

FORM 8-K

CURRENT REPORT

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

May 8, 2003  
Date of Report (date of earliest event reported)

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

Colorado  
-----

(State or other jurisdiction  
of incorporation)

1-31398  
-----

(Commission File No.)

5-2811855  
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(I.R.S. Employer  
Identification No.)

2911 SCR 1260, Midland, Texas  
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(Address of principal executive offices)

79706  
-----

(Zip Code)

(915) 563-3974  
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(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 May 8, 2003

ITEM 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On May 8, 2003, Natural Gas Services Group, Inc. issued a news release  
announcing its unaudited financial results for the quarter ended March 31, 2003.

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: May 8, 2003

NATURAL GAS SERVICES GROUP, INC.

By: /s/ Wayne L. Vinson

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Wayne L. Vinson  
President

EXHIBIT INDEX

EXHIBIT NUMBER

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99

EXHIBIT

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News Release dated May 8, 2003

FOR IMMEDIATE RELEASE:

NEWS

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May 8, 2003

Amex - NGS, NGS.WS

NATURAL GAS SERVICES GROUP REPORTS FIRST QUARTER  
FINANCIAL RESULTS

First Quarter Revenue from Core Leasing Business Advances 40%,  
Gross Margin Improves to 52% from 38% in First Quarter Last Year

MIDLAND, Texas -- Natural Gas Services Group, Inc. (NGSG) (Amex: NGS, NGS.WS), a provider of equipment and services to the natural gas and oil industry, today announced financial results for the first quarter ended March 31, 2003.

Total first quarter revenue was \$2,343,745 versus \$2,690,396 in 2002. Revenue from the Company's core leasing business increased to \$1,401,163 versus \$999,517 in the same quarter of 2002, while equipment sales declined to \$565,272 from \$1,349,017 a year ago. First quarter service revenue increased to \$377,310 from \$341,862.

Wayne Vinson, president and CEO, said, "The 40% increase in first quarter leasing revenue is consistent with the growth trends we are seeing in this segment of our business, and also reflects our determined efforts to expand our core leasing programs. As we reported in the fourth quarter, equipment sales, which can fluctuate considerably from quarter to quarter, have been impacted by the slowdown in the economy and by reductions in capital spending. Fortunately, current economic conditions are fueling increased demand for rental equipment, as is evident by the high utilization rate of our lease fleet."

On the strength of the gross margins generated by NSGS's leasing business, total first quarter gross margins increased to 52% from 38% in the first quarter last year. First quarter EBITDA (see discussion of EBITDA at the end of this release) increased 3% to \$717,788 versus \$696,503 in the same period a year ago, while net income available to common shareholders increased 67% to \$86,873, or .02 cents per diluted share, from \$51,991, or .01 cent per diluted share, in 2002.

NGSG's lease fleet grew by 13% during the first quarter. This growth was driven in part by the January 1, 2003, acquisition of 28 compressor packages from Hy-Bon Engineering Company, as well as internal production. The Company ended the quarter with 347 compressor packages in its rental fleet, up from 308 units at end of fiscal 2002.

Cash used in operating activities during the first quarter increased to \$133,361 compared with \$77,807 used in operating activities during the first quarter of last year.

NGSG 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 on NSGS, please visit the Company's website at [www.ngsgi.com](http://www.ngsgi.com).

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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 NSGS'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 NSGS's products and services; and new governmental safety, health and environmental regulations which could require NSGS 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 NSGS 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 Income Statement (unaudited)

	Three months ended March 31,	
	2003	2002
Revenue:		
Sales	\$ 565,272	\$ 1,349,017
Service and maintenance income	377,310	341,862
Leasing income	1,401,163	999,517
	-----	-----
	2,343,745	2,690,396
Costs of revenue:		
Cost of sales	433,173	1,065,152
Cost of service and maintenance	335,301	333,148
Cost of leasing	360,917	282,535
	-----	-----
	1,129,391	1,680,835
Gross margin	-----	-----
	1,214,354	1,009,561
Operating Costs:		
Selling expense	138,947	124,667
General and administrative expense	380,166	273,541
Amortization and depreciation	361,966	254,404
	-----	-----
	881,079	652,612
Operating income	-----	-----
	333,275	356,949
Interest expense	(154,083)	(257,360)
Equity in earnings of joint venture	--	83,452
Other income	22,547	1,698
	-----	-----
Income before income taxes	201,739	184,739
Provision for income tax	83,856	88,563
	-----	-----
Net income	117,883	96,176
Preferred dividends	31,010	44,185
	-----	-----
Net income available to common shareholders	\$ 86,873	\$ 51,991
	=====	=====
Earnings per share:		
Basic	\$ 0.02	\$ 0.02
Diluted	\$ 0.02	\$ 0.01
Weighted average share:		
Basic	4,857,632	3,357,632
Diluted	5,059,456	3,798,176

Continued on Page 3

Natural Gas Services, Inc.  
Consolidated Balance Sheet (unaudited)

March 31,  
2003

ASSETS

Current assets:	
Cash and cash equivalents	\$ 1,611,244
Accounts receivable- trade	981,398
Lease receivable- net	100,143
Inventory	2,204,467
Prepaid expenses	45,038
	-----
Total current assets	4,942,290
Property plant and equipment, net	18,443,470
Goodwill, net	2,589,655
Patents, net	134,555
Lease receivable net	87,198
Other assets	113,423
	-----
Total assets	\$26,310,591
	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:	
Current portion of long term debt and capital lease	\$ 2,224,133
Accounts payable	848,809
Unearned income	423,946
	-----
Total current liabilities	3,496,888
Long term portion, less current portion and capital lease	7,110,375
Subordinated notes, net	1,360,626
Deferred income tax payable	1,254,856
	-----
Total liabilities	13,222,745
	SHAREHOLDERS' EQUITY
Preferred stock	3,817
Common stock	48,576
Paid in capital	10,968,733
Retained earnings	2,066,720
	-----
Shareholders' equity	13,087,846
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Total liabilities and shareholders' equity	\$26,310,591
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Continued on Page 4

Natural Gas Services, Inc.

"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 an 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 NGSB 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 March 31,	
	2003	2002
	-----	-----
EBITDA	\$ 717,788	\$ 696,503
Adjustments to reconcile EBITDA to net income:		
Amortization and depreciation	(361,966)	(254,404)
Interest expense	(154,083)	(257,360)
Provision for income tax	(83,856)	(88,563)
	-----	-----
Net income	\$ 117,883	\$ 96,176
	=====	=====

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CONTACTS:

Natural Gas Services Group, Inc.  
Wayne Vinson or Wallace Sparkman  
915-563-3974

Pfeiffer High Public Relations, Inc.  
Geoff High  
303-393-7044