

FINAL TRANSCRIPT

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XTEX - Q2 2010 Crosstex Energy, L.P. Earnings Conference Call

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CORPORATE PARTICIPANTS

Chris Bell

Crosstex Energy, LP - IR

Barry Davis

Crosstex Energy, LP - President & CEO

Bill Davis

Crosstex Energy, LP - EVP & CFO

CONFERENCE CALL PARTICIPANTS

Darren Horowitz

Raymond James - Analyst

John Edwards

Morgan Keegan - Analyst

Sharon Lui

Wells Fargo - Analyst

Conor Ryan

Deutsche Bank - Analyst

Robert Walker

Chickasaw Capital - Analyst

PRESENTATION

Operator

Good day, ladies and gentlemen and welcome to the second-quarter 2010 Crosstex Energy LP earnings conference call. My name is Lacey and I will be your coordinator for today. At this time, all participants are in listen-only mode. Later, we will conduct a question-and-answer session. (Operator Instructions). As a reminder, this conference is being recorded for replay purposes. I would now like to turn the presentation over to your host for today's call, Ms. Chris Bell of Crosstex Investor Relations.

Chris Bell - Crosstex Energy, LP - IR

Thank you, Lacey and good morning, everyone. Thank you for joining us today to discuss Crosstex's second-quarter 2010 results. On the call today are Barry Davis, President and Chief Executive Officer and Bill Davis; Executive Vice President and Chief Financial Officer.

Our second-quarter 2010 earnings release was issued early this morning. For those of you who didn't receive a copy, 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 the replay by phone or webcast on our website.

I will remind you that any statements that might 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 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 Davis.

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Barry Davis - *Crosstex Energy, LP - President & CEO*

Thank you, Chris. Good morning and thank you all for joining us on the call today to discuss our second-quarter results. We were very pleased with our solid second-quarter results and the great progress we have made. As a result of the actions we have taken during the past year, today, we are a leaner, more efficient company and it is paying off. We are focusing on the disciplined execution of our 2010 strategies, which we outlined earlier this year. In this call, we will expand the following second-quarter highlights.

First, we continued to improve our operations by maximizing cash flow from our existing assets, reducing costs and increasing utilization. Adjusted EBITDA was \$45.2 million for the second quarter 2010, up 12% from the second quarter of 2009 and distributable cash flow increased 73% for the second quarter 2010 compared to the second quarter of 2009.

Second, we continued to capitalize on our great asset position in three core high-growth operating areas in North Texas and Louisiana. We see additional opportunities for incremental growth in these regions where we are identifying and investing in low-cost high return projects. To that end, we recently announced two substantial projects in the Barnett Shale in North Texas that will expand our gathering system and add long-term contracted supply. I will talk more about these projects later.

Third, we continue to run our business consistent with our financial guidelines, managing risk, reducing leverage and improving reliability of our cash flow. We have no significant near-term debt maturities and a solid balance sheet with no outstanding debt on our revolver at the end of the second quarter.

Fourth, based on our great results to date and the outlook for the remainder of the year, we expect to restore our distributions at the end of the third quarter, one quarter earlier than our original plan. This is an important achievement for us and one of the final steps that will reposition Crosstex for the future.

And finally, we are very encouraged by the prospects of our business development team as identified beyond our core operating area.

From a macro perspective, processing economics remain strong. Ethane, which represents about half of our NGL barrel, remains the preferred feedstock for ethylene plants. Recently, ethane prices have been under pressure due to ethylene plant maintenance during the second quarter. This appears to be completed and as a result, we have recently seen a positive impact on the demand and prices for ethane. Natural gas prices remain between \$4 and \$5 per MMBtu for the second quarter of 2010.

The US gas drilling rig count as of July 23 was 982, a 17-month high and up approximately 50% from the bottom about a year ago. This is good news for our industry in general and Crosstex in particular. As the gas rig count relates to our business, the number of rigs running in the Haynesville Shale has remained stable during the last few months at about 140 rigs, more than double the number of rigs running in April of 2009. In the Barnett, the rig count has been fluctuating between 80 and 90 rigs with the most recent count at 86 rigs. The number of rigs drilling on our North Texas acreage is stable at about 11 rigs.

As I mentioned a moment ago, based on what we see today, we believe we will generate sufficient distributable cash flow to restore cash distributions on our common units. We anticipate that the partnership will distribute \$0.25 per unit in November for the third quarter of 2010. Assuming the receipt of distribution from the partnership at these levels, we would expect the corporation to pay \$0.07 per share in dividends for the third quarter of 2010.

Distributions and dividends at these levels would be within our financial guidelines and allow us to continue to reduce debt and improve our leverage. Our estimates are based on our best forecast at this time and are subject to changes in economic or business conditions or other factors at the time of determination and subject to the approval by each entity's Board of Directors. Restoration of our distribution and dividend is something we have worked very hard to accomplish for our investors and we think it will be extremely important as we move into the future.



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Now moving to our operations for the second quarter, we continued to take advantage of low cost, high return opportunities around our assets. In North Texas, we are benefiting from the fact that our assets are situated primarily in the core of the Barnett Shale, one of the most significant shale plays in the US. We believe we are well-positioned to benefit from the development of this shale play for years to come.

As I mentioned earlier, there are approximately 86 rigs drilling in the Barnett at the end of July. The number of rigs on our acreage has been running at or above anticipated levels. Throughput on our North Texas Pipeline for the second quarter was approximately 344,000 MMbtu per day compared with 337,000 MMbtu per day for the first quarter of 2010.

Our second-quarter gathering throughput in the Barnett Shale was approximately 731,000 MMbtu per day, slightly below first-quarter 2010 gathering throughput of 745,000 MMbtu per day. Some producers have options to move their gas to other systems, so a small portion of our gathering volumes will always vary somewhat.

In spite of this decline, we have clear sight that the volume additions we see for the second half of this year affirm our expectations of modest volume growth in 2010. Our North Texas processing plants processed an average of 207,000 MMbtu per day during the second quarter compared with approximately 200,000 MMbtu per day for the first quarter of 2010.

We continue to see opportunities for incremental growth in this region due to the significant investments we have made in the Barnett infrastructure since 2006. We recently signed agreements for two very good projects with firm volume dedications and relatively low capital investments compared with their cash flow impact.

In June, we announced the 10-year firm gathering and compression agreement with a major Barnett producer for an additional 50 million cubic feet a day on our gathering system. We are constructing a compressor station now on an existing gathering line to accommodate the producer's volumes. We anticipate the project will be completed and operational near the end of the first quarter of 2011. We estimate our incremental investment to be less than \$10 million and the annual incremental cash flow from the project is expected to be about \$8 million.

In late July, we announced another project that involves the construction of a 15-mile extension of our gathering system and related facilities to serve other major Barnett producers. The incremental investment for this project is in the \$25 million range and is supported by volumetric commitments. We expect throughput to reach 100 Bcf over the first four years of operation from this project. The flow from the expansion is expected to peak in 2012 at a rate of more than 100 million cubic feet a day. Construction is scheduled to be completed in the first quarter of 2011 when initial deliveries are expected to begin. Cash flow from the project is expected to average approximately \$10 million per year for the first four years.

These projects are prime examples of the kind of investment opportunities created by the strategic position of our assets. We believe we will see more of these types of incremental investment opportunities as the Barnett is developed over its lifetime and we will continue to focus on optimizing our existing system and providing top-quality, cost-effective service for all of our customers.

In Louisiana, we own and operate our Crosstex LIG pipeline system, one of the largest and most strategically positioned intrastate pipelines in the state. The system provides significant takeaway capacity for Haynesville Shale gas and great optionality for producers to reach a variety of interstate and intrastate markets with connections to premiere interstate pipelines that include ANR Pipeline, Columbia Gas, Texas Eastern, Tennessee Gas and Trunkline Gas. LIG also provides important access to on-system markets, including more than 1.3 Bcf a day of delivery capability to industrial and power generation markets, including prime markets in southern Louisiana and access to key intrastate storage hubs.

The size and scale of the LIG system puts us in a great position to continue to take advantage of opportunities from northern to southern Louisiana as developments occur around the system, including the Haynesville's core producing area. Second-quarter throughput on our LIG system averaged approximately 887,000 MMbtu per day versus 916,000 MMbtu per day for the first



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quarter of 2010. The lower volumes are primarily due to a maintenance-related outage in one of our major markets and reduced city gate deliveries off the system. However, our volumes have returned to levels consistent with the first quarter.

Also there has been little arbitrage volume, which is similar to what we have seen over the last several quarters, but the growth in our firm transport volumes has replaced a large portion of the arbitrage volume. We will certainly continue to watch for this arbitrage opportunity so we can take advantage of the spreads when they are available.

Drilling in the Haynesville Shale remains robust in and around our North LIG system with approximately 140 rigs running now. Our total contracted firm capacity on our LIG system is 465,000 MMBtu per day, representing roughly 20% of the current takeaway capacity from the Haynesville Shale. The demand fee structure of transportation agreements on our North LIG system provides us with certainty of cash flows on these volumes.

We continue to work on growth projects to expand capacity out of the Haynesville Shale area. We completed a 30,000 MMBtu per day expansion project on our Red River system that was operational in mid-July. We also have the ability to add another 115,000 MMBtu per day capacity for Haynesville gas as demand develops. Our LIG system is well-positioned to provide us with steady and reliable business, significant growth projects and opportunities to take advantage of the current strong processing economics and price arbitrage when or if the bases reappear.

In southern Louisiana, the results from our processing and natural gas liquids business were consistent with our expectations. Second-quarter processing volumes averaged 854,000 MMBtu per day versus 909,000 MMBtu per day in the first quarter. The volume decrease resulted from a reduction in opportunity processing at our Blue Water plant, which we operate only when sufficient volumes and spreads are available.

Recently, we have seen increased volume due to favorable processing economics. We are working to increase the availability of gas to the Blue Water plant to take advantage of this favorable market. We have seen substantial improvements in the business from a year ago. In the second quarter of 2010, processing volumes increased 25% over the volumes in the second quarter of 2009.

We continue to be very encouraged by the prospects for our NGL business in the Gulf Coast region as we pursue additional projects to enhance operation and utilization. We have made operational improvements to optimize our plant utilization and reduce fuel and operating costs. And we continue to focus on commercial development to connect new gas supplies and NGLs to our new facilities.

In addition, we are working on projects that create incremental, stable, fee-based income from the NGL fractionation business. We see a growing need for fractionation and NGL handling with focus by producers on liquids-rich production. This need will be primarily driven by gas produced from developing shale plays, including the Eagle Ford, Marcellus and Bakken where there are limited markets and NGL infrastructure. We offer producers in these regions an excellent interim solution by transporting their NGLs via rail to our fractionators in Louisiana. And we are currently handling approximately 1000 barrels per day from the Marcellus specifically.

Lastly, for this segment, let me address the impact of the BP oil spill. To date, there has been minimal impact on Crosstex as only one new gas processing opportunity has been delayed. The production facility that would have been used to deliver new volumes to us has been temporarily diverted for use by BP.

Stepping back to give you some of the facts, first, our processing and natural gas liquids assets account for about 15% of our total cash flow. About a third of the gas sources for these assets are from onshore production and not affected by events in the Gulf of Mexico. Of the remainder, about half is from deepwater production and half from shallow water production. Our current deepwater volumes come from completed wells and our business forecast and guidance do not assume any additional deepwater drilling. The bottom line is, even though it is not possible to know what changes will occur or the eventual impact of the changes, we don't expect much impact on our financial results from the spill.



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Before I turn the call over to Bill to review our financials, I would like to briefly address a recent executive appointment. Early in the second quarter, we announced that Steve Spaulding had joined Crosstex to lead our processing and NGL team. Prior to joining Crosstex, Steve managed Chevron's North America processing and NGL business and was responsible for developing and leading trading, marketing, commercial and business development for Chevron's equity production, NGL assets and upstream production projects.

During his 20-year tenure at Chevron, he also managed the commercial and marketing activities of their midstream assets. As we enhance our NGL business, we have already seen that Steve will infuse a strategic focus and critical knowledge into these operations as we continue to take advantage of the many opportunities in this key business. We are very pleased with the addition of Steve to our team. Now I'll turn the call over to Bill who will discuss our second-quarter financial results in detail.

Bill Davis - *Crosstex Energy, LP - EVP & CFO*

Thanks, Barry. Good morning, everyone. As you have seen in our earnings release, we have reconciled certain non-GAAP items to their GAAP equivalents, which are being used in the call today. Please refer to the earnings release for this reconciliation and in addition, our 10-Qs for both companies are on file today with the SEC, so you can access them for more details about our results.

As Barry stated, we are pleased with our second-quarter 2010 and year-to-date results and the firm financial position that we are in. We have strengthened our balance sheet and reduced our debt each quarter.

Turning to the financial metrics for the quarter, gross margin was \$84 million for the second quarter of 2010, about \$3 million higher than gross margin of \$81 million for the first quarter of 2010. As you may have noticed, we have begun reporting with different business segments than previously. We are now reporting our North Texas segment, our LIG asset in Louisiana and our processing and NGL assets, as we refer to as PNGL in South Louisiana.

Operating activity in 2009 for assets sold that were not considered discontinued operations is shown in the Corporate segment. Our press release and 10-Q compared results to the second quarter of 2009. For my discussion this morning, I will compare it to the first quarter of 2010 for a little additional perspective on the results.

The LIG segment gross margin increased to \$29.9 million for the second quarter 2010 compared to \$27.7 million for the first quarter, mainly due to the growth in our firm transport margin in the northern part of the system. The North Texas segment gross margin increased to \$40.8 million for the second quarter of 2010 compared to \$37.6 million in the first quarter despite seeing a reduction in low-margin gathered volumes. These are replaced with new volumes at our more normal margins.

The PNGL segment gross margin decreased \$13.3 million for the second quarter 2010 compared to \$15.9 million for the first quarter due to the loss of opportunity processing as a result of somewhat less favorable processing economics.

Operating expenses were down approximately 4% from the first quarter and G&A was down approximately 8% as we continue to focus on driving out costs.

DCF, or distributable cash flow, for the quarter was \$22.8 million for the first quarter and \$40.5 million for the first half of the year. This cash has been used to continue to reduce leverage and fund capital expenditures. Second-quarter cash flow would have supported the distribution of over \$0.25 per unit with strong coverage and still have been in compliance with our financial guidelines. Instead, we elected to continue to aggressively deleverage and reduce debt for one more quarter before restarting the distribution.



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As Barry said, we now expect to reinstate cash distributions for the third-quarter cash flow payable in November. We again elected to pay the distribution in cash on our Series A convertible preferred units issued earlier this year to Blackstone GSO instead of using the PIK option that is available to us.

As of the end of the second quarter, total debt was down to approximately \$765 million, which consists principally of \$725 million of senior unsecured debt and we have reduced our debt to adjusted EBITDA to 4.3 to 1 at the end of the quarter. As we have said under our guidelines, our target debt to EBITDA ratio for paying distributions is the 4.5 to 1 level and our longer-term goal is to reach a 4.0 to 1 level. We expect to continue to reduce leverage during the remainder of the year.

Second-quarter maintenance capital spending was approximately \$2 million and we expect our full-year spending to be in the range of \$10 million to \$12 million. For growth capital, we have increased our spending projection from \$25 million originally included in the budget for this year to approximately \$35 million for identified projects. This increase is primarily attributable to the spending associated with the two new North Texas projects Barry discussed earlier. Spending on these projects will carry over into the first quarter of 2011. While additional projects are being reviewed and may be approved for 2010 spending, we do not anticipate that we will exceed \$100 million of capital expenditures this year.

We expect to finance our forecasted 2010 capital spending using our available revolver capacity and retained cash flows. We are committed to maintaining a strong balance sheet and adhering to the strict financial guidelines we have set for ourselves. Today, we have nothing drawn under our revolver and we have approximately \$100 million of letters of credit outstanding, leaving us with more than \$300 million of availability on the revolver. Our liquidity is very strong as we analyze and identify new areas for growth.

We have recently increased our hedging position for 2011 on our liquids. Of our hedgeable targets, we currently have hedged approximately 20% of our percentage of liquids fees from processing and approximately 10% of our hedgeable target for our processing opportunity business in 2011. As you probably remember, our hedges are product-specific and have been highly effective. We continue to monitor liquids forwards markets to achieve our hedging goals at acceptable economics.

Turning to Crosstex Energy Inc., the corporation has a cash balance of approximately \$5 million, which provides ample cash for its needs for the foreseeable future, particularly given the anticipated resumption of the Crosstex LP distribution. As you know, the corporation's only assets are its 16.4 million partnership units, 2% general partner interest in Crosstex LP and its ownership of 100% of the partnership's incentive distribution rights. The corporation also has no debt. Assuming the receipt of distributions from the partnership, the corporation expects to resume its dividends at the same time.

We have also recently completed an update of our taxable income forecast for the next several years and estimate very little in cash taxes for the foreseeable future. We will still continue to set cash aside to cover Crosstex Inc.'s separate G&A and potential future capital management requirements in conjunction with any future Crosstex LP equity raises. We are currently estimating that we will hold about 10% of the cash received in distributions for such purposes. Now I will turn the call back to Barry.

Barry Davis - *Crosstex Energy, LP - President & CEO*

Thank you, Bill. Before I close our prepared remarks and open the call to your questions, I want to stress that we feel very good about where we are and where we are going. During the second quarter, we achieved solid operating results and strong execution of our plan. We are focused on the most rewarding growth projects while efficiently managing our everyday business and maintaining strong customer relationships. We have a sense of urgency to capitalize on the operational performance of our assets and identify and execute high return growth projects around them.

We have done some good work and we have benefited from solid industry and capital markets improvement to get to where we are today. We are even more excited about what is ahead. The macroenvironment is robust for investment in new midstream infrastructure and transactions so there are many opportunities in the marketplace and importantly, we again have the necessary



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financial strength to access the capital to invest in new projects. We have developed core competencies that we learned when we gained a foothold in the Barnett and Haynesville Shale areas and are looking for opportunities to apply them to other areas that represent the best fit for Crosstex.

In summary, we are optimistic about Crosstex's continued success. Now we will turn the call back to the operator, Lacey and Bill and I will be happy to answer any questions you may have.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Darren Horowitz, Raymond James.

Darren Horowitz - Raymond James - Analyst

Hey, guys, how are you? A couple quick questions from me. First, for you, Barry. We are hearing a lot about wells that have been drilled, but not yet completed in the Haynesville and some other areas due to lack of stimulation and frac services. So can you give us a sense for how many wells have been connected year to date? And also when you are talking to producers, any sense of how many wells are currently in the backlog and potentially what completion deferrals could mean to your LIG throughput?

Barry Davis - Crosstex Energy, LP - President & CEO

Yes, the good news is it will have no impact on our LIG throughput. All of the contracting that we have done on our LIG expansions, and really all of the throughput that we have got in North Louisiana, is under firm transport contracts that are not dependent on volume. So it is basically a take-or-pay situation.

Moving over to the Barnett, what I would say similarly, we think the backlogs will continue to benefit from that. In fact, the projects we have announced recently are associated with an unlocking, if you will, of that backlog of assets. So we feel really good about both of those key areas for us.

Darren Horowitz - Raymond James - Analyst

As it relates to LIG, how much of the capacity on the overall system is under firm contract relative to what you are reserving for arbitrage opportunities? And based on existing spreads, is there any change in bias more towards firming up any sort of incremental capacity just with respect to enhancing your cash flow visibility?

Barry Davis - Crosstex Energy, LP - President & CEO

Well, you have got to think of the system really kind of in parts. First of all, the northern part of the system, which is the Haynesville exposed area, is 100% sold under current transport contracts. We do, from time to time, have some interruptible ability if people aren't using all of their capacity. So that northern half of the system is 100% sold.

In the southern half, similarly, it is sold primarily because of the market arrangements that we have. Most of the capacity on the southern half is used to deliver directly to industrial markets and other delivery type markets. We do have -- I don't have a specific number as far as what percentage of that capacity is assigned to those markets, but we always have excess capacity on the southern half of the system to take advantage of the arbitrage opportunities and that still exists.



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Darren Horowitz - *Raymond James - Analyst*

Okay. Last question from me within the PNGL segment. Barry, as it relates to the comments you made about growing the need for fractionation in NGL and handling capacity, can you give us an update on the unit's planned reconfiguration still on pace to have enough committed supply to restart by the end of the year? And also maybe a little bit more color on your plans around Blue Water.

Barry Davis - *Crosstex Energy, LP - President & CEO*

You bet. First of all, we have continued to make good progress around our Eunice fractionator restart and we anticipate today that by the end of the year, we will have completed all the things necessary to restart Eunice. That being said, we will not be and are not today 100% sold in all of our capacity in our NGL complex there.

Stepping back a little bit, we really have four different fractionators that are interconnected with our NGL system there. Our Eunice fractionator is what we are talking about with the excess capacity. Riverside is completely interconnected there and then in our Plaquemine plant, we also have fractionation capacity.

So our goal, and what we are currently working on commercially, is to fully utilize all of those -- that integrated system for fractionation and we are very encouraged with what we are seeing with a focus on the liquids-rich areas. Essentially anything that can get to Mont Belvieu we think ultimately we can access our facilities and that is what we are very focused on. So as you know, most of those liquids are targeting the Mont Belvieu area whether it is coming from the Eagle Ford, Marcellus, West Texas or other liquids-rich areas.

Darren Horowitz - *Raymond James - Analyst*

Sure. I appreciate the color and also congratulations both on the quarterly numbers, as well as the advanced restart to the distribution and dividend.

Barry Davis - *Crosstex Energy, LP - President & CEO*

Thank you, Darren. We appreciate your support.

Operator

John Edwards, Morgan, Keegan.

John Edwards - *Morgan Keegan - Analyst*

Good morning, everybody. Just can you comment at all -- with the recent expansion announcement from one of your competitors at Mont Belvieu, how is that impacting I guess some of your plans with getting more NGL volumes into your NGL complex, Eunice, Riverside, Plaquemine, etc.?

Bill Davis - *Crosstex Energy, LP - EVP & CFO*

Well, I will open up with just a comment that the liquids volumes that we see being brought on from the various plays far exceed the expansions that have been announced at this point in time so we feel very comfortable that we will be able to fill up our capacity with that excess.

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John Edwards - Morgan Keegan - Analyst

Okay. And if they announce another expansion, would that impact your plans? I mean have you got competitive capacity there I guess is what I'm trying to get to?

Bill Davis - Crosstex Energy, LP - EVP & CFO

Yes, I think two things there. First of all, we would be competing with newbuild economics against existing capacity that operates very efficiently, so I think that is a positive. Plus, it is there today versus the construction time period that a competitive alternative would have.

John Edwards - Morgan Keegan - Analyst

Okay, great. Barry, you were commenting about how you expect, I think in North Haynesville, 115 million MMBtu per day of demand to come. I am just -- when do you expect that to -- when do you anticipate that coming on (multiple speakers)?

Barry Davis - Crosstex Energy, LP - President & CEO

Yes, the point that I made there was that we still have another phase of what we would say efficient expansion of 115,000 MMBtu per day and we have been in the market now for some time trying to get the firm commitments that we need to go ahead with that expansion. We believe that it will come, but, as you know, we have seen a slight hesitation by the producers in the current commodity price scenario. And so I think everybody is reassessing their FT needs relative to their production forecasts. And so we haven't been able to firm up that expansion. We still believe it will happen; it is just a matter of when the right timing is.

John Edwards - Morgan Keegan - Analyst

Okay, great. And then given the \$300 million in liquidity, you don't expect to exceed \$100 million in CapEx this year. Can you comment maybe longer term? It sounds like you've got plenty of buffer there for longer-term potential. What are your thoughts there?

Bill Davis - Crosstex Energy, LP - EVP & CFO

I think we have lots of dry powder and we are out actively looking for opportunities and obviously, one of the reasons for moving to restart the distribution is to improve our access to the equity markets as well. So we think with that combination, with the high-yield markets being where they are, our bonds are currently trading that are outstanding at 103 or so. We have got access to that market, so we feel like capital access is not an issue as we try to examine the opportunities for future investment.

Barry Davis - Crosstex Energy, LP - President & CEO

Let me add to that a little bit. As we have said consistently over the last six months or so, we believe with our current asset base, investment around our core assets, we will remain somewhere in the \$50 million to \$100 million a year range for the foreseeable future. We do think that is developing -- this year is developing in line with that forecast, so what we are doing outside of those core areas, the size could range drastically. There is large opportunities available. It is really a matter of us finding the right opportunity and the right investment for anything that would be beyond the \$50 million to \$100 million range for the next couple years.



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John Edwards - Morgan Keegan - Analyst

Okay. I guess which area would you see as most likely or do you see it sort of balanced between North Texas and Louisiana?

Barry Davis - Crosstex Energy, LP - President & CEO

I think a balance is good as you have seen over the last 18 months. That balance swings back and forth. We had strong investment in the Louisiana area in 2009, early in 2010. Now we are seeing some good opportunities in North Texas. I would think of it as a balance between those two areas. And then really maybe even more weighted to the PNGL side. I think we could see some substantial investment opportunities there to be a part of that \$50 million to \$100 million range.

John Edwards - Morgan Keegan - Analyst

Okay, great. Thank you very much.

Operator

Sharon Lui, Wells Fargo.

Sharon Lui - Wells Fargo - Analyst

Hi, good morning. I guess just based on your outlook, what is the potential to actually grow the distribution to the high end of your guidance of \$0.30 in the fourth quarter?

Bill Davis - Crosstex Energy, LP - EVP & CFO

Well, we put out \$0.30 and we actually said for the fourth quarter and that was a total for the year, we think now starting with the \$0.25 will signal to the market that we will exceed that for the year and we don't expect to reduce that going into the fourth quarter. We think we will see it go up from that level.

Sharon Lui - Wells Fargo - Analyst

Okay. And I guess if you could maybe provide an update on the preferred units. Is the assumption that they will convert to common in the third quarter with the distribution restart?

Bill Davis - Crosstex Energy, LP - EVP & CFO

Well, we don't have any input from Blackstone GSO on their plans with that regard. Don't know of any reason why they would feel compelled to convert them. It is at their option and when they decide to do so. We view them as a common equivalent, so it really doesn't have any practical impact on our outlook or our plans.

Sharon Lui - Wells Fargo - Analyst

Okay. And then I guess if you could just give an update on -- there has been some I guess environmental concerns around drilling activity in the Barnett due to the benzene levels. Is there an update on that?



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Bill Davis - *Crosstex Energy, LP - EVP & CFO*

Well, I would say that everything we have seen indicates that those concerns are not justified, but we are doing everything we can to cooperate with the appropriate authorities and providing all the information and data that is being requested to help facilitate the investigations into these matters.

Sharon Lui - *Wells Fargo - Analyst*

Okay, great. What was the growth CapEx number for this quarter?

Bill Davis - *Crosstex Energy, LP - EVP & CFO*

You caught me a little flat-footed there, Sharon. I don't have the exact number for the quarter right in front of me. I will call you back with that. You can see the capital numbers in the 10-Q that are on file.

Sharon Lui - *Wells Fargo - Analyst*

Okay, great.

Bill Davis - *Crosstex Energy, LP - EVP & CFO*

I will call you back with that number.

Sharon Lui - *Wells Fargo - Analyst*

Okay. Thanks, Bill.

Operator

Conor Ryan, Deutsche Bank.

Conor Ryan - *Deutsche Bank - Analyst*

Thanks, guys. Sorry, my questions have all been answered. I thought I was through. Great quarter.

Operator

Robert Walker, Chickasaw Capital.

Robert Walker - *Chickasaw Capital - Analyst*

Good morning. How are you all doing? I wanted just to quickly follow-up -- Barry, you had mentioned at the beginning about your business development team searching for some opportunities and you are getting excited about, but I didn't really get -- and I am taking that was outside of your core areas. Most of the discussion has been on the core, so is there anything you would like to add for what you all have been finding outside of your core areas?



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Barry Davis - *Crosstex Energy, LP - President & CEO*

Yes, Robert, let me just comment that, as we've said for about the last 18 months, we have been urgently focused on our core business and just really narrowing our focus. About three or four months ago, we -- and communicated this I think in the first-quarter call -- that we had allocated a certain amount of resources to begin to look outside of those areas and that we would look to take advantage of really the competencies and the experiences that we gained over the last several years in the emerging shale plays, primarily the Barnett Shale buildup that we have done since 2006 and in the Haynesville Shale. And that we would look to take advantage of that experience, the relationships that we have had with the producers. And what I would say really is a current capacity to go into an area and to really do a good job at providing services for the producers.

So those three things are what we are trying to use. You know where all of the activity is in the various shale plays, liquids-rich areas being today's focus. And I think it would be sufficient to say that that is where we are focused. We do see some areas that are more promising than others and so we are beginning to focus more specifically on certain areas, but I will not comment on what those areas are.

Robert Walker - *Chickasaw Capital - Analyst*

Okay. And then just kind of one other quick question. Bill, you had mentioned that you all don't anticipate being a taxpayer at XTEX for some time. But can you give any idea of the magnitude of -- I am guessing that's a tax loss carryforward still or can you describe that in a little bit more detail?

Bill Davis - *Crosstex Energy, LP - EVP & CFO*

Exactly, plus we have got accelerated depreciation for tax purposes associated with our capital investments there. So those combined provide us with shelter for the income taxes at Crosstex Energy Inc.

Robert Walker - *Chickasaw Capital - Analyst*

Okay, good. That's all for me, guys.

Operator

(Operator Instructions). At this time, I show we have no questions in queue. I would now like to turn the call back over to Mr. Barry Davis for any closing remarks.

Barry Davis - *Crosstex Energy, LP - President & CEO*

Thank you, Lacey and again, we would just like to thank you guys for joining the call today and for discussing with us our good second-quarter results. We also want to always thank you for your support and hope that we will talk to you soon. Have a great day and a great upcoming weekend. Thank you.

Operator

Thank you for your participation in today's conference. This concludes your presentation. You may now disconnect. Good day, everyone.



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