

# **NGAS RESOURCES, INC.**

120 Prosperous Place, Suite 201, Lexington, KY 40509

FOR IMMEDIATE RELEASE

**NEWS  
RELEASE**

Company Contact: Michael P. Windisch, CFO

Phone: (859) 263-3948

FAX: (859) 263-4228

E-MAIL: [ngas@ngas.com](mailto:ngas@ngas.com)

## **NGAS REPORTS THIRD QUARTER 2007 RESULTS**

- **Production Increased 20 Percent**
- **Average Daily Production at New High**

**LEXINGTON, KENTUCKY, November 6, 2007.** NGAS Resources, Inc. (Nasdaq: NGAS) today reported third quarter 2007 total revenue of \$15.2 million compared to \$14.9 million in the comparable quarter in 2006. A planned reduction in contract drilling activity was offset by a 20 percent increase in oil and gas production revenue. Oil and gas production revenue was \$6.7 million in third quarter 2007, up from \$5.6 million in the same period of the prior year. Gas gathering and compression revenue rose 15 percent in the period on increased fees for moving third party gas through the open-access section of the Company's gathering system.

In third quarter 2007, the Company reported a net loss of \$59,000 or breakeven earnings per share. This compares with net income of \$136,000, or \$0.01 per share, in third quarter 2006. Discretionary cash flow per share was \$0.14 compared to \$0.13. (A reconciliation of this non-GAAP measure is provided at the end of this release.)

William S. Daugherty, President and CEO of NGAS Resources commented, "Our investments in drilling and infrastructure have enabled us to continue increasing production. In the third quarter, average daily production was 9,000 Mcfe/day, setting a new record for the Company." Mr. Daugherty added, "During the quarter, we substantially completed our drilling program activities in our core area. Future programs will be focused on our non-operated initiatives, as we implement our strategy for accelerating organic growth by retaining all available working interest in new wells on key operated properties."

### **Operational and Financial Highlights for 3Q 2007 versus 3Q 2006:**

- Average daily production was 9,005 Mcfe versus 7,528 Mcfe

- Total production volumes were up 20 percent to 828.5 Mmcfe
- 63 gross (14.76 net) wells drilled as compared to 52 gross (18.25 net)
- Average realized natural gas price was \$7.64/Mcf versus \$7.70
- Oil and gas revenue increased 20 percent to \$6.7 million from \$5.6 million
- Gas transmission and compression revenue rose 15 percent to \$1.8 million
- Discretionary cash flow was \$3.0 million versus \$2.9 million
- Capital expenditures totaled \$13.5 million
- 19 miles of pipeline added to gathering system

### **Third Quarter 2007 Overview**

During the quarter, the Company drilled 63 gross (14.76 net) wells. Contract drilling revenue decreased 13 percent from the prior year to \$6.7 million, reflecting a reduction in drilling program activities.

Depreciation, depletion and amortization expenses were \$2.5 million in the third quarter 2007 compared to \$1.9 million in the third quarter of 2006. The increase was driven by asset base expansion and extension of the gathering system.

Selling, general and administrative expenses were \$2.6 million, flat with the same period in the prior year. As a percentage of revenue, SG&A costs were 16.9 percent as compared to 17.7 percent in third quarter 2006.

Interest expense in the quarter was \$1.8 million compared to \$1.3 million in the same period last year. This reflects increased credit facility borrowings for drilling activities and infrastructure expansion.

### **Operational and Financial Highlights for Nine Months 2007 versus Nine Months 2006:**

- Average daily production was 8,704 Mcfe versus 7,640 Mcfe
- Total production volumes were up 14 percent to 2.4 Bcfe
- 169 gross (60.26 net) wells drilled as compared to 180 gross (48.63 net) wells drilled
- Average realized natural gas price was \$8.25 Mcf versus \$8.27
- Oil and gas revenue increased 14 percent to \$20.2 million from \$17.7 million
- Discretionary cash flow was \$8.8 million versus \$10.6 million
- Capital expenditures totaled \$40.0 million
- 48 miles of pipeline added to gathering system

### **Conference Call Information**

A conference call will be held at 4:30 p.m. (Eastern) today to discuss 3Q 2007 results. The call in number is 888-797-2980 or 913-312-1507 (international). Conference ID number is 2634356. The conference call will be webcast and can be accessed by logging onto [www.ngas.com](http://www.ngas.com) or by cutting and pasting the following link into your browser: <http://viavid.net/dce.aspx?sid=000045C0>. A slide presentation, which highlights management's discussion points, will be available on the Company's website. For those unable to listen to the live presentation, the webcast will be archived on the Company's website. A telephone replay will also be available for one week beginning at 7:30 p.m. (Eastern), November 6, 2007, and can be accessed by dialing 888-203-1112 or 719-457-0820 (international) and entering pin number 2634356.

### **About NGAS Resources**

NGAS Resources is an independent exploration and production company focused on unconventional natural gas basins in the United States that support repeatable drilling opportunities, principally in the southern portion of the Appalachian basin. Additional information, including the Company's annual report on Form 10-K for 2006 and its quarterly reports on Form 10-Q can be accessed on its website at [www.ngas.com](http://www.ngas.com).

---

This release includes forward-looking statements within the meaning of Section 21E of the Securities Exchange Act relating to matters such as anticipated operating and financial performance and prospects. Actual performance and prospects may differ materially from anticipated results due to economic conditions and other risks, uncertainties and circumstances partly or totally outside the control of the Company, including risks of production variances from expectations, volatility of product prices, and the level of capital expenditures required to fund drilling and the ability of the Company to implement its business strategy. These and other risks are described in the Company's periodic reports filed with the United States Securities and Exchange Commission.

**NGAS RESOURCES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

	<b>Three Months Ended September 30,</b>		<b>Nine months Ended September 30,</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>REVENUE</b>				
Contract drilling .....	\$ 6,730,929	\$ 7,726,332	\$ 23,435,852	\$ 39,167,106
Oil and gas production.....	6,690,916	5,560,470	20,174,095	17,700,437
Gas transmission and compression.....	1,793,970	1,564,662	5,628,950	3,642,818
Total revenue .....	15,215,815	14,851,464	49,238,897	60,510,361
<b>DIRECT EXPENSES</b>				
Contract drilling .....	5,291,342	6,180,299	18,391,079	30,723,788
Oil and gas production.....	1,873,413	1,517,471	5,355,613	4,500,879
Gas transmission and compression.....	783,970	532,650	2,663,406	1,706,948
Impairment of oil and gas assets .....	--	--	964,000	--
Total direct expenses .....	7,948,725	8,230,420	27,374,098	36,931,615
<b>OTHER EXPENSES (INCOME)</b>				
Selling, general and administrative.....	2,572,348	2,635,522	9,636,594	10,274,430
Options, warrants and deferred compensation..	261,327	363,167	931,627	1,211,701
Depreciation, depletion and amortization.....	2,493,219	1,935,318	7,160,865	5,437,808
Bad debt expense.....	215,000	--	215,000	--
Interest expense.....	1,834,852	1,299,635	4,593,824	2,989,088
Interest income .....	(81,063)	(68,881)	(214,806)	(288,765)
Other, net .....	(96,385)	(159,553)	41,520	(32,165)
Total other expenses .....	7,199,298	6,005,208	22,364,624	19,592,097
<b>INCOME (LOSS) BEFORE INCOME TAXES .....</b>	<b>67,792</b>	<b>615,836</b>	<b>(499,825)</b>	<b>3,986,649</b>
<b>DEFERRED INCOME TAX EXPENSE.....</b>	<b>126,356</b>	<b>479,877</b>	<b>573,427</b>	<b>2,502,000</b>
<b>NET INCOME (LOSS) .....</b>	<b>\$ (58,564)</b>	<b>\$ 135,959</b>	<b>\$ (1,073,252)</b>	<b>\$ 1,484,649</b>
<b>NET INCOME (LOSS) PER SHARE</b>				
Basic .....	<u>\$ 0.00</u>	<u>\$ 0.01</u>	<u>\$ (0.05)</u>	<u>\$ 0.07</u>
Diluted .....	<u>\$ 0.00</u>	<u>\$ 0.01</u>	<u>\$ (0.05)</u>	<u>\$ 0.06</u>
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:</b>				
Basic .....	<u>21,804,959</u>	<u>21,552,294</u>	<u>21,798,275</u>	<u>21,462,856</u>
Diluted .....	<u>21,804,959</u>	<u>22,858,854</u>	<u>21,798,275</u>	<u>22,981,498</u>

**NGAS RESOURCES, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

	<b>September 30,</b>	<b>December 31,</b>
	<b>2007</b>	<b>2006</b>
	<b>(Unaudited)</b>	
<b>ASSETS</b>		
Current assets:		
Cash.....	\$ 5,410,280	\$ 14,431,977
Accounts receivable .....	6,949,112	9,108,574
Prepaid expenses and other current assets .....	800,797	1,108,734
Loans to related parties .....	<u>7,559</u>	<u>7,147</u>
Total current assets .....	13,167,748	24,656,432
Bonds and deposits .....	465,195	533,695
Oil and gas properties.....	175,795,404	144,217,532
Property and equipment.....	3,657,671	3,342,571
Loans to related parties .....	251,419	257,430
Deferred financing costs .....	1,846,144	2,264,022
Other non-current assets .....	3,386,008	2,634,271
Goodwill .....	<u>313,177</u>	<u>313,177</u>
Total assets.....	<u>\$198,882,766</u>	<u>\$178,219,130</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable .....	\$ 7,467,095	\$ 9,286,849
Accrued liabilities .....	3,460,106	3,998,978
Customers' drilling deposits .....	487,805	12,173,905
Long term debt, current portion .....	<u>379,824</u>	<u>24,000</u>
Total current liabilities .....	11,794,830	25,483,732
Deferred income taxes .....	8,609,206	8,035,779
Long term debt .....	100,913,559	66,922,744
Deferred compensation.....	<u>1,857,182</u>	<u>1,419,776</u>
Total liabilities.....	<u>123,174,777</u>	<u>101,862,031</u>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock		
<i>Authorized:</i>		
5,000,000 Preferred shares		
100,000,000 Common shares		
<i>Issued:</i>		
21,843,981 Common shares (2006 – 21,788,551) .....	84,754,942	84,531,832
21,100 Common shares held in treasury, at cost.....	(23,630)	(23,630)
Paid-in capital – options and warrants .....	3,538,958	3,073,287
Contributed surplus.....	1,131,435	1,396,074
<i>To be issued:</i>		
9,185 Common shares (2006 – 9,185) .....	<u>45,925</u>	<u>45,925</u>
	89,447,630	89,023,488
Deficit .....	<u>(13,739,641)</u>	<u>(12,666,389)</u>
Total shareholders' equity.....	<u>75,707,989</u>	<u>76,357,099</u>
Total liabilities and shareholders' equity.....	<u>\$198,882,766</u>	<u>\$178,219,130</u>

## NGAS RESOURCES, INC.

### CASH FLOW RECONCILIATION

Discretionary cash flow represents net income, as determined under generally accepted accounting principles (“GAAP”), with certain non-cash items added back. Although a non-GAAP measure, discretionary cash flow is widely accepted as a financial indicator of an oil and gas company’s ability to generate cash that can be used to internally fund exploration and development activities and to service debt. This measure may also be used in the valuation, comparison, rating and investment recommendations for companies in the oil and gas exploration and production industry. Cash flow is not a measure of financial performance under GAAP and should not be considered as an alternative to cash flows from operating, investing, or financing activities or as an indicator of cash flows or measure of liquidity.

(Unaudited)

	Three Months Ended September 30,		Nine months Ended June 30,	
	2007	2006	2007	2006
Net income .....	\$ (58,564)	\$ 135,959	\$(1,073,252)	\$ 1,484,649
DD&A.....	2,493,219	1,935,318	7,160,865	5,437,808
Options, warrants and deferred compensation.....	261,327	363,167	931,627	1,211,701
Bad Debt Expense.....	215,000	--	215,000	--
Impairment of oil and gas assets <sup>(1)</sup> .....	--	--	964,000	--
Deferred taxes.....	126,356	479,877	573,427	2,502,000
DISCRETIONARY CASH FLOW .....	<u>\$ 3,037,338</u>	<u>\$ 2,914,321</u>	<u>\$ 8,771,667</u>	<u>\$ 10,636,158</u>
 DISCRETIONARY CASH FLOW				
PER SHARE .....	<u>\$ 0.14</u>	<u>\$ 0.13</u>	<u>\$ 0.40</u>	<u>\$ 0.46</u>

---

(1) Reflects a write-off of suspended exploratory well costs for the remaining 27 wells in a 30-well project to test the shallow New Albany shale on the eastern rim of the Illinois basin in western Kentucky.