

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): February 24, 2005

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 February 24, 2005, Natural Gas Services Group, Inc. issued a news release announcing the registrant's results of operations for its fourth quarter end fiscal year ended December 31, 2004. The news release issued on February 24, 2005 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

Exhibit No.

Description of Exhibit

99

News release issued February 24, 2005 (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, President

Dated: February 24, 2005

EXHIBIT INDEX

Exhibit No. -----	Description -----
99	News release issued February 24, 2005 (furnished pursuant to Item 2.02)

NGSG
NATURAL GAS SERVICES GROUP, INC.

FOR IMMEDIATE RELEASE
February 24, 2005

NEWS
Amex - NGS, NGS.WS

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

36% Increase In Revenue For The Three Months to \$4.7 Million
25% Increase In Revenue For The Twelve Months to \$15.9 Million

MIDLAND, Texas, February 24, 2005 - Natural Gas Services Group, Inc. (AMEX:NGS), a leading provider of gas compression, flare equipment and services to the natural gas and oil industry, announces its financial results for the fourth quarter and twelve months ended December 31, 2004.

Natural Gas Service Group, Inc.

	Fourth Quarter 2004	Fourth Quarter 2003	Change	Twelve Months 2004	Twelve Months 2003	Change
Revenues	\$ 4,737,669	\$ 3,485,406	36%	\$15,958,199	\$12,749,522	25%
Net Income	663,459	489,692	35%	3,374,028	1,307,133	158%
EPS (Basic)	\$ 0.11	\$ 0.09	22%	\$ 0.59	\$ 0.24	147%
EPS (Diluted)	\$ 0.09	\$ 0.09	0%	\$ 0.52	\$ 0.23	126%
Gross Profit	2,689,529	1,858,709	45%	9,006,704	6,692,926	36%
EBITDA	\$ 1,980,262	\$ 1,231,857	60%	\$ 7,795,697	\$ 4,396,771	77%
Weighted avg. shares outstanding:						
Basic	6,077,368	5,051,851		5,591,313	4,946,922	
Diluted	7,049,140	5,386,928		6,382,777	5,252,531	

Revenue for the fourth quarter ended December 31, 2004, increased 36% to \$4,737,669 as compared to \$3,485,406 for the same period in 2003. Revenue for the twelve months ended December 31, 2004 increased 25% to \$15,958,199 as compared to \$12,749,522 for the same period in 2003. 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, 2004 increased 35% to \$663,459 (\$0.11 per diluted share), as compared to the same period in 2003 of \$489,691 (\$0.09 per diluted share). Net income for the twelve months ended December 31, 2004 increased 158% to \$3,374,028 (\$0.52 per diluted share), as compared to \$1,307,133 (\$0.23 per diluted share) 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 43% increase in net income for the twelve months.

NGS's rental fleet grew by 46% during the twelve months ended December 31, 2004. We ended the year with 585 compressor packages in our rental fleet, up from 399 units at December 31, 2003. We anticipate adding 250-300 rental units this year at a cost of approximately \$16-18 million and expects rental revenue to grow by approximately 30-35%.

"2004 was a year of tremendous significance and change for NGS," said Wallace Sparkman, previous Interim President and current Chairman of the Board of Directors. "We lost a good friend and President of the Company when Wayne Vinson passed away in March. We converted our Series A Preferred Stock into common stock for a savings of approximately \$100,000 in dividends. We also completed a private common stock placement for \$5 million on July 20, 2004 and entered into an agreement to purchase Screw Compression Systems, a private manufacturer of natural gas compressors as of January 3, 2005. We expect this acquisition to increase NGS's sales and leasing revenue by more than \$20 million in 2005. We experienced record revenue, income, earnings per share and hit a new high for the number of compressor packages in our rental fleet. Our success in 2004 is a

testament to the hard work, dedication and customer service attitude of our employees."

Steve Taylor, President and CEO of Natural Gas Services Group, Inc. said, "During 2004, we continued to grow and create positive momentum. Looking forward, we believe that our revenue and operational profits will continue to grow vigorously driven by a robust natural gas market, continuing strong end-use demand and the acquisition and effective integration of Screw Compression Systems. We are moving confidently into 2005 with a strong balance sheet, a healthy backlog and a platform for growth."

Here are some key indicators comparing year end 2004 to year end 2003:

- Leasing revenue up 48% to \$10.5 million.
- Services and Maintenance revenue up 6% to \$1.9 million.
- Gross Margin up from 52% to 56% of revenue , or \$9 million.
- Operating income up 46% to \$3.9 million.
- EBITDA up 77% to \$7.7 million.

The Company has scheduled a conference call Thursday, February 24 at 3:15 PM Central Standard Time to discuss 2004 financial results.

What: Natural Gas Services 2004 Fourth Quarter and Year-End Financial Results Conference Call

When: Thursday, February 24, 2005 - 3:15 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.

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, Chairman or
 Stephen Taylor, President/CEO
 800-580-1828
 Jim Drewitz, Investor Relations
 jdrewitz@comcast.net
 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,	
	2004	2003	2004	2003
	-----	-----	-----	-----
EBITDA	\$ 1,980,262	\$ 1,231,857	\$ 7,795,697	\$ 4,396,771
Adjustments to reconcile EBITDA to net income:				
Amortization and depreciation	(693,413)	(490,599)	(2,444,264)	(1,725,717)
Interest expense	(257,403)	(166,362)	(837,486)	(667,122)
Provision for income tax	(365,987)	(85,204)	(1,139,919)	(696,799)
	-----	-----	-----	-----
Net income	\$ 663,459	\$ 489,691	\$ 3,374,028	\$ 1,307,133
	=====	=====	=====	=====

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 Service Group, Inc.

BALANCE SHEET

DECEMBER 31, 2004

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 685,187
Trade accounts receivable, net of doubtful accounts of \$25,000	1,998,965
Inventory	4,469,606
Prepaid expenses and other	141,140

Total current assets	7,294,898

LEASE EQUIPMENT, net of accumulated depreciation of \$4,820,774	27,734,030
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$1,446,141	3,134,167
GOODWILL, net of accumulated amortization of \$325,192	2,589,655
PATENTS, net of accumulated amortization of \$164,907	86,457
RESTRICTED CASH	2,000,000
OTHER ASSETS	
	416,269

Total assets	\$43,255,476
	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Current portion of long-term debt and capital lease	\$ 3,728,048
Line of credit	549,856
Accounts payable and accrued liabilities	2,354,612
Deferred income	22,128

Total current liabilities	6,654,644

LONG-TERM DEBT AND CAPITAL LEASE, less current portion	9,290,209
SUBORDINATED NOTES, net of discount of \$89,962	1,449,299
DEFERRED TAX LIABILITY	2,958,000

COMMITMENTS

STOCKHOLDERS' EQUITY:

Preferred stock, 5,000,000 shares authorized, no shares issued - Common stock, 30,000,000 shares authorized, par value \$0.01; 6,104,269 shares issued and outstanding	61,042
Additional paid-in capital	16,355,492
Retained earnings	6,486,790

Total stockholders' equity	22,903,324

Total liabilities and stockholders' equity	\$43,255,476
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Natural Gas Service Group, Inc.

CONSOLIDATED STATEMENTS OF INCOME

	FOR THE YEARS ENDED DECEMBER 31,	
	2004	2003
REVENUE:		
Sales, net	\$ 3,593,376	\$ 3,865,045
Service and maintenance income	1,873,905	1,773,256
Leasing income and interest	10,490,918	7,111,221
Total revenue	15,958,199	12,749,522
COSTS OF REVENUE:		
Cost of sales	2,556,573	2,859,572
Cost of service	1,357,016	1,243,499
Cost of leasing	3,037,906	1,953,525
Total costs of revenue	6,951,495	6,056,596
GROSS PROFIT	9,006,704	6,692,926
OPERATING EXPENSES:		
Selling expenses	875,289	678,777
General and administrative	1,776,630	1,613,076
Depreciation and amortization	2,444,264	1,725,717
Total operating expenses	5,096,183	4,017,570
INCOME FROM OPERATIONS	3,910,521	2,675,356
OTHER INCOME (EXPENSE):		
Interest expense	(837,486)	(667,122)
Other income (expense)	1,440,912	(4,302)
Total other income (expense)	603,426	(671,424)
INCOME BEFORE PROVISION FOR INCOME TAXES	4,513,947	2,003,932
PROVISION FOR INCOME TAXES:		
Current	20,000	25,000
Deferred	1,119,919	671,799
Total income tax expense	1,139,919	696,799
NET INCOME	3,374,028	1,307,133
PREFERRED DIVIDENDS	53,277	120,941
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	\$ 3,320,751	\$ 1,186,192
NET INCOME PER COMMON SHARE:		
Basic	\$ 0.59	\$ 0.24
Diluted	\$ 0.52	\$ 0.23
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:		
Basic	5,591,313	4,946,922
Diluted	6,382,777	5,252,531

Natural Gas Service Group, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31,	
	2004	2003
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 3,374,028	\$ 1,307,133
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,444,264	1,725,717
Deferred taxes	1,119,919	671,799
Amortization of debt issuance costs	64,956	64,956
Loss on disposal of assets	71,341	18,615
Changes in current assets:		
Trade and other receivables	(1,182,369)	(391,498)
Inventory	(1,915,367)	(1,078,445)
Prepaid expenses and other	(34,110)	66,272
Changes in current liabilities:		
Accounts payable and accrued liabilities	1,283,960	542,790
Deferred income	(185,087)	173,678
Other changes	(344,341)	(76,597)
	-----	-----
Net cash provided by operating activities	4,697,194	3,024,420
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(11,595,811)	(7,881,720)
Proceeds from sale of property and equipment	50,123	119,500
Increase in restricted cash	--	(2,000,000)
Distribution from equity method investment	--	107,774
Decrease in lease receivable	--	210,512
	-----	-----
Net cash used in investing activities	(13,545,688)	(7,443,934)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from lines of credit	549,856	300,000
Proceeds from long-term debt	6,592,012	3,478,568
Repayments of long-term debt	(2,588,522)	(2,013,546)
Repayment of line of credit	(300,000)	--
Dividends on preferred stock	(53,277)	(120,941)
Proceeds from sale of stock and exercise of stock options and warrants, net of transaction costs	5,157,410	237,997
	-----	-----
Net cash provided by financing activities	9,357,479	1,882,078
NET CHANGE IN CASH	508,985	(2,537,436)
CASH, beginning of year	176,202	2,713,638
	-----	-----
CASH, end of year	\$ 685,187	\$ 176,202
	=====	=====
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	\$ 775,429	\$ 667,122
	=====	=====
Income taxes paid	\$ 31,300	\$ 35,292
	=====	=====