract"). The Original McDonald Employment Contract provided for a grant of a stock option to purchase 250,000 shares of common stock of Old NGS, with an exercise price of $0.25 that vests over fifty months. In addition, under the Original McDonald Employment Contract Mr. McDonald received an annual salary of $120,000, an annual discretionary bonus, and a maximum six month severance package. The Original McDonald Employment Contract was assumed by the Company when a subsidiary of the Company merged with Old NGS in May 2004. In addition, the stock options were exchanged in the merger for stock options exercisable for shares of Company common stock.

On April 4, 2005, the Company made effective an Executive Employment Contract (the "New McDonald Employment Contract") with Mr. McDonald. The New McDonald Employment Contract supersedes the Original McDonald Employment Contract, with the exception the Mr. McDonald shall retain the stock options under the terms previously granted. Pursuant to the New McDonald Employment Contract, Mr. McDonald will continue to serve as the Chief Financial Officer of the Company. In addition, Mr. McDonald will receive $150,000 annual salary. Mr. McDonald is also eligible to receive an annual discretionary bonus equal to 75% of his annual salary, and a six month severance package which may be increased to one year under conditions related to a change of control. In addition, on April 4, 2005, Mr. McDonald was granted a stock option to purchase 350,000 shares of Company common stock, with an exercise price equal to $1.80 that vests over four years ("McDonald Stock Option Agreement").

A copy of the New McDonald Employment Contract and McDonald Stock Option Agreement are attached hereto as Exhibits 10.6 and 10.7, respectively and are incorporated herein by reference to this Item 1.01. The foregoing summary does not purport to be complete and is qualified in its entirety by reference to the New McDonald Employment Contract and McDonald Stock Option Agreement.

ITEM 1.02 TERMINATION OF A MATERIAL DEFINITIVE AGREEMENT.

The New Herlin Employment Contract supersedes the Original Herlin Employment Contract in its entirety. To the extent applicable, the discussion above regarding the supersession of the Original Herlin Employment Contract by the New Herlin Employment Contract is incorporated herein by reference to this Item 1.02.

The New McDonald Employment Contract supersedes the Original McDonald Employment Contract in its entirety. To the extent applicable, the discussion above regarding the supersession of the Original McDonald Employment Contract by the New McDonald Employment Contract is incorporated herein by reference to this Item 1.02.

ITEM 3.02 UNREGISTERED SALE OF EQUITY SECURITIES

On April 4, 2005, the Company made effective a grant to Tatum a warrant to purchase 250,000 shares of Company common stock. In addition, the Company made effective a grant to Mr. Herlin a stock option to purchase 500,000 shares of Company common stock and a warrant to purchase 287,500 shares of Company common stock. The Company also made effective a grant to Mr. McDonald a stock option to purchase 350,000 shares of Company common stock. 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 exhibit is filed as an exhibit to this Current Report on Form 8-K:

EXHIBIT NO.	DESCRIPTION
10.1	Executive Employment Agreement, Robert S. Herlin, dated April 4, 2005.
10.2	Herlin Stock Option Agreement, dated April 4, 2005
10.3	Herlin Warrant Agreement, dated April 4, 2005
10.4	Amended and Restated Tatum Resources Agreement, dated April 4, 2005
10.5	Tatum Warrant Agreement, dated April 4, 2005
10.6	Executive Employment Agreement, Sterling H. McDonald, dated April 4, 2005.
10.7	McDonald Stock Option Agreement, dated April 4, 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: April 8, 2005

By: /s/ Robert Herlin

Robert Herlin, Chief Executive Officer

EXHIBIT INDEX

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10.7	McDonald Stock Option Agreement, dated April 4, 2005

NATURAL GAS SYSTEMS, INC.

EMPLOYMENT AGREEMENT

ROBERT S. HERLIN

THIS AGREEMENT ("AGREEMENT") is entered into as of April 4, 2005 (the "EFFECTIVE DATE"), by and between ROBERT S. HERLIN (the "EXECUTIVE") and NATURAL GAS SYSTEMS, INC., a Nevada corporation (the "COMPANY"). The Agreement supercedes any and all prior agreements, written or oral, including but not limited to the Executive's prior employment agreement with the Company and its predecessor in interest, Natural Gas Systems, a Delaware corporation, other than stock options granted under the Company's 2003 Stock Option Plan of Natural Gas Systems, Delaware, which was assumed by the Company, as referenced herein.

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 President and Chief Executive Officer. The Executive shall report to the Company's Board of Directors. Executive shall not be obligated to relocate away from Houston, Texas.

(b) OBLIGATIONS TO THE COMPANY. During the term of Employment under this Agreement, Executive shall devote his/her 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 reasonable 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.

For purposes of this paragraph 1(b), the Company hereby consents and approves of the activities described in EXHIBIT A hereto.

(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.

(d) COMMENCEMENT DATE. This Agreement shall take effect upon the Effective date.

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 an initial base salary at a gross annual rate of $180,000.00, increasing to a $210,000.00 after one year from the Effective Date, with possible additional increases on an annual basis as determined by the Board of directors in their sole discretion. 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 receive an annual incentive bonus of up to 100% of Base Salary based on reasonable criteria (with input from Executive) established by the Company's Board of Directors (the "BOARD") or the Compensation Committee of the Board, payable in cash or the fair value of securities equivalent to such cash amount. The determinations of the Board or its Compensation Committee with respect to the award of such bonus shall be final and binding. The Executive shall not be entitled to an incentive bonus if he has resigned or been terminated for Cause (as defined below) by the Company before the date when such bonus is payable.

(c) STOCK OPTIONS. Subject to the approval of the Board or the Compensation Committee of the Board, the Company shall grant the Executive stock options aggregating Five Hundred Thousand (500,000) shares of the Company's Common Stock. Such options shall be granted as soon as reasonably practicable after the date of 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 over a four year period, on an installment basis determined by the Board or the Compensation Committee. The grant(s) of such options shall be subject to the other terms and conditions set forth in the Company's 2004 Stock Plan and Stock Option Agreement, attached hereto as EXHIBITS B AND C, respectively.

(d) WARRANTS. Subject to the approval of the Board of the Compensation Committee of the Board, the Company shall grant the Executive warrants aggregating Two Hundred Eighty Seven Thousand Five Hundred (287,500) 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 D.

(d) BONUS FOR PRIOR YEAR. In lieu of the cash bonus provided for in the prior employment contract between the Company and Executive, and subject to applicable security laws and approval of the Board or the Compensation Committee, the Company agrees to issue 250,000 warrants to Tatum Partners to satisfy Executive's and Company's obligation to Tatum Partners under the Resource Agreement, dated on or about September 2003, without reducing any amount of the 250,000 stock options previously granted to Executive under the 2003 Stock Option Plan.

3. VACATION AND EMPLOYEE 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. TERMINATION 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) 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 or accrued under this Agreement before the effective date of the termination. Termination payments pursuant to Section 6 shall fully discharge all responsibilities of Company to Executive except for the Company's responsibilities listed in Sections 2, 3, 4, 5, 8, 9, 10 and Exhibits B, C and D herein.

(d) 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 60 days after written notice of same by Executive (except that such cure period shall be fifteen days with respect to D&O Insurance described in 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(d); 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.

6. TERMINATION BENEFITS.

(a) GENERAL RELEASE. Any other provision of this Agreement notwithstanding, Subsection (b) below shall not apply unless the Executive: (i) has executed a general release fully discharging all responsibilities of the Company to the Executive for all claims except for those noted in 5 (c) above (in a form prescribed by the Company), and (ii) has returned all property of the Company in the Executive's possession, and (iii) is in material compliance with the restrictive covenants in Section 7 hereof .

(b) SEVERANCE PAY. If the Company terminates the Executive's Employment other than for Cause or Permanent Disability, or if the Executive is subject to a Constructive Termination, then the Company shall pay the Executive his Base Salary ("SEVERANCE PAY") for a period of one year following the termination of his Employment (the "CONTINUATION PERIOD"). Such Severance Pay 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. In the event that (i) Executive is paid Severance Pay and Executive, AND (ii) Executive enters into similar employment prior to the end of the Continuation Period, then the Company may elect, at the Company's sole option and discretion, to terminate all Restrictive Covenant obligations of Executive under subsections 7(b) and 7(c) below in return for a reduction of fifty percent (50%) of the remaining Severance Pay obligations to Executive.

(c) DEFINITION OF "CAUSE." For all purposes under this Agreement, "CAUSE" shall mean:

(i) A material breach by the Executive of any written agreement between the Executive and the Company, provided that the Company has given written notice of such breach which notice describes in detail the breach asserted and stating that it constitutes notice pursuant to this Section 6(c) and which breach, if capable of being cured, has not been cured within thirty (30) days after such notice;

(ii) 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;

(iii) A material failure by the Executive to comply with the Company's lawful written policies or rules which causes material harm to the Company, provided that the Company has given written notice of such breach which notice describes in detail the breach asserted and stating that it constitutes notice pursuant to this Section 6(c) and which breach, if capable of being cured, has not been cured within thirty (30) days after such notice;

(iii) The Executive's fraud, gross negligence or willful misconduct; or

(iv) A continued failure by the Executive to perform his lawful and reasonable assigned duties, provided that the Company has given written notice of such breach which notice describes in detail the breach asserted and stating that it constitutes notice pursuant to this Section 6(c) and which breach, if capable of being cured, has not been cured within thirty (30) days after such notice.

(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.

7. RESTRICTIVE COVENANTS.

(A) CONFIDENTIAL INFORMATION

(i) During Executive's Employment and at all times thereafter, Executive shall not, without the prior express written consent of the Board (except as may be required in connection with any judicial or administrative proceeding or inquiry or by law) disclose to any person, other than an officer or director of the Company or a person to whom disclosure is reasonably necessary or appropriate in connection with the performance by Executive of his duties as CEO and President, any Confidential Information (defined below) with respect to the business and affairs of the Company or any of its subsidiaries, unless such disclosure is subject to a confidentiality agreement or the confidential information has been previously disclosed through no fault of Executive.

(ii) Executive acknowledges that he has and will have access to proprietary information, trade secrets, and confidential material (including lists of key personnel, customers, clients, vendors, suppliers, distributors or consultants) of the Company (the "CONFIDENTIAL Information"). Executive agrees, without limitation in time or until such information shall become public other than by the Executive's unauthorized disclosure, to maintain the confidentiality of the Confidential Information and refrain from divulging, disclosing, or otherwise using in any respect the Confidential Information to the detriment of the Company and any of its subsidiaries, affiliates, successors or assigns, or for any other purpose or no purpose, unless such disclosure is subject to a confidentiality agreement or such Confidential Information is previously disclosed through no fault of Executive.

(B) NO SOLICITATION. For a period of one (1) year after he ceases to be employed by the Company, Executive agrees that he

will not, directly or indirectly, for his benefit or for the benefit of any other person, firm or entity, do any of the following:

(i) solicit from any client doing business with the Company as of Executive's termination, business of the same or of a similar nature to the business of the Company with such client, if such business is expected to directly compete with the Company;

(ii) solicit from any known potential client of the Company business of the same or of a similar nature to that which has been the subject of a known written or oral bid, offer or proposal by the Company, or of substantial preparation with a view to making such a bid, proposal or offer, within six (6) months prior to Executive's termination, if such business is expected to directly compete with the Company;

(iii) solicit the employment or services of, or hire, any person who was known to be employed by the Company upon termination of Executive's Employment, or within six (6) months prior thereto, other than Executive's personal secretary; or

(iv) otherwise knowingly interfere with the business or accounts of the Company.

For the purposes of (b)(i) through (iv) above and (c) below, "compete" is defined to mean engagement in the same or essentially similar activities as the Company within the same field, parish or county as the Company.

(C) COVENANT NOT TO COMPETE. During the term hereof and for a period of one (1) year following the termination of this Agreement, Executive shall not directly or indirectly engage in, or own any interest in any business which engages in, (i) the business of the Company or any of its subsidiaries as of the date of this Agreement that is expected to directly compete with the Company or (ii) any other business which the Company or any of its subsidiaries shall have acquired by purchase, merger or otherwise prior to the date of termination in which the Company or any of its subsidiaries does business that is expected to compete to with the Company provided, however, that this sentence shall not prohibit Executive's ownership of not more than five (5) percent of the voting stock of any publicly held corporation. For clarification, Executive can work in the same line of business as the Company and its subsidiaries, including working in the same state, provided that Executive does not directly complete with the Company.

(D) SURVIVAL. The covenants contained in this Section 7 shall survive any termination of Executive's Employment.

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 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, to the extent allowable under applicable law.

(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 intellectual property held or sought by either the Executive or the Company (whether or not arising under the restrictive covenants of Section 7 hereof).

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 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.

Robert S. Herlin, Executive

NATURAL GAS SYSTEMS, INC.

By: Laird Cagan
Title: Chairman

EXHIBIT A
OTHER INTERESTS

In accordance with Section 1 (b) of the Employment Agreement dated as of March __, 2005, (the "Agreement"), the Company hereby consents and approves of the following business interests conducted by Executive that are not directly related to Company matters:

Executive serves the board of directors of Boots and Coots Group, Inc., a publicly owned well service company that is not in direct or indirect competition with the Company. The Company recognizes that it may benefit from such activities, in that they broaden Executive's corporate governance experience and extends Executive's exposure to industry. Executive currently devotes a minimal amount of time per month on such activities and does not believe that such service materially and adversely impacts his ability to perform under the Agreement.

Executive is a partner with Tatum CFO Partners, a provider of contract CFO's and other C level executives to industry and Tatum provides ongoing services to the Company pursuant to a Services Agreement. Executive was introduced to the Company through Tatum CFO Partners and intends to maintain that relationship, however, Executive has not in the past, during his Employment with the Company, and does not intend during the term of the Agreement to expend any material business time or effort to such relationship, including the provision of services to other companies. The Tatum CFO Partner services are valuable to the Company by providing immediate resources in the areas of finance, accounting, information services, management issues, human resources and other issues.

Executive currently owns direct minor oil and gas interests through a family entity, none of which are directly or indirectly competitive with the Company's interests. Executive agrees to advise the Company of any contemplated investments that might be construed to be competitive with Company's interests, prior to making such additional investments. Such ownership does not utilize a material amount of Executive's time and none of Executive's business time or efforts.

EXHIBIT B
2004 STOCK OPTION PLAN

EXHIBIT C
2004 STOCK OPTION AGREEMENT

EXHIBIT D

STOCK OPTION AGREEMENT

NATURAL GAS SYSTEMS, INC.
2004 STOCK PLAN

STOCK OPTION AGREEMENT

Name of Optionee:	Robert S. Herlin
Optioned Shares:	500,000 shares of common stock, $0.001 par value, of Natural Gas Systems, Inc.
Type of Option:	INCENTIVE STOCK OPTION
Exercise Price Per Share:	$1.80
Option Grant Date:	April 4, 2005
Vesting Commencement Date	April 4, 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:	April 4, 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 April 4, 2005 by and between Natural Gas Systems, Inc., a Nevada corporation (the "Company") and the Robert S. Herlin. 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 or receipt of notice that the Optionee's principal workplace will be relocated more than 30 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 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: Laird Q. Cagan
Title: Chairman of the Board

_____
Optionee: Robert S. Herlin

REVOCABLE WARRANT AGREEMENT

NATURAL GAS SYSTEMS, INC.

THIS REVOCABLE WARRANT AGREEMENT (this "Agreement") is made and entered into as of April 4, 2005, between Natural Gas Systems, Inc., a Nevada corporation (the "Company"), and Robert S. Herlin ("Holder"). Terms not defined herein shall have the meaning defined in the Stock Option Agreement (defined below).

R E C I T A L S

WHEREAS, the Company proposes to issue to Holder a maximum of TWO HUNDRED EIGHTY SEVEN THOUSAND FIVE HUNDRED (287,500) 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"), of even date herewith, and attached hereto as EXHIBITS B and C, respectively; and

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 One Dollar and Eighty Cents ($1.80) 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 of 180 consecutive days commencing 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 (e) 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 1/16th of the Revocable Warrants when the Holder completes three months of continuous employment after the date of this Agreement. The Right of Revocation shall lapse with respect to an additional 1/16th of the total Revocable Warrants when the Holder completes each month of continuous employment thereafter.

(c) 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.

(d) 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. All ordinary cash dividends on Restricted Warrants (or on other securities held in escrow) shall be paid directly to the Holder and shall not 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.

(e) Exercise of Revocation Right. The Company shall be deemed to have exercised its Right of Revocation automatically for all Restricted

Warrants as of the commencement of the Revocation Period, unless the Company during the Revocation Period notifies the holder of the Restricted Warrants pursuant to Section 12 that it will not exercise its Right of Revocation for some or all of the Restricted Warrants. The certificate(s) representing the Restricted Warrants being repurchased shall be delivered to the Company properly endorsed for transfer.

(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.

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 APRIL 1, 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 proposes 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 without 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.

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) and that Holder is not relying on the Company 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.

18. Registration Rights. Upon exercise of this Revocable Warrant , the Holder shall have and be entitled to exercise, together with all other holders of registrable securities possessing "piggy back" registration rights under that certain Registration Rights Agreement, of even date herewith and attached hereto as EXHIBIT D, between the Company and the parties who have executed the counterpart signature pages thereto or are otherwise bound thereby (the "Registration Rights Agreement"), the rights of registration granted under the Registration Rights Agreement (with respect to the Shares of Common Stock issuable upon exercise of this Revocable Warrant). By its receipt of this Revocable Warrant , Holder agrees to be bound by the Registration Rights Agreement. Notwithstanding the foregoing, however, the Company, at its sole discretion, may elect to cancel the registration rights agreement and register the Exercise Shares, upon exercise of this Revocable Warrant, under Form S-8.

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: ROBERT S. HERLIN
By: _____ Name: Robert S. Herlin, CEO	By: _____

EXHIBIT A

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.

REVOCABLE WARRANT TO PURCHASE SHARES
OF COMMON STOCK OF NATURAL GAS SYSTEMS, INC

Initial Number of Shares:	287,500
Exercise Price:	$1.80 per share
Date of Grant:	April 1, 2005
Expiration Date:	April 1, 2015

THIS CERTIFIES THAT, Robert S. Herlin ("Holder") is entitled to purchase the above number (as adjusted pursuant to Section 4 hereof) of fully paid and non-assessable shares of the Common Stock (the "Shares") of Natural Gas Systems, Inc., a Nevada corporation (the "Company), having an Exercise Price as set forth above, subject to the provisions and upon the terms and conditions set forth herein and in the Revocable Warrant Agreement dated April 1, 2005 ("Revocable Warrant Agreement"). The exercise price, as adjusted from time to time as provided herein, is referred to as the "Exercise Price."

NOTWITHSTANDING ANYTING TO THE CONTRARY, THIS REVOCABLE WARRANT IS SUBJECT TO VESTING AND REVOCATION WITHOUT CONSIDERATION BY THE COMPANY UNDER CERTAIN CONDITIONS DEFINED IN THE REVOCABLE WARRANT AGREEMENT.

1. Term. Subject to the revocation provisions of of the Revocable Warrant Agreement, the purchase right represented by this Revocable Warrant is exercisable, in whole or in part, at any time commencing on the April 1, 2005 and ending on the Expiration Date, after which time the Revocable Warrant shall be void.

2. Method of Exercise; Payment; Issuance of New Revocable Warrant. Subject to Section 1 hereof, the right to purchase Shares represented by this Revocable Warrant may be exercised by Holder, in whole or in part, for the total number of Shares remaining available for exercise by the surrender of this Revocable Warrant (with the notice of exercise form attached hereto as Exhibit A duly executed) at the principal office of the Company and by the payment to the Company, by check made payable to the Company drawn on a United States bank and for United States funds, or by delivery to the Company of evidence of cancellation of indebtedness of the Company to such Holder, of an amount equal to the then applicable Exercise Price per share multiplied by the number of Shares then being purchased or by net exercise pursuant to Section 6 hereof. In the event of any exercise of the purchase right represented by this Revocable Warrant, certificates for the Shares so purchased shall be promptly delivered to Holder and, unless this Revocable Warrant has been fully exercised or has expired, a new Revocable Warrant representing the portion of the Shares, if any, with respect to which this Revocable Warrant shall not then have been exercised shall also be promptly delivered to Holder.

3. Exercise Price. The Exercise Price at which this Revocable Warrant may be exercised shall be the Exercise Price, as adjusted from time to time pursuant to Section 4 hereof.

4. Adjustment of Number of Shares. The number of shares and/or class of capital stock purchasable upon exercise of this Revocable Warrant are subject to adjustment as provided in Section 9 of the Revocable Warrant Agreement.

5. Transferability and Negotiability of Revocable Warrant. This Revocable Warrant may not be transferred or assigned in whole or in part without compliance with applicable federal and state securities laws by the transferor and the transferee (including, without limitation, the delivery of investment representation letters and legal opinions reasonably satisfactory to the Company, if reasonably requested by the Company). Further, 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.

6. Net Exercise. In lieu of exercising this Revocable Warrant for cash, the Holder may elect to exchange this Revocable Warrant for Shares equal to the value of this Revocable Warrant by surrender of this Revocable Warrant, together with notice of such election, at the principal office of the Company, in which event the Company shall issue to the holder a number of Shares computed using the following formula:

$$X = \frac{Y\,(A-B)}{A}$$

Where:

X= the number of Shares to be issued to the holder.
Y= the number of Shares to be purchased under this Revocable Warrant.
A= value per share of one Share determined in accordance with Section 2 of the Revocable Warrant Agreement.
B= the Exercise Price (as adjusted).

7. Miscellaneous. The Company covenants that it will at all times reserve and keep available, solely for the purpose of issue upon the exercise hereof, a sufficient number of Shares to permit the exercise hereof in full. Such Shares, when issued in compliance with the provisions of this Revocable Warrant and the Company's Certificate of Incorporation, will be duly authorized, validly issued, fully paid and non-assessable. No Holder of this Revocable Warrant, as such, shall, prior to the exercise of this Revocable Warrant, be entitled to vote or receive dividends or be deemed to be a stockholder of the Company for any purpose, nor shall anything contained in this Revocable Warrant be construed to confer upon Holder, as such, any rights of a stockholder of the Company or any right to vote, give or withhold consent to any corporate action, receive notice of meetings, receive dividends or subscription rights, or otherwise. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Revocable Warrant and, in the case of any such loss, theft or destruction, upon delivery of an indemnity agreement reasonably satisfactory in form and amount to the Company or, in the case of any such mutilation, upon surrender and cancellation of such Revocable Warrant, the Company at its expense will execute and deliver, in lieu thereof, a new Revocable Warrant of like date and tenor. The terms and provisions of this Revocable Warrant shall inure to the benefit of, and be binding upon, the Company and the Holder hereof and their respective successors and assigns. This Revocable Warrant shall be governed by and construed under the laws of the State of Nevada.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date and year first written above.

Holder:	Company:
_____	Natural Gas Systems, a Nevada Corporation
By: _____	By: _____
Robert S. Herlin	Laird Q. Cagan, Chairman

NOTICE OF EXERCISE

TO: NATURAL GAS SYSTEMS, INC.

1. The undersigned hereby elects to purchase _____ shares of the Common Stock of NATURAL GAS SYSTEMS, INC. pursuant to the terms of the attached Revocable Warrant, and tenders herewith payment of the purchase price of such shares in full, together with all applicable transfer taxes, if any.

2. The undersigned hereby elects to purchase _____ shares of the Common Stock of NATURAL GAS SYSTEMS, INC. pursuant to the terms of the attached Revocable Warrant on a net exercise basis in accordance with Section 6.

3. Please issue a certificate or certificates representing said shares of the Common Stock in the name of the undersigned or in such other name as is specified below:

Name:_____

Tax ID:_____

Address:_____

Signed:_____

Date:_____

AMENDED AND RESTATED TATUM RESOURCES AGREEMENT

This Amended and Restated Agreement ("Agreement") is made effective as of January 1, 2005, between Natural Gas Systems, Inc. a Nevada corporation (the "COMPANY"), and Tatum CFO Partners, LLP ("TATUM"). This Agreement shall be effective as of the date written above.

WHEREAS, the Company, through its predecessor in interest and wholly owned subsidiary Natural Gas Systems, Inc., a Delaware corporation, entered into an agreement to provide compensation of cash and equity in exchange for certain resources offered by Tatum under the Resource Agreement (the "ORIGINAL AGREEMENT"), dated September 18, 2003, a copy of which is attached hereto as EXHIBIT A;

WHEREAS, the parties desire to memorialize their understanding of any and all payment obligations of the Company to Tatum;

WHEREAS, the parties hereto desire to amend and restate the terms of the Original Agreement so as to accelerate the vesting of certain warrants and limiting further compensation;

NOW, THEREFORE, in consideration of the mutual obligations in this Agreement and the ancillary agreements referenced herein, the parties to this Agreement agree as follows:

THE ORIGINAL AGREEMENT IS HEREBY AMENDED AND RESTATED TO READ IN ITS ENTIRETY AS FOLLOWS:

1. Tatum Resources

The parties understand that the Company desires to maintain the employment of Robert S. Herlin ("HERLIN" or the "EMPLOYEE"), one of Tatum's partners, as Chief Executive Officer of the Company (the "EMPLOYEE") pursuant to Herlin's employment agreement with the Company; and the parties acknowledge that the Employee is and will remain a partner in Tatum. Tatum will provide certain resources to the Company to be accessible by Herlin for the Company's use. These resources (the "RESOURCES") include a platform for knowledge sharing, e.g., database access, specialized software and patent-pending processes, specialized work product and training, and virtual access to other Tatum partners through Tatum's proprietary internet portal (the "TATUM PORTAL").

This Agreement sets forth the rights of the Company, through the Employee, to use such resources for the benefit of the Company, and for the payment of compensation for such Resources under Section 2 hereof (the "COMPENSATION"). Since the Employee will be under the control and direct management of the Company, and not Tatum, Tatum cannot assume the same risks as if Tatum itself served as part of the Company's management team. Tatum's obligations to the Company are exclusively those set forth in this Agreement. SCHEDULE A sets forth provisions dealing with the limitation of Tatum's liability and other terms and conditions, which allow Tatum to provide this unique relationship. This offers both the value of a traditional employment relationship, through separate employment directly with the Employee, and the resources and benefits of a national firm through the provision of Resources pursuant to this Agreement. Herlin shall participate in the benefits plan of the Company in lieu of participating in the Tatum group plan.

2. Compensation

A. SERVICE FEES. The Company shall pay Tatum a monthly service and license fee of $1,000.00 for the period of January 2005 through December 2005 (the "SERVICE FEES"). The $12,000 of Service Fees for all 2005 shall be prepaid in advance no later than April 15, 2005. After December 31, 2005, Service Fees shall be payable at $1,000 per month on a monthly basis if this Agreement has not been terminated.

B. WARRANTS. In partial consideration of Tatum's agreement to provide the Resources, the Company shall issue Tatum warrants ("WARRANTS") to purchase 262,500 shares of the Company's common stock at $0.001 per share under the terms and conditions of a certain Warrant Agreement being executed concurrently with this Agreement.

Other than the Service Fees and the one time issuance of Warrants described above, no further Compensation shall be due or payable by the Company to Tatum. For clarification, Tatum hereby acknowledges and agrees that the Compensation referenced above satisfies any and all past and future payment obligations of any kind owed by the Company to Tatum in connection with the subject matter of this Agreement. At the end of the Term, only the monthly

Service Fees as described above shall be required to keep this agreement in full force and effect.

3. Miscellaneous Provisions.

The initial term of this Agreement ("INITIAL TERM") is from the effective date until December 31, 2005. Following the Initial Term, this Agreement shall be automatically renewed for succeeding terms of one month each (a "RENEWAL TERM"), unless either party shall give written notice to the other of its intention not to renew this Agreement at least five days prior to the commencement of the next succeeding Renewal Term.

In addition this Agreement will terminate immediately upon the effective date of termination or expiration of Herlin's employment with the Company or upon Herlin ceasing to be a partner of Tatum.

In the event that either party commits a breach of this Agreement and fails to cure the same within ten (10) days following delivery by the non-breaching party of written notice specifying the nature of the breach, the non-breaching party will have the right to terminate this Agreement immediately effective upon written notice of such termination.

This Agreement contains the entire agreement between the Parties hereto with respect to the subject matter hereof, superseding any prior oral or written statements or agreements, including the Original Agreement; provided, however, that nothing herein shall limit the Company's ability to modify, amend or terminate the Company's employment relationship with Employee as provided in his employment agreement.

Neither the Company nor Tatum will be deemed to have waived any rights or remedies accruing under this Agreement unless such waiver is in writing and signed by the party electing to waive the right or remedy. This Agreement binds and benefits the successors of Tatum and the Company.

Neither party will be liable for any delay or failure to perform under this Agreement (other than with respect to payment obligations) if and to the extent such delay or failure is a result of an act of God, war, earthquake, civil disobedience, court order, labor dispute, or other cause beyond such party's reasonable control.

The terms of this Agreement are severable and may not be amended except in a writing signed by Tatum and the Company. If any portion of this Agreement is found to be unenforceable, the rest of the Agreement will be enforceable except to the extent that the severed provision deprives either party of a substantial portion of its bargain.

The provisions in this Agreement concerning payment of the Tatum Compensation, limitation of liability, reimbursement of costs and expenses, directors' and officers' insurance, and arbitration will survive any termination or expiration of this Agreement.

Noting in this Agreement shall confer any rights upon any person or entity other than the parties hereto and their respective successors and permitted assigns and Herlin.

This Agreement will be governed by and construed in all respects in accordance with the laws of the State of Texas without giving effect to conflicts-of-laws principles.

Each person signing below is authorized to sign on behalf of the party indicated, and in each case such signature is the only one necessary.

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

TATUM CFO PARTNERS, LLP	NATURAL GAS SYSTEMS
By:_____	By: _____
Name: Robert L. Litschi	Name: Robert S. Herlin
Title: Area Managing Partner	Title: President and CEO

SCHEDULE A

DISCLAIMERS AND RELATED TERMS

DISCLAIMERS & LIMITATIONS OF LIABILITY

It is to be understood that Tatum does not have a contractual obligation to the Company other than to make the Employee available to serve the Company and to make its resources available to the Company through the Employee. Tatum Compensation will be for the resources provided and not as compensation as an employee or partner of or in a joint venture with the Company or as an employer of the Employee, and Tatum will have no control or management over the Employee. Tatum's obligation under this Agreement is to make Tatum's resources available to the Employee for the benefit of the Company under the terms and conditions of this Agreement.

The Company acknowledges that any Resources will be provided by Tatum to the Employee as a tool to be used in the discretion of the Employee. Tatum makes no representation or warranty as to the accuracy or reliability of reports, projections, forecasts, or any other information derived from use of the Resources, and Tatum will not be liable for any claims of reliance on such reports, projections, forecasts, or information. Tatum disclaims all warranties, either express or implied, including, but not limited to, implied warranties of merchantability and fitness for a particular purpose, with regard to all information and applications that may be provided by the Resources or the Tatum Portal. Tatum will not be liable for any non-compliance of reports, projections, forecasts, or information or services with federal, state, or local laws or regulations.

The Company agrees that, with respect to any claims the Company may assert against Tatum in connection with this Agreement or the relationship arising hereunder, Tatum's total liability will not exceed two months of Service Fees.

As a condition for recovery of any liability, the Company must give Tatum written notice of the alleged basis for liability within thirty (30) days of discovering the circumstances giving rise thereto, provided that the failure of the Company to give such notice will only affect the rights of the Company to the extent that Tatum is actually prejudiced by such failure. In any event, the Company must assert any claim against Tatum within six (6) months after discovery or thirty (30) days after the termination or expiration of this Agreement, whichever is earlier.

Tatum will not be liable in any event for incidental, consequential, punitive, or special damages, including without limitation, any interruption of business or loss of business, profit, or goodwill.

ARBITRATION

If the parties are unable to resolve any dispute arising out of or in connection with this Agreement, either party may refer the dispute to arbitration by a single arbitrator selected by the parties according to the rules of the American Arbitration Association ("AAA"), and the decision of the arbitrator will be final and binding on both parties. Such arbitration will be conducted by the Houston, Texas office of the AAA and governed by Texas law. In the event that the parties fail to agree on the selection of the arbitrator within thirty (30) days after either party's request for arbitration under this paragraph, the arbitrator will be chosen by AAA. The arbitrator may in his discretion order documentary discovery, but in no event may depositions be taken. The arbitrator will have no authority to award punitive damages. Judgment on the award of the arbitrator may be entered in and enforced by any court of competent jurisdiction. The arbitrator will have no authority to award damages in excess or in contravention of this Schedule A and may not amend or disregard any provision of this Schedule A. Notwithstanding the foregoing, no issue related to the ownership of intellectual property will be subject to arbitration but will instead be subject to determination by a court of competent jurisdiction.

DIRECTOR AND OFFICER INSURANCE

To the extent the Company has directors' and officers' liability insurance in effect, the Company will provide such insurance coverage for the Employee, along with written evidence to Tatum or the Employee that the Employee is covered by such insurance.

SUBPOENAS

In the event that any partner of Tatum (including without limitation the Employee to the extent not otherwise entitled in his or her capacity as an officer of the Company) is subpoenaed or otherwise required to appear as a witness or Tatum or such partner is required to provide evidence, in either case in connection with any action, suit, or other proceeding initiated by a third party against the Company or by the Company against a third party, then the Company shall reimburse Tatum for the costs and expenses (including reasonable attorneys' fees) actually incurred by Tatum or such partner and provide Tatum with compensation at Tatum's customary rate for the time incurred.

MISCELLANEOUS

Tatum represents to the Company that Tatum has conducted its standard screening and investigation procedures with respect to the Employee becoming a partner in Tatum, and the results of the same were satisfactory to Tatum. Except as provided in the immediately preceding sentence, Tatum does not make any representations or warranties concerning the Employee's qualifications or services.

Tatum shall be entitled to receive all reasonable costs and expenses incidental to the collection of overdue amounts under this Agreement, including but not limited to attorneys' fees actually incurred.

WARRANT AGREEMENT

THIS WARRANT AGREEMENT (this "Agreement") is made effective as of January 1, 2005 between Natural Gas Systems, Inc., a Nevada corporation (the "Company"), and Tatum CFO Partners, LLP, a Georgia limited liability partnership ("Holder").

R E C I T A L S

WHEREAS, the Company and Holder have entered into a certain Amended and Restated Tatum Resources Agreement, of even date herewith ("Resources Agreement"), where the Holder has agreed to provide certain resources to the Company; and

WHEREAS, as partial consideration for Holder's commitments in the Resources Agreement, the Company proposes to issue to Holder a warrant entitling the holder thereof to purchase up to TWO HUNDRED SIXTY-TWO THOUSAND FIVE HUNDRED (262,500) shares of common stock, no par value, of the Company (the "Shares" or the "Common Stock");

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. Form of Warrant. The warrant to be delivered pursuant to this Agreement (the "Warrant") shall be in the form set forth in Exhibit A attached hereto and made a part hereof.

2. Right to Exercise Warrant. The Warrant may be exercised from the date of this Agreement until 11:59 P.M. (Eastern Standard Time) on the date that is five (5) years after the date of this Agreement (the "Expiration Date"). To the extent the Warrant has not been exercised on or before the Expiration Date, it shall expire.

The Warrant shall entitle its holder to purchase from the Company one or more Shares, up to an aggregate of 262,500 (each an "Exercise Share"), at an exercise price of $0.001 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 the Warrant or to deliver a substitute Warrant following a partial exercise which evidences 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 the Warrant, the Company shall pay to the Holder exercising the 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 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 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 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, in either case on the national securities exchange on which the Shares are then listed on in the NASDAQ Reporting System; or

(c) if no such closing price or closing bid and asked prices are available, as determined in any reasonable manner as may be prescribed by the Board of Directors of the Company.

3. Mutilated or Missing Warrant Certificates. In case the Warrant 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 Warrant, or in lieu of and in substitution for the Warrant lost, stolen or destroyed, a new Warrant of like tenor and representing an equivalent right or interest.

4. 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 the Warrant, the full number of Exercise Shares deliverable upon the exercise of the Warrant in full.

The Company covenants that all Exercise Shares which may be issued upon exercise of the Warrant will be validly issued, fully paid and non-assessable outstanding Shares of the Company.

5. Rights of Holder. The Holder shall not, by virtue of anything contained in this Warrant Agreement or otherwise, prior to exercise of the 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.

6. Investment Intent; Accredited Investor. Holder represents and warrants to the Company that Holder is acquiring the Warrant for investment purposes and with no present intention of distributing or reselling any portion of the Warrant. Holder represents that it is an "accredited investor" within the meaning of Rule 501 of Regulation D under the Securities Act (the "Act") and has executed and delivered the Investment Representation Statement that accompanies this Agreement.

7. Certificates to Bear Legend. The Warrant 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 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 THAT AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT IS AVAILABLE."

The Warrant or Exercise Shares, as the case may be, without such legend shall be issued if such Warrant 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.

8. Adjustment of Number of Shares and Class of Capital Stock Purchasable. The number of Exercise Shares and class of capital stock purchasable under the Warrant are subject to adjustment from time to time as set forth in this Section 8.

(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 the Warrant in effect immediately prior to such action shall be adjusted so that the holder of the 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 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 the 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. Notwithstanding the allocation of the Exercise Price between or among shares of capital stock as provided by this Section 8(a), the Warrant may only be exercised in full by payment of the entire Exercise Price in effect at the time of such exercise.

(b) Consolidation, Merger or Sale of the Company. If the Company is a party to a consolidation, merger or transfer of assets 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 Warrant shall automatically become exercisable for the kind and amount of securities, cash or other assets which the holder of the Warrant would have owned immediately after the consolidation, merger or transfer if the holder had exercised the Warrant immediately before the effective date of such transaction. As a condition to the consummation 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 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 8.

9. 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.

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

11. 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: Chief Executive Officer, and to the Holder: at 4501 Circle 75 Parkway, Ste. A-1164, Atlanta, Georgia 30339, Attn: Mr. Jerry Lucas.

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 11.

12. 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.

13. Governing Law and Venue. This Agreement shall be deemed to be a contract made under the laws of the State of Texas and for all purposes shall be governed and construed in accordance with the laws of said State, except to the extent that the corporation law of the State of Nevada applies, in which case the law of Nevada shall govern to that extent. Any proceeding arising under this Agreement shall be instituted in the courts (federal or state) in Houston, Texas.

14. 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.

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

COMPANY	HOLDER:
NATURAL GAS SYSTEMS, INC.	TATUM CFO PARTNERS, LLP
By: _____	By: _____
Robert S. Herlin, President	Name: _____
	Title:_____
	Tax ID: _____

EXHIBIT A

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.

WARRANT TO PURCHASE SHARES
OF COMMON STOCK OF
NATURAL GAS SYSTEMS, INC

Initial Number of Shares:	262,500
Exercise Price:	$0.001 per share
Date of Grant:	January 1, 2005
Expiration Date:	January 1, 2010

THIS CERTIFIES THAT, TATUM CFO PARTNERS, LLP, or any person or entity to whom the interest in this Warrant is lawfully transferred ("Holder") is entitled to purchase the above number (as adjusted pursuant to Section 4 hereof) of fully paid and non-assessable shares of the Common Stock (the "Shares") of Natural Gas Systems, Inc., a Nevada corporation (the "Company), having an Exercise Price as set forth above, subject to the provisions and upon the terms and conditions set forth herein and in the Warrant Agreement dated January 1, 2005. The exercise price, as adjusted from time to time as provided herein, is referred to as the "Exercise Price."

1. Term. The purchase right represented by this Warrant is exercisable, in whole or in part, at any time commencing on the Date of Grant and ending on the Expiration Date, after which time the Warrant shall be void.

2. Method of Exercise; Payment; Issuance of New Warrant. Subject to Section 1 hereof, the right to purchase Shares represented by this Warrant may be exercised by Holder, in whole or in part, for the total number of Shares remaining available for exercise by the surrender of this Warrant (with the notice of exercise form attached hereto as Exhibit A duly executed) at the principal office of the Company and by the payment to the Company, by check made payable to the Company drawn on a United States bank and for United States funds, or by delivery to the Company of evidence of cancellation of indebtedness of the Company to such Holder, of an amount equal to the then applicable Exercise Price per share multiplied by the number of Shares then being purchased or by net exercise pursuant to Section 6 hereof. In the event of any exercise of the purchase right represented by this Warrant, certificates for the Shares so purchased shall be promptly delivered to Holder and, unless this Warrant has been fully exercised or has expired, a new Warrant representing the portion of the Shares, if any, with respect to which this Warrant shall not then have been exercised shall also be promptly delivered to Holder.

3. Exercise Price. The Exercise Price at which this Warrant may be exercised shall be the Exercise Price, as adjusted from time to time pursuant to Section 4 hereof.

4. Reclassification, Reorganization, Consolidation or Merger. In the case of any reclassification of the Shares, or any reorganization, consolidation or merger of the Company with or into another corporation (other than a merger or reorganization with respect to which the Company is the continuing corporation and which does not result in any reclassification of the Shares), the Company, or such successor corporation, as the case may be, shall execute a new warrant

providing that the Holder shall have the right to exercise such new warrant and upon such exercise to receive, in lieu of each Share theretofore issuable upon exercise of this Warrant, the number and kind of securities, money and property receivable upon such reclassification, reorganization, consolidation or merger by a holder of Shares for each Share. Such new warrant shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 4 including, without limitation, adjustments to the Exercise Price and to the number of Shares issuable upon exercise of this Warrant. The provisions of this Section 4 shall similarly apply to successive reclassifications, reorganizations, consolidations or mergers.

5. Transferability and Negotiability of Warrant. This Warrant may not be transferred or assigned in whole or in part without compliance with applicable federal and state securities laws by the transferor and the transferee (including, without limitation, the delivery of investment representation letters and legal opinions reasonably satisfactory to the Company, if reasonably requested by the Company). Subject to the provisions of this Section 5, title to this Warrant may be transferred in the same manner as a negotiable instrument transferable by endorsement and delivery.

6. Net Exercise. In lieu of exercising this Warrant for cash, the Holder may elect to exchange this Warrant for Shares equal to the value of this Warrant by surrender of this Warrant, together with notice of such election, at the principal office of the Company, in which event the Company shall issue to the holder a number of Shares computed using the following formula:

$$X = Y \frac{(A-B)}{A}$$

Where :

X= the number of Shares to be issued to the holder.
Y= the number of Shares purchasable under this Warrant.
A= value per share of one Share determined in accordance with Section 2 of the Warrant Agreement.
B= the Exercise Price (as adjusted).

7. Warrant Agreement. This warrant is being issued pursuant to that certain Warrant Agreement of even date herewith between the initial Holder and the Company, and the terms of that Warrant Agreement are hereby incorporated herein by reference. To the extent the terms of this Warrant conflict with the terms provided for the same in the Warrant Agreement, the terms of the Warrant Agreement shall govern.

8. Miscellaneous. The Company covenants that it will at all times reserve and keep available, solely for the purpose of issue upon the exercise hereof, a sufficient number of Shares to permit the exercise hereof in full. Such Shares, when issued in compliance with the provisions of this Warrant and the Company's Certificate of Incorporation, will be duly authorized, validly issued, fully paid and non-assessable. No Holder of this Warrant, as such, shall, prior to the exercise of this Warrant, be entitled to vote or receive dividends or be deemed to be a stockholder of the Company for any purpose, nor shall anything contained in this Warrant be construed to confer upon Holder, as such, any rights of a stockholder of the Company or any right to vote, give or withhold consent to any corporate action, receive notice of meetings, receive dividends or subscription rights, or otherwise. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of any such loss, theft or destruction, upon delivery of an indemnity agreement reasonably satisfactory in form and amount to the Company or, in the case of any such mutilation, upon surrender and cancellation of such Warrant, the Company at its expense will execute and deliver, in lieu thereof, a new Warrant of like date and tenor. The terms and provisions of this Warrant shall inure to the benefit of, and be binding upon, the Company and the Holder hereof and their respective successors and assigns. This Warrant shall be governed by and construed under the laws of the State of Texas, except to the extent that the corporation law of the State of Nevada would apply, in which case the law of the State of Nevada shall apply to such extent.

HOLDER:	COMPANY:
TATUM CFO PARTNERS, LLP	NATURAL GAS SYSTEMS, INC. A NEVADA CORPORATION
By: _____	By: _____
Name: _____	Robert S. Herlin, President
Title:_____	

NOTICE OF EXERCISE

TO: NATURAL GAS SYSTEMS, INC.

1. The undersigned hereby elects to purchase _____ shares of the Common Stock of NATURAL GAS SYSTEMS, INC. pursuant to the terms of the attached Warrant, and tenders herewith payment of the purchase price of such shares in full, together with all applicable transfer taxes, if any.

2. The undersigned hereby elects to purchase _____ shares of the Common Stock of NATURAL GAS SYSTEMS, INC. pursuant to the terms of the attached Warrant on a net exercise basis in accordance with Section 6.

3. Please issue a certificate or certificates representing said shares of the Common Stock in the name of the undersigned or in such other name as is specified below and, if this Notice of Exercise is for fewer than all shares that may be purchased under the attached Warrant, please issue a new Warrant on the same terms for the unexercised balance in the name of the undersigned.

Name:_____

Tax ID:_____

Address:_____

_____

_____

_____

_____

Signed:_____

Date:_____

INVESTMENT REPRESENTATION STATEMENT

PURCHASER : TATUM CFO PARTNERS, LLP
COMPANY : NATURAL GAS SYSTEMS, INC.
SECURITY : COMMON STOCK
AMOUNT : 262,500 SHARES
DATE : January 1, 2005

In connection with the purchase of the above-listed Securities, I, the Purchaser, represent to the Company the following:

(a) I am aware of the Company's business affairs and financial condition, and have acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the Securities. I am purchasing these Securities for my own account for investment purposes only and not with a view to, or for the resale in connection with, any "distribution" thereof for purposes of the Securities Act of 1933, as amended ("Securities Act").

(b) I understand that the Securities have not been registered under the Securities Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of my investment intent as expressed herein.

(c) I further understand that the Securities must be held indefinitely unless subsequently registered under the Securities Act or unless an exemption from registration is otherwise available. In addition, I understand that the certificate evidencing the Securities will be imprinted with a legend which prohibits the transfer of the Securities unless they are registered or such registration is not required in the opinion of counsel for the Purchaser satisfactory to the Company or receipt of a no-action letter from the Securities and Exchange Commission.

(d) I am aware of the provisions of Rule 144, promulgated under the Securities Act, which, in substance, permits limited public resale of "restricted securities" acquired, directly or indirectly, from the issuer thereof (or from an affiliate of such issuer), in a non-public offering subject to the satisfaction of certain conditions, if applicable, including, among other things: the availability of certain public information about the Company; the resale occurring not less than one year after the party has purchased and paid for the securities to be sold; the sale being made through a broker in an unsolicited "broker's transaction" or in transactions directly with a market maker (as said term is defined under the Securities Exchange Act of 1934, as amended); and the amount of securities being sold during any three month period not exceeding the specified limitations stated therein.

(e) I further understand that at the time I wish to sell the Securities there may be no public market upon which to make such a sale, and that, even if such a public market then exists, the Company may not be satisfying the current public information requirements of Rule 144, and that, in such event, I may be precluded from selling the Securities under Rule 144 even if the one-year minimum holding period had been satisfied.

(f) I further understand that in the event all of the requirements of Rule 144 are not satisfied, registration under the Securities Act, compliance with Regulation A, or some other registration exemption will be required; and that, notwithstanding the fact that Rule 144 is not exclusive, the Staff of the SEC has expressed its opinion that persons proposing to sell private placement securities other than in a registered offering and otherwise than pursuant to Rule 144 will have a substantial burden of proof in establishing that an exemption from registration is available for such offers or sales, and that such persons and their respective brokers who participate in such transactions do so at their own risk.

Date: January 1, 2005 TATUM CFO PARTNERS, LLP

By: _____
Name: _____
Title: _____

NATURAL GAS SYSTEMS, INC.

EMPLOYMENT AGREEMENT

THIS AGREEMENT ("Agreement") is entered into as of April 4, 2005, by and between STERLING MCDONALD (the "Executive") and NATURAL GAS SYSTEMS, INC., a Nevada corporation (the "Company"). The Agreement supercedes any and all prior agreements, written or oral, including but not limited to the Executive's prior employment agreement with the Company and its predecessor in interest, Natural Gas Systems, a Delaware corporation, other than the stock options granted under the Company's 2003 Stock Option Plan of Natural Gas Systems, Delaware, which was assumed by the Company.

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 Chief Financial Officer. The Executive shall report to the Company's CEO and Board of Directors, 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/her 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 reasonable 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. Executive may provide material work for companies or third parties, if and only if such work is disclosed in writing and Executive receives consent from the Board at a duly-held meeting of the Board of Directors of the Company or if such work is described in Exhibit D hereto. 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 $150,000.00, effective January 1, 2005, 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 the Company's Board of Directors (the "Board") or the Compensation Committee of the Board. The determinations of the Board or its 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. In addition to the 250,000 stock options previously granted to the Executive under the Company's 2003 Stock Option Plan, an subject to the approval of the Board or the Compensation Committee of the Board, the Company shall grant the Executive a stock option covering an additional 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.

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. NON-SOLICITATION AND CONFIDENTIAL INFORMATION.

(a) NON-SOLICITATION. During the period commencing on the date of this Agreement and continuing until the first anniversary of the date when the Executive's Employment terminated for any reason, the Executive shall not directly or indirectly, personally or through others, solicit or attempt to solicit (on the Executive's own behalf or on behalf of any other person or entity) either (i) the employment of any employee or consultant of the Company or any of the Company's affiliates or (ii) the business of any current or recent customer or working interest partner with whom the Company is engaged in one or more documented projects or relationships.

(b) CONFIDENTIAL INFORMATION. During Executive's Employment and at all times thereafter, Executive shall not, without the prior express written consent of the Board (except as may be required in connection with any judicial or administrative proceeding or inquiry) disclose to any person, other than an officer or director of the Company or a person to whom disclosure is reasonably necessary or appropriate in connection with the performance by Executive of his duties as CFO, any Confidential Information (defined below) with respect to the business and affairs of the Company or any of its subsidiaries, unless such disclosure is subject to a confidentiality agreement or the confidential information has been previously disclosed through no fault of Executive. Executive acknowledges that he has and will have access to proprietary information, trade secrets, and confidential material (including lists of key personnel, customers, clients, vendors, suppliers, distributors or consultants) of the Company (the "CONFIDENTIAL INFORMATION"). Executive agrees, without limitation in time or until such information shall become public other than by the Executive's unauthorized disclosure, to maintain the confidentiality of the Confidential Information and refrain from divulging, disclosing, or otherwise using in any respect the Confidential Information to the detriment of the Company and any of its subsidiaries, affiliates, successors or assigns, or for any other purpose or no purpose, unless such disclosure is subject to a confidentiality agreement or such Confidential Information is previously disclosed through no fault of Executive or unless such Confidential Information is required to be released by law.

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 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 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.

Sterling H. McDonald

NATURAL GAS SYSTEMS, INC.

By Robert S. Herlin
Title: CEO and President

EXHIBIT A
STOCK OPTION PLAN

EXHIBIT B
STOCK OPTION AGREEMENT

NATURAL GAS SYSTEMS, INC.
2004 STOCK PLAN

STOCK OPTION AGREEMENT

Name of Optionee:	Sterling H. McDonald
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:	$1.80
Option Grant Date:	April 4, 2005
Vesting Commencement Date	April 4, 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:	April 4, 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 April 4, 2005 by and between Natural Gas Systems, Inc., a Nevada corporation (the "Company") and the Sterling H. McDonald. 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 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: Sterling H. McDonald