REFINITIV

DELTA REPORT

10-Q

NGS - NATURAL GAS SERVICES GROU

10-Q - SEPTEMBER 30, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	575
CHANGES	373
DELETIONS	86
ADDITIONS	116

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☐ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended **June September 30, 2023**

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ______ to ______

Commission File Number 1-31398

NATURAL GAS SERVICES GROUP, INC.

(Exact name of registrant as specified in its charter)

Colorado	**75-2811855**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

404 Veterans Airpark Ln., Ste 300
Midland, Texas 79705
(Address of principal executive offices)
(432) 262-2700
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, Par Value $0.01	NGS	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer o Accelerated filer o Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No x

As of August 9, 2023 November 9, 2023 there were 12,437,292 shares of the Registrant's common stock, $0.01 par value, outstanding.

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Part I - FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Part II - OTHER INFORMATION

PART I – FINANCIAL INFORMATION
Item 1. Financial Statements

NATURAL GAS SERVICES GROUP, INC.

NATURAL GAS SERVICES GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except par value)
(unaudited)

ASSETS

Current Assets:

Cash and cash equivalents

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Trade accounts receivable, net of allowance for doubtful accounts of $466 $529 and $338, respectively		
Inventory		
Federal income tax receivable (Note 4)		
Prepaid income taxes		
Prepaid expenses and other		
Total current assets		
Long-term inventory, net of allowance for obsolescence of $40 and $120, respectively		
Rental equipment, net of accumulated depreciation of $187,580 $193,795 and $177,729, respectively		
Property and equipment, net of accumulated depreciation of $17,533 $17,737 and $16,981, respectively		
Right of use assets - operating leases, net of accumulated amortization $815 $864 and $721, respectively		
Intangibles, net of accumulated amortization of $2,322 $2,353 and $2,259, respectively		
Other assets		
Total assets		
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable		
Accrued liabilities		
Current operating leases		
Deferred income		
Total current liabilities		
Long-term debt		
Deferred income tax liability		
Long-term operating leases		
Other long-term liabilities		
Total liabilities		
Commitments and contingencies (Note 9)		
Stockholders' Equity:		
Preferred stock, 5,000 shares authorized, no shares issued or outstanding		
Common stock, 30,000 shares authorized, par value $0.01; 13,688 and 13,519 shares issued, respectively		
Additional paid-in capital		
Retained earnings		
Treasury shares, at cost, 1,310 shares		
Total stockholders' equity		
Total liabilities and stockholders' equity		

See accompanying notes to these unaudited condensed consolidated financial statements.

NATURAL GAS SERVICES GROUP, INC.

NATURAL GAS SERVICES GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except earnings per share)

(unaudited)

		Three months ended June September 30,	
		2023	
Revenue:			
Rental income	$	24,105 27,705	$
Sales		1,595 1,413	
Service and maintenance income Aftermarket services		1,257 2,251	
Total revenue		26,957 31,369	
Operating costs and expenses:			
Cost of rentals, exclusive of depreciation stated separately below		11,343 13,462	

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Cost of sales, exclusive of depreciation stated separately below	1,876	1,505
Cost of service and maintenance, aftermarket services, exclusive of depreciation stated separately below	969	1,846
Selling, general and administrative expenses	4,860	2,845
Depreciation and amortization	6,418	6,807
Impairment expense	779	—
Total operating costs and expenses	26,245	26,465
Operating income (expense)	712	4,904
Other income (expense):		
Interest expense	(185)	(1,600)
Other income (expense), net	226	(87)
Total other income (expense), net	41	(1,687)
Income (loss) before provision for income taxes	753	3,217
Income tax (expense) benefit	(249)	(1,046)
Net income (loss)	$ 504	2,171 $
Earnings (loss) per share:		
Basic	$ 0.04	0.18 $
Diluted	$ 0.04	0.18 $
Weighted average shares outstanding:		
Basic	12,292	12,378
Diluted	12,394	12,403

See accompanying notes to these unaudited condensed consolidated financial statements.

NATURAL GAS SERVICES GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)
(unaudited)

CONDEN

		Preferred Stock		Common Stock		Additional Paid-In	Retained	Treasury Stock		Total Stockholders' Equity		Preferred Stock	C
		Shares	Amount	Shares	Amount	Capital	Earnings	Shares	Amount	Shares		Amount	Shares
BALANCES, January 1, 2022	BALANCES, January 1, 2022	—	$ —	13,394	$ 134	114,017	130,103	775	(8,344)	235,910	BALANCES, January 1, 2022	—	$ —
Compensation expense on common stock options	Compensation expense on common stock options	—	—	—	—	21	—	—	—	21	Compensation expense on common stock options	—	—
Issuance of restricted stock	Issuance of restricted stock	—	—	79	—	—	—	—	—	—	Issuance of restricted stock	—	—
Compensation expense on restricted common stock	Compensation expense on restricted common stock	—	—	—	1	401	—	—	—	402	Compensation expense on restricted common stock	—	—
Taxes paid related to net shares settlement of equity awards	Taxes paid related to net shares settlement of equity awards	—	—	—	—	(359)	—	—	—	(359)	Taxes paid related to net shares settlement of equity awards	—	—
Purchase of treasury shares	Purchase of treasury shares	—	—	—	—	—	—	247	(2,928)	(2,928)	Purchase of treasury shares	—	—
Net income	Net income	—	—	—	—	—	337	—	—	337	Net income	—	—

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BALANCES, March 31, 2022	BALANCES, March 31, 2022	—	—	13,473	135	114,080	130,440	1,022	(11,272)	233,383	BALANCES, March 31, 2022	—	—
Issuance of restricted stock	Issuance of restricted stock			26							Issuance of restricted stock	—	—
Compensation expense on common stock options	Compensation expense on common stock options	—	—	—	—	147	—	—	—	147	Compensation expense on common stock options	—	—
Compensation expense on restricted common stock	Compensation expense on restricted common stock	—	—	—	—	184	—	—	—	184	Compensation expense on restricted common stock	—	—
Taxes paid related to net shares settlement of equity awards	Taxes paid related to net shares settlement of equity awards	—	—	—	—	(156)	—	—	—	(156)	Taxes paid related to net shares settlement of equity awards	—	—
Purchase of treasury shares	Purchase of treasury shares	—	—	—	—	—	—	288	(3,732)	(3,732)	Purchase of treasury shares	—	—
Net income		—	—	—	—	—	(70)	—	—	(70)			
Net loss											Net loss	—	—
BALANCES, June 30, 2022	BALANCES, June 30, 2022	—	$ —	13,499	$ 135	$ 114,255	$ 130,370	1,310	$ (15,004)	$ 229,756	BALANCES, June 30, 2022	—	—
Compensation expense on common stock options											Compensation expense on common stock options	—	—
Compensation expense on restricted common stock											Compensation expense on restricted common stock	—	—
Net loss											Net loss	—	—
BALANCES, September 30, 2022											BALANCES, September 30, 2022	—	$ —

See accompanying notes to these unaudited condensed consolidated financial statements.

		Preferred Stock		Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock		Total Stockholders' Equity		Preferred Stock		Common Stock	
		Shares	Amount	Shares	Amount			Shares	Amount	Shares		Amount	Shares	Amount	
BALANCES, January 1, 2023	BALANCES, January 1, 2023	—	$ —	13,519	$ 135	$ 115,411	$129,534	1,310	$(15,004)	$ 230,076	BALANCES, January 1, 2023	—	$ —	13,519	$13

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Compensation expense on common stock options	Compensation expense on common stock options	—	—	—	—	22	—	—	—	22	Compensation expense on common stock options	—	—	—	-
Issuance of restricted stock	Issuance of restricted stock	—	—	29	—	—	—	—	—	—	Issuance of restricted stock	—	—	29	-
Compensation expense on restricted common stock	Compensation expense on restricted common stock	—	—	—	—	465	—	—	—	465	Compensation expense on restricted common stock	—	—	—	-
Taxes paid related to net shares settlement of equity awards	Taxes paid related to net shares settlement of equity awards	—	—	—	—	(184)	—	—	—	(184)	Taxes paid related to net shares settlement of equity awards	—	—	—	-
Net income	Net income	—	—	—	—	—	370	—	—	370	Net income	—	—	—	-
BALANCES, March 31, 2023	BALANCES, March 31, 2023	—	—	13,548	135	115,714	129,904	1,310	(15,004)	230,749	BALANCES, March 31, 2023	—	—	13,548	13
Compensation expense on common stock options	Compensation expense on common stock options	—	—	—	—	30	—	—	—	30	Compensation expense on common stock options	—	—	—	-
Issuance of restricted stock	Issuance of restricted stock	—	—	140	1	(1)	—	—	—	—	Issuance of restricted stock	—	—	140	
Compensation expense on restricted common stock	Compensation expense on restricted common stock	—	—	—	—	1,100	—	—	—	1,100	Compensation expense on restricted common stock	—	—	—	-
Taxes paid related to net shares settlement of equity awards	Taxes paid related to net shares settlement of equity awards	—	—	—	—	(798)	—	—	—	(798)	Taxes paid related to net shares settlement of equity awards	—	—	—	-
Net Income		—	—	—	—	—	504	—	—	504					
Net income											Net income	—	—	—	-
BALANCES, June 30, 2023	BALANCES, June 30, 2023	—	$ —	13,688	$ 136	$ 116,045	$130,408	1,310	$(15,004)	$ 231,585	BALANCES, June 30, 2023	—	—	13,688	13
Compensation expense on common stock options											Compensation expense on common stock options	—	—	—	-
Compensation expense on restricted common stock											Compensation expense on restricted common stock	—	—	—	-
Net income											Net income	—	—	—	-
BALANCES, September 30, 2023											BALANCES, September 30, 2023	—	$ —	13,688	$13

See accompanying notes to these unaudited condensed consolidated financial statements.

NATURAL GAS SERVICES GROUP, INC.

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NATURAL GAS SERVICES GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

CASH FLOWS FROM OPERATING ACTIVITIES:
Net income
Adjustments to reconcile net income to net cash provided by operating activities:
Depreciation and amortization
Amortization of debt issuance costs
Deferred income tax expense
Stock-based compensation
Bad debt allowance
Impairment expense
Gain on sale of assets
Loss (gain) on company owned life insurance
Changes in operating assets and liabilities:
Trade accounts receivables
Inventory
Prepaid expenses and prepaid income taxes
Accounts payable and accrued liabilities
Deferred income
Other
NET CASH PROVIDED BY OPERATING ACTIVITIES
CASH FLOWS FROM INVESTING ACTIVITIES:
Purchase of rental equipment, property and other equipment
Purchase of company owned life insurance
Proceeds from sale of property and equipment
NET CASH USED IN INVESTING ACTIVITIES
CASH FLOWS FROM FINANCING ACTIVITIES:
Proceeds from loan
Payments of other long-term liabilities, net
Payments of debt issuance costs
Purchase of treasury shares
Taxes paid related to net share settlement of equity awards
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES
NET CHANGE IN CASH AND CASH EQUIVALENTS
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD
CASH AND CASH EQUIVALENTS AT END OF PERIOD
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:
Interest paid
NON-CASH TRANSACTIONS
Right of use asset acquired through an operating lease
Transfer of rental equipment to inventory

See accompanying notes to these unaudited condensed consolidated financial statements.

Natural Gas Services Group, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

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1. Description of Business

Natural Gas Services Group, Inc. (the "Company", “NGS”, "Natural Gas Services Group", "we" or "our") (a Colorado corporation), is a leading provider of natural gas compre
manufactures, fabricates, rents, sells and maintains natural gas compressors systems for oil and natural gas production and plant facilities. NGS is headquartered in Midland, Tex
service facilities located in major oil and natural gas producing basins in the U.S.The company also has increasingly used third-party fabricators as well.

2. Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company, its subsidiary, NGSG Properties, LLC and the rabbi t
intercompany accounts and transactions for the periods presented have been eliminated in consolidation.

These financial statements include all adjustments, consisting of only normal recurring adjustments, which are necessary to make our financial position at June 30, 2023
months ended June 30, 2023 September 30, 2023 and 2022 not misleading. Some adjustments may cause the prior year number in these financial statements to differ from the prior
Securities and Exchange Commission (the "SEC"), the accompanying condensed consolidated financial statements do not include all disclosures normally required by generally acce
statements should be read in conjunction with the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2022 on file wi
fair presentation of the financial position, results of operations, changes in stockholders' equity and cash flows for the periods presented.

The results of operations for the three and six nine months ended June 30, 2023 September 30, 2023 are not necessarily indicative of the results of operations to be expected

Revenue Recognition Policy

The Company recognizes revenue in accordance with ASC 606, Revenue from Contracts with Customers ("ASC 606"), except for rental revenue as discussed below. Under
contract, excluding any sale incentives and taxes collected on behalf of third parties (i.e. sales and property taxes). Revenue is recognized when a customer obtains control of promi
to receive for those goods or services. To recognize revenue, we (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) deterr
obligations in the contract; and (v) recognize revenue when, or as, we satisfy the performance obligation(s). Shipping and handling costs incurred are accounted for as fulfillment cos
of operations.

Nature of Goods and Services

The following is a description of principal activities from which the Company generates its revenue:

Rental Revenue. The Company generates revenue from renting compressors compressor systems to our customers. These contracts, which all qualify as operating leases
compressor during the rental contract period. Our rental contracts typically range from six to 24 months, with our larger horsepower compressors having contract terms of up to 6
with payment terms under the contract. After the terms of the contract have expired, a customer may renew their contract or continue renting on a monthly basis thereafter. In acc
which allows the Company to combine lease and non-lease components.

Sales Revenue. The Company generates revenue by the sale of custom/fabricated compressors, and parts, as well as, exchange/rebuilding customer owned compressors and

<u>Custom/fabricated compressors</u> - The Company designs and fabricates compressors based on the customer’s specifications outlined in their contract. Though the equipme
not pass to the customer until the compressor package is complete and shipped, or in accordance with a bill and hold arrangement, the customer accepts title and assumes t
progressive payments as the product is being built; these payments are recorded as a contract liability on the Deferred Income line on the condensed consolidated balance sheet
warranty clause to guarantee the product is free from defects in material and workmanship for a set duration of time; this is a standard industry practice and is not considered a perf

From time to time we recognize revenue when manufacturing is complete and the equipment is ready for shipment. At the customer’s request, we will bill the customer upo
formally request that we ship the equipment per their direction from our manufacturing facility or the third-party fabrication site at a later specified date and that we segregate this
fill other orders. Per the customer’s agreement change of control is passed to the customer once the equipment is complete and ready for shipment. We have operated using bill
satisfactory results for both the customer and us. The credit terms on these agreements are consistent with the credit terms on all other sales. All control is maintained by the custor
for the manufactured equipment. There was no revenue recognized for bill and hold arrangements for the six nine months ended June 30, 2023 September 30, 2023 or 2022.

<u>Parts</u> - Revenue is recognized after the customer obtains control of the parts. Control is passed either by the customer taking physical possession or the parts being shippe
historical part returns have been de minimis.

<u>Exchange or rebuilding customer owned compressors</u> - Based on the contract, the Company will either exchange a new/rebuilt compressor for the customer’s malfunctioni
control of the replacement compressor has transferred to the customer based on the terms of the contract, i.e., by physical delivery, delivery and installment, or shipment of the cor

<u>Used compressors</u> - From time to time, a customer may request to purchase a used compressor out of our rental fleet. Revenue from the sale of rental equipment is rec
contract, i.e., when the customer has taken physical possession or the equipment has been shipped.

<u>Service and Maintenance Revenue</u> <u>Aftermarket Services</u>. The Company provides routine or call-out services on customer owned equipment. Revenue is recognized after serv
for new compressor sets.

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Payment terms for sales revenue and service and maintenance revenue aftermarket services discussed above are generally 30 to 60 days, although terms for specific cust constraints.

Disaggregation of Revenue

The following table shows the Company's revenue disaggregated by product or service type for the three and six nine months ended June 30, 2023 September 30, 2023 and 2

	Three months ended June 30,	
	2023	2022
	(in thousands)	
Compressors - sales	$ 38	$ 286
Flares - sales	86	83
Other (parts/rebuilds) - sales	1,471	923
Service and maintenance	1,257	490
Total revenue from contracts with customers	2,852	1,782
Add: ASC 842 rental revenue	24,105	18,144
Total revenue	$ 26,957	$ 19,926

	Three months ended September 30,	
	2023	2022
	(in thousands)	
Compressors - sales	$ 207	$ 1,300
Flares - sales	—	131
Other (parts/rebuilds) - sales	1,206	1,655
Aftermarket services	2,251	326
Total revenue from contracts with customers	3,664	3,412
Add: ASC 842 rental revenue	27,705	18,631
Total revenue	$ 31,369	$ 22,043

Contract Balances

As of June 30, 2023 September 30, 2023 and December 31, 2022, we had the following receivables and deferred income from contracts with customers:

		June 30, 2023	December 31, 2022		Se
		(in thousands)			
Accounts Receivable	Accounts Receivable			Accounts Receivable	
Accounts receivable - contracts with customers	Accounts receivable - contracts with customers	$ 5,835	$ 4,353	Accounts receivable - contracts with customers	$
Accounts receivable - ASC 842	Accounts receivable - ASC 842	15,503	10,653	Accounts receivable - ASC 842	
Total Accounts Receivable	Total Accounts Receivable	21,338	15,006	Total Accounts Receivable	
Less: Allowance for doubtful accounts	Less: Allowance for doubtful accounts	(466)	(338)	Less: Allowance for doubtful accounts	
Total Accounts Receivable, net	Total Accounts Receivable, net	$ 20,872	$ 14,668	Total Accounts Receivable, net	$
Deferred income	Deferred income	$ —	$ 37	Deferred income	$

The Company recognized sales revenues of $37 thousand for the six nine months ended June 30, 2023 September 30, 2023 that was included in deferred income at the begin

The increase in accounts receivable and decrease in deferred income were primarily due to normal timing differences between our performance and the customers' paymen

Remaining Performance Obligations

As of June 30, 2023 September 30, 2023, the Company had no deferred revenue related to unsatisfied performance obligations.

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Contract Costs

The Company recognizes the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that the Company otherwise wo and administrative expenses on our condensed consolidated statements of operations.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts c credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary difference reduce deferred tax assets when it is more likely than not that some portion or all of the deferred tax assets will not be realized. To the extent we establish a valuation allowance o our condensed consolidated statements of operations.

We account for uncertain tax positions in accordance with guidance in ASC 740, which prescribes the minimum recognition threshold a tax position taken or expected to be t consolidated financial statements. Tax benefits are recognized only for tax positions that are more likely than not to be sustained upon examination by tax authorities. The amoun likely to be realized upon settlement. A liability for unrecognized tax benefits is recorded for any tax benefits claimed in our tax returns that do not meet these recognition and meas 30, 2023 September 30, 2023.

Our policy regarding income tax interest and penalties is to expense those items as interest expense and other expense, respectively.

Capitalized Interest

Beginning Effective January 1, 2023, the Company began capitalizing interest from external borrowings on significant expenditures for the fabrication of its natural gas comp interest is added to the cost of the underlying asset and is amortized over the useful lives of the assets in the same manner as the underlying assets. For the six nine months ende approximately $2.7 $4.1 million.

Recently Issued Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (ASC Topic 326): Measurement of Credit Losses on Financial Instruments. The amendments t to occur over the remaining life of many financial assets, including trade receivables. For companies that qualify as smaller reporting companies, the amendments in this update adopted ASU 2016-13 on January 1, 2023. The adoption did not result in any material change to our financial statements. There were no other recent accounting pronounceme expected to have a material impact on our financial statements.

3. Inventory

Our inventory, net of allowance for obsolescence of $40,000 at June 30, 2023 September 30, 2023 and $120,000 at December 31, 2022, consisted of the following amounts:

		June 30, 2023	December 31, 2022		
		(in thousands)			
Raw materials - current	Raw materials - current	$ 26,184	$ 21,354	Raw materials - current	$
Work-in-process	Work-in-process	1,776	2,060	Work-in-process	
Inventory - current	Inventory - current	27,960	23,414	Inventory - current	
Raw materials - long term (net of allowance of $40 and $120, respectively)	Raw materials - long term (net of allowance of $40 and $120, respectively)	2,157	1,557	Raw materials - long term (net of allowance of $40 and $120, respectively)	
Inventory - total	Inventory - total	$ 30,117	$ 24,971	Inventory - total	$

Our long-term inventory consists of raw materials that remain viable but that the Company does not expect to sell or use within the one year.

Inventory Allowance

We routinely review our inventory allowance balance to account for slow moving or obsolete inventory costs that may not be recoverable in the future.

A summary of our inventory allowance is as follows:

		June 30, 2023	December 31, 2022		Septen
		(in thousands)			
Beginning balance	Beginning balance	$ 120	$ 64	Beginning balance	$
Accruals	Accruals	—	83	Accruals	
Write-offs	Write-offs	(80)	(27)	Write-offs	
Ending balance	Ending balance	$ 40	$ 120	Ending balance	$

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4. Federal Income Tax Receivable

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted in response to the economic impact caused by the COVID-19 pandemi to each of the five preceding taxable years to generate a refund of previously paid federal income taxes. The Company generated significant NOLs during 2018 and 2019, and has f 2020, the Company recorded a federal income tax receivable of $15.0 million and an increase to its deferred income tax liability of $10.1 million on its condensed consolidated balan $3.9 million related to its 2018 NOLs, which reduced its federal income tax receivable to $11.5 million on its condensed consolidated balance sheet as of June 30, 2023 September 30, 2

5. Rental Equipment

Our rental equipment and associated accumulated depreciation as of June 30, 2023 September 30, 2023 and December 31, 2022, respectively, consisted of the following:

			June 30, 2023		December 31, 2022			Se
			(in thousands)					
Compressor units	Compressor units	$	457,300	$	387,145	Compressor units	$	
Work-in-process	Work-in-process		56,971		37,034	Work-in-process		
Rental equipment	Rental equipment		514,271		424,179	Rental equipment		
Accumulated depreciation	Accumulated depreciation		(187,580)		(177,729)	Accumulated depreciation		
Rental equipment, net of accumulated depreciation	Rental equipment, net of accumulated depreciation	$	326,691	$	246,450	Rental equipment, net of accumulated depreciation	$	

We evaluated our rental equipment for potential material impairment as of June 30, 2023 September 30, 2023, and determined that no such impairment existed as of that da

6. Long-term Debt

Our long-term debt consists of the following:

		June
Total long-term debt	$	

		Septem
Total long-term debt	$	

Amended and Restated Credit Agreement

On May 11, 2021, we entered into a five-year senior secured revolving credit agreement ("Credit Agreement") with Texas Capital Bank, National Association (the "Lender" increase the maximum commitment to $30 million, subject to collateral availability. At December 31, 2022, we had $25 million outstanding under the Credit Agreement with a weighte

On February 28, 2023, we replaced our Credit Agreement by entering into a five-year senior secured revolving credit agreement ("Amended and Restated Credit Agreement Inc., as joint lead arranger and sole book runner and Bank of America, N.A., as joint lead arranger, with an initial commitment of $175 million as of the closing date. Subject to collatera basis, an increase of up to $125 million on the aggregate commitment; provided, however, the aggregate commitment amount is not permitted to exceed $300 million. The maturi obligations under the Amended and Restated Credit Agreement are secured by a first priority lien on most of our assets, including inventory and accounts receivable as well as a vari

Borrowing Base. At any time before the maturity of the Amended and Restated Credit Agreement, we may draw, repay and re-borrow amounts available under the borrowi borrowing base equals the sum of (a) 85% of eligible accounts receivable owed to the Company, plus (b) 50% of the eligible inventory, valued at the lower of cost or market value at s lesser of (i) 95% of the net book value of the compressors that the Lender has determined are eligible for the extension of credit, valued at the lower of cost or market value with d value percentage of the net book value of the eligible compressors that the Lender has determined are eligible for the extension of credit, valued at the lower of cost or market va book value, valued at the lower cost (excluding any costs for capitalized interest or other non-cash capitalized costs) or market of the eligible new compressor fleet, minus (e) any Lender may adjust the borrowing base components if the material

deviations in the collateral are discovered in the future audits of the collateral. At June 30, 2023 September 30, 2023, our borrowing base was approximately $175 million.

Interest and Fees. Under the terms of the Amended and Restated Credit Agreement, we have the option of selecting the applicable variable rate for each revolving loan, or Margin, or (b) in the case of a Term SOFR ("Secured Overnight Financing Rate") Loan, the Adjusted Term SOFR rate plus the Applicable Margin. "Base Rate" means, for any day, a rate the sum of the federal funds rate for such day plus 0.50%; and (c) the Adjusted Term SOFR for such day plus 1.00%. The Applicable Margin is determined based upon the leverage rat

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each fiscal quarter from time to time pursuant to the Amended and Restated Credit Agreement. Depending on the leverage ratio, the Applicable Margin can be 2.00% to 2.75% for Ba
to 3.75% for Term SOFR Loans and for requested letters of credit. In addition, we are required to pay a monthly commitment fee on the daily average unused amount of the commi
rate equal to 0.50% of the unused commitment amount. Accrued interest is payable monthly on outstanding principal amounts and unused commitment fee, provided that accrue
no event less frequently than quarterly.

Covenants. The Amended and Restated Credit Agreement contains customary representations and warranties, as well as covenants which, among other things, condition or
with affiliates; make acquisitions in excess of certain amounts; pay dividends; redeem or repurchase capital stock or senior notes; make investments or loans; make negative pledge
addition, we are subject to certain financial covenants during certain trigger periods in the Amended and Restated Credit Agreement that require us to maintain (i) a leverage rat
quarter thereafter and (ii) a fixed charge coverage ratio greater than or equal to 1.25 to 1.00 as of the last day of each fiscal quarter.

Events of Default and Acceleration. The Amended and Restated Credit Agreement contains customary events of default for credit facilities of this size and type, and includ
other agreements contained in the Amended and Restated Credit Agreement and the other transaction documents; inaccuracies in representations and warranties; certain default
Company indebtedness in excess of $1.0 million; certain bankruptcy or insolvency events; the rendering of certain judgments in excess of $1.0 million; certain ERISA events; certain ch

liens under the secured revolving credit agreement. Obligations outstanding under the Amended and Restated Credit Agreement may be accelerated upon the occurrence of an eve

As of June 30, 2023 September 30, 2023, we were in compliance with all financial covenants in our Amended and Restated Credit Agreement. As of June 30, 2023 September 3
and Restated Credit Agreement with a weighted average interest rate of 8.48% 8.98%. At June 30, 2023 September 30, 2023, we had approximately $75 million $47 million availabl
borrowing base determination.

7. Stock-Based and Other Long-Term Incentive Compensation

Stock Options

A summary of all option activity as of December 31, 2022, and changes during the six nine months ended June 30, 2023 September 30, 2023 is presented below:

		Number of Stock Options	Weighted Average Exercise Price		Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value *(in thousands)*			Number of Stock Options
Outstanding, December 31, 2022	Outstanding, December 31, 2022	201,584	$	19.32	3.90	$	41	Outstanding, December 31, 2022	201,584
Granted								Granted	1,000
Cancelled / Forfeited	Cancelled / Forfeited	(8,167)		16.37	—		4	Cancelled / Forfeited	(12,500)
Expired	Expired	(38,000)		16.28	—		—	Expired	(38,000)
Outstanding, June 30, 2023		155,417		20.22	4.11		—		
Exercisable, June 30, 2023		123,250	$	22.67	2.94	$	—		
Outstanding, September 30, 2023								Outstanding, September 30, 2023	152,084
Exercisable, September 30, 2023								Exercisable, September 30, 2023	119,750

The following table summarizes information about our stock options outstanding at June 30, 2023 September 30, 2023:

		Options Outstanding				Options Exercisable				Options	
Range of Exercise Prices	Range of Exercise Prices	Shares	Weighted Average Remaining Contractual Life (years)		Weighted Average Exercise Price	Shares		Weighted Average Exercise Price	Range of Exercise Prices	Shares	Weig Ave Rema Contr Life (y
$0.01-18.00	$0.01-18.00	75,333	6.53	$	12.94	43,166	$	14.49	$0.01-18.00	73,000	
$22.01-26.00	$22.01-26.00	29,667	1.79		22.90	29,667		22.90	$22.01-26.00	28,667	
$26.01-30.00	$26.01-30.00	19,750	3.64		28.15	19,750		28.15	$26.01-30.00	19,750	

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$30.01-34.00	$30.01-34.00	30,667	0.72		30.41	30,667		30.41	$30.01-34.00	30,667
		155,417	4.11	$	20.22	123,250	$	22.67		152,084

The summary of the status of our unvested stock options as of December 31, 2022 and changes during the six nine months ended June 30, 2023 September 30, 2023 is preser

Unvested Stock Options:	Unvested Stock Options:	Shares		Weighted Average Grant Date Fair Value Per Share	Unvested Stock Options:	Shares		Weighted Average Grant Date Fair Value Per Share
Unvested at December 31, 2022	Unvested at December 31, 2022	39,000	$	5.44	Unvested at December 31, 2022	39,000	$	5.44
Granted					Granted	1,000	$	5.30
Vested, outstanding shares	Vested, outstanding shares	(2,499)		6.57	Vested, outstanding shares	(3,332)	$	6.26
Cancelled/Forfeited	Cancelled/Forfeited	(4,334)		5.15	Cancelled/Forfeited	(4,334)	$	5.15
Unvested at June 30, 2023		32,167	$	5.39				
Unvested at September 30, 2023					Unvested at September 30, 2023	32,334	$	5.38

As of June 30, 2023 September 30, 2023, there was $123,000 $108,000 of unrecognized compensation cost related to unvested options. For the six nine months ended June 30, stock options. For the six nine months ended June 30, 2022 September 30, 2022, there was $168,000 361,000 of compensation expense for stock options.

Restricted Shares/Units

On April 26, 2022, 4,212 shares of restricted common stock were awarded to each of our three independent Board members. The restricted stock issued to these directors ve Committee awarded 32,040 shares of restricted common stock to two executive officers that vest ratably over three years, beginning on April 25, 2023 of these 32,040 shares, 11,(addition, on August 15, 2022, the Compensation Committee awarded 60,839 shares of restricted stock to Stephen C. Taylor, our Interim Chief Executive Officer, that vested in full c shares of restricted stock to our Chief Technical Officer that vest ratably over three years, beginning on April 25, 2024. Pursuant to the Retirement Agreement dated May 17, 2022, b 25, 2023, the Compensation Committee awarded 58,790 fully vested shares of common stock to Mr. Taylor. On May 9, 2023, the Compensation Committee awarded each of our fou units vest one year from the date of grant. On June 30, 2023 Stephen C. Taylor was granted restricted stock units for 10,101 share shares of common stock that will vest one year fron

Total compensation expense related to these and previously granted restricted stock awards was $1.1 $1.7 million and $200,000 $1.0 million for the three nine months ended

A summary of all restricted stock/units outstanding as of December 31, 2022 and activity during the six nine months ended June 30, 2023 September 30, 2023 is presented be

		Number of Shares		Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Life (years)		Aggregate Intrinsic Value *(in thousands)*		Nu Sh
Outstanding, December 31, 2022	**Outstanding, December 31, 2022**	250,847	$	8.40	1.42	$	2,681	**Outstanding, December 31, 2022**	25(
Granted	Granted	154,736		10.41			1,610	Granted	15.
Vested	Vested	(267,232)		9.22			2,683	Vested	(26
Canceled/Forfeited	Canceled/Forfeited	(14,357)		10.04			158	Canceled/Forfeited	(1
Outstanding, June 30, 2023		123,994	$	10.29	1.68	$	1,018		
Outstanding, September 30, 2023								**Outstanding, September 30, 2023**	12.

Other Long-Term Incentive Compensation

On April 26, 2022, subject to vesting we granted a $50,000 cash award to each of our three independent Board members. These awards vested on April 26, 2023 and have liabilities under accrued liabilities on our condensed consolidated balance sheet. In general the vesting of long term awards is subject to acceleration upon certain events, such as (i change of control of the Company, (iii) for executive officers, termination without cause (as defined in the agreement), and (iv) for executive officers, resignation for good reason other long-term incentive awards was approximately $426,000 and $431,000 $672,000 for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively. As of J long-term incentive awards had been recognized.

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8. Earnings (loss) per Share

The following table reconciles the numerators and denominators of the basic and diluted earnings per share computation:

		Three months ended June 30,		Six months ended June 30,			Thr
		2023	2022	2023	2022		2023
		(in thousands, except per share data)					
Numerator:	Numerator:					Numerator:	
Net income (loss)	Net income (loss)	$ 504	$ (70)	$ 874	$ 267	Net income (loss)	$ 2,171
Denominator for earnings per basic common share:	Denominator for earnings per basic common share:					Denominator for earnings per basic common share:	
Weighted average common shares outstanding	Weighted average common shares outstanding	12,292	12,305	12,253	12,421	Weighted average common shares outstanding	12,378
Denominator for earnings per diluted common share:	Denominator for earnings per diluted common share:					Denominator for earnings per diluted common share:	
Weighted average common shares outstanding	Weighted average common shares outstanding	12,292	12,305	12,253	12,421	Weighted average common shares outstanding	12,378
Dilutive effect of stock options and restricted stock/units	Dilutive effect of stock options and restricted stock/units	102	—	121	107	Dilutive effect of stock options and restricted stock/units	25
Diluted weighted average shares	Diluted weighted average shares	12,394	12,305	12,374	12,528	Diluted weighted average shares	12,403
Earnings (loss) per common share:	Earnings (loss) per common share:					Earnings (loss) per common share:	
Basic	Basic	$ 0.04	$ (0.01)	$ 0.07	$ 0.02	Basic	$ 0.18
Diluted	Diluted	$ 0.04	$ (0.01)	$ 0.07	$ 0.02	Diluted	$ 0.18

9. Commitments and Contingencies

From time to time, we are a party to various legal proceedings in the ordinary course of our business. We are not currently a party to any material legal proceedings, and maintains adequate insurance coverage against any potential litigation loss.

10. Subsequent Events

In accordance with ASC 855 - Subsequent Events - the Company has evaluated all events subsequent to the balance sheet date as of June 30, 2023 September 30, 2023 throu

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The discussion and analysis of our financial condition and results of operations are based on, and should be read in conjunction with, our condensed consolidated financ Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC (the "Annual Report").

This report and our Annual Report, as amended, contain certain forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933 and Section 21E us, our industry and the oil and natural gas industry that is based on the beliefs of our management, as well as assumptions made by and information currently available to our m this report as well as our Annual Report, including statements regarding our future financial position, growth strategy, budgets, projected costs, plans and objectives of managemer "will," "expect," "anticipate," "estimate," "believe," "continue," "intend," "plan," "budget" and other similar words to identify forward-looking statements. You should read statements statements because they discuss future expectations, contain projections of results of operations or of our financial condition and/or state other "forward-looking" information. We statements. Although we believe our expectations reflected in these forward-looking statements are based on reasonable assumptions, no assurance can be given that these expec

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Please read Item 1A, Risk Factors, in our Annual Report, as it contains important factors that could cause actual results to differ materially from the expectations reflected in

Overview

We fabricate manufacture, rent, in-house and sell through third-party contractors, natural gas compressors and related equipment. equipment which we rent and sell to cus contracts typically provide for initial terms of six 6 to 24 months, with our larger horsepower units having contract terms of up to 60 months. After the initial term of our rental contra to-month basis. Rental amounts are billed monthly in advance and include maintenance of our rented compressors. As of June 30, 2023 September 30, 2023, we had 1,249 1,23 customers compared to 1,281 1,196 natural gas compressors totaling 311,379 305,953 horsepower rented to 79 77 customers at June 30, 2022 September 30, 2022.

We also fabricate in-house and through third-party contractors, natural gas compressors for sale to our customers, designing compressors to meet unique specifications di which compression is sought. Fabrication of compressors involves our purchase of engines, compressors, coolers, and other components, and our assembling assembly by us o locations. The major components of our compressor packages are acquired through periodic purchase orders placed with third-party suppliers on an "as needed" basis, which prese to coincide with our estimated production schedules. Although we do not have formal continuing supply contracts with any major supplier, we believe we have adequate alternati both major and minor components for our compressors as well as longer than normal lead times for such components. To date, generally we have been able to increase our renta are no longer able to increase our rental rates and sales prices such an event could have a material adverse effect on the results of our operations and financial condition.

We also manufacture a proprietary line of compressor frames, cylinders and parts, known as our CiP (Cylinder-in-Plane) product line. We use finished CiP component produc component products to other compressor fabricators. To provide customer support for our compressor sales businesses, we stock varying levels of replacement parts at our Midl rebuild program for screw compressors and maintain an inventory of new and used compressors to facilitate this business.

We provide service and maintenance to our customers under written maintenance contracts or on an as-required basis in the absence of a service contract. Maintenance ag monthly fee.

The oil and natural gas equipment rental and services industry is cyclical in nature. The most critical factor in assessing the outlook for the industry is the worldwide supply prices. As demand and prices increase, oil and natural gas producers typically increase their capital expenditures for drilling, development and production activities, although re spending within operating cash flow have meaningfully restrained capital expenditure budgets of domestic exploration and production companies. Generally, increased capita equipment companies.

In general, we expect our overall business activity and revenues to track the level of activity in the oil and natural gas industry, with changes in crude oil and condensate changes in domestic natural gas production and consumption levels and prices. In recent years we have increased our rentals and sales in unconventional oil shale plays, which a demand for overall compression services and products is driven by two general factors: an increased focus by producers on artificial lift applications, e.g., production enhancemen natural gas producing fields, especially unconventional production. These types of applications have historically been serviced by wellhead size compressors, and continue to be, b drilling and production facilities, which has increased the market need for larger horsepower compressor packages. We recognized this need in recent years and have been shifting compressor packages that range from 400 horsepower up to 2,500 horsepower. While this is a response to market conditions and trends, it also provides us with the opportunity to on the emissions profile of our customers has created a shift in demand from natural gas powered compression to electric motor compression in areas where the electric infrastruct

Industry Update

We typically experience a decline in demand during periods of low crude oil and natural gas prices. During the first quarter of 2020, we saw a substantial decline in the pric increased in the first half of 2022 and declined in the second half of 2022 and began increasing so far in 2023. Historically, activity levels of exploration and production companies hav cash returns from exploration and production companies has restricted capital spending below levels that have historically been observed during higher commodity price enviro involved) will fare better than drilling activity. This is reflected in both the stability of our rental revenues, which is driven by production activities, and the volatility of our compres still expect compressor sales to be low for the remainder of 2023, as exploration and production companies have elected to rent compression units rather than allocating capital doll

Results of Operations

Three months ended June 30, 2023 September 30, 2023, compared to the three months ended June 30, 2022 September 30, 2022.

The table below shows our revenues and percentage of total revenues of each of our product lines for the three months ended June 30, 2023 September 30, 2023 and 2022.

		Three months ended June 30,							Three months ended			
		2023			2022				2023			
				(in thousands)								(in thousa
Rental	Rental	$ 24,105	89.4	%	$ 18,144	91.0	%	Rental	$ 27,705	88.3	%	
Sales	Sales	1,595	5.9	%	1,292	6.5	%	Sales	1,413	4.5	%	
Service and Maintenance		1,257	4.7	%	490	2.5	%					
Aftermarket service												Aftermar service
Total	Total	$ 26,957			$ 19,926			Total	$ 31,369			

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Total revenue increased 35.3% 42.3% to $27.0 million $31.4 million for the three months ended June 30, 2023 September 30, 2023 compared to $19.9 million $22.0 million f
primarily a result of higher rental revenue (32.9% (48.7% increase) during 2023.

Rental revenue increased to $24.1 million $27.7 million for the three months ended June 30, 2023 September 30, 2023 compared to $18.1 million $18.6 million for the same pe
to (i) an increase in high horsepower compression rentals as these units carry a higher rental revenue rate than our lower horsepower units and (ii) modest $0.3 million in rental ra
related to the costs of our rental fleet.

As of June 30, 2023 September 30, 2023, we had 1,911 1,947 compressor packages in our fleet, down from 2,043 1,976 units at June 30, 2022 September 30, 2022 due to the re
number of compressors from the fleet during this year. The Company's total unit horsepower increased to 473,884 509,198 horsepower at June 30, 2023 September 30, 2023 com
additions to the Company's fleet of 59 high horsepower compressors over the past 12 months. As of June 30, 2023 September 30, 2023, we had 1,249 1,233 natural gas compressors w
1,281 1,196 natural gas compressors with a total of 311,379 305,953 horsepower rented to 79 77 customers as of June 30, 2022 September 30, 2022. As a result, our total rented hors
last twelve months. Our rental fleet had unit utilization as of June 30, 2023 September 30, 2023, and 2022, respectively, of 65.4% 63.3% and 62.7% 60.5%, and our horsepower utilizatio
horsepower increased by 19.7% 31.0% contrasted against a 2.5% decrease 3.1% increase in total rented units. This illustrates the growing demand for our high horsepower units whi
line with recent commodity price increases.

Sales revenue increased decreased 23.5% (54.2)% to $1.6 million $1.4 million for the three months ended June 30, 2023 September 30, 2023 compared to $1.3 million $
increase decrease is primarily attributable to increased parts lower compressor sales during the second third quarter of 2023 compared to the same period in 2022. Sales are subj
projects and, as such, can vary substantially between periods.

Aftermarket service revenue increased 590% to $2.3 million for the three months ended September 30, 2023 compared to $0.3 million for the three months ended Septemb
high horsepower units during the three months ended September 30, 2023.

Cost of rentals increased to $11.3 million $13.5 million during the three months ended June 30, 2023 September 30, 2023 compared to $9.2 million $10.0 million during the th
costs of rentals is primarily due to more rented horsepower during 2023.

Cost of sales increased 30.3% decreased 27.7% to $1.9 million $1.5 million during the three months ended June 30, 2023 September 30, 2023 compared to $1.4 million $2.
increase decrease was primarily due to an increase in the volume of parts lower sales at margins below our historical realizations. activity.

Selling, general, and administrative ("SG&A") expenses increased 110.4% decreased 30.0% to $4.9 million $2.8 million for the three months ended June 30, 2023 September
increase decrease in SG&A expenses was primarily attributable to (i) $612,000 a decrease of $0.6 million in severance expenses related to the retirement agreement between NGS
interim Chief Executive Officer, and (ii) $800,000 increase $0.4 million decrease in stock compensation expenses, (iii) and a one-time increase of $350,000 expenses. Mr. Taylor co
expenses related to our Cooperation Agreement with Mill Road Capital. his permanent replacement.

Depreciation and amortization expense increased to $6.4 million $6.8 million for the three months ended June 30, 2023 September 30, 2023 compared to $6.0 million for th
expenditures.

We recorded an income tax expense of approximately $0.2 million $1.0 million for the three months ended June 30, 2023 September 30, 2023 compared to an income ta
2022 September 30, 2022. For interim periods, our income tax expense is computed based upon our estimated annual effective tax rate and any discrete items that impact the int
statutory rate of 21% primarily as a result of expenses not deductible for income tax purposes.

We recorded an impairment expense of $0.8 million related to capitalized software costs for the three months ended June 30, 2023.

Six Nine months ended June 30, 2023 September 30, 2023, compared to the six nine months ended June 30, 2022 September 30, 2022.

The table below shows our revenues and percentage of total revenues of each of our product lines for the six nine months ended June 30, 2023 September 30, 2023 and 2022

		Six months ended June 30,										
		2023				2022						2
		(in thousands)										
Rental	Rental	$	46,828	87.4	%	$	35,274	87.6	%	Rental	$	74,533
Sales	Sales		4,587	8.6	%		4,184	10.4	%	Sales		6,000
Service and Maintenance			2,162	4.0	%		804	2.0	%			
Aftermarket services										Aftermarket services		4,413
Total	Total	$	53,577			$	40,262			Total	$	84,946

Total revenue increased 33.1% 36.3% to $53.6 million $84.9 million for the six nine months ended June 30, 2023 September 30, 2023 compared to $40.3 million $62.3 million d
primarily a result of higher rental revenue (32.8% (38.3% increase) and higher aftermarket service and maintenance revenue during the first six nine months of 2023 (168.9% (290.9% i

Rental revenue increased to $46.8 million $74.5 million for the six nine months ended June 30, 2023 September 30, 2023 compared to $35.3 million $53.9 million during the si
first six nine months of 2023 was attributable to an increase in high horsepower compression rentals as these units carry a higher rental revenue rate than our lower horsepow

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intended to offset inflationary pressures related to the costs of our rental fleet.

Sales revenue increased decreased to $4.6 million $6.0 million for the six nine months ended June 30, 2023 September 30, 2023 compared to $4.2 million $7.3 million for the s
decrease in compressor sales partially offset by a slight decrease in parts sales. Sales are subject to fluctuations in timing of industry activity related to capital projects and, as such, c

Aftermarket service revenue increased 290.9% to $4.4 million for the nine months ended September 30, 2023 compared to $1.1 million for the nine months ended Septemb
high horsepower units during the nine months ended September 30, 2023.

Cost of rentals increased 24.4% 28.1% to $23.0 million $36.5 million during the six nine months ended June 30, 2023 September 30, 2023 compared to $18.5 million $28.5 r
increase was primarily due to inflationary pressures on labor and parts as well as increased high horsepower units being placed into service. While repair and maintenance expenses
periods resulting in periods with larger than normal expenses.

Cost of sales increased 49.2% 20.1% to $5.1 million $6.6 million during the six nine months ended June 30, 2023 September 30, 2023 compared to $3.4 million $5.5 million d
during the first six nine months of 2023 was primarily due to a increased fabrication cost in costs of sales attributable to costs from our fabrication shops.

Selling, general, and administrative expenses increased 95.8% 38.2% to $9.4 million $12.3 million for the six nine months ended June 30, 2023 September 30, 2023 compared t
first six nine months of 2023 were impacted by (i) $1.2 million of severance expenses related to the retirement agreement between NGS and Mr. Stephen Taylor, our prior Chief E
expense when compared to the first 9 months of 2022 and (iii) $400,000 $0.4 million one time increase in legals costs associated with our cooperation agreement.

Depreciation and amortization expense increased 4.0% 7.0% to $12.6 million $19.4 million for the six nine months ended June 30, 2023 September 30, 2023 compared to $12
2022. This increase was the result of unit retirements units in the fourth quarter of 2021. service during 2023.

We recorded an income tax expense of $0.4 million $1.4 million for the six nine months ended June 30, 2023 September 30, 2023 and $0.3 million for the six nine months ende
benefit is computed based upon our estimated annual effective tax rate and any discrete items that impact the interim periods.
We recorded an impairment expense of $0.8 million related to capitalized software costs for the 6 nine months ended June 30, 2023 September 30, 2023.

Non-GAAP Financial Measures

Our definition and use of Adjusted EBITDA

"Adjusted EBITDA" is a non-GAAP financial measure that we define as earnings (net (loss) income) before interest, taxes, depreciation and amortization, as well as non-cas
inventory allowance and inventory write-offs, and retirement of rental equipment. This term, as used and defined by us, may not be comparable to similarly titled measures e
accordance with GAAP. Adjusted EBITDA should not be considered in isolation or as a substitute for operating income, net income or loss, cash flows provided by operating, investi
in accordance with GAAP. However, management believes Adjusted EBITDA is useful to an investor in evaluating our operating performance because:

- it is widely used by investors in the energy industry to measure a company's operating performance without regard to items excluded from the calculation of Adjusted E accounting methods and book value of assets, capital structure and the method by which assets were acquired, among other factors;
- it helps investors to more meaningfully evaluate and compare the results of our operations from period to period by removing the impact of our capital structure and asset
- it is used by our management for various purposes, including as a measure of operating performance, in presentations to our Board of Directors, and as a basis for strategic

Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under generally acce

- Adjusted EBITDA does not reflect our cash expenditures, future requirements for capital expenditures, or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect the cash requirements necessary to service interest or principal payments on our debts; and
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA

There are other material limitations to using Adjusted EBITDA as a measure of performance, including the inability to analyze the impact of certain recurring items that m
operations of different companies. Please read the table below under "Reconciliation" to see how Adjusted EBITDA reconciles to our net (loss) income, for the three months ended
directly comparable GAAP financial measure.

Reconciliation

The following table reconciles our net income, the most directly comparable GAAP financial measure, to Adjusted EBITDA:

		Three months ended June 30,		Six months ended June 30,			Three mont
		2023	2022	2023	2022		2023
		(in thousands)					
Net income (loss)	Net income (loss)	$ 504	$ (70)	$ 874	$ 267	Net income (loss)	$ 2,171
Interest expense	Interest expense	185	24	185	49	Interest expense	1,600
Income tax expense	Income tax expense	249	372	396	361	Income tax expense	1,046

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Depreciation and amortization	Depreciation and amortization	6,418	6,042	12,583	12,103	Depreciation and amortization	6,807
Non-cash stock compensation expense	Non-cash stock compensation expense	1,130	331	1,617	754	Non-cash stock compensation expense	209
Severance expenses	Severance expenses	612	—	1,224	—	Severance expenses	—
Impairment expense	Impairment expense	779	—	779	—	Impairment expense	—
Adjusted EBITDA	Adjusted EBITDA	$ 9,877	$ 6,699	$ 17,658	$ 13,534	Adjusted EBITDA	$ 11,833

For the three months ended June 30, 2023 September 30, 2023, Adjusted EBITDA increased $3.2 million (47.4%) $4.1 million 53.1% due primarily to a $7.0 million $9.3 million costs of rentals. For the six nine months ended June 30, 2023 September 30, 2023, Adjusted EBITDA increased 4.1 million (30.5% $8.1 million (37.7%) due primarily to an $11.6 mill million $8.0 million for cost of rentals.

Liquidity and Capital Resources

Our working capital positions as of June 30, 2023 September 30, 2023 and December 31, 2022 are set forth below:

		June 30, 2023	December 31, 2022		
		(in thousands)			
Current Assets:	Current Assets:			Current Assets:	
Cash and cash equivalents	Cash and cash equivalents	$ 4,286	$ 3,372	Cash and cash equivalents	$
Trade accounts receivable, net	Trade accounts receivable, net	20,872	14,668	Trade accounts receivable, net	
Inventory	Inventory	27,960	23,414	Inventory	
Federal income tax receivable	Federal income tax receivable	11,538	11,538	Federal income tax receivable	
Prepaid income taxes	Prepaid income taxes	10	10	Prepaid income taxes	
Prepaid expenses and other	Prepaid expenses and other	1,446	1,145	Prepaid expenses and other	
Total current assets	Total current assets	66,112	54,147	Total current assets	
Current Liabilities:	Current Liabilities:			Current Liabilities:	
Accounts payable	Accounts payable	28,603	6,481	Accounts payable	
Accrued liabilities	Accrued liabilities	18,492	23,726	Accrued liabilities	
Current operating leases	Current operating leases	133	155	Current operating leases	
Deferred income	Deferred income	—	37	Deferred income	
Total current liabilities	Total current liabilities	47,228	30,399	Total current liabilities	
Total working capital	Total working capital	$ 18,884	$ 23,748	Total working capital	$

For the six nine months ended June 30, 2023 September 30, 2023, we invested $93.5 million $128.6 million in rental and property and other equipment by adding $92.3 millio primarily in vehicles as well as various other machinery and equipment. Our investment in rental equipment, property and other equipment also includes any changes to work-in-p the end of the period. Our rental work-in-process increased by $19.9 million $17.9 million during the six nine months ended June 30, 2023 September 30, 2023. We financed our inve from operations, and borrowings under our Amended and Restated Credit Facility. We anticipate that our cash flows from operations as well as our borrowing capacity under ou planned capital expenditures during the remainder of 2023. For any new capital expenditures in 2023 and beyond that exceeds our cash flow from operations and our borrowing would need to negotiate an expansion of our borrowing capacity under our Amended and Restated Credit Agreement or raise money in the capital markets through sales of expenditures, there is no assurance that any such borrowing expansion would be granted. At June 30, 2023 September 30, 2023 we had approximately $75 million $47 million availa borrowing base determination.

Cash flows

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At June 30, 2023 September 30, 2023, we had cash and cash equivalents of $4.3 million $0.2 million compared to $3.4 million at December 31, 2022. Our cash flows from oper
$93.5 million $128.6 million during the six nine months ended June 30, 2023 September 30, 2023. We had working capital of $18.9 million $22.1 million at June 30, 2023 September 30
from operating activities of $22.6 million $25.7 million during the first six nine months of 2023 compared to cash flows provided by operating activities of $13.2 million $20.2 million fo

Strategy

For the remainder of 2023, our overall plan is to continue monitoring and holding expenses in line with the anticipated level of activity, fabricate rental fleet equipment eit
requirements, emphasize marketing of our idle gas compressor units and utilizing utilize bank borrowing in line with market conditions. For the remainder of 2023, our forecasted
flows, cash on hand and borrowing availability under our Amended and Restated Credit Agreement. The majority of required capital will be for contracted, premium-priced addi
market conditions indicate significant demand growth for large horsepower compression in 2023 and beyond. While we believe that cash flows from operations, our current
Agreement will be sufficient to satisfy a portion of our capital activity, we may need to negotiate an expansion of our borrowing capacity under our Amended and Restated Credit Ag

Critical Accounting Policies and Practices

Our condensed consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States. In the ordinary course of
reporting of results of operations and financial condition in the preparation of our financial statements in conformity with accounting principles generally accepted in the United S
assumptions and conditions. Management has determined that our critical accounting policies are those that relate to revenue recognition, estimating the allowance for doub
accounting for inventory.

There have been no changes in the critical accounting policies disclosed in the Company's Form 10-K for the year ended December 31, 2022.

Recently Issued Accounting Pronouncements

Please read Note 2, Summary of Significant Accounting Policies, Recently Issued Accounting Pronouncements in our condensed consolidated financial statements in this rep

Off-Balance Sheet Arrangements

From time-to-time, we enter into off-balance sheet arrangements and transactions that can give rise to off-balance sheet obligations. As of June 30, 2023 September 30, 202
include purchase agreements. We do not believe that these arrangements are reasonably likely to materially affect our liquidity or availability of capital resources.

Special Note Regarding Forward-Looking Statements

Except for historical information contained herein, the statements in this report are forward-looking and made pursuant to the safe harbor provisions of the Private Securit
unknown risks and uncertainties, which may cause our actual results in future periods to differ materially from forecasted results. Those risks include, among other things, the loss
technologies by other companies; a prolonged, substantial reduction in oil and natural gas prices, which could cause a decline in the demand for our products and services; and nev
us to make significant capital expenditures. The forward-looking statements included in this Form 10-Q are only made as of the date of this report, and we undertake no obligation
or circumstances. A discussion of these and other risk factors is included in our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no changes in the market risks disclosed in the Company's Form 10-K for the year ended December 31, 2022.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures.

Our management, including the Interim Chief Executive Officer and our Interim Chief Financial Officer, is responsible for establishing and maintaining adequate internal control ov
Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the cons

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectivenes
because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of June 30, 2023 September 30, 2023, based o
Sponsoring Organizations of the Treadway Commission (COSO).

Based on the results of this evaluation, the Company's management concluded that internal control over financial reporting was not effective as of June 30, 2023 September

A material weakness is a deficiency, or a combination of deficiencies, in ICFR, such that there is a reasonable possibility that a material misstatement of our annual or interim

Management identified a material weakness in its internal control over financial reporting at December 31, 2022, over our inventory process which still exists as of June 30
classification of inventory work in progress; (ii) year-end physical inventory count procedures, and (iii) the process to review and approve inventory adjusting journal entries.

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After giving full consideration to this material weakness, and the additional analyses and other procedures that we performed to ensure that our condensed consolida generally accepted accounting principles (“US GAAP”), our management has concluded that our condensed consolidated financial statements present fairly, in all material respects o in conformity with US GAAP.

Remediation Plan for Material Weakness

In response to the material weakness, management, with oversight of the Audit Committee of the Board of Directors, has begun the process of, and is committed to, design financial reporting and remediate the material weakness.

Our planned internal control remediation efforts, which are underway, include:

- We have updated and implemented new accounting policies and procedures related to work in process inventory. These included modifying our financial reporting account
- We have hired additional management with a focus on inventory control and inventory best practices.
- We are taking steps to limit the amount of inventory held outside of centralized warehouses.
- We have improved and enforced our formalized inventory count and inventory adjustment processes which includes taking steps to reinforce the inventory taking procedu
- We have added additional inventory safeguards in our warehouses limiting physical access to our inventory.
- We have limited the number of employees who can make inventory adjustments in our accounting software by adding additional IT controls. controls around inventory tra
- We have engaged a third-party consultant to conduct a full assessment of our controls and procedures.
- We intend to continue efforts to ensure our employees understand the ongoing importance of internal controls and compliance with corporate policies and procedures.
- We have added a highly qualified new member to our board of directors and expanded our audit committee

While these actions and planned actions are subject to ongoing management evaluation and will require validation and testing of the design and operating effectiveness of internal the continuous improvement of our internal control over financial reporting and will continue to diligently review our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are a party to various legal proceedings in the ordinary course of our business. While management is unable to predict the ultimate outcome of the have a material adverse effect on our financial position, results of operations or cash flows. We are not currently a party to any material legal proceedings.

Item 1A. Risk Factors

Please refer to and read Item 1A, Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 for a discussion of the risks associated with our

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None

Item 6. Exhibits

The following exhibits are filed herewith or incorporated herein by reference, as indicated:

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Exhibit No.	Description
3.1	Articles of Incorporation, as amended (Incorporated by reference to Exhibit 3.1 of the 10-QSB filed and dated November 10, 2004.)
3.2	Bylaws as amended (Incorporated by reference to Exhibit 3.1 of the Registrant's current report on form 8-K filed with the Securities and Exchange Commissior
4.1	Description of Securities (Incorporated by reference to the Registrant's Registration Statement on From 8-A, filed with the SEC on October 27, 2008.)
4.2	Form of Senior Indenture (Incorporated by reference to Exhibit 4.1 of the Registrant's Registration Statement on From S-3 (No. 333-261091) and filed on Nove
4.3	Form of Subordinated Indenture (Incorporated by reference to Exhibit 4.4 of the Registrant's Registration Statement on Form S-3 (No. 333-261091) and filed o
10.1†	2019 Equity Incentive Plan, as amended (Incorporated by reference to Exhibit 4.3 of the Registrant's Registration Statement on Form S-8 filed with the Securiti
10.2†	Stock Option Plan, as amended and restated (Incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the Securities
10.3†	Retirement Agreement dated May 17, 2022 between Natural Gas Services Group, Inc. and Stephen C. Taylor (Incorporated by reference to Exhibit 10.1 of th Commission on May 19, 2022.)
10.4†	Severance Agreement and Release Between Natural Gas Services Group, Inc. and John W. Chisholm dated December 21, 2022 (Incorporated by reference to E and Exchange Commission on December 28, 2022.)
10.5†	The Executive Nonqualified Excess Plan Adoption Agreement, referred to as the Nonqualified Deferred Compensation Plan (Incorporated by reference to Securities and Exchange Commission on May 6, 2016.)
10.6†	Letter Agreement between Natural Gas Services Group, Inc. and James D. Faircloth dated February 8, 2023 (Incorporated by reference to Exhibit 10.1 of the Re Commission on February 13, 2023.)
10.7	Amended and Restated Credit Agreement dated February 28, 2023, among Natural Gas Services Group, Inc., the other Loan Parties thereto, Texas Capi (Incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 6, 2023
10.8	Amended and Restated Pledge and Security Agreement dated February 28, 2023, among Natural Gas Services Group, Inc., the Grantors thereto, Texas Capita Parties (Incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March
10.9	A Cooperation Agreement, dated April 28, 2023, between Natural Gas Services Group, Inc. and Mill Road Capital III, L.P., a Cayman Islands exempted limite company, pursuant to which the Company agreed to appoint Justin C. Jacobs and Donald J. Tringali to the Company's Board of Directors. In connection wit Board of Directors (Incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commissio
10.10†	Interim CEO Agreement between Natural Gas Services Group, Inc. and Stephen C. Taylor dated June 30, 2023 (Incorporated by reference to Exhibit 10.1 of th Commission on July 5, 2023.)
10.11†	Retention Agreement dated September19, 2023 between Natural Gas Services Group, Inc. and James Hazlett
31.1*	Certification of Interim Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Interim Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Principal Accounting Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

† Indicates a management contract or compensatory plan or arrangement

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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 thereunto duly

NATURAL GAS SERVICES GROUP, INC.

/s/ Stephen C. Taylor	/s/ James D. Faircloth John Bittner
Stephen C. Taylor	James D. Faircloth John Bittner
Interim President and Chief Executive Officer	Interim Chief Financial Officer
(Principal Executive Officer)	(Principal Accounting Officer)
August November 14, 2023	August November 14, 2023

slide1

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Exhibit 10.11

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Certifications

I, Stephen C. Taylor, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Natural Gas Services Group, Inc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in lig with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13 Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material inf known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reaso of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the reg affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
1. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's aud performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting

Dated: August November 14, 2023

Natural Gas Services Group, Inc.

By: /s/ Stephen C. Taylor

Stephen C. Taylor

Interim President and Chief Executive Officer

(Principal Executive Officer)

Certifications

I, James D. Faircloth, John Bittner, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Natural Gas Services Group, Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light o respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) a Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

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(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material info known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonab financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure co such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August November 14, 2023

Natural Gas Services Group, Inc.

By: /s/James D. Faircloth John Bittner

James D. Faircloth John Bittner

Interim Chief Financial Officer

(Principal Accounting Officer)

CERTIFICATION PURSUANT TO

18 U.S.C. §1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Natural Gas Services Group, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2023 September 30, 2023 as filed with the Se Taylor, Interim Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August November 14, 2023

Natural Gas Services Group, Inc.

By: /s/ Stephen C. Taylor

Stephen C. Taylor

Interim President and Chief Executive Officer

(Principal Executive Officer)

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Excha filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

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CERTIFICATION PURSUANT TO

18 U.S.C. §1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Natural Gas Services Group, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2023 September 30, 2023 as filed with the S
Faircloth, John Bittner, Interim Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August November 14, 2023

Natural Gas Services Group, Inc.

By: /s/ James D. Faircloth John Bittner

James D. Faircloth John Bittner
Interim Chief Financial Officer
(Principal Accounting Officer)

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Excha
filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

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