

FORM 8-K

CURRENT REPORT

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

March 1, 2004
Date of Report (date of earliest event reported)

NATURAL GAS SERVICES GROUP, INC.
(Exact name of registrant as specified in its charter)

Colorado	1-31398	75-2811855
----- (State or other jurisdiction of incorporation)	----- (Commission File No.)	----- (I.R.S. Employer Identification No.)

2911 SCR 1260, Midland, Texas	79706
----- (Address of principal executive offices)	----- (Zip Code)

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

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(a) Financial Statements

None

(b) Pro Forma Financial Information

None

(c) Exhibits

Exhibit 99 News Release issued by Natural Gas Services
Group, Inc. on March 1, 2004.

ITEM 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On March 1, 2004, Natural Gas Services Group, Inc. issued a news release announcing its audited and unaudited financial results for the year and quarter ending December 31, 2003. The news release is being furnished pursuant to Item 12.

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.

Dated: March 10, 2004

NATURAL GAS SERVICES GROUP, INC.

By: /s/ Earl R. Wait

Earl R. Wait, CFO

EXHIBIT INDEX

EXHIBIT NUMBER

99

EXHIBIT

News Release dated March 10, 2004

NGSG
NATURAL GAS SERVICES GROUP, INC.

FOR IMMEDIATE RELEASE
March 1, 2004

NEWS
Amex - NGS, NGS.WS

NATURAL GAS SERVICES GROUP ANNOUNCES FOURTH QUARTER AND YEAR
END FINANCIAL RESULTS

66% Increase In Revenue For The Three Months to \$3.5 Million
24% Increase In Revenue For The Twelve Months to \$12.7 Million

MIDLAND, Texas, March 1, 2004 - Natural Gas Services Group, Inc. (AMEX:NGS), a leading provider of equipment and services to the natural gas and oil industry, announces its financial results for the fourth quarter and twelve months ended December 31, 2003.

Natural Gas Service Group, Inc.

	Fourth Quarter 2003	Fourth Quarter 2002	Change	Twelve Months 2003	Twelve Months 2002	Change
Revenues	\$ 3,485,406	\$ 2,095,601	66.3%	\$12,749,522	\$10,296,541	24%
Net Income	\$ 489,691	\$ 78,044	527%	\$ 1,307,133	\$ 786,085	66%
EPS (Basic)	\$ 0.09	\$ 0.02	428%	\$ 0.24	\$ 0.19	29%
EPS (Diluted)	\$ 0.09	\$ 0.02	411%	\$ 0.23	\$ 0.16	43%
Cash flow from operation	\$ 3,024,420	\$ 2,205,953				
EBITDA	\$ 1,231,856	\$ 681,166	80.9%	\$ 4,396,771	\$ 3,511,271	25.2%
Weighted avg. shares outstanding:						
Basic	5,051,851	4,515,241	4,946,922	3,649,413		
Diluted	5,386,928	4,661,728	5,252,531	4,305,053		

Revenue for the fourth quarter ended December 31, 2003, increased 66% to \$3,485,406 as compared to \$2,095,601 for the same period in 2002. Revenue for the twelve months ended December 31, 2003, increased 24% to \$12,749,522 as compared to \$10,296,541 for the same period in 2002. The increase in revenue during the fourth quarter and twelve months reflects a significant increase in revenue from the rental of natural gas compressor units and a slight increase in service and maintenance revenue.

Net income for the fourth quarter ended December 31, 2003, increased 527% to \$489,691 or \$.09 per share (diluted), as compared to net income of \$78,044 or \$.02 per share (diluted) for the same period in 2002. Net income for the twelve months ended December 31, 2003, increased 66% to \$1,307,133 or \$.23 per share (diluted), as compared to net income of \$786,085 or \$.16 per share (diluted) for same period in 2002. Earnings Per Share was affected by the increase of 1.5 million shares for the initial public offering in the fourth quarter of 2002.

NGSG's rental fleet grew by 46% during the twelve months ended December 31, 2003. The Company ended the year with 399 compressor packages in its rental fleet, up from 274 units at December 31, 2002. The company anticipates adding rental units this year at a cost of approximately \$10 million and expects total revenue to grow by approximately 28%.

Wayne Vinson, President and CEO of Natural Gas Services Group, Inc. said, "We delivered consistent sales and earning growth throughout 2003.

Here are some key indicators comparing year end 2003 to year end 2002:

- Services and Maintenance income up 13.5% to \$1.7 million.
- Leasing income up 61.7% to \$7 million.
- Gross Margin up 42% to \$6.7 million.
- Operating income up 45% to \$2.7 million.
- EBITDA up 25% to \$4.4 million.

Natural Gas Services 2003 financial performance scored on all major areas: revenue growth, profitability and positive cash flow, reflecting the strength of our strategic business model, the dedication of our team and the value of delivering a high-value product to the small to mid-sized compressor market that meets their critical needs. Our 2003 profitability reflected two actions which further demonstrate the Company's performance oriented strategy and tight fiscal management. We are moving confidently into 2004 with strong balance sheet, a healthy backlog and a platform for growth."

About Natural Gas Services Group, Inc. (NGS)
NGS manufactures, fabricates, sells, leases and services natural gas compressors that enhance the production of oil and gas wells. The Company also manufactures and sells flare systems and flare ignition systems for plant and production facilities.

For More Information, Contact:

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Jim Drewitz, Investor Relations
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972-355-6070

"EBITDA" reflects net income or loss before interest, taxes, depreciation and amortization. EBITDA is a measure used by analysts and investors as an indicator of operating non-cash charges and financing costs. Therefore, EBITDA gives the investor information as to the cash generated from the operations of a business. However, EBITDA is not a measure of financial performance under accounting principles generally accepted in the United States of America ("GAAP"), and should not be considered a substitute for other financial measures of performance. EBITDA as calculated by NGS may not be comparable to EBITDA as calculated and reported by other companies. The most comparable GAAP measure to EBITDA is net income. The reconciliation of EBITDA to net income is as follows:

	Three months ended December 31,		Twelve months ended December 31,	
	2003	2002	2003	2002
EBITDA	\$ 1,231,856	\$ 681,166	\$ 4,396,771	\$ 3,511,271
Adjustments to reconcile EBITDA to net income:				
Amortization and depreciation	(490,599)	(326,911)	(1,725,717)	(1,166,004)
Interest expense	(166,362)	(179,311)	(667,122)	(975,719)
Provision for income tax	(85,204)	(96,900)	(696,799)	(583,463)
Net income	\$ 489,691	\$ 78,044	\$ 1,307,133	\$ 786,085

Except for historical information contained herein, the statements in this release are forward-looking and made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve known and unknown risks and uncertainties, which may cause NGS's actual results in future periods to differ materially from forecasted results. Those risks include, among other things, the loss of market share through competition or otherwise; the introduction of competing technologies by other companies; a prolonged, substantial reduction in oil and gas prices which could cause a decline in the demand for NGS's products and services; and new governmental safety, health and environmental regulations which could require NGS to make significant capital expenditures. The forward-looking statements included in this press release are only made as of the date of this press release, and NGS undertakes no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances. A discussion of these factors is included in the Company's Annual Report on Form 10-KSB filed with the Securities and Exchange Commission.

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2003

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 176,202
Trade accounts receivable, net of doubtful accounts of \$5,000	816,596
Inventory	2,554,239
Prepaid expenses and other	107,030

 3,654,067

Total current assets

LEASE EQUIPMENT, net of accumulated depreciation of \$2,978,848	18,986,190
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$906,736	2,818,438
GOODWILL, net of accumulated amortization of \$325,192	2,589,655
PATENTS, net of accumulated amortization of \$137,423	113,941
OTHER ASSETS	107,900

 \$28,270,191
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Total assets

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Current portion of long-term debt and capital lease	\$ 2,363,927
Line of credit	300,000
Accounts payable and accrued liabilities	1,070,652
Deferred income	207,215

 3,941,794

Total current liabilities

LONG-TERM DEBT AND CAPITAL LEASE, less current portion	6,650,486
SUBORDINATED NOTES, net of discount of \$129,918	1,409,343
DEFERRED TAX LIABILITY	1,843,406

COMMITMENT (Note 11)

STOCKHOLDERS' EQUITY:

Preferred stock, 5,000,000 shares authorized, par value \$0.01:	
10 % Convertible Series A: 381,654 shares authorized, 343,654 shares	
outstanding;10% cumulative, liquidation preference of \$1,116,876	3,437
Common stock, 30,000,000 shares authorized, par value \$0.01; 5,031,181 shares issued	
and outstanding	50,311
Additional paid-in capital	11,205,375
Retained earnings	3,166,039

 14,425,162

Total stockholders' equity

Total liabilities and stockholders' equity	\$28,270,191
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See accompanying notes to these consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

	FOR THE YEARS ENDED DECEMBER 31,	
	2003	2002
REVENUE:		
Sales, net	\$ 3,865,045	\$ 4,335,721
Service and maintenance income	1,773,256	1,562,650
Leasing income and interest	7,111,221	4,398,170
Total revenue	12,749,522	10,296,541
COSTS OF REVENUE:		
Cost of sales	2,859,572	3,078,429
Cost of service	1,243,499	1,326,572
Cost of leasing	1,953,525	1,166,530
Total costs of revenue	6,056,596	5,571,531
GROSS PROFIT	6,692,926	4,725,010
OPERATING EXPENSES:		
Selling expenses	678,777	499,721
General and administrative	1,613,076	1,218,513
Depreciation and amortization	1,725,717	1,166,004
Total operating expenses	4,017,570	2,884,238
INCOME FROM OPERATIONS	2,675,356	1,840,772
OTHER INCOME (EXPENSE):		
Interest expense	(667,122)	(975,719)
Equity in earnings of joint venture	--	485,109
Other income (expense)	(4,302)	19,386
Total other income (expense)	(671,424)	(471,224)
INCOME BEFORE PROVISION FOR INCOME TAXES	2,003,932	1,369,548
PROVISION FOR INCOME TAXES:		
Current	25,000	25,900
Deferred	671,799	557,563
Total income tax expense	696,799	583,463
NET INCOME	1,307,133	786,085
PREFERRED DIVIDENDS	120,941	106,624
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	\$ 1,186,192	\$ 679,461
NET INCOME PER COMMON SHARE:		
Basic	\$ 0.24	\$ 0.19
Diluted	\$ 0.23	\$ 0.16
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:		
Basic	4,946,922	3,649,413
Diluted	5,252,531	4,305,053

See accompanying notes to these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 1,307,133	\$ 786,085
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,725,717	1,166,004
Deferred taxes	671,799	557,563
Amortization of debt issuance costs	64,956	70,369
Gain on disposal of assets	18,615	(15,066)
Warrants issued for debt guarantee	--	42,025
Equity in earnings of joint venture	--	(485,109)
Changes in current assets:		
Trade and other receivables	(391,498)	276,588
Inventory	(1,078,445)	139,614
Prepaid expenses and other	66,272	(11,888)
Changes in current liabilities:		
Accounts payable and accrued liabilities	542,790	(348,549)
Deferred income	173,678	134,187
Other changes	(76,597)	(105,870)
Net cash provided by operating activities	3,024,420	2,205,953
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(7,881,720)	(4,414,952)
Proceeds from sale of property and equipment	119,500	40,000
Distribution from equity method investment	107,774	405,466
Decrease in lease receivable	210,512	84,908
Net cash used in investing activities	(7,443,934)	(3,884,578)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from lines of credit	300,000	--
Proceeds from long-term debt	3,478,568	1,956,893
Repayments of long-term debt	(2,013,546)	(4,463,612)
Dividends on preferred stock	(120,941)	(106,624)
Proceeds from sale of stock and exercise of stock options and warrants	237,997	6,529,170
Net proceeds from preferred stock sales	--	12,767
Purchase of warrants from underwriter	--	(43,000)
Net cash provided by financing activities	1,882,078	3,885,594
NET CHANGE IN CASH	(2,537,436)	2,206,969
CASH, beginning of year	2,713,638	506,669
CASH, end of year	\$ 176,202	\$ 2,713,638
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	\$ 667,122	\$ 975,719
Income taxes paid	\$ 35,292	\$ 4,110

See accompanying notes to these consolidated financial statements.