

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): November 1, 2004

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.)
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2911 South County Road 1260 Midland, Texas (Address of Principal Executive Offices)	79706 (Zip Code)
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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))

Item 2.02. Results of Operations and Financial Condition.

On November 1, 2004, Natural Gas Services Group, Inc. issued a news release announcing the registrant's results of operations for its third fiscal quarter and nine months ended September 30, 2004. The news release issued on November 1, 2004 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-KSB, 10-QSB 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.

Exhibit No. -----	Description of Exhibit -----
99	News release issued November 1, 2004 (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/ Wallace C. Sparkman  
-----  
Wallace C. Sparkman, President

Dated: November 1, 2004

EXHIBIT INDEX

Exhibit No. -----	Description -----
99	News release issued November 1, 2004 (furnished pursuant to Item 2.02)

FOR IMMEDIATE RELEASE  
November 1, 2004

NEWS  
Amex - NGS, NGS.WS

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

5% Increase In Revenue For The Three Months to \$3.9 Million  
21% Increase In Revenue For The Nine Months to \$11.2 Million

MIDLAND, Texas, November 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 third quarter and nine months ended September 30, 2004.

Revenue for the third quarter ended September 30, 2004, increased 5% to \$3,870,113 as compared to \$3,699,556 for the same period in 2003. Revenue for the nine months ended September 30, 2004, increased 21% to \$11,221,529 as compared to \$9,264,116 for the same period in 2003. 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.

Gross margin percentage increased from 52% for the nine months ended September 30, 2003, to 56% for the same period ended September 30, 2004. This improvement resulted mainly from the relative increase in leasing revenue as a percentage of the total revenue. Our rental fleet carries a gross margin averaging 70%, and an increase in rentals improves our total gross margin.

Net income for the three months ended September 30, 2004, increased 17% to \$451,074 or \$.07 per share (diluted), as compared to net income of \$384,407 or \$.07 per share (diluted) for the same period in 2003. Net income for the nine months ended September 30, 2004, increased 231% to \$2,710,568 or \$.43 per share (diluted), as compared to net income of \$817,442 or \$.14 per share (diluted) for same period in 2003. This increase included life insurance proceeds on Mr. Wayne L. Vinson, our former President and C.E.O. who passed away on March 15, 2004. Excluding these proceeds we had a 60% increase for the nine months.

NGS's rental fleet grew by 34% during the nine months ended September 30, 2004. The Company ended the period with 533 compressor packages in its rental fleet, up from 399 units at December 31, 2003 and 354 units at September 30, 2003.

EBITDA (see discussion of EBITDA at the end of this release) increased 22% to \$1,586,814 for the three months ended September 30, 2004, versus \$1,300,933 for the same period in 2003. EBITDA increased 84% to \$5,815,434 for nine months ended September 30, 2004, versus \$3,164,915 for the same period in 2003.

Wallace Sparkman, 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 the quarter ending September 2004 to same period last year:

The Company added 45 new gas compressors in the quarter ended 9-30-04  
Leasing income is up 46% from \$1.9 million to \$2.7 million.  
Gross margin percentage increased 21% to \$2.2 million.  
Operating income up 12% to \$942,692.  
Net income up 17% to \$451,074.  
EBITDA up 22% to \$1.6 million.  
Diluted Earnings Per Share at \$.07.

As the third quarter and nine months financial results show, we have been able to grow our company through organic growth, as evidenced by the fact 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 now that NGS has acquired Screw Compression System, Inc. we are on track for an even a more successful fourth quarter and fiscal year 2004. We remain extremely optimistic about our prospects for continued and long term growth."

Conference Call:

As a reminder, the Company has scheduled a conference call Monday, November 1 at 3:00 PM Central Standard Time.

What: Natural Gas Services 2004 Third Quarter & Nine Months Financial Results Conference Call

When: Monday, November 1, 2004 - 3:00 PM Central Standard Time

How: Live via phone by dialing 800-936-4602. Code: Natural Gas Services. Participants to the conference call should call in at least 5 minutes prior to the start time.

Wallace Sparkman, President & CEO, Natural Gas Services Group, Inc. will be

leading the call and discussing third quarter and nine months financial results, the status of existing and new natural gas compressor leases, the acquisition of Screw Compression Systems, Inc. and a look at the balance of fiscal 2004.

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:

Wallace Sparkman, President & CEO  
 800-580-1828  
 Jim Drewitz, Investor Relations  
 jdrewitz@comcast.net  
 972-355-6070  
 Or

visit the Company's website at [www.ngsgi.com](http://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,	
	2004	2003	2004	2003
EBITDA	\$ 1,586,814	\$ 1,300,933	\$ 5,815,434	\$ 3,164,915
Adjustments to reconcile EBITDA to net income:				
Amortization and depreciation	(641,817)	(455,563)	(1,750,851)	(1,235,118)
Interest expense	(205,532)	(170,971)	(580,083)	(500,760)
Provision for income tax	(288,391)	(289,992)	(773,932)	(611,595)
Net income	\$ 451,074	\$ 384,407	\$ 2,710,568	\$ 817,442

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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, 2004

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 4,408,170
Accounts receivable - trade	1,187,402
Inventory	3,179,066
Prepaid expenses	178,693
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Total current assets	8,953,332
Lease equipment, net	25,818,667
Other property, plant and equipment, net	3,140,203
Goodwill, net	2,589,655
Patents, net	93,328
Other assets	95,500
	-----
Total assets	\$40,690,686 =====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:	
Current portion of long term debt and capital lease	\$ 3,145,056
Line of Credit	521,461
Accounts payable and accrued liabilities	1,647,514
Unearned Income	118,283
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Total current liabilities	5,432,315
Long term debt and capital lease, less current portion	9,079,435
Subordinated notes, net	1,433,060
Deferred income tax payable	2,612,013
	-----
Total liabilities	18,556,823
SHAREHOLDERS' EQUITY	
Common stock	60,683
Paid in capital	16,249,850
Retained earnings	5,823,331
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Total shareholders' equity	22,133,864
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Total liabilities and shareholders' equity	\$40,690,686 =====

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

	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
Revenue:				
Sales	\$ 702,679	\$ 1,372,248	\$ 2,444,899	\$ 2,877,358
Service and maintenance income	436,584	452,714	1,370,306	1,346,597
Leasing income	2,730,851	1,874,594	7,405,325	5,040,161
	3,870,113	3,699,556	11,220,529	9,264,116
Cost of revenue:				
Cost of sales	451,334	1,008,771	1,699,003	2,155,568
Cost of service and maintenance	338,312	290,008	1,030,167	961,237
Cost of leasing	843,725	545,309	2,174,185	1,313,093
	1,633,371	1,844,088	4,903,355	4,429,898
Gross Margin	2,236,742	1,855,468	6,317,174	4,834,218
Operating Cost:				
Selling expense	226,935	159,870	629,545	484,421
General and administrative expense	425,299	395,918	1,368,524	1,186,922
Depreciation and amortization	641,817	455,563	1,750,851	1,235,118
	1,294,050	1,011,351	3,748,919	2,906,461
Operating income	942,692	844,117	2,568,255	1,927,757
Interest expense	(205,532)	(170,971)	(580,083)	(500,760)
Other income	2,306	1,253	1,496,329	2,040
Income before income taxes	739,466	674,399	3,484,501	1,429,037
Provision for income tax	288,391	289,992	773,932	611,595
Net income	451,074	384,407	2,710,568	817,442
Preferred dividends	0	30,530	53,277	92,550
Net income available to common shareholders	\$ 451,074	\$ 353,877	\$ 2,657,291	\$ 724,892
Earnings per share:				
Basic	\$ 0.08	\$ 0.07	\$ 0.49	\$ 0.15
Diluted	\$ 0.07	\$ 0.07	\$ 0.43	\$ 0.14
Weighted average Shares:				
Basic	5,626,280	4,995,713	5,428,146	4,910,062
Diluted	6,492,354	5,389,673	6,216,995	5,208,096

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

	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
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<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$ 2,710,568	\$ 817,442
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,750,851	1,235,120
Deferred taxes	769,507	602,202
Amortization of debt issuance costs	48,717	48,717
Gain on disposal of assets	6,911	10,547
Changes in operating assets and liabilities:		
Trade and other receivables	(370,807)	(938,817)
Inventory	(624,827)	(1,000,735)
Prepaid expenses and other	(71,663)	42,958
Accounts payable and accrued liabilities	575,362	708,971
Deferred income	(88,932)	174,710
Other	(16,745)	(60,436)
	-----	-----
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>4,688,942</b>	<b>1,640,679</b>
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<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(786,941)	(713,245)
Purchase of rental equipment	(8,150,073)	(5,187,208)
Acquisition of remaining interest in joint venture, net of cash acquired	--	242,753
Proceeds from sale of property and equipment	50,123	112,500
Decrease in lease receivable	--	210,512
Distribution from equity method investment	--	49,090
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<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(8,886,891)</b>	<b>(5,285,598)</b>
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<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net proceeds from bank loans	5,031,435	2,649,811
Net proceeds from line of credit	521,461	--
Repayments of long term debt	(1,821,111)	(1,583,951)
	-----	-----
Repayments of line of credit	(300,000)	--
Proceeds from sale of common stock, exercised warrants and stock options	5,051,409	216,247
Dividends paid on preferred stock	(53,277)	(92,550)
	-----	-----
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>8,429,917</b>	<b>1,189,557</b>
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<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>4,231,968</b>	<b>(2,455,362)</b>
<b>CASH AT BEGINNING OF PERIOD</b>	<b>176,202</b>	<b>2,713,638</b>
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<b>CASH AT END OF PERIOD</b>	<b>\$ 4,408,170</b>	<b>\$ 258,276</b>
	=====	=====
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Interest paid	\$ 580,083	\$ 500,760