FINAL TRANSCRIPT

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Crosstex Energy second-quarter 2009 earnings conference call. My name is Marisol, and I'll be your operator for today. At this time, all participants are in a listen-only mode. We will be facilitating a question-and-answer session towards the end of the conference. (Operator Instructions). As a reminder, today's conference is being recorded for replay purposes.

I would now like to turn the presentation over to your host for today's call, Ms. Jill McMillan of Crosstex Energy. Please proceed.

Barry Davis - *Crosstex Energy - Chairman, President, and CEO*

Marisol, this is Barry Davis. Are you hearing us? We are not hearing Jill.

Operator

Yes, sir, I can hear you just fine.

Barry Davis - *Crosstex Energy - Chairman, President, and CEO*

Are we the only ones not hearing Jill, or is she not live?

Operator

Okay, just one moment, sir. Okay, Jill, you may proceed.

Jill McMillan - *Crosstex Energy - Manager of Public & Industry Affairs*

Thank you, Marisol, and good morning, everyone. Thank you for joining us today to discuss Crosstex second-quarter 2009 results. On the call today are Barry Davis, President and Chief Executive Officer; Bill Davis, Executive Vice President and Chief Financial Officer; and Bob Purgason, Executive Vice President and Chief Operating Officer.

Barry will begin our call with some brief introductory remarks and an overview of our second-quarter performance. Then Bill will discuss detailed financial results, and Bob will provide an operational update. Finally, Barry will briefly discuss the outlook for Crosstex. At the end of the call, Barry, Bill, and Bob will answer your questions.

Our second-quarter 2009 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.

As we begin this morning's call, 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. These statements include, but are not limited to, statements with respect to future financial performance and access to capital. Such statements are subject to a number of assumptions, risks, and uncertainties, many of which are beyond our control, which may cause our actual results to differ materially from those implied or expressed by the forward-looking statements.

We encourage you to carefully review and consider the cautionary statements and other disclosures made in our SEC filings, specifically those under the heading Risk Factors. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

I will now turn the call over to Barry Davis.

Barry Davis - *Crosstex Energy - Chairman, President, and CEO*

Thank you, Jill. Good morning, and thank you all for joining us on the call today to discuss our second-quarter results. As you know, during the last few quarters, Crosstex and other companies in the energy industry have faced significant challenges, including the collapse of the financial markets, the economic downturn, and a decrease in commodity prices and slowdown in US drilling activity.

We have faced these issues head-on with the plan that we laid out for you earlier in the year, which focuses on increasing liquidity, reducing leverage, and improving profitability. Today we will provide an update on our progress and the results we see from our efforts.

We have accomplished important steps to delever the Company, including the sale of our Mississippi, Alabama, and South Texas assets. We have significantly improved our operating results through margin enhancements, cost reductions, and operating efficiency. And we continue to grow our franchise assets in the Barnett Shale and the Haynesville Shale with high-return projects.

Our efforts, along with some help from improved processing economics, has significantly enhanced the outlook for our business, which you will see in our updated guidance that Bill Davis will discuss later in the call.

Let me begin with some highlights of the second quarter. The most significant event during the quarter was our announcement in June that we were selling our Mississippi, Alabama, and South Texas assets to Southcross Energy for $220 million. We closed the transaction yesterday.

We will use the proceeds from the sale to pay down approximately $212 million of the partnership's outstanding debt, which will satisfy the September and December 2009 targets for debt reductions, including in the recent amendments to our debt facilities.

Moving forward, we are actively exploring other asset sales that we believe are in the best interests of the Company and our stakeholders. But we will only complete additional sales if we believe the price is right.

During the second quarter, we saw liquids prices begin to improve. And as the economy improves, we expect natural gas liquids prices will benefit, as will natural gas prices. We also continued to see some strong drilling activity in the Haynesville Shale.

From a macro perspective, although gas prices remain depressed, last week was the first week that we did not see a decrease in the overall US rig count, which appears to be stabilizing.

We're also starting to see some improvement in capital markets. Credit spreads and yields on equity for the pipeline in midstream sector have improved, and we are encouraged that these general improvements will provide additional options to us as we execute our plan.

Turning now to our operating results, we had a solid second quarter. Adjusted cash flow was $57.8 million, [$3.3] million less than the prior-year period. However, we increased adjusted cash flow by approximately $6.3 million from the first quarter of 2009. We are generating this level of cash flow despite weighted-average natural gas liquids prices, which were less than half the level of prices in the second quarter of 2008.

We continue to have ample liquidity to run our business, with approximately $200 million under our revolver at the end of the quarter. We also ended the quarter at approximately 6 times debt to-EBITDA for over two terms under our bank covenant.

An important part of our plan has been to streamline our cost structure. We are pleased that we have reduced our year-to-date operating expenses and G&A significantly through the reallocations of operations staff, more efficient operating practices, and the realignment of the organization in connection with our completed asset sales.

We have made these tough decisions with a keen focus on balancing our short- and long-term objectives. We expect an additional $5 million net savings from cost reductions in 2009, above the aggressive level of savings we targeted in our previous guidance.

While we're focused on driving out costs and improving our capabilities, we can't simply cut expenses and get to where we want to go. We must also continue to grow.

We remain committed to investing in our most valuable assets in North Texas and Louisiana, where we're finding incremental expansion opportunities with very good returns. We are focused on taking advantage of these high-return opportunities, exemplified by the July completion of our fully subscribed 100-million-cubic-feet-a-day capacity expansion out of the Haynesville Shale.

As you know, capacity out of the Haynesville is in great demand given the high level of development there. We currently have capacity of 375 million cubic feet a day out of the area, and we are looking at projects that we believe will take this capacity to more than 0.5 Bcf a day, very soon. Bob will discuss this in more detail later in the call.

We have also increased revenues by adjusting fees to capture market rates for a variety of services and redirecting gas to alternative delivery points for higher margins. And we are seeing real improvements in our South Louisiana processing operations through effective cost control and plant efficiencies.

In conclusion, we are very pleased with our second-quarter results and the improved outlook for our business. We believe we have the right plan, and we're doing what we said we would do. Now let me turn the call over to Bill Davis, who will discuss our second-quarter results in detail.

Bill Davis - *Crosstex Energy - EVP and CFO*

Thanks, Barry. Good morning, everyone. As Barry stated, we're pleased with our second-quarter results and the overall progress we're making. While our EBITDA was slightly lower than in the 2008 quarter, this decrease is more than 100% attributable to the results of discontinued operations in 2008 versus 2009, including the sale of the Seminole plant.

In our continuing operations, which have been adjusted in the statements to pull out discontinued operations, the partnership's gross margin for the second quarter of 2009 increased to $92.3 million, compared with $91.7 million in the second quarter of 2008.

The partnership was able to maintain its gross margins even though second-quarter 2009 weighted-average natural gas liquids prices were less than half the levels obtained in the 2008 quarter. And processing volumes in the South Louisiana plants were 50% less than those achieved in the second quarter of 2008.

However, due to operational efficiencies identified by our team, the outlook for this business continues to improve. Bob will discuss more about this later.

As a result of the reduction in liquids prices and processing volumes, second-quarter 2009 processing margins declined by approximately $9.2 million compared with the second quarter 2008. This decline was offset by $7.5 million from greater throughput on the partnership's gathering and transmission systems, particularly in the Haynesville Shale and the Barnett Shale, and a $2.2 million increase in the treating segment's gross margin. The increase in treating was primarily due to increasing demand for equipment in the Haynesville area.

Depreciation and amortization expense increased by $4.6 million in the second quarter of 2009, to $33.7 million compared with the second quarter of 2008. This was due to the partnership's investments in North Texas and Louisiana.

Interest expense increased to $26.1 million in the second quarter of 2009, from $2 million in the second quarter of 2008, primarily due to the decrease in non-cash mark-to-market on interest rate swaps in the February 2009 amendments to our banking and loan agreements.

Second-quarter 2008 interest expense was impacted by $14 million in non-cash income-related interest rate swaps. So, for comparison, our cash interest expense is up about $7 million in the second quarter of 2009 relative to our second quarter 2008, excluding discontinued operations.

I am pleased to announce that we have raised guidance for 2009. The improved guidance reflects higher-than-expected North Texas volumes, significant margin improvements and robust activity in the Haynesville Shale, continued positive results from our treating segment, better-than-anticipated cost reductions, and an improved outlook for processing.

We now expect 2009 adjusted cash flow to be in the range of $200 million to $209 million, compared to the previous guidance of $167 million to $194 million, when adjusted for the impact of removing from the last five months' results our Mississippi, Alabama, and South Texas assets effective August 1. This effectively raises the lower end of adjusted cash flow guidance by $33 million.

We presented our guidance in the second-quarter earnings release by breaking the year into two parts -- pre-asset sale and post-asset sale. So there is a seven-month historical period and a five-month period of projected results. We did this in order to give a better feel for what our run rates are expected to be after the sale.

We also expect to invest approximately $100 million in growth capital in 2009, with approximately $45 million of that to be spent in the second five -- in the last five months of the year. Total maintenance capital expenditures are expected to be around $15 million this year.

As we see improvements in both the capital and the commodities markets, access to capital to fund our growth appears to be becoming more available. And our debt restructuring has given us significant time to let these improving trends develop as we've made progress on our strategic plan.

Further, natural gas liquids prices have firmed, and their outlook continues to get better. Natural gas prices remain relatively weak, which has negatively impacted drilling and our gathering and transmission business. However, the lower gas prices have improved our processing margins. Notwithstanding the low natural gas prices, as you've heard, drilling in the Haynesville Shale has remained robust.

As Barry mentioned and Bob will discuss further, from a strategic standpoint we're looking for more opportunities to increase North LIG capacity out of the Haynesville and help our producer customers move their gas to market. We've identified several low-cost, high-return opportunities that have enhanced or are expecting to enhance results in the Haynesville Shale.

In addition to the 100-million-cubic-feet-per-day expansion in July on North LIG, which brings total takeaway capacity to 375 million per day and adds $11 million in incremental margin at the capital cost of $46 million, we're in advanced stages of studying almost $35 million in new LIG projects that we will expect will generate very high returns.

Because of our geographic presence in the Haynesville, we have a number of low-cost, bolt-on opportunities to help producers get their gas to market. Based on our current forecast, we should be able to make these incremental investments with our existing cash flow and debt facilities.

As a result of the improving fundamentals and stronger financial markets, we are confident in our ability to execute our plan and meet our bank covenant requirements.

Assuming no access to new capital was a base-case scenario, we anticipate ending 2010 with more than $100 million available on our revolver. In the coming months, we'll focus on increasing this available liquidity by extending the maturities of our debt and deleveraging through business improvement, additional asset sales, and access to capital markets.

Briefly mentioning Crosstex Energy, Inc., it has a current cash balance of more than $10 million, which gives it sufficient liquidity for three to four years at current run rates with no distribution resumption.

Now I'll turn the call over to Bob, who will review our operations.

Bob Purgason - *Crosstex Energy - EVP and COO*

Thank you, Bill. I will review your operations and update you on second-quarter activities.

In the second quarter, we continued to see volume growth in North Texas, due to an inventory of wells that were drilled and completed in 2008 that connected and flowing in the second quarter 2009.

Second-quarter throughput on the North Texas pipeline was about 323,000 MMBtu's per day, up 7% from first quarter 2009. This increase was primarily attributable to an increase in deliveries to our new interconnect with Gulf Crossing, which began interim service during the second quarter.

Gulf Crossing was in full service effectively August 1st, and as a result, current volumes on the North Texas pipeline averaged approximately 340,000 MMBtu's per day. We anticipate total transport volumes on the North Texas pipeline will increase further throughout the year.

Natural gas processed in the second quarter 2009 averaged 235,000 MMBtu's per day, up 6% compared with first-quarter 2009 volumes.

The NGL curtailments that impacted us in 2008 are no longer affecting our liquids takeaway capabilities, and we are operating our North Texas processing plants at full recovery. A new NGL pipeline interconnect with ONEOK's Arbuckle line will be completed this quarter, increasing our liquids takeaway capacity and giving us access to improved product netbacks.

Our North Texas gathering systems continue to perform well. Second-quarter throughput was approximately 840,000 MMBtu's per day, an increase of about 4% over first quarter 2009.

Our second-quarter throughput on our North Johnson County Texas gathering system was 269,500 MMBtu's per day, up from 261,000 MMBtu's per day in the first quarter of 2009. Due to anticipated growth in this Johnson County area, we installed and completed construction of two large compressors that will allow the system to move up to 400,000 MMBtu's per day.

Now, we have seen producers further reduce their 2009 discretionary drilling. And in turn, they've continued to revise their drilling programs and well completion plans for the remainder of the year.

In mid-July, the natural gas rig count in the US dropped to 665 rigs, its lowest level since May 3rd, 2002. And as of early August, the rig count in the Barnett Shale was approximately 78 active rigs, less than half of the total rig count from a year ago.

But despite the decline in drilling activity, we have negotiated several new supply deals and restructured other deals and contracts. We anticipate that the deceleration will likely impact our overall 2009 operational results, and this has been factored into our new 2009 guidance.

We will continue to focus on optimizing our North Texas systems to provide top-quality, cost-effective services for all our producer customers. While some producers have reduced their discretionary drilling, we still see other producers who have significant capital programs to develop acreage in the area.

In fact, some new producers have acquired sizeable interest in the Barnett Shale this year, evidence that it remains a strong, stable, and desirable resource point. We, too, are continuing to invest in our North Texas systems and will continue to capitalize on strategic growth opportunities in the region.

In Louisiana, we own and operate LIG, the largest intrastate pipeline system in the state. We're focused on LIG because it is an extremely well-positioned asset, gives Crosstex an important strategic presence along the Gulf Coast, tying into significant gas resources onshore and offshore, and linking with interstate pipelines headed for markets in the Midwest and Northeast.

So I thought it would be worth a couple of extra minutes to trace the evolution of LIG, where we are today, and look quickly at where we believe LIG is going.

Since we acquired LIG in 2004, we have taken several actions to grow capacity from North Louisiana. First, in 2007, our Red River system, an expansion of our North LIG system, came online. This 72-mile pipeline expansion project created 240 million cubic foot of incremental system capacity and provided four new pipeline interconnects with Trunkline, ANR, Texas Gas, and Columbia Gas.

This enhanced LIG's connectivity with pipelines in the area and allowed us to further expand our header system capabilities. Before the initial flow day, we had commitments from producers to utilize all to capacity.

Now our LIG asset has been significantly enhanced by the development of the Haynesville Shale. Our pipelines run through the middle of what many believe is the best acreage in the play. We were able to quickly add 35 million cubic foot a day of incremental capacity out of this area to help meet the new demand in early 2008.

Second, we embarked on Phase 2 of the Red River pipeline expansion project late last year. This project became operational last month, and an additional 100 million cubic foot a day of incremental capacity came online. This will further enhance LIG's financial contribution in the remainder of the year. We have contracted long-term, firm transportation agreements with several parties that cover this additional capacity.

The full 375 million cubic foot per day of capacity on the Red River system is fully subscribed, and the overall LIG system is transporting nearly 1 Bcf per day. We saw strong volumes in the second quarter and continue to see them in third quarter, with increasing interest from producers for further expansions in the area.

Third, as Barry mentioned, we're working on an additional project that will provide approximately 70 million cubic foot a day of incremental capacity out of the Haynesville by year-end 2009.

And fourth, due to greater demand, we are working on a Phase 3 of the Red River pipeline expansion. This project should add another 75 million cubic foot a day of firm capacity, bringing the total capacity on the Red River system to approximately 0.5 Bcf a day.

This capacity costs less than $200 million -- will cost -- due to LIG's unique strategic location and great assets. We believe we have other expansions beyond those that are currently working on.

In southern Louisiana, we are continuing to see improved results due to operational improvements and improved processing margins in frac spreads. Our processing volumes increased 9%, from 630,000 MMBtu's per day in the first quarter of 2009, to 686,000 MMBtu's per day in the second quarter, reflecting production that was restored from last year's hurricanes.

A new operating mode at our Eunice plant has allowed us to optimize processed volumes and fuel consumption for higher-margin yields and better fuel efficiencies. Tight fractionation capacity at [Mont Bellevue] has also led to an increase in truck and rail business and improved fractionator volumes at the Riverside fractionator.

We will continue to look for solid, fee-based projects to add quality earnings to our South Louisiana assets and are encouraged by the prospect for future growth improvements. Several project evaluations are under way to bring additional value, particularly to the NGL segment of our South Louisiana business.

Now, turning briefly to treating, as Bill said, we continue to benefit from activity in the Haynesville Shale. We've worked hard to improve margins and install new clients, and we continue to see good margin increases and numerous growth opportunities for our treating assets, which are strategically located in shale plays and serve an increasing number of producer customers.

Now I'll turn the call back to Barry.

Barry Davis - *Crosstex Energy - Chairman, President, and CEO*

Thank you, Bob. As I said earlier, we're pleased with the second-quarter results, and most importantly, we're pleased that we are meeting the milestones we set for ourselves. We are managing the circumstances, activities, and events within our control, while focusing on our highest growth opportunities in the key regions where we operate.

Nearly a year ago, at the beginning of this challenging period for us, we emphasized that we would overcome the challenges because we have great assets, strong customer relationships, and a talented team of employees.

Looking to the future, our vision has not changed. Our goal remains to be a premier midstream energy services provider. We believe that, as market conditions improve, we will be well positioned to capitalize on our strategic and operational advantages.

We remain committed to the execution and delivery of our plan initiatives. Our ultimate goal is to restore distributions and dividends to our unitholders and shareholders, creating long-term value.

With that, I would like to turn the call back to Marisol to manage our question-and-answers, and Bob and Bill and myself will be available to answer any questions you may have.

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions). And our first question comes from the line of Sharon Lui from Wells Fargo. Please proceed.

Sharon Lui - *Wells Fargo - Analyst*

Hi, good morning.

Barry Davis - *Crosstex Energy - Chairman, President, and CEO*

Good morning, Sharon.

Sharon Lui - *Wells Fargo - Analyst*

Just wondering, what's the timing on the Red River expansion, and if you're looking for I guess maybe a JV partner to help finance the project?

Barry Davis - *Crosstex Energy - Chairman, President, and CEO*

Sharon, the expansions that we've outlined this morning are relatively small. In fact, the capital that we outlined was approximately $35 million of total capital expenditures. So that is not something -- as Bill said, we could manage that within our existing cash flow and debt facilities. So first of all, we would not be looking at partners on that.

Secondly, the timing is -- between now and year-end, a portion of it can be completed, and then a second phase would actually go into the first quarter of 2010, completed by the end of the first quarter.

Sharon Lui - *Wells Fargo - Analyst*

Okay, and would the economics look similar to your Phase 2 expansion?

Barry Davis - *Crosstex Energy - Chairman, President, and CEO*

Actually, similar at this point would be good. We're actually optimistic that it'll be slightly better than the multiples of cash flow, if you will, that you're seeing and what we communicated this morning.

Sharon Lui - *Wells Fargo - Analyst*

Okay. And I --

Barry Davis - *Crosstex Energy - Chairman, President, and CEO*

And we'll comment, as you know, Sharon, and we talked about on the call, that we do have larger opportunities for expansion out of the Haynesville. We're continuing to work those. We think we have the time to continue to work those as we project the volume growth. But that is not what we're speaking to, and that is -- would require alternative sources of financing under the current arrangement.

Sharon Lui - *Wells Fargo - Analyst*

Okay. I guess turning to your guidance, just wondering what is the volume assumption behind I guess the low end and high end of your guidance?

Bill Davis - *Crosstex Energy - EVP and CFO*

The volumes vary to the extent of about $4 million of the impact that you see between high end and low end. We've assumed in the low end that some volumes that we expect to get, particularly in North Texas, don't turn up.

Sharon Lui - *Wells Fargo - Analyst*

Okay. And maybe if you could just talk about the number of wells connect during the quarter. It looks like it's down from the first quarter. And if you expect I guess the pace to be similar to the second quarter for the balance of the year?

Bob Purgason - *Crosstex Energy - EVP and COO*

Yes. Sharon, the well connects have been benefited, as we said, by our existing inventory that we said coming into the year have already drilled wells. And we do expect that we just about used that up. And the eight or so rigs that we kind of anticipated our run rate on our acreage going forward in the Barnett is kind of what we expect to complete. But we built in that decrease in connections into our forward guidance here for 2009.

Sharon Lui - *Wells Fargo - Analyst*

Thank you.

Operator

And our next question comes from the line of Maggie Chwaleba from Raymond James. Please proceed.

Maggie Chwaleba - *Raymond James - Analyst*

Good morning.

Barry Davis - *Crosstex Energy - Chairman, President, and CEO*

Hi, Maggie.

Maggie Chwaleba - *Raymond James - Analyst*

Hi. I was wondering if you could give me the debt outstanding at the end of the quarter for both the revolver and senior notes. And regarding the paydowns, could you provide any progress you're making or expected to make by the end of the year?

Bill Davis - *Crosstex Energy - EVP and CFO*

Well, we haven't given any guidance on that for -- going through the end of the year. At the end of the quarter, our total debt outstanding was $1.3 billion, and the breakdown between the senior notes and the revolver is roughly $475 million on the senior notes in the balance and the revolver.

Maggie Chwaleba - *Raymond James - Analyst*

Okay, great. Thanks. And could you also help me understand a little bit about the drilling assumption in the guidance? In the opening comments, you mentioned that it was based on higher throughput volumes and that the Haynesville was pretty robust, but later mentioned that Barnett wasn't experiencing increased drilling. So are you saying that the Haynesville is offsetting the other declines?

Barry Davis - *Crosstex Energy - Chairman, President, and CEO*

Maggie, first of all, as you know and as we communicated in the numbers this morning, we've not seen declines. In fact, we've seen increases ranging from 3% to 5% across our North Texas system. Built into our guidance through the remaining of the year, we would have a slight decrease in the North Texas volume overall production. And as we look into the Haynesville, we actually have -- one of the key things to understand there is that we have a fully contracted Haynesville pipeline, and basically we're fully contracted with firm transport. So we're not at risk, if you will, for volumes of production in that important area.

So a slight decrease in the second half of 2009, and certainly we've got different views into 2010. And we haven't given you any guidance on that yet, but this is all dependent on where we see gas prices as the time evolves.

Maggie Chwaleba - *Raymond James - Analyst*

Okay. Thank you very much.

Operator

(Operator Instructions). And our next question comes from the line of John Edwards from Morgan Keegan. Please proceed.

John Edwards - *Morgan Keegan & Co. - Analyst*

Yes, good morning, everybody.

Barry Davis - *Crosstex Energy - Chairman, President, and CEO*

Good morning, John.

Bill Davis - *Crosstex Energy - EVP and CFO*

Hi, John.

John Edwards - *Morgan Keegan & Co. - Analyst*

Can you comment on hedges?

Bill Davis - *Crosstex Energy - EVP and CFO*

Sure. Do you have a specific question?

John Edwards - *Morgan Keegan & Co. - Analyst*

2009, 2010, what your -- I guess what the mix is relative -- how much -- what the percentage total, if you will, that you've hedged.

Bill Davis - *Crosstex Energy - EVP and CFO*

Right. Well, our 10-Q, which will be filed this morning, has the exact detail on all of our hedge positions outstanding. But I can tell you that as it relates to 2009 right now, we basically consider ourselves fully hedged. And that's just based on the ratios that we allow ourselves to hedge against, where the assets are located, and what type of production, and how committed it to us and so forth. So we're basically fully hedged on both our processing margin and our BOL pertaining to liquids volumes.

As it relates to 2010, at this point in time we have a very limited hedge position as it relates to the BOL volumes. I think we've hedged about 2% of what we'd expect to have hedged -- 2% of our total hedgeable volumes in 2010 against a target that would probably average around 60% total hedge. So we haven't done a lot of hedging on our BOLs for 2010 yet.

As it relates to our processing margin hedges in 2010, we've actually hedged about a quarter of the total that we would have hedged if we were able to fully -- if we were to be fully hedged on those, and that's unusual. We don't normally hedge processing margins out that far because of the normal shape of the curve of liquids versus gas. But lately we've seen those curves get a little abnormal, and so we went ahead and locked in some processing margins above and beyond what we'd normally be able to do for 2010.

Those were done subsequent to the second quarter, so you won't be able to see those numbers in that second-quarter filing. But we would anticipate adding to that position during the rest of the year if the shape of those curves continues to reflect what it's reflected lately.

John Edwards - *Morgan Keegan & Co. - Analyst*

Okay. And then on the debt outstanding of -- I assume, pro forma for the asset sale, you'd be at $1.1 billion?

Bill Davis - *Crosstex Energy - EVP and CFO*

Right.

John Edwards - *Morgan Keegan & Co. - Analyst*

Okay. And I'm just curious. You mentioned the number of rigs, I think, in the North Texas at 78. In terms of discussions with producers, are you getting any sense for when they're expected to bring more rigs back online?

Bob Purgason - *Crosstex Energy - EVP and COO*

John, I think everybody's waiting to see what happens after this storage season and winter begins. So I really don't expect much clarity there till the beginning of 2010.

Barry Davis - *Crosstex Energy - Chairman, President, and CEO*

John, one of the things I would add -- we have just recently given all of the changes of late -- the changes in the drilling rig, producers' perspectives, etc. -- we've updated our view of the Barnett Shale through engineering reports and studies done by outside parties. And one of the things that we are very encouraged by is that the Barnett has done nothing but continue to get better. We believe that the resources there -- I think everybody in the industry does -- we believe the drilling will be there. It's simply a matter of when the capital markets return and the gas price returns.

So I think that's something that we have emphasized all along is just the quality assets, the strategic position. In fact, when you look at where the gas is being produced today and where it will be produced in the future, we could not be positioned any better in the Barnett Shale. Access to future production -- and so it's just a question of timing, not a question of quality, and we remain optimistic because of that.

John Edwards - *Morgan Keegan & Co. - Analyst*

Do you know what gas price that has to be achieved before you expect additional deployment?

Bill Davis - *Crosstex Energy - EVP and CFO*

I don't know if it's just a function of gas price, John. I think it's, as much as anything else, a function of capital availability and other capital commitments that producers have. I don't know that there's a bright line you can create with a gas price above and below $5, for example.

John Edwards - *Morgan Keegan & Co. - Analyst*

Okay. And then the guidance that you're giving, how does that factor into these opportunities you've pointed out here with the Red River expansion? And I think you had the other small 70-Mcf-per-day expansion. Is that factored into that, or is that incremental?

Bill Davis - *Crosstex Energy - EVP and CFO*

No, those aren't expected to flow gas in 2009. One of the projects, as Barry mentioned, should commence operation right about year-end 2009. The other, assuming we do it, which we expect we would, probably begins operation at the end of the first quarter of 2010.

John Edwards - *Morgan Keegan & Co. - Analyst*

Okay, great. Thank you very much.

Barry Davis - *Crosstex Energy - Chairman, President, and CEO*

Thank you, John.

Operator

(Operator Instructions). And I show no further questions in the queue at this time. I'd like to turn the presentation over to Mr. Barry Davis for any closing remarks.

Barry Davis - *Crosstex Energy - Chairman, President, and CEO*

Marisol, thank you for handling that, and, again, to all of you on the call, we thank you for calling in this morning. And, again, we're very pleased to be able to give you the report that we have. We look forward to continuing to execute on the plan that we have outlined for you and continuing to deliver great results. We look forward to any questions that you may have in the future, so talk to you soon. Have a great day.

Operator

Thank you for your participation in today's conference. This concludes today's presentation. You may now disconnect, and have a great day.
