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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the quarter one 2013 Crosstex Energy, L.P. earnings conference call. My name is Matthew and I will be your operator for today. At this time all participants are in listen-only mode. We will conduct a question-and-answer session towards the end of this conference. (Operator Instructions). As a reminder, this call is being recorded for replay purpose. And now I would like to turn the call over for to Jill McMillan, Director of Public and Industry Affairs. Please proceed, ma'am.

Jill McMillan - *Crosstex Energy, L.P. - Director of Public & Industry Affairs*

Thank you, Matthew, and good morning, everyone. Thank you for joining us today to discuss Crosstex's first-quarter 2013 results. On the call today are Barry Davis, President and Chief Executive Officer; Mike Garberding, Executive Vice President and Chief Financial Officer; and Bill Davis, Executive Vice President and Chief Operating Officer.

We issued our first-quarter 2013 earnings release yesterday evening and the 10-Q was filed this morning. For those of you if you didn't receive the release, it is available on our website at CrosstexEnergy.com. If you want to listen to a recording of today's call you have 90 days to access a replay by phone or webcast on our website.

I will remind you that any statements that include our expectations or predictions should be considered forward-looking statements within the meaning of the Federal Securities laws. Forward-looking statements are subject to a number of assumptions and uncertainties that may cause our actual results to differ materially from those expressed in these statements. And we undertake no obligation to update or revise any forward-looking statements.

We will also discuss reconciliations of certain non-GAAP items and you will find the reconciliations in our earnings release. We encourage you to review the cautionary statements and other disclosures made in our SEC filings, specifically those under the heading Risk Factors. I will now turn the call over to Barry.

Barry Davis - *Crosstex Energy, L.P. - President & CEO*

Thank you, Jill. Good morning, everyone, and thank you for joining us today. We are pleased with our performance for the first quarter which we will talk about in detail this morning. Additionally, we will discuss the great progress we are making to expand our scale, diversify our services and grow our predictable base business.

We continue to execute our strategy and become a larger, more diversified fee-based midstream company. We remain focused on achieving our growth plan and are in the middle of implementing the $1 billion of growth projects we initiated last year that will be completed in 2014. They will considerably expand and diversify our existing platform.

These projects include our Cajun Sibon pipeline and fractionation expansion, the first phase of which will be completed and begin operations in the third quarter. The financial contributions from phase one are expected to be consistent with our previous projections. Other new projects underway include the buildup of our Ohio River Valley assets and phase two of our crude oil terminal development at Riverside.

In addition, we continue to work on generating complementary growth projects that we think will lead to the next $1 billion of investment opportunities across our asset platform during the next three years. Our teams are working diligently to move them from opportunities to executable projects.

We are fortunate to be operating in this robust dynamic energy environment. We are excited about what lies ahead and believe we are ideally positioned to benefit for several reasons.

First, we are in the right energy market. It is estimated that well over $10 billion in midstream infrastructure will be added each year over the next 20 years to meet the producers' needs. Our presence in six of the top shale plays puts us in front of this growth and we intend to meet our customers' needs for tailored solutions with projects that will provide investors with increasing and more stable predictable cash flow.

Second, we have the right platform. Our assets are strategically located and we have expanded our services for crude and NGLs to meet changing market needs, all of which create more growth opportunities for us. At our current size relatively small investments can have a greater impact on distribution and dividend growth at our partnership and our general partner.

Third, we have the right opportunities to deliver transformative growth. We are focusing on fee-based projects that give us both geographic and product diversity. The projects currently underway, when completed and operational, will diversify our business so that approximately 50% of our margin will come from services provided for crude, condensate and natural gas liquids and 50% from natural gas services. In addition, we estimate more than 85% of our gross operating margin will be derived from fee-based endeavors.

Fourth, we have the right people. The Crosstex team has a seasoned dedicated management team and 750 employees who have a strong sense of ownership. Each of us is dedicated to executing our plan to the best of our ability and deriving positive results in a safe environment.

And finally, it is the right time to invest in Crosstex. We are transforming the Company into a larger, more diversified fee-based midstream provider and we are confident in our future long-term growth.

Our outlook is essentially the same as what we told you last quarter -- we have prepared for the low processing margins in today's market environment by refocusing our business on fee-based cash flow. You can see the results of our base business have remained relatively flat with the loss of processing upsides which have been significant in past periods and our efforts to increase the base business continues, like our Cajun Sibon expansion project which is expected to contribute $115 million to $130 million of stable fee-based cash flow when completed.

Now looking briefly at our first-quarter 2013 financials. We are pleased to report that we had good results. Adjusted EBITDA for the first quarter was $57.7 million compared with adjusted EBITDA of $58.5 million for the year ago period. In the first quarter last year commodity-based margins accounted for $25 million of our gross margin compared with only $14 million in the first quarter of this year.

We have prepared for the low processing margin in today's market environment by refocusing our business on fee-based cash flows. Additionally, in the first quarter we capitalized on seasonal NGL demand, saw higher than expected volumes and margins on or North Texas system and achieved solid performance from our ORV business. Distributable cash flow was $31.8 million versus $35.6 million for the first quarter of 2012.

In summary, we are pleased with our first-quarter performance and are excited about what is ahead. I will now turn the call over to Mike Garberding who will discuss the first-quarter 2013 results in more detail.

Mike Garberding - *Crosstex Energy, L.P. - SVP & CFO*

Thanks, Barry. Good morning. Today I'm going to focus my remarks on two of our competitive advantages that Barry covered, the right platform and the right opportunities. Beginning with the right platform.

Our asset footprint continues to produce solid results while we execute our large-scale growth projects like Cajun Sibon. In the first quarter we had strong performance from our base business. Our focus on fee-based business, which was approximately 86% of gross operating margin for the quarter, has continued to provide a solid base of cash flows.

We also continue to optimize our assets by capturing additional volumes in North Texas and seasonal NGL demand opportunities that typically become available during the winter months in our PNGL business. Similar to last year we expect these seasonal margins will moderate as we move into the second quarter.

Our weighted average liquid price for the quarter was around $1.02 a gallon and our natural gas liquids to gas price ratio was around 300%, both flat compared with the fourth quarter of 2012. Ethane remained about 35% of the weighted average liquid barrel during the first quarter due to reduced ethane volumes related to weakness in ethane pricing. This is consistent with what we saw in the fourth quarter of 2012. The continued weakness in the light end products has impacted our [opportunity] processing volumes which declined quarter over quarter by approximately 150 million per day.

From a financial perspective the partnership realized adjusted EBITDA of $57.7 million for the first quarter of 2013, an increase of approximately 12% from the fourth quarter 2012 realized adjusted EBITDA of $51.7 million. Adjusted EBITDA and distributable cash flow for the first quarter were positively impacted by the receipt of the first cash distribution of $4.4 million from our investment in Howard Energy Partners.

Gross operating margin for the first quarter of 2013 was $104.7 million, similar to what we achieved in the fourth quarter of 2012. The gross operating margin was driven by increased NGL fractionation and marketing activities on our PNGL system and a strong contribution from our ORV assets which were partially offset by reduced processing margins and the impact of the sinkhole that formed near Bayou Corne, Louisiana.

Distributable cash flow was $31.8 million for the first quarter of 2013, an increase of $5.1 million from the fourth quarter of 2012. With distributions at $0.33 per unit the coverage ratio was approximately 1.13 times for the first quarter.

Since we may not capture the additional North Texas volumes and the seasonal PNGL margins we achieved in the first quarter, we could have a lower distribution coverage ratio in the second quarter of this year. As we explained in our 2013 guidance presentation, we expect to increase distributions during the second half of the year when phase one of Cajun Sibon expansion and the Riverside Crude terminal expansion projects come on line. We expect distribution coverage for 2013 to be consistent with our guidance at greater than one times.

We project 2013 adjusted EBITDA to fall within the range provided in our 2013 guidance. In our previous earnings call in early March I mentioned that we could have commodity exposure of approximately $10 million from the midpoint of guidance if commodity prices continued at similar levels for the rest of 2013. This exposure was somewhat mitigated in the first quarter by the system optimization margins that it is mentioned, but we still have the same commodity exposure for the remainder of the year.

Moving to the right opportunities, we continue to invest heavily to expand our platforms in Ohio and Louisiana. Capital expenditures for the first quarter were approximately $123 million including additional cash invested in Howard Energy Partners and maintenance capital expenditures.

Growth capital expenditures of $118 million were focused mainly on the Cajun Sibon expansion as well as Riverside phase two which are under construction. These projects will transform the business by increasing product diversity and fee-based margin.

To date we have hedged approximately 56% of our total percent of liquids volumes and 17% of our total processing margin volumes for the remainder of 2013. We only hedge contracted volumes that we know are coming to us and only use product specific hedges. This is why we have such a low percentage of processing margin volume hedged. I will remind you that only 14% of our 2013 gross operating margin is exposed to commodity price risk and we have hedged a portion of that exposure.

From a balance sheet perspective we continue to maintain our strong liquidity position. We currently have only $12 million borrowed under our $635 million credit facility. We ended the quarter with a debt to EBITDA ratio of four times calculated in accordance with our bank credit facility.

We expect our debt to EBITDA to trend up during the construction of Cajun Sibon pipeline projects which we have taken into consideration with our current bank covenant of 5.5 times for 2013. We expect delevering as Cajun Sibon phase one and Riverside phase two become operational mid-2013, earnings from our Ohio River Valley assets continue to grow and Cajun Sibon phase two comes on line in the second half of 2014.

We raised almost $190 million in equity during the first quarter. The establishment of an at the market equity issuance program allowed us to raise $21 million during the quarter. We have the financial flexibility to execute our capital program as well as additional growth projects as those opportunities are developed.

Turning briefly to Crosstex Energy, Inc., on a stand-alone basis the Corporation had cash on hand of approximately $3.5 million and $22 million of borrowings outstanding under the Corporation's bank credit facility as of the end of the first quarter of 2013. This cash balance excludes cash held by our Utica focused development company which Bill will talk about in a moment.

As we have said previously, we don't currently expect that the Corporation will pay any significant income taxes in the near future. Now Bill will update you on our growth projects and operations.

Bill Davis - *Crosstex Energy, L.P. - EVP & COO*

Good morning. I will add a little to what Berry said earlier. With our current asset base we have achieved substantial geographic and product diversity that will enhance the size and scale of our business. The $1 billion of projects that we are working on right now will continue to add to that size and scale. Furthermore that growth will then lead to new opportunities for additional growth in these areas which we plan to capitalize on.

I will begin our asset review with an update on our Cajun Sibon pipeline and fractionation expansion. Construction of both phases of the project is well underway. Phase one, which includes the 139 mile pipeline from Mont Belvieu to Eunice and the expansion of the Eunice fractionation plant will begin operation in late July and is expected to meet our 2013 EBITDA projections. The project is expected to ramp up to full utilization quickly.

In phase two we are adding pumping stations on the phase one pipeline to increase total capacity to 120,000 barrels per day, constructing a new 100,000 barrel per day fractionator at the Plaquemine gas processing complex and expanding capacity from Eunice to the new Plaquemine fractionator. The fractionator is under construction and the site at Plaquemine is being cleared. We expect phase two, which will have twice as much cash flow as phase one, will be in service during the second half of 2014.

The Cajun Sibon expansion projects are supported by a five-year ethane sales agreement with Williams Olefins LLC, a subsidiary of the Williams companies and a 10-year sales agreement for ethane and propane with Dow Hydrocarbons. Cajun Sibon is a big step in our plan to grow our crude and liquid services bringing our estimated fourth-quarter 2013 cash flow run rate from liquids and crude condensate services to about 50% of our business. We will continue to focus on executing projects like these.

Phase two construction of the crude terminal at our Riverside fractionator is nearing completion. Our phase two project will provide 10,000 barrels per day of minimum take or pay business with the total capacity at Riverside of 14,000 barrels per day. We expect the annual fee-based cash flow from the Riverside crude terminals will be at least $10 million per year beginning in June.

Our processing and natural gas liquids business, or PNGL, benefited from seasonal demand in the quarter, imported NGL volumes from truck and rail activity at our fractionators and offshore Miocene Wilcox gas production that drove fee-based volumes at our Pelican gas processing complex. These improvements were offset by lower opportunity processing margins and volumes.

Market demand for NGL rail and truck handling fractionation services continues strong. Currently our aggregate volumes for truck and rail NGL imports are approximately 12,000 to 13,000 barrels per day.

Our Ohio River Valley business, or ORV, performed extremely well in the first quarter. ORV gives us a tremendous growth platform in the crude, condensate and a brine logistics businesses in the Utica and Marcellus Shale plays. E&P companies are focused on the Utica's rich gas and condensate window as the producer community continues to delineate the play with drilling permits up approximately 15% from the fourth quarter of 2012.

The wells in this part of the play produce considerable condensate volumes as well as high natural gas and natural gas liquids volumes. Even the volumes are materializing slower than anticipated, some of which is because of the midstream infrastructure bottlenecks in the region, we expect significant growth in condensate opportunities as the approximately 150 wells that are currently shut in come online and future wells are completed.

We are expanding our presence in the ORV area through condensate stabilization, product marketing, enlarging our crude condensate and NGL gathering and take away system and leveraging our rail terminals and truck fleet to gather crude and condensate volumes.

In the first quarter we continued to pursue critical condensate-related projects such as expanding the Black Run rail terminal. We are also increasing the Bells Run barge terminal storage capacity and condensate handling capabilities and expect it to become a leading market hub when the work is completed.

We are continuing to take advantage of the right opportunities in this robust regional market to develop condensate solutions for our customers. As we recently announced, the Corporation has agreed to invest approximately $75 million in three new natural gas compression and condensate stabilization facilities in the region which complement our current assets in the Ohio River Valley. As we have said, condensate solutions will be key to the early development of the Utica.

The Corporation will make the investment in E2, a company we established in March with the former management of Enerven Compression Services. Our initial investment in E2 was about $50 million for two compression and stabilization facilities. And then yesterday afternoon we announced an additional $25 million investment for the third facility. E2 will build, own, manage and operate all three units which are supported by a long-term fee-based contract with Antero Resources.

These facilities are scheduled to be operational during the second half of 2013. The investments are being made by Crosstex Energy, Inc., our general partner, and represents ownership of approximately 93% in E2. Using the Corporation to facilitate this investment provides us with an additional source of growth capital. We expect the assets, once they are operational, may be dropped down into the partnership.

We are also expanding our brine logistics offerings by increasing the capacity of our saltwater disposal network and related wells. During the first quarter we achieved record brine disposal rates, the result of favorable weather conditions and the optimization of the newest disposal well in West Virginia, [Greens Run #1], along with the other six disposal wells.

We drilled one additional saltwater disposal well in the first quarter which will become operational midyear. We think we are well positioned to continue the growth we see coming in this region.

In Louisiana our LIG pipeline system has access to several plays including the Haynesville, Austin Chalk, Tuscaloosa Marine Shale and Miocene Wilcox which could provide great additional transportation, processing and fractionation volumes for both our LIG and PNGL facilities. We continue to monitor producer activity in these newer plays for liquids rich production opportunities that will benefit both our systems.

As I mentioned earlier, our Pelican gas processing complex is benefiting from new production from the Miocene Wilcox formation in the Gulf of Mexico. Several additional prospects are being drilled into this formation that could benefit both our LIG and PNGL plants.

Our 36-inch DOE pipeline near Napoleonville remains out of service because of the sinkhole near Bayou Corne. The sinkhole continues to impact transmission volumes which is reducing our supply to river markets. We expect this situation will continue until we can restore service on the system, which we expect to do in the third quarter of 2013.

In North Texas our gathering and transmission volumes in the Barnett Shale remained strong in the first quarter. Our processing plants remain full. We connected several new wells drilled by producers who continue to focus on liquids rich gas and these wells flowed at better than forecasted production rates.

There currently more than 13,000 locations yet to be drilled in the Barnett Shale. About half of them are within three miles of our assets, so we'll have an excellent opportunity to compete for that gas as it is developed. We continue to capitalize on a variety of near-term opportunities in North Texas to increase our system throughput which has helped to offset the plays underlying volume decline.

In the Permian basin where we have a joint venture with Apache Corporation the Deadwood cryogenic plant remains full. Volumes are currently running about 56 million cubic feet per day which is at capacity and ahead of plan. We are considering alternatives to expand our processing capacity in the region.

We also are continuing to discuss additional gathering and processing business with producers and are evaluating the development of crude oil gathering infrastructure in the area. With 450 rigs active in the basin and our position with Deadwood in Mesquite we are confident that we will have opportunities to expand our assets in this exciting region.

Drilling continues to increase in the vicinity of Howard Energy Partners' assets in South Texas. Site work is being completed on the 200 million cubic feet per day Reveille cryogenic plant that will tie into the Webb County system Howard acquired last year. Howard is targeting plant construction to begin in June with plant start-up in early 2014.

We continue to be pleased with our investment in Howard energy which currently amounts to a approximately $95 million. We received our first cash distribution on our investment in Howard of $4.4 million in the first quarter. Now I will give the call back to Barry.

Barry Davis - *Crosstex Energy, L.P. - President & CEO*

Thanks, Bill. Before we move to Q&A I would like to emphasize that we are achieving our growth plan and taking advantage of opportunities in this dynamic energy market. By our next earnings call in August we will have accomplished more than half of our $1 billion growth program.

During the rest of 2013 we will continue to execute our plan to become a larger more diversified fee-based midstream company. Our goal is to be well-balanced during the ups and downs of the energy business cycles so we can continue to provide secure and growing returns to our stakeholders.

Now Bill, Mike and I will be happy to answer your questions. And I will turn it back to the operator.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Gabe Moreen, Bank of America-Merrill Lynch.

Gabe Moreen - *BofA Merrill Lynch - Analyst*

Just a quick couple ones -- on the distributions you received from Howard this quarter, I think at your analyst day you had laid out expectations of $10 million to $15 million for the year, it looks like you are a little bit ahead of that. Could you just talk about how the amount of that and the timing of that and whether that has changed at all relative to expectations?

Mike Garberding - *Crosstex Energy, L.P. - SVP & CFO*

Hey, Gabe, this is Mike. Good to talk to you. Right now our expectation is in that same range for the year. As you can see, we did get a little bit more in the first quarter, but overall we still expect to be in that same range of distributions to be received this year from Howard.

Gabe Moreen - *BofA Merrill Lynch - Analyst*

Got it, great. Thanks, Mike. And then I think Bill may have given a project update, but if you can talk about some of the long-term projects maybe a little bit more in terms of the propane/butane export facility, Cajun-Sibon phases three and four -- I know there's been a couple additional NGL export projects announced in the market. I'm just wondering how those projects are going and whether the competitive landscape -- how the competitive landscape is looking.

Bill Davis - *Crosstex Energy, L.P. - EVP & COO*

Hey, Gabe, it's Bill. Yes we are continuing to work those projects. They are still in the preliminary phase of commercial negotiations, so we don't really have a lot to update you with right now other than they are still projects that we are very diligent in pursuing.

Gabe Moreen - *BofA Merrill Lynch - Analyst*

Okay, that's all I had. Thanks, everyone.

Operator

Paul Jacob, Raymond James.

Paul Jacob - *Raymond James - Analyst*

I guess the first one is on the condensate stabilization at XTXI and the opportunity for dropping that down to XTEX. Do you think that you would do that right when those facilities are in place or do think that that would happen sometime after that? And if it did happen later down the road, what would be the incremental benefits as you see it to Crosstex Energy, L.P. in the meantime?

Barry Davis - *Crosstex Energy, L.P. - President & CEO*

Yes, first of all let me just expand a little bit on the opportunity that we are working with E2 on. I mean, we are excited about partnering with them. We have worked with them on a number of projects in other locations, for example in North Texas, we have done a lot of business with them there. And we saw this as really being a great synergistic opportunity.

They were pursuing certain phases of the services in the Ohio River Valley and so we just felt like it was very complementary and we had an opportunity to be essentially a financial partner and a strategic partner with them.

Clearly we would expect these assets to come into Crosstex Energy, L.P. when they are fully developed. And there is a range of times from immediately upon start-up to somewhere after they're fully ramped up. As you can see, we have already expanded this by yesterday's announcement. We have already expanded it three times -- or twice. So there are three phases within a very short period of time. And we think this is going to continue to be the case.

So I think the drop down will really be a question of when we feel like it is the right time as far as the incremental development that will happen, which could be anywhere between the end of this year and say the end of 2014. As far as the impact, Mike, you want to add any comments on that?

Mike Garberding - *Crosstex Energy, L.P. - SVP & CFO*

Yes. So, Paul, what we will do is when it is up and running it will all depend upon the volume running through the station as far as what that drop-down looks like. So that will be determined between the two independent Boards at that time. But again, because these are developed projects like we have seen from an organic standpoint they do have good returns.

Paul Jacob - *Raymond James - Analyst*

Okay. And then are there any provisions in place that will prevent you in terms of just timing from acquiring the remainder interest in that joint venture?

Barry Davis - *Crosstex Energy, L.P. - President & CEO*

There is nothing that prevents us. In fact, there is a structure that would facilitate that happening really at a time of our choosing at a range of times within the agreement. So we would expect that to happen.

Paul Jacob - *Raymond James - Analyst*

Okay. And then turning to opportunity processing volumes, recognizing that those continue to kind of taper off in light of ethane rejection and looking at that market and seeing that it is quite sticky, do you see more downside risk in terms of opportunity volumes declining or do you think you have kind of hit the bottom of that?

Bill Davis - *Crosstex Energy, L.P. - EVP & COO*

Yes, this is Bill. We are basically at zero and have been for several months on opportunity processing. So I would say, yes, we are at bottom.

Paul Jacob - *Raymond James - Analyst*

Okay. And then last question for me is in terms -- you talked about, Mike, the $10 million variability to the midpoint of guidance. And I just want to clarify, is that to the $144 million to $145 million of EBITDA guidance? And then when would you be comfortable sort of working that in this year? If you (multiple speakers) market was there?

Mike Garberding - *Crosstex Energy, L.P. - SVP & CFO*

So when we talked about the EBITDA guidance, again our midpoint of guidance for this year was $235 million. And as we said really in the March call and also on this call is that we thought given what our view on commodities were at the point in guidance versus today we had about $10 million exposure in the business from that point in time through today.

As we said in the first quarter, our asset teams did a great job of continuing to find optimization in and around the assets to offset that potential commodity decline. However, if you look at today's prices and assume those persist through the remainder of the year, there is still some commodity exposure in the business.

So the $10 million really represents that potential commodity exposure in the business if nothing changes from today on forward, both from a volume and price standpoint.

Paul Jacob - *Raymond James - Analyst*

Okay, perfect. Thank you very much.

Operator

John Edwards, Credit Suisse.

John Edwards - *Credit suisse - Analyst*

Just on the volumes, how much of the volume drop was directly attributable to the sinkhole issue?

Bill Davis - *Crosstex Energy, L.P. - EVP & COO*

Okay, John, it's bill. Probably on LIG you would say about 100 million a day of the volume is associated with the sinkhole.

John Edwards - *Credit suisse - Analyst*

Okay. All right. And then as far as breaking out the segments, the financials on the segments -- I mean there was sort of an indirect discussion in the press release. Are we going to be able to get a little more detail -- I mean kind of a standard table on the segments?

Mike Garberding - *Crosstex Energy, L.P. - SVP & CFO*

Yes, John, it's Mike. That will be in the 10-Q and then once you have a chance to look at that, if you have some follow-up questions just give me a call.

John Edwards - *Credit suisse - Analyst*

Okay. All right. And then you mentioned also in your comments regarding -- I guess -- I think the comment was something like 150 million a day decline because of -- decline in the barrels. Was that almost -- was that basically entirely attributable to ethane rejection?

Mike Garberding - *Crosstex Energy, L.P. - SVP & CFO*

Yes, so again, what I mentioned was that we have seen a quarter-to-quarter drop in volumes on PNGL of about 150 million a day. And again, the main rationale for that drop was just the continued weakness in the ethane pricing. And as we say, we just have less opportunities to process because of that.

John Edwards - *Credit suisse - Analyst*

Okay, great (multiple speakers). Okay, that is all I had, thanks.

Operator

T.J. Schultz, RBC Capital Markets.

Unidentified Participant

It's David on for T.J. I had two quick questions on Cajun Sibon 1. One is can you guys pinpoint the month when you expect it to be in service? And then second is -- is there any potential risk to the volume on the supply side from ethane rejection?

Bill Davis - *Crosstex Energy, L.P. - EVP & COO*

just to answer the second question first, David -- this is Bill -- generally our contracts provide for a minimum take or pay status with a supplier. So they have some ability to not fulfill the full amount of capacity subscription, but generally they are at 85% or 90% minimums there. So that is the maximum exposure and that creates that range that we put out for the combined projects of $115 million to $130 million of projected EBITDA when both are in service.

As it relates to -- and now I'm going to have to ask you to repeat the first (multiple speakers). Oh, we will be bringing the facility into service during July and August and expect to have it ramping up to full capacity during the September/October time frame.

Unidentified Participant

Okay, thank you. Just switching over to ORV. You mentioned the constraints on the midstream side and it looks like the crude volumes were maybe a little bit lighter Q on Q. Can you guys talk about how the volumes are tracking to the plan that you guys laid out at the Analyst Day?

Barry Davis - *Crosstex Energy, L.P. - President & CEO*

Yes, David, this is Barry. And first of all there has been much reported about the infrastructure constraints, if you will, in the Utica. We have a number of projects that will come on board, the M3 Project processing plants, the Natrium Plant, a couple of MarkWest facilities. And essentially what we are seeing is condensate volumes produced in association with rich gas and so we have to have the processing capacity in order to allow the condensate volumes to flow.

So we think that is going to happen here through the rest of the year and we will see what we think will be a very dramatic ramp up in condensate volumes that we are extremely well-positioned to respond to.

Regarding the crude oil, we have not seen significant development activity associated with the oil window of the Utica. We still believe the producers will pursue that, they will pursue finding the right ways to develop that production. And we are even more ideally positioned for the crude window than the condensate while we are very well positioned for the condensate as well.

So we are still very excited about the Utica and think that it will lead to great opportunities as we've projected in the past.

Unidentified Participant

Okay, thanks. And then one more I guess kind of switching back to NGL logistics. The fractionation volumes were down sequentially at sort of a lower estimate. Was that mostly due to ethane rejection? And are you guys able to extract take or pay payments there?

Bill Davis - *Crosstex Energy, L.P. - EVP & COO*

Well, those -- this is Bill, again -- the bulk of the fractionation volume declines you see sequentially are really due to two issues at our Mesquite and our Eunice facility. First of all in February we shut down the Eunice fractionator to begin doing the final work around the expansion project there. So we were offloading volumes that we normally would have been fractionating on our systems.

The second piece had to do specifically with ethane rejection as it created space on the liquids lines flowing from West Texas to Belvieu. We found it was better economics for us to not run volumes through the Mesquite fractionator to load onto rail cars, but rather to put those volumes directly onto the pipeline to get them to Belvieu. So those two events created our reduced fractionation volumes sequentially there.

Unidentified Participant

Okay, thank you, guys.

Operator

(Operator Instructions). Lin Shen, HITE Hedge.

Lin Shen - *HITE Hedge Asset Management - Analyst*

Thank you for taking my question. You mentioned that your Q2 distribution coverage may be lower than Q1 because you might not be able to capture the strong butane margin. Is it going to be the only reason you think it is going to be, or maybe a combination of lower processing volume and less income from power?

Mike Garberding - *Crosstex Energy, L.P. - SVP & CFO*

We will take that in separate pieces. So one, again as we mentioned on Howard, we do expect that $10 million to $15 million that we talked about at the beginning of the call. So we expect a consistent distribution of Howard during this year.

Second, from a processing standpoint we already have the low processing prices today in the quarter. Like Bill mentioned, we don't really have any opportunity processing expected. We do have some price exposure related to our existing processing contracts, but again we don't have a large amount of opportunity processing projected in the business.

And three, there is the seasonal business which we talked about and we still believe we can continue to optimize the business to achieve some of this, but it is just hard to forecast over this period. So by saying we might have a lower coverage ratio it is just saying that we will continue to try to achieve that optimization, but it is not guaranteed.

Lin Shen - *HITE Hedge Asset Management - Analyst*

Okay, thank you. So I just also wanted to clarify that Q2 may be like less coverage shouldn't affect your decision for the second half (inaudible) increase.

Barry Davis - *Crosstex Energy, L.P. - President & CEO*

Lin, this is Barry. Let me just comment that again I think that is -- what Mike described is the whole of what we would expect right now in the second quarter to possibly be different from the first quarter. Again, we think those are opportunities that we have in front of us to make up for as we did in the first quarter. It would not affect our second quarter.

We affirmed our guidance here in this call and prepared remarks and our guidance included an increase in distribution and dividend in the second half of this year. And so, by doing such we are affirming that that would be our intent is to increase our distributions and dividends consistent with guidance in the second half.

I just also want to be clear that our expectation on the Howard distribution going forward is that we would see distributions consistent with what we saw in the first quarter. So if in fact that is the case we will see better than the guidance that we have given in the $10 million to $15 million range.

Lin Shen - *HITE Hedge Asset Management - Analyst*

Okay, thank you very much.

Operator

Sharon Lui, Wells Fargo.

Sharon Lui - *Wells Fargo Securities - Analyst*

I'm just wondering what is the potential for Crosstex to maybe partner with some of the other companies proposing some of the large scale NGL projects out there, especially to capitalize on the Louisiana PetChem market. It seems like you are at an advantage given I guess your existing footprint in that region.

Barry Davis - *Crosstex Energy, L.P. - President & CEO*

Yes, Sharon, we are in the middle of those opportunities. I would say we are very well-positioned from a marketplace standpoint in south Louisiana as well as up in the Ohio River Valley. So we are quick to engage in those discussions and certainly have a number of things right now that could result in something that would look like a joint venture or a shared opportunity.

Sharon Lui - *Wells Fargo Securities - Analyst*

Okay, great. Thank you.

Operator

Eugene Robin, Cove Street Capital.

Eugene Robin - *Cove Street Capital - Analyst*

Two questions for you guys. First off, can you guys flesh out the actual economics for E2? And then secondly just kind of briefly go over why use a GP for the acquisition vehicle as opposed to the LP?

Barry Davis - *Crosstex Energy, L.P. - President & CEO*

First of all, let me address the economics. These are fee-based well contracted builds. Basically we have long-term contracts with producers that fully support a strong rate of return on the projects. So that's the economic scenario for our XTXI investment. As we drop those down we would expect to do that in a way that would be very constructive for EX as well. So, Mike, I will let you comment on the rest of that.

Mike Garberding - *Crosstex Energy, L.P. - SVP & CFO*

Yes, from a financing standpoint, as we said on the last call, for us we continue to look at financing development projects in different ways. And at XI we said we had to find financing capability to do certain size projects that move quickly from development to cash. And as I said, on these projects you will have some of the projects up and running in the third quarter of this year and another project, the newest one, up and running in the fourth quarter.

So again, a very quick development time frame which then allows us to drop down and then potentially use the facility again for new development up and around Utica through E2. So again, it is a good opportunity for us to expand our financing capabilities between both entities.

Eugene Robin - *Cove Street Capital - Analyst*

Got it. And then I am just curious, I mean $75 million doesn't seem like that much for EX to do just on the revolver alone. So I am curious why is it necessary for the GP to be used as the debt vehicle?

Mike Garberding - *Crosstex Energy, L.P. - SVP & CFO*

Again, it is just looking at the total capacity between both entities. As you mentioned, again, we have the capability and we have a lot of development projects not only that we are working on today but also development projects that Bill mentioned that we are working to bring to bear. So again, we look at that total defined pipeline of not only what we are doing today but what we think we are going to do when we think about development capital.

Barry Davis - *Crosstex Energy, L.P. - President & CEO*

And Eugene, I would actually say that it also provided us an opportunity to do something here that we hadn't done before. We think it was a very straightforward transaction that really could demonstrate the capability of XI to support for projects in the future. So what we thought was a very good first project for XI to be involved in.

Jeff Bronchick - *Cove Street Capital - Analyst*

This is Eugene's partner, Jeff Bronchick. So again -- so XI is an equivalent development venture vehicle as opposed to a pass-through vehicle for cash flow from the LP, is that how you are seeing it?

Barry Davis - *Crosstex Energy, L.P. - President & CEO*

Eugene, I am not sure that we would describe it as you just did. I mean it is another vehicle through which we can finance development projects and then drop them into EX when it is a better fit, if you will, for the full cash flow that we need to see at EX.

Mike Garberding - *Crosstex Energy, L.P. - SVP & CFO*

But as we said though, it is a very defined development again. The credit facility put in place is now $85 million. So it again -- it is small in comparison to the development capability of EX.

Jeff Bronchick - *Cove Street Capital - Analyst*

And so, again on the XI -- I just want to make this really, really clear. I just want to understand it, that it is a conduit for deal structure to move things eventually down to the LP and not be perceived as an additional source of asset collection. Is that a fair statement?

Barry Davis - *Crosstex Energy, L.P. - President & CEO*

Eugene, I think that is a fair description. It is not our intent to build and hold assets at XI long term. We would agree with what you said.

Jeff Bronchick - *Cove Street Capital - Analyst*

Thank you.

Operator

[Scott Vagleman], Credit Suisse.

Scott Vagleman - *Credit Suisse - Analyst*

I just have a question regarding -- I mean you mentioned that Williams Olefins is one of your shippers for phase two of Cajun Sibon and with -- and at just a five-year contract. And with Williams and Boardwalk discussing the Bluegrass project running right into Eunice, I mean chances are if that goes forwards that is not going to be renewed after five years. I mean was demand sufficient that you don't think that there would be much of a problem replacing them?

Bill Davis - *Crosstex Energy, L.P. - EVP & COO*

Well, let me just correct the way you stated that. Williams is our market, not a shipper, for the ethane on phase one of Cajun Sibon.

Scott Vagleman - *Credit Suisse - Analyst*

Okay.

Bill Davis - *Crosstex Energy, L.P. - EVP & COO*

So just to set that -- and they are not part of the Cajun Sibon phase two market off-take. Five years from now I don't know what their needs for ethane are exactly going to be. I think the focus of the line that they and Williams are working on is initially going to be a supplying the Lake Charles market. So I don't know that it has any immediate impacts on their Geismar needs. We will see how that evolves over time.

Scott Vagleman - *Credit Suisse - Analyst*

All right. And I see that you have posted the Q to the website, appreciate that. That is all I had.

Operator

Thank you for your questions, ladies and gentlemen. I would now like to turn the call over to Barry Davis for the closing remarks.

Barry Davis - *Crosstex Energy, L.P. - President & CEO*

Thank you. Before we end the call I want to quickly remind you that in 2013 our strategy has not changed. We are on target to become the best midstream energy solutions provider in the industry. We are in the right energy market and we have the right platform, the right opportunities and the right people.

Thanks again for participating in today's call and we appreciate your support of our efforts here at Crosstex. Thank you, and have a great day.

Operator

Thank you for joining today's conference, ladies and gentlemen. This concludes the presentation. You may now disconnect. Have a good day.