
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

**CURRENT REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): March 1, 2007

NATURAL GAS SERVICES GROUP, INC.

(Exact Name of Registrant as Specified in Its Charter)

Colorado
(State or other jurisdiction
of Incorporation or organization)

1-31398
(Commission File
Number)

75-2811855
(IRS Employer
Identification No.)

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

79706
(Zip Code)

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

Not Applicable
(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))
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Item 2.02. Results of Operations and Financial Condition.

On March 1, 2007, Natural Gas Services Group, Inc. issued a press release announcing its results of operations for the fiscal year ended December 31, 2006. The press release issued on March 1, 2007 is furnished as Exhibit No. 99 to this Current Report on Form 8-K. Natural Gas Services Group's Annual Report to Shareholders and its reports on Forms 10-Q and 8-K and other publicly available information should be consulted for other important information about the registrant.

The information in this Current Report on Form 8-K, including Exhibit No. 99 hereto, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section. The information in this Current Report shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits

The Exhibit listed below is furnished as an Exhibit to this Current Report on Form 8-K.

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
99	Press release issued March 1, 2007 (furnished pursuant to Item 2.02)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

NATURAL GAS SERVICES GROUP, INC.

By: /s/ Stephen C. Taylor

Stephen C. Taylor, Chairman
of the Board, President and Chief Executive Officer

Dated: March 1, 2007

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99	Press release issued March 1, 2007 (furnished pursuant to Item 2.02)

[LOGO]

FOR IMMEDIATE RELEASE

March 1, 2007

NEWS
Amex — NGS**NATURAL GAS SERVICES GROUP ANNOUNCES RECORD REVENUE AND NET INCOME FOR 2006****27% INCREASE IN TOTAL REVENUE FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006 TO \$62.7 MILLION****71% INCREASE IN NET INCOME FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006 TO \$7.6 MILLION****20% increase in total revenue, 67% increase in net income and 27% increase in diluted earnings per share for the three months ended December 31, 2006**

MIDLAND, Texas, March 1, 2007 — Natural Gas Services Group, Inc. (AMEX:NGS), a leading provider of gas compression equipment and services to the natural gas industry, announces its record financial results for the fourth quarter and twelve months ended December 31, 2006.

Natural Gas Services Group, Inc.

(in thousands of dollars, except
per share amounts and
percentages)

	Fourth Quarter 2005	Fourth Quarter 2006	Change	Twelve Months 2005	Twelve Months 2006	Change
		(unaudited)			(unaudited)	
Total Revenue	\$13,779	\$16,562	20%	\$49,311	\$62,729	27%
Operating income	\$ 2,614	\$ 3,476	33%	\$ 8,859	\$12,131	37%
Net income	\$ 1,386	\$ 2,319	67%	\$ 4,446	\$ 7,588	71%
EPS (Basic)	\$ 0.15	\$ 0.19	27%	\$ 0.59	\$ 0.67	14%
EPS (Diluted)	\$ 0.15	\$ 0.19	27%	\$ 0.52	\$ 0.66	27%
EBITDA	\$ 3,960	\$ 5,736	45%	\$13,282	\$19,541	47%
Weighted average shares outstanding:						
Basic	9,012	12,016		7,564	11,405	
Diluted	9,240	12,078		8,481	11,472	

Revenue: Total revenue increased from \$13.8 million to \$16.6 million, or 20%, for the three months ended December 31, 2006, compared to the same period ended December 31, 2005. These gains were the result of a 35% increase in rental revenue and an 18% increase in sales revenue that outweighed the corresponding \$423 thousand decline in service and maintenance revenue, coinciding with our strategy to de-emphasize this business segment. Total revenue increased from \$49.3 million to \$62.7 million, or 27% for the twelve months ended December 31, 2006 compared to the same period ended December 31, 2005. These results were due to a 42% increase in rental revenue and a 26% increase in sales revenue. Service and maintenance revenue declined from \$2.4 million to \$1 million in the comparable twelve month period.

Operating income: Operating income increased from \$2.6 million to \$3.5 million, or 33%, for the three months ended December 31, 2006, compared to the same period ended December 31, 2005, and increased from \$8.9 million to \$12.1 million, or 37%, for the twelve months ended December 31, 2006 compared to the same period ended December 31, 2005. The higher operating income was driven by strong sales and rental gross margins and higher total revenues for the current quarter. Fourth quarter gross margins for sales revenues were 26%, while rental revenues experienced a year-to-date high gross margin of 63%. Indirect operating costs, consisting of selling expense, general and administrative expense and depreciation and amortization expense, for the three-month comparable year-over-year periods increased 34% from \$2.5 million to \$3.3 million. Approximately \$700 thousand of this increase was depreciation attributable to the continued expansion of our rental fleet.

Net Income: Net income for the three months ended December 31, 2006, increased from \$1.4 million to \$2.3 million, or 67%, compared to the three months ended December 31, 2005. Net income for the twelve months ended December 31, 2006, increased from \$4.4 million to \$7.6 million, or 71%, compared to the same period ended December 31, 2005. These significant gains in both comparative periods were the cumulative result of higher revenues, robust gross margins and positive net interest income. Net income for the three months ended December 31, 2006 grew to 14% of total revenue.

EBITDA: EBITDA (see discussion of EBITDA at the end of this release) increased 45% from \$4.0 million for the three months ended December 31, 2005 to \$5.7 million for the three months ended December 31, 2006. EBITDA increased 47% from \$13.3 million for the twelve months ended December 31, 2005 to \$19.5 million for the twelve months ended December 31, 2006. EBITDA as a percentage of total revenue increased from 27% for the full year of 2005 to 31% for the comparable 2006 period and posted a record high of 35% of revenue for the three months ended December 31, 2006.

Earnings per Share: Earnings per diluted share increased 27% to \$0.19 during the three months ended December 31, 2006 as compared to \$0.15 during the three months ended December 31, 2005. Comparing the first twelve months of 2005 versus 2006, earnings per diluted share grew 27% from \$0.52 to \$0.66. The growth in earnings per diluted share was achieved in spite of a 35% increase in the number of diluted shares for the comparative twelve month period.

Steve Taylor, President and CEO of Natural Gas Services Group, Inc. said, "We are very pleased to have again achieved record annual revenue and earnings in 2006. The significant growth of revenue and gross margins in both our compressor sales and rental businesses reinforces and validates our operating strategies. The attractiveness of our industry and our particular focus on unconventional, wellhead compression markets will continue to drive our growth into the future. As always, full credit goes to all of our employees for their exceptional efforts and dedication."

The Company has scheduled a conference call Thursday, March 1, 2007 at 9:30 a.m., Central Standard Time, to discuss 2006 Fourth Quarter and Twelve Months Financial Results.

What: Natural Gas Services Group, Inc. 2006 Fourth Quarter and Twelve Months Financial Results Conference Call

When: Thursday, March 1, 2007 at 9:30 a.m. CST

How: Live via phone by dialing 800-624-7038. Code: Natural Gas Services. Participants to the Conference call should call in at least 5 minutes prior to the start time.

Steve Taylor, President and CEO of Natural Gas Services Group, Inc., will lead the call and discuss the Company's fourth quarter and twelve months financial results.

About Natural Gas Services Group, Inc. (NGS)

NGS is a leading provider of small to medium horsepower, wellhead compression equipment to the natural gas industry with a primary focus on the non-conventional gas industry, i.e., coalbed methane, gas shales and tight gas. The Company manufactures, fabricates, rents and maintains natural gas compressors that enhance the production of natural gas wells. The Company also designs and sells custom fabricated natural gas compressors to particular customer specifications and sells flare systems for gas plant and production facilities. NGS is headquartered in Midland, Texas with manufacturing facilities located in Tulsa, Oklahoma, Lewiston, Michigan and Midland, Texas and service facilities located in major gas producing basins in the U.S.

For More Information, Contact: Jim Drewitz, Investor Relations
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jdrewitz@comcast.net

Or visit the Company's website at www.ngsgi.com

“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 cash flow since it excludes the impact of movements in working capital items, 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:

(in thousands of dollars)	Three months ended December 31,		Twelve months ended December 31,	
	2005 (unaudited)	2006 (unaudited)	2005 (unaudited)	2006 (unaudited)
EBITDA	\$ 3,960	\$ 5,736	\$ 13,282	\$ 19,541
Adjustments to reconcile EBITDA to net income:				
Amortization and depreciation	(1,198)	(1,885)	(4,224)	(6,020)
Interest expense	(558)	(339)	(1,997)	(1,646)
Provision for income taxes	(818)	(1,193)	(2,615)	(4,287)
Net income	<u>\$ 1,386</u>	<u>\$ 2,319</u>	<u>\$ 4,446</u>	<u>\$ 7,588</u>

This release contains forward-looking statements subject to various risks and uncertainties that could cause the Company’s future plans, objectives and performance to differ materially from those in the forward-looking statements. Forward-looking statements can be identified by the use of forward-looking terminology such as “may,” “will,” “expect,” “intend,” “plan,” “subject to,” “anticipate,” “estimate,” “continue,” “present value,” “future,” “reserves,” “appears,” “prospective,” or other variations thereof or comparable terminology. Factors that could cause or contribute to such differences could include, but are not limited to, those relating to conditions in the natural gas industry, including the demand for natural gas and fluctuations in the price of natural gas; weaknesses in the Company’s internal controls; competition among the various providers of compression services and products; changes in safety, health and environmental regulations; changes in economic or political conditions in the markets in which we operate; failure of our customers to continue to rent equipment after expiration of the primary rental term; the inherent risks associated with our operations, such as equipment defects, malfunctions and natural disasters; our inability to comply with covenants in our debt agreements and the decreased financial flexibility associated with our substantial debt; future capital requirements and availability of financing; general economic conditions; events similar to September 11, 2001; and fluctuations in interest rates. While we believe our forward-looking statements are based upon reasonable assumptions, these are factors that are difficult to predict and that are influenced by economic and other conditions beyond our control. Important factors that could cause actual results to differ materially from the expectations reflected in the forward-looking statements include, but are not limited to, the factors described above and the other factors described under the caption “Risk Factors” in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission.

NATURAL GAS SERVICES GROUP, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED BALANCE SHEETS
(amounts in thousands, except per share data)

	December 31,	
	2005	2006
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 3,271	\$ 4,391
Short-term investments	—	25,052
Trade accounts receivable, net of doubtful accounts of \$75 and \$110, respectively	6,192	8,463
Inventory, net of allowance for obsolescence of \$361 and \$347, respectively	14,723	16,943
Prepaid expenses and other	456	321
Total current assets	<u>24,642</u>	<u>55,170</u>
Rental equipment, net of accumulated depreciation of \$7,598 and \$11,320, respectively	41,201	59,866
Property and equipment, net of accumulated depreciation of \$2,458 and \$3,679, respectively	6,424	6,714
Goodwill, net of accumulated amortization of \$325	10,039	10,039
Intangibles, net of accumulated amortization of \$492 and \$819, respectively	3,978	3,650
Other assets	85	113
Total assets	<u>\$ 86,369</u>	<u>\$ 135,552</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt and subordinated notes	\$ 5,680	\$ 4,442
Line of credit	300	—
Accounts payable and accrued liabilities	4,917	4,914
Current income tax liability	207	1,056
Deferred income	103	225
Total current liabilities	<u>11,207</u>	<u>10,637</u>
Long term debt, less current portion	20,225	12,950
Subordinated notes, less current portion	2,000	1,000
Deferred income tax payable	7,247	9,764
Stockholders' equity:		
Common stock, 30,000 shares authorized, par value \$0.01; 9,022 and 12,046 shares issued and outstanding, respectively	90	120
Additional paid-in capital	34,667	82,560
Retained earnings	10,933	18,521
Total stockholders' equity	<u>45,690</u>	<u>101,201</u>
Total liabilities and stockholders' equity	<u>\$ 86,369</u>	<u>\$ 135,552</u>

NATURAL GAS SERVICES GROUP, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
(amounts in thousands, except per share data)

	For the Years Ended December 31,		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Revenue:			
Sales, net	\$ 3,593	\$ 30,278	\$ 38,214
Service and maintenance income	1,874	2,424	979
Rental income	10,491	16,609	23,536
Total revenue	<u>15,958</u>	<u>49,311</u>	<u>62,729</u>
Operating costs and expenses:			
Cost of sales, exclusive of depreciation stated separately below	2,556	23,331	29,629
Cost of service, exclusive of depreciation stated separately below	1,357	1,479	735
Cost of rental, exclusive of depreciation stated separately below	3,038	6,528	8,944
Selling expenses	875	1,034	1,273
General and administrative	1,777	3,856	3,997
Depreciation and amortization	2,444	4,224	6,020
Total operating costs and expenses	<u>12,047</u>	<u>40,452</u>	<u>50,598</u>
Operating income	3,911	8,859	12,131
Other income (expense):			
Interest expense	(838)	(1,997)	(1,646)
Other income (expense)	1,441	199	1,390
Total other income (expense)	<u>603</u>	<u>(1,798)</u>	<u>(256)</u>
Income before provision for income taxes	4,514	7,061	11,875
Provision for income taxes:			
Current	20	207	1,743
Deferred	1,120	2,408	2,544
Total income tax expense	<u>1,140</u>	<u>2,615</u>	<u>4,287</u>
Net income	3,374	4,446	7,588
Preferred dividends	53	—	—
Income available to common stockholders	<u>\$ 3,321</u>	<u>\$ 4,446</u>	<u>\$ 7,588</u>
Earnings per common share:			
Basic	<u>\$ 0.59</u>	<u>\$ 0.59</u>	<u>\$ 0.67</u>
Diluted	<u>\$ 0.52</u>	<u>\$ 0.52</u>	<u>\$ 0.66</u>
Weighted average common shares outstanding:			
Basic	5,591	7,564	11,405
Diluted	6,383	8,481	11,472

NATURAL GAS SERVICES GROUP, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(amounts in thousands)

	For the Years Ended December 31,		
	2004	2005	2006
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 3,374	\$ 4,446	\$ 7,588
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	2,444	4,224	6,020
Deferred taxes	1,120	2,408	2,544
Employee stock option expense	—	135	376
Loss (gain) on disposal of assets	71	(28)	13
Gross profit from sale of rental equipment	—	—	(1,263)
Changes in current assets:			
Trade accounts and other receivables	(1,182)	(1,352)	(2,271)
Inventory	(1,915)	(5,699)	(2,220)
Prepaid expenses and other	(34)	(362)	135
Changes in current liabilities:			
Accounts payable and accrued liabilities	1,264	337	(3)
Current income tax liability	20	187	849
Deferred income	(185)	(855)	122
Other assets	(279)	348	(46)
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,698	3,789	11,844
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	(11,596)	(17,708)	(27,684)
Purchase of short-term investments	—	—	(38,252)
Redemption of short-term investments	—	—	13,200
Assets acquired, net of cash	—	(7,584)	—
Proceeds from sale of property and equipment	50	264	4,305
Changes in restricted cash	(2,000)	2,000	—
NET CASH USED IN INVESTING ACTIVITIES	(13,546)	(23,028)	(48,431)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from line of credit	550	300	1,375
Proceeds from long-term debt	6,592	21,517	68
Repayments of long-term debt	(2,589)	(13,077)	(9,581)
Repayment of line of credit	(300)	—	(1,675)
Dividends paid on preferred stock	(53)	—	—
Proceeds from exercise of stock options and warrants	5,157	13,085	357
Proceeds from sale of stock, net of transaction costs	—	—	47,163
NET CASH PROVIDED BY FINANCING ACTIVITIES	9,357	21,825	37,707
NET CHANGE IN CASH	509	2,586	1,120
CASH AT BEGINNING OF PERIOD	176	685	3,271
CASH AT END OF PERIOD	\$ 685	\$ 3,271	\$ 4,391
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Interest paid	\$ 775	\$ 1,877	\$ 1,692
Income taxes paid	\$ 31	\$ 24	\$ 894
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Assets acquired for issuance of subordinated debt	—	3,000	—
Assets acquired for issuance of common stock	—	5,120	—