

FORM 8-K

CURRENT REPORT

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

November 4, 2003
Date of Report (date of earliest event reported)

NATURAL GAS SERVICES GROUP, INC.

(Exact name of registrant as specified in its charter)

Colorado

(State or other jurisdiction
of incorporation)

1-31398

(Commission File No.)

75-2811855

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

2911 SCR 1260, Midland, Texas

(Address of principal executive offices)

79706

(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 November 4, 2003

ITEM 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On November 4, 2003, Natural Gas Services Group, Inc. issued a news release announcing its unaudited financial results for the nine months ended September 30, 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: November 11, 2003

NATURAL GAS SERVICES GROUP, INC.

By: /s/ Wayne L. Vinson

Wayne L. Vinson
President

EXHIBIT INDEX

EXHIBIT NUMBER

99

EXHIBIT

News Release dated November 4, 2003

NGSE
NATURAL GAS SERVICES GROUP, INC.

FOR IMMEDIATE RELEASE
November 4, 2003

NEWS
Amex - NGS, NGS.WS

NATURAL GAS SERVICES GROUP ANNOUNCES THIRD QUARTER AND
NINE MONTHS FINANCIAL RESULTS

20% Increase In Revenue For The Three Months to \$3.7 Million
13% Increase In Revenue For The Nine Months to \$9.2 Million

MIDLAND, Texas, November 4, 2003 - 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 third quarter and nine months ended September 30, 2003.

Revenue for the third quarter ended September 30, 2003, increased 20% to \$3,699,556 as compared to \$3,081,384 for the same period in 2002. Revenue for the nine months ended September 30, 2003, increased 13% to \$9,264,116 as compared to \$8,200,940 for the same period in 2002. The increase in revenue during the third quarter and nine months reflects an increase in revenue from the rental of natural gas compressor units and a slight increase in service and maintenance revenue.

Net income for the three months ended September 30, 2003, increased 4% to \$384,407 or \$.07 per share (diluted), as compared to net income of \$368,932 or \$.08 per share (diluted) for the same period in 2002. Net income for the nine months ended September 30, 2003, increased 15% to \$817,442 or \$.14 per share (diluted), as compared to net income of \$708,041 or \$.15 per share (diluted) for same period in 2002. Earnings Per Share were affected by the increase of 1.5 million shares for the initial public offering in the fourth quarter of 2002.

EBITDA (see discussion of EBITDA at the end of this release) increased 13% to \$1,300,933 for the three months ended September 30, 2003, versus \$1,150,993 for the same period in 2002. EBITDA increased 12% to \$3,164,915 for nine months ended September 30, 2003, versus \$2,830,105 for the same period in 2002.

NGS's rental fleet grew by 35% during the nine months ended September 30, 2003. The Company ended the quarter with 371 compressor packages in its rental fleet, up from 274 units at September 30, 2002.

Wayne Vinson, President and CEO of Natural Gas Services Group, Inc. said, "We are pleased with our quarter-over-quarter growth. Our Year-To-Date financials are strong and getting stronger.

Here are some key indicators comparing September 2002 to September 2003:

Services and Maintenance income up 13% to \$1.3 million Leasing income up 55% to \$5 million. Operating income up 18% to \$1.9 million.
Net income up 15% to \$817,442.
EBITDA up 12% at \$3.2 million.
Diluted Earnings Per Share at \$.14.

As the third quarter and nine months financial results show, our core leasing business remains quite profitable. We have been able to do this by delivering a high-value product to the small to mid-sized compressor market that meets their critical needs. As we continue to focus on the execution of our marketing and sales strategies, we are pleased with the increasing acceptance of our products and the acceleration of new account penetration. We have a strong balance sheet, a healthy backlog and are on track for a successful fourth quarter and fiscal year 2004. We remain extremely optimistic about our prospects for continued 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:

Wayne Vinson, CEO or Wallace Sparkman
800-580-1828
Jim Drewitz, Investor Relations
972-355-6070

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 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 Sept. 30,		Nine months ended Sept. 30,	
	2003	2002	2003	2002
EBITDA	\$ 1,300,933	\$ 1,150,993	\$ 3,164,915	\$ 2,830,105
Adjustments to reconcile EBITDA to net income:				
Amortization and depreciation	(455,563)	(301,493)	(1,235,118)	(839,093)
Interest expense	(170,971)	(273,568)	(500,760)	(796,408)
Provision for income tax	(289,992)	(207,000)	(611,595)	(486,563)
Net income	\$ 384,407	\$ 368,932	\$ 817,442	\$ 708,041

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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.

Natural Gas Services Group, Inc.
Consolidated Balance Sheet
(unaudited)
September 30, 2003

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 258,276
Accounts receivable - trade	1,584,767
Inventory	2,546,683
Prepaid expenses	130,344

Total current assets	4,520,070
Lease equipment, net	17,537,997
Other property, plant and equipment, net	2,779,335
Goodwill, net of accumulated amortization	2,589,655
Patents, net of accumulated amortization	120,812
Other assets	79,200

Total assets	\$27,627,069 =====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:	
Current portion of long term debt and capital lease	\$ 2,342,151
Accounts payable and accrued liabilities	1,411,129
Unearned Income	492,271

Total current liabilities	4,245,551
Long term debt and capital lease, less current portion	6,273,100
Subordinated notes, net	1,393,104
Deferred income tax payable	1,773,202

Total liabilities	13,684,957
SHAREHOLDERS' EQUITY	
Preferred stock	3,437
Common stock	50,221
Paid in capital	11,183,715
Retained earnings	2,704,739

Total shareholders' equity	13,942,112

Total liabilities and shareholders' equity	\$27,627,069 =====

The accompanying notes are an integral part of the consolidated balance sheet.

Natural Gas Services Group, Inc.
Consolidated Income Statements
(unaudited)

	Three months ended Sept 30		Nine months ended Sept 30	
	2003	2002	2003	2002
Revenue:				
Sales	\$ 1,372,248	\$ 1,438,069	\$ 2,877,358	\$ 3,749,300
Service and maintenance	452,714	439,522	1,346,597	1,191,580
Leasing income	1,874,594	1,203,793	5,040,161	3,260,060
	3,699,556	3,081,384	9,264,116	8,200,940
Cost of revenue:				
Cost of sales	1,008,771	963,035	2,155,568	2,543,287
Cost of service and maintenance	290,008	373,594	961,237	1,012,843
Cost of leasing	545,309	329,850	1,313,093	916,149
	1,844,088	1,666,479	4,429,898	4,472,279
Gross Margin	1,855,468	1,414,905	4,834,218	3,728,661
Operating Cost:				
Selling expense	159,870	134,786	484,421	378,456
General and administrative expense	395,918	276,523	1,186,922	877,010
Amortization and depreciation	455,563	301,493	1,235,118	839,093
	1,011,351	712,802	2,906,461	2,094,559
Operating income	844,117	702,103	1,927,757	1,634,102
Interest expense	(170,971)	(273,568)	(500,760)	(796,408)
Equity in earnings of joint venture	--	132,081	--	339,684
Other income	1,253	15,316	2,040	17,226
	674,399	575,932	1,429,037	1,194,604
Income before income taxes	674,399	575,932	1,429,037	1,194,604
Income tax expense	289,992	207,000	611,595	486,563
	384,407	368,932	817,442	708,041
Net income	384,407	368,932	817,442	708,041
Preferred dividends	30,530	31,009	92,550	106,624
	353,877	337,923	724,892	601,417
Net income available to common shareholders	\$ 353,877	\$ 337,923	\$ 724,892	\$ 601,417
	=====	=====	=====	=====
Earnings per share:				
Basic	\$ 0.07	\$ 0.10	\$ 0.15	\$ 0.18
Diluted	\$ 0.07	\$ 0.08	\$ 0.14	\$ 0.15
Weighted average shares:				
Basic	4,995,713	3,357,632	4,910,062	3,357,632
Diluted	5,389,673	4,091,862	5,208,096	4,136,709
	\$ 1,300,933	\$ 1,150,993	\$ 3,164,915	\$ 2,830,105
EBITDA	\$ 1,300,933	\$ 1,150,993	\$ 3,164,915	\$ 2,830,105

The accompanying notes are an integral part of the consolidated income statements.

Natural Gas Services Group, Inc.
Consolidated Statements of Cash Flows
(unaudited)

	Nine Months Ended September 30, 2003 -----	Nine Months Ended September 30, 2002 -----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 817,442	\$ 708,041
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	1,235,120	839,093
Deferred taxes	602,202	486,563
Amortization of debt issuance costs	48,717	48,717
Warrants Issued for debt guarantee	--	42,025
Equity in earnings of joint venture	--	(339,684)
Gain on disposal of assets	10,547	(15,066)
Changes in operating assets:		
Trade and other receivables	(938,817)	246,047
Inventory and work in progress	(1,000,735)	(191,713)
Prepaid expenses and other	42,958	(85,097)
Changes in current liabilities:		
Accounts payable and accrued liabilities	708,971	157,906
Deferred income	174,710	74,129
Other	(60,436)	(26,209)
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NET CASH PROVIDED BY OPERATING ACTIVITIES	1,640,679	1,944,752
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CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(5,900,453)	(3,025,780)
Acquisition of remaining interest in joint venture, net of cash acquired	242,753	--
Proceeds from sale of property and equipment	112,500	40,000
Decrease in lease receivable	210,512	62,543
Distribution from equity method investee	49,090	260,868
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NET CASH USED IN INVESTING ACTIVITIES	(5,285,598)	(2,662,369)
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CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from bank loans and line of credit	2,649,811	1,853,386
Repayments of long term debt	(1,583,951)	(647,004)
Deferred offering costs	--	(250,937)
Proceeds from stock offering, net of offering cost	--	12,724
Dividends paid on preferred stock	(92,550)	(75,613)
Proceeds from exercise of warrants	216,247	43
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NET CASH PROVIDED BY FINANCING ACTIVITIES	1,189,557	892,599
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NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,455,362)	174,982
CASH AT BEGINNING OF PERIOD	2,713,638	512,669
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CASH AT END OF PERIOD	\$ 258,276	\$ 687,651
	=====	=====
SUPPLEMENTAL DICLOSURE OF CASH FLOW INFORMATION:		
Interest paid	\$ 500,760	\$ 796,408
Income taxes paid	\$ --	\$ --

The accompanying notes are an integral part of the consolidated income statements.