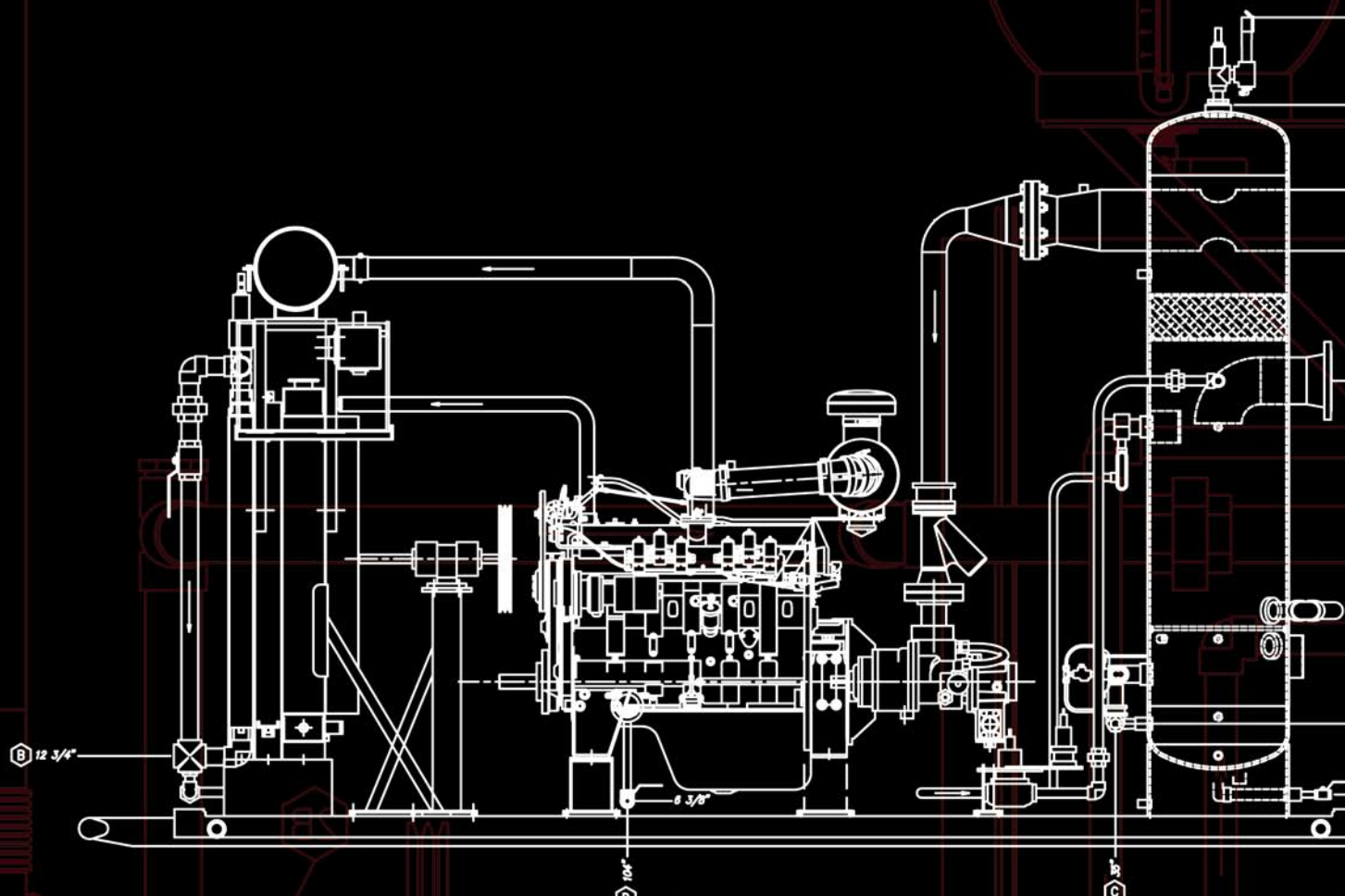


NATURAL GAS SERVICES GROUP, INC.



Annual Report 2005

ABOUT NGS



Headquartered in Midland, TX, NGS maintains a rapidly growing rental fleet of high quality rotary screw and reciprocating compressors in the 50-500 horsepower range. At the end of 2005 our rental fleet totaled 865 compressor units...the largest rental compressor fleet in our U.S. market segment. We provide repair and maintenance services of our rental fleet units through our network of district offices in Midland, TX, Farmington, NM, Bridgeport, TX, Tulsa, OK, and Lewiston, MI (Great Lakes Compression). We maintain fabricating facilities in Midland, TX and Lewiston, MI for the construction of rental fleet compressor packages.

Through our January 2005 acquisition of our engineered products subsidiary, Screw Compression Systems, Inc. (SCS), we design, fabricate and sell highly engineered rotary screw and reciprocating compressor packages ranging up to 1500 horsepower. We also fabricate

compressors in Tulsa for additional rental fleet requirements.

NGS is an Original Equipment Manufacturer of our own proprietary reciprocating compressor product line. The CiP (Cylinders in Plane) reciprocating compressor is a unique and efficient, small horsepower design that is utilized in our rental fleet and sold to compressor packagers and distributors throughout North America.

We design, fabricate, sell, install and service technologically advanced and patented industrial flare and ignition systems through our Flare King product line for use in gas plants and both onshore and offshore oil and natural gas production facilities.

Additional services include 3rd party maintenance on customer owned equipment, a compressor rebuild and exchange program and parts sales.

Executive Officers and Directors

Stephen C. Taylor

Chairman of the Board, President and Chief Executive Officer
Natural Gas Services Group, Inc.

Earl R. Wait

Vice President – Accounting and Treasurer,
Natural Gas Services Group, Inc.

Randy Larkin

Vice President – Sales and Marketing,
Natural Gas Services Group, Inc.

Craig Rogers

Vice President – Operations,
Natural Gas Services Group, Inc.

Jim Hazlett

Vice President – Technical Services,
Natural Gas Services Group, Inc.

Paul Hensley

Director, Natural Gas Services Group, Inc.
President, Screw Compression Systems, Inc.

Alan A. Baker

Director, Natural Gas Services Group, Inc.
Consultant, Halliburton Company

Charles G. Curtis

Director, Natural Gas Services Group, Inc.
President and Chief Executive Officer,
Curtis One Inc., d/b/a Roll Stair

William F. Hughes, Jr.

Director, Natural Gas Services Group, Inc.
Co-owner, The Whole Wheatery, LLC

Gene A. Strasheim

Director, Natural Gas Services Group, Inc.
Former Chief Financial Officer,
Skyline Electronics/Products

Richard L. Yadon

Director, Natural Gas Services Group, Inc.
Owner and Operator, Yadeco Pipe & Equipment
President and Co-owner, Midland Pipe & Equipment, Inc.

Independent Auditors

Hein + Associates, LLP
14755 Preston Rd, Suite 320
Dallas, Texas 75254

Legal Counsel

Lynch, Chappell and Alsup
Midland, Texas

Jackson Kelly PLLC
Denver, Colorado

Investor Relations

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3203 Merrimack Lane
Flower Mound, Texas 75022
(972) 355-6070
www.jdcreativeoptions.com

Transfer Agent & Registrar

Computershare Trust Company, Inc.
Golden, Colorado

Annual Meeting of Shareholders

Date: June 20, 2006, 9:00 A.M.
Hilton Hotel – Midland
117 West Wall Avenue
Midland, Texas 79701

Form 10-K Filing

Earl R. Wait
Vice President – Accounting and Treasurer,
Natural Gas Services Group, Inc.

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www.ngsgi.com

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(989) 786-5182 fax

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(505) 632-1364 fax

North Texas office

Bldg 107 PR 1420
Bridgeport, Texas 76426
(940) 683-5322
(940) 683-5113 fax

Oklahoma office

Screw Compression Systems, Inc.
5725 Bird Creek Avenue
Catoosa, Oklahoma 74015
(918) 266-3330
(918) 971-1818 fax

TO OUR STOCKHOLDERS



*Stephen C. Taylor
Chairman of the Board, President
and Chief Executive Officer
Natural Gas Services Group, Inc.*

2005 was the fourth consecutive year of record results since Natural Gas Services Group became a publicly-traded company in 2002. Our revenue more than tripled from almost \$16 million in 2004 to over \$49 million in 2005. A significant part of this growth was due to our acquisition of Screw Compression Systems (SCS) on January 3, 2005. At the time of the purchase, SCS's annual revenues were larger than NGS' and they subsequently contributed approximately 75% of our incremental revenue growth in 2005. This purchase has enabled us to significantly increase our engineering and design capabilities and our presence in the custom-fabricated compressor sales market, but the primary objective of the purchase was to support our rental compression fleet growth by utilizing their substantially greater fabrication space. Net income after tax in 2005 was \$4.446 million, a 137% increase from \$1.874 million (not including a one-time, non-operating gain of \$1.5 million) in 2004.

From an operating perspective, we continued to grow our rental compressor fleet at very aggressive rates. We ended 2005 with 865 rental compressors in our fleet, a 48% increase from the 586 units we had at the end of 2004. This was on top of our 47% fleet growth in 2004. Our primary operating areas continued to be the San Juan Basin of northwest New Mexico, the Barnett Shale in north-central Texas and the Antrim shale of northern Michigan. Our rental fleet utilization ended the year at 94.8%. We have increased our rental revenues at a 12% rate, compounded quarterly, since the first quarter of 2003. In our custom-fabricated compressor business, we ended 2005 with a \$27.5 million sales backlog with deliveries stretching into early-2007.

The Company closed a public offering of 2,895,500 shares of our common stock in March 2006 and netted proceeds of over \$47 million. This capital will continue to fuel the growth in our compression rental fleet, strengthen our balance sheet, preserve our borrowing capacity and allow us to expand as opportunities present themselves.

In last year's annual report we set five primary objectives for the company and I am pleased to report that we accomplished each one of them.

- **Enhance shareholder return**

The price of our common stock grew 79.5% during 2005. We substantially outperformed the AMEX composite index and the S&P 500 Energy Equipment and Services index. Over that same period our market capitalization grew from \$58 million to \$153 million, a 166% increase.

- **Increase high-margin rental revenues as a percentage of total revenues**

Rental revenues grew from 31% of total revenue in the first quarter of 2005 following the SCS acquisition to 36% in the fourth quarter of 2005. For the full year 2005, rental revenues accounted for 56% of our total gross margin from 34% of total revenues.

- **Effectively consolidate SCS into NGSG**

As evidenced by the record throughput and backlog at SCS, it is apparent that we have integrated this acquisition into the Company very quickly and efficiently.

- **Expand our rental operations into geographically attractive areas**

In mid-2005 we began to install rental compression equipment and move service personnel into the Appalachian and central/northern Rocky Mountain areas.

- **Diversify and expand our existing customer base**

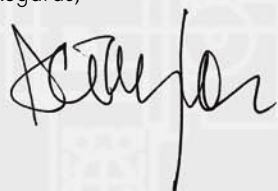
We gained a large sales customer in our SCS acquisition and also saw aggregate revenue from our Top 10 rental customers drop from 79% to 71% in 2004 and 2005, respectively, while growing these same customers' revenues.

Our industry is an exciting, but unpredictable one; however, consensus projections indicate continued growth in natural gas markets, especially in the unconventional gas areas. We think that our strategy of focusing on small to medium horsepower, wellhead compression in unconventional natural gas markets will continue to drive our growth, our performance and our shareholder's return in the future as it has in the past. I believe that our performance in 2005 has been a confirmation of the direction we have set.

While we are gratified by our progress in and of itself, it is heartening when others take notice; particularly when a leading business publication does so. In October 2005, we were pleased to be named to the Forbes magazine list of the 200 best-run small companies in the US.

Results like these are the culmination of the efforts of many people. I want to thank our employees for their hard work, our management team for their leadership, our Directors for their guidance and, of course, our shareholders for their confidence. I look forward to continued success for our Company.

Regards,



Stephen Taylor
Chairman of the Board, President
and Chief Executive Officer
Natural Gas Services Group, Inc.

FINANCIAL HIGHLIGHTS

Financial Highlights

(in thousands of dollars)

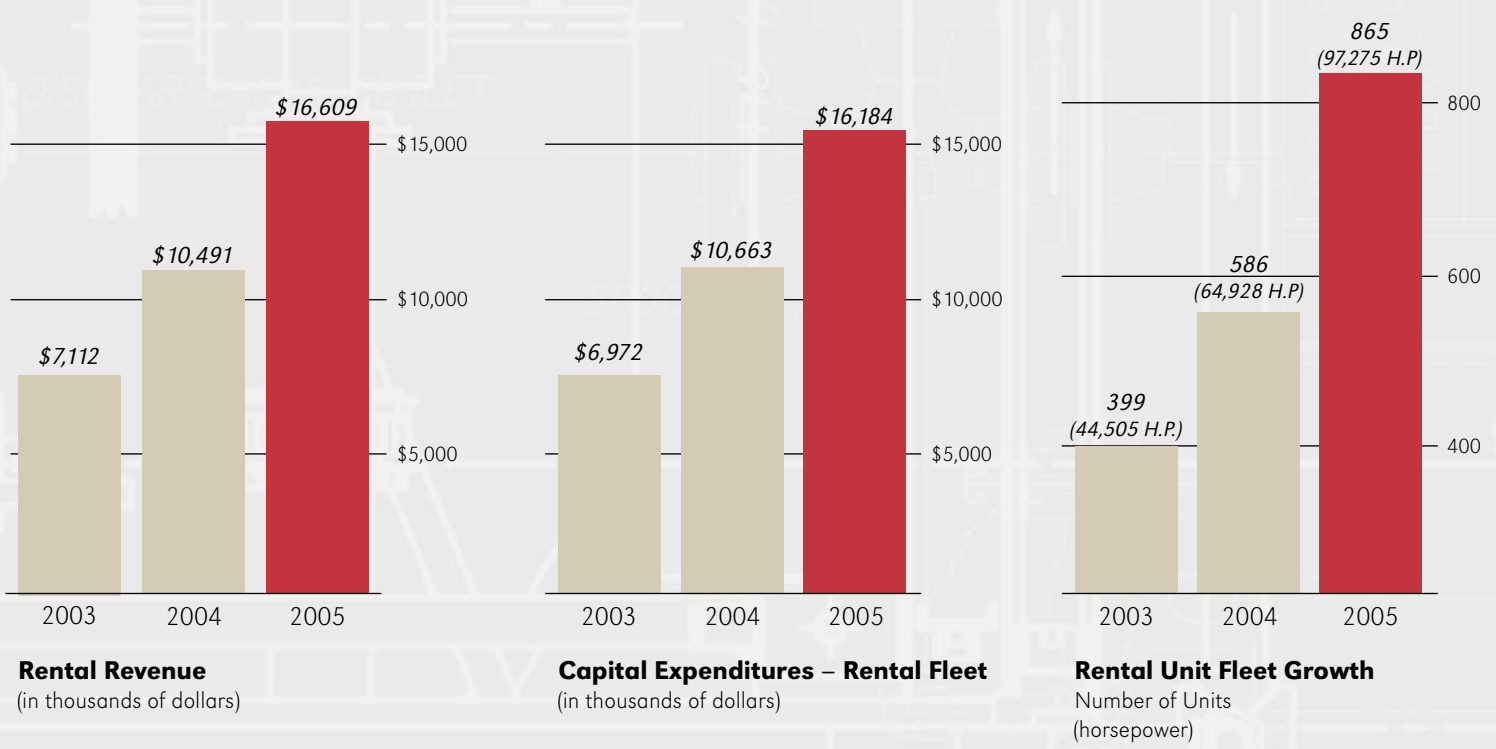
	2003	2004	2005
Revenue	\$ 12,750	\$ 15,958	\$ 49,311
Pre-tax income	\$ 2,004	\$ 3,014*	\$ 7,061
Net income	\$ 1,307	\$ 1,874*	\$ 4,446
Earning per diluted share	\$ 0.23	\$ 0.29*	\$ 0.52
Weighted average shares outstanding (Fully Diluted)	5,253	6,383	8,481
Cash flow (used in) provided by operations	\$ 3,024	\$ 3,198*	\$ 3,789

* Not including a one-time, non-operating gain of \$1.5 million

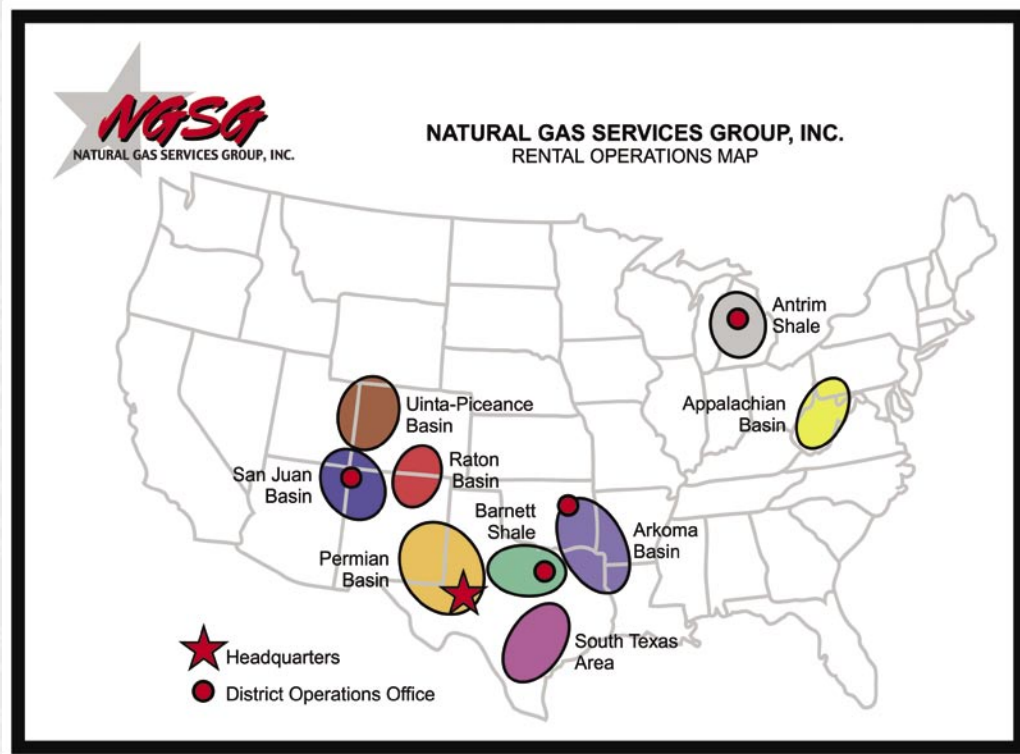
Stock Data

	2003		2004		2005	
	Low	High	Low	High	Low	High
First Quarter	\$ 3.70	\$ 4.30	\$ 5.35	\$ 7.45	\$ 9.08	\$ 11.11
Second Quarter	\$ 3.65	\$ 7.25	\$ 7.10	\$ 10.19	\$ 9.51	\$ 11.90
Third Quarter	\$ 5.45	\$ 6.75	\$ 6.90	\$ 9.60	\$ 11.55	\$ 36.00
Fourth Quarter	\$ 5.25	\$ 6.24	\$ 7.95	\$ 9.46	\$ 15.67	\$ 39.99

“Our strategy of focusing on small to medium horsepower, wellhead compression in unconventional natural gas markets will continue to drive our growth, our performance and our shareholder’s return.”



OPERATING AREAS



A17-100-196

CRANKSHAFT

23 1/4"

04-830-070

SPOOL #2

12 3/4"

B



www.ngsgj.com

Corporate Offices

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