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## PRESENTATION

**Operator**

Good day, ladies and gentlemen, and welcome to the Q4 Crosstex Energy earnings conference call. My name is Matt 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 toward the end of this conference. (Operator Instructions). As a reminder, this call is being recorded for replay purposes. And now I would like to turn the call over to Jill McMillan, Director of Public and Industry Affairs. Please proceed, ma'am.

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

Thank you, Matt, and good morning, everyone. Thank you for joining us today to discuss Crosstex's fourth-quarter and full-year 2012 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 fourth-quarter and full-year 2012 earnings release yesterday evening and the 10-K was filed this morning. For those of you who 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 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.

Today we will also discuss our reconciliations of certain non-GAAP items to their GAAP equivalents. We encourage you to review the cautionary statements and other disclosures made in our SEC filings, specifically those under the heading Risk Factors.

Before I hand off the call to Barry, I want to mention that we hosted our analyst conference in January in Fort Worth. We had a great turnout, but for those of you who didn't or couldn't attend, or for those of you who attended and would like a refresher, a replay of the conference is available either on our website or via phone until April 23. Please visit our website or contact me for additional information. 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 on the call today. In 2012 we did what we said we would do and executed our strategy and accomplished our primary objectives. We had solid financial performance from our existing asset base and maintained our strong balance sheet. We also significantly expanded our scale and diversity geographically and by product.

We are in the middle of executing our $1 billion growth plan that we initiated in 2012 and will complete the defined projects in 2014, considerably expanding our platform. These projects when completed will contribute more than $150 million in new EBITDA, representing more than 70% of EBITDA before these investments.

We are excited about what lies ahead. With this growth Crosstex spans the energy value chain in a robust dynamic energy market environment. Development of the Shale plays that began some 10 years ago was the catalyst for today's industry activity that is now concentrated in rich gas and crude oil plays.

As commodity supply grows and we continue to see a major shift from the traditional areas of gas supply to new more liquids rich resources we will see a re-piping of America with approximately $10 billion in new infrastructure expected to be invested annually over the next 25 years.

These circumstances give us the opportunity to continue creating greater scale and diversity so we can provide our customers with the tailored solutions they need and our shareholders with a growing and more stable and predictable cash flow.

Crosstex is ideally situated to capitalize on and benefit from this exceptional market environment for several reasons. First, we have the right platform. Our assets are strategically located in six of the top US Shale resource plays. We are ideally structured as a Master Limited Partnership with a C-Corp general partner.

And given the size of our businesses a relatively small investment can have a greater impact on both our partnership and our general partner. This will help us deliver the top-tier distribution and dividend growth that we expect.

Second, we have the right opportunities to deliver transformative growth. We are focusing on fee-based projects that give us both geographic and pipe product diversity. We have more than $1 billion of major projects that we initiated in 2012 and will be completed in 2014. They will increase our fee-based business and extend our reach across the natural gas, NGL and crude oil sectors.

These projects include the development of our own Ohio River Valley assets, our joint venture with Apache in the Permian basin, phases one and two of our crude oil terminal development at Riverside, and our Cajun Sibon pipeline and fractionation expansion project.

Each of these projects, when they are completed and operational, will help us diversify our overall business with approximately 50% of our margin coming from the services provided for crude, condensate and NGLs and 50% from natural gas services. In addition, these projects will significantly increase our fee-based business as substantially all of the $1 billion plus of investment is supported by long-term fee-based contracts. So far for 2013 and beyond we estimate more than 85% of our gross operating margin will be derived from fee-based business.

Third, we have the right people. Our management team averages more than 25 years of industry experience and each of the individuals who are operating our assets have been working in the industry for about 20 years and have operated the assets that we've built or acquired for most of that time. We have 750 talented employees who have a strong sense of ownership inspired by a strong company culture that encourages everyone to help execute our plan and drive positive results.

And finally, it's the right time to and best in Crosstex as we continue to transform our Company into a larger, more diversified fee-based Midstream provider. We are confident in our favorable long-term growth outlook.

Now briefly looking at our 2012 financials, we had good solid results and exited the year with strong increases in our distribution and dividend rates compared with 2011. Our realized adjusted EBITDA was $214 million which was within the range of our original guidance provided at the beginning of the year.

I am proud to say we achieved this financial performance despite the dramatic downturn in commodity prices. We were able to offset this headwind with good performance from our fee-based growth projects.

Looking ahead, as the operations associated with the Cajun Sibon expansion and other projects come online this year, we currently project we will exit 2013 with a distribution growth rate of about 15% and a dividend growth rate of about 42%. These rates are at the midpoint of our guidance.

In summary, we are pleased with our performance and confident in our future. We are positioned in the right energy market and we have the right platform, the right opportunities and the right people to deliver transformative growth and now is the right time to invest in Crosstex. Now I will turn the call over to Mike Garberding who will discuss our fourth-quarter and full-year 2012 results in more detail.

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

Good morning. As Barry mentioned, we believe we are well positioned with the right platform and the right opportunities. I will frame my comments in the context of these items. Let's start with our platform.

The base business continues to produce solid results. However, we continue to see the headwinds of a weak commodity market. NGL prices are lower than what we saw in the first half of 2012 especially the light end products. Our weighted-average liquid price for the quarter dropped around $1.02 a gallon while the natural gas liquids to gas price ratio was around 300%, a decrease from the third quarter of 2012.

Ethane remained at around 34% of the weighted average liquid barrel during the fourth quarter due to the weakness in ethane pricing. As Berry mentioned, the only way to offset commodity exposure is through developing fee-based projects, which has been our focus.

Now turning to the fourth-quarter 2012 financial results, the partnership realized adjusted EBITDA of $51.7 million, a decrease of approximately 6% from the third-quarter adjusted EBITDA of $55.2 million. The fourth quarter was impacted by $1.6 million of transaction expenses, costs associated with the valuation of potential acquisitions and other business development expenses. However, as we have previously projected, we still ended 2012 with adjusted EBITDA of $214.1 million.

Gross operating margin for the fourth quarter 2012 was $104 million, an increase of $4.2 million or approximately 4% from the third quarter of 2012. This improvement was driven by a digital margin from our Ohio River Valley assets and increased NGL and fractionation marketing activities which were partially offset by reduced processing margin and the impact of the sinkhole that formed near Bayou Corne, Louisiana.

The large increase in depreciation for the quarter is related to the acceleration of the remaining nonrecoverable costs associated with the Sabine plant which is no longer in operation.

Distributable cash flows were $26.7 million for the fourth quarter 2012, virtually flat versus the third quarter. With distributions remaining at $0.33 per unit the distribution coverage ratio was approximately 0.96 times for the fourth quarter and 1.11 times for the entire year. We feel very good about this coverage given the large contribution from fee-based operations and the inclusion of 11.3 million units from the January equity offering.

Now I will turn to the right opportunities. Capital expenditures for 2012 were approximately $502 million including the acquisition of the ORV assets, investments in Howard Energy Partners and maintenance capital expenditures. Growth capital expenditures were focused mainly on Cajun Sibon phases one and two as well as Riverside phase two, all of which are under construction today.

Through year end we had spent approximately $150 million on the Cajun Sibon projects. These growth projects will continue to transform the business further increasing product diversity and fee-based margin.

As we mentioned, approximately 80% of our gross operating margin in the fourth quarter was derived from fee-based gathering and processing business compared with approximately 70% just a year ago. We believe this is the most effective way to manage commodity exposure.

We continue to hedge the remaining commodity exposure of the business. To date we have hedged approximately 42% of our total percent of liquids volumes and 6% of our total processing margin volumes for 2013. Just to remind you, we only hedge contracted volumes that we know are coming to us. This is why we have such a low percentage of processing margin volumes hedged.

Also, we only use product specific hedges in a forward liquids market. I will remind you that only 15% of our 2013 gross operating margin exposed to commodity price risk and we have hedged a portion of that exposure.

So what does this mean for us given the current commodity environment? If you assume that the current commodity market remains at this same level fall of 2013, no additional commodity opportunities are executed and no operating expenses are reduced, we could have 2013 exposure of approximately $3 million on percent of liquids volumes and approximately $7 million on processing margin volumes.

Given that current prices of ethane and propane, the commodity market seems to be at a very low level today. However, the low prices did not impact the increased truck and rail business we have seen in the last half of 2012 as liquids need to find a home. Bill will talk more about this later.

From a balance sheet perspective we continue to maintain our strong liquidity position. We currently have only $10 million funded under our $635 million credit facility. We ended the quarter with debt to EBITDA of 4.19 times; however, pro forma for the January 2013 equity raise our debt to EBITDA would have been 3.8 times.

We expect our debt to EBITDA to trend up during construction of the Cajun Sibon pipeline expansion, which we have taken into consideration with our current bank covenants of 5.5 times for 2013. We expect deleveraging as Riverside phase two and the Cajun Sibon phase one come online in mid-2013, earnings from Ohio River Valley continue to grow and Cajun Sibon phase two comes online in the second half of 2014.

Turning briefly to Crosstex Energy, Inc., the corporation had a cash balance at the end of 2012 of approximately $2.8 million which will continue to grow as a portion of the distribution it receives each quarter is added to the cash balance. As we have said, we don't currently envision the Corporation will pay any significant income taxes in the near future. Now Bill will update you on our growth projects and operations.

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

Good morning. Before I review our growth projects and asset performance I will remind you of what Barry said earlier, that the key components of our business strategy are to develop our scale and diversity of fee-based cash flows from a variety of products in different geographic regions.

We expect the fee-based crude and NGL businesses we are building now will bolster our results significantly during this period of low natural gas prices and processing margins. Our goal is to have a balanced product offering during the ups and downs of the energy business cycles that we know will continue. We anticipate more than 85% of our gross operating margin in 2013 will be derived from fee-based businesses and approximately 50% will come from crude and NGL activities by the end of 2013.

I will begin our asset performance review with or PNGL business. This business is exciting because we are transforming what started out as a declining straddle plant processing offshore natural gas to a fast-growing NGL focused business unit with multiple growth opportunities.

Lower NGL prices and corresponding frac spreads negatively impacted processing results for 2012 for this unit and will continue to reduce this business unit's results for 2013. However, market demand for NGL rail, truck handling and fractionation continues to grow. Our aggregate volumes for truck and rail NGL imports are running at approximately 12,000 to 13,000 barrels per day at this time.

Bolstering our processing, Miocene production from state and near shore federal waters in the Gulf of Mexico is driving new fee-based volumes at our Pelican gas processing complex. We're currently processing approximately 145 million cubic feet per day of Atchafalaya Bay or Miocene gas production from the shallow water areas. We are projecting growth of this production during 2013 as additional wells come online. We will also refer to the Miocene potential in association with LIG a little later on.

Turning to our major growth projects, construction on Cajun Sibon one and two is well underway. We expect phase one, which includes building the pipeline and expanding the Eunice fractionation plant, to be operating at full capacity in mid-2013. As part of phase two we will expand the pipeline capacity from Mont Belvieu by 50,000 barrels per day of raw make NGL for a total pipeline capacity of 120,000 barrels per day and at a new 100,000 per day fractionator at Plaquemine.

This expansion is supported by a 10-year sales agreement for ethane and propane with Dow Hydrocarbons. We expect this expansion will be completed in the second half of 2014. The combined adjusted EBITDA run rate contribution from both phases is expected to between $115 million and $130 million per year.

Phases one and two of our fee-based crude terminal at our Riverside fractionator are underway. In 2012 we completed phase one of Riverside's modification for transloading crude oil from rail cars to barges, which gave us a daily capacity to move 4,000 barrels of crude at Riverside. We've begun construction of phase two which will increase our capacity to approximately 15,000 barrels per day. Phase two will be operational in the middle of this year.

We have entered into a long-term take or pay agreement that supports phase two's $16 million capital expansion. We expect the combined average annual fee-based cash flow for both phases will be approximately $10 million per year.

Now I will move on to our assets in the Ohio River Valley, which give us a tremendous growth platform in the crude, condensate, and brine logistics businesses in the Utica and Marcellus Shale plays.

Producer activity continues to be high around our existing assets with approximately 90 rigs drilling within 100 miles of our operations. In the Utica specifically cumulative horizontal drilling permits climbed to 529 wells with 242 wells drilled. Although only about 60 of these wells are producing, we anticipate many more to be put online during the first half of 2013 as the much needed gas gathering and processing infrastructure in the region becomes operational.

E&P companies are focused on the Utica's rich gas window as they delineate the play. The wells in this part of the play produce large condensate volumes as well as high natural gas and high natural gas liquids volumes. We are focused on increasing our condensate volumes and expanding our brine logistics business to capture immediate opportunities in the Utica and Marcellus.

We are continuing to develop our crude and condensate system at our rail and barge terminals and add to our truck fleet and our driver team. Our market [outlooks] at our Black Run rail terminal and our Bells Run barge terminal on the Ohio River continue to generate great attention in the region. We are also investigating other services in the area including gas gathering and processing and NGL takeaway solutions.

Our brine logistics business achieved record disposal rates in the fourth quarter of 2012 and we are moving forward with adding brine disposal capacity. We are excited about the potential of the Utica and maintain close relationships with producers to ensure we are supporting their development activities through the delivery of effective crude, condensate and brine handling services.

In February we completed the sale of three local distribution companies that we acquired as part of the Clearfield transaction. These were carried on our financials as discontinued operations since the date of the acquisition. We were pleased to be able to quickly complete the sale of these assets for $20 million.

In the Haynesville we are encouraged by recent announcements by large producers of increasing drilling activity in the play this year. In the South we also had exposure to several developing plays including the Austin Chalk, the Tuscaloosa Marine Shale and the Miocene Willcox which could provide great additional transportation, processing and fractionation volumes for us at both our LIG and PNGL facilities.

We continue to monitor producer activities in these newer plays for liquids rich production opportunities that will benefit our LIG pipeline system. Offshore and near onshore we think there is great potential for new production from the deep Miocene Willcox formation that will require processing by our PNGL business, as we mentioned earlier, as well as transport and processing on LIG. We're strategically positioned to take advantage of this production.

LIG's gathering and transmission volumes declined approximately 14% in 2012 compared with 2011, primarily the result of low gas prices, the weaker processing (inaudible) environment and the service interruption on our 36-inch DOE pipeline caused by the sinkhole near Bayou Corne. The sinkhole continues to impact gathering and transmission volumes which is reducing our supply to river markets. We expect this to continue until we can restore service on this system in the third quarter of 2013.

As you have read, the current low gas prices are providing a great incentive for the industrial markets to grow in this region and we are capturing our share of this growth. This reflects the flexibility and reach of LIG in the state of Louisiana. Specifically [new] methanol, fertilizer and PetChem activity are driving new market growth for LIG.

Moving to North Texas on the Barnett Shale, gathering and transmission volumes during 2012 were about 3% higher than during 2011 and we've actually seen volumes grow since the beginning of 2013 even though we projected in our guidance an approximately 10% volume decline this year compared with 2012.

There currently are 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 will have an excellent opportunity to compete for that gas as it is developed. Producers continue to drill primarily for rich gas and so our processing plants remain full because of the steady rich gas drilling and the new wells have production rates that were better than we forecasted.

Moving left to the Permian basin and our joint venture with Apache Corporation, the Deadwood cryogenics plant remains full. Volumes are currently running at about 158 million cubic feet per day which is ahead of plan. We're continuing discussions with producers regarding additional gathering and processing business and are evaluating the development of crude oil gathering infrastructure in the area. With almost 500 rigs active in the basin and our existing position with Deadwood and Mesquite, we are confident of our future growth in the area.

In South Texas we continue to be pleased with our investment in Howard Energy Partners which currently amounts to approximately $95 million. We are beginning construction on the new 200 million cubic feet per day Reveille cryogenic gas processing plant that will tie into the Meritage pipeline system acquired in Webb County last year.

The plant is scheduled for start up in early 2014. The total growth capital budget for Howard in 2013 is approximately $100 million with a long list of additional opportunities currently being discovered. Now I will give the call back to Barry.

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

Thank you, Bill. I would like to close our final formal remarks by emphasizing that we are achieving our growth plan. We have done and will continue to do an outstanding job of transforming the business so that we become a larger more diversified fee-based Midstream company. We have the right platform, the right opportunities and the right people in the right energy market for continued success.

It is the right time to invest in Crosstex as we continue to carry out the Company's transformation. Now I will turn the call back to the operator and Bill, Mike and I will be happy to answer any questions that you may have.

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## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions). Paul Jacob, Raymond James.

**Paul Jacob** - *Raymond James - Analyst*

Recognize the additional $1 billion of projects under review, have any of those projects perhaps moved from preliminary consideration to a more firm backlog position at this point?

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

Paul, this is Barry. We are excited about the opportunities that we see. And as we have communicated to you in previous communications, we believe that those opportunities are the result of the expanding platform that we have in all of our six different operating regions.

We would say we are continuing to see really good traction on those projects and making good progress. However, we are not at a point yet, primarily for competitive reasons, that we are able to communicate any details around those projects. We do think in the near future we will be in that position on a couple of projects. So we look forward to communicating with you about those in the coming days.

**Paul Jacob** - *Raymond James - Analyst*

Okay, that is helpful. And then in terms of Cajun phase two, when you say that that is underway, does that largely involve engineering and design at this point? Are you already in the process of securing material and right-of-way on that project?

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

Oh, we are very involved in it at this point in time. We have ordered long lead equipment, specifically the fractionator that is going into Plaquemine, and we've got right-of-way work underway very active in all the various permitting activity. So there is a lot of work underway at this point in time.

**Paul Jacob** - *Raymond James - Analyst*

Okay, that's helpful. And then last question for me is on PNGL -- I mean recognizing the fact that you guys are benefiting from some of the recent growth in offshore activity there, and looking forward you see a ramp there, how do you think that plays out? And can you quantify the volumes that you might see in 2012 and the growth you might see there based on that increased production activity?

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

Well, I think the growth out of the Miocene is -- you could probably say the sky is the limit when you talk about the resource potential that the producers are identifying there. In terms of the specific area that we have got flowing into our Pelican plant right now, we expect to see that volume essentially double over the course of the next 12 months.

But we are looking at another of other production areas or development areas where producers are experimenting with trying to complete their wells and haven't yet successfully accomplished that, that could tie into another -- a number of additional points into our systems.

**Paul Jacob** - *Raymond James - Analyst*

Okay, thank you so much.

**Operator**

T.J. Schultz, RBC Capital.

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**T.J. Schultz** - *RBC Capital Markets - Analyst*

I guess just first on some of the condensate opportunities in the ORV, you all have talked before about the complexity in capturing or gathering and handling the condensate there and producers kind of looking to you all to handle some of that. I'm just kind of looking for any update or comment on how some of those conversations continue to develop.

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

Yes, T.J., we are excited about the condensate opportunity that we see in Ohio and overall the activity that we see in the Utica is what we thought it would be. It is a tremendous play, activity levels are accelerating. The current activity is concentrated in what has become the heart of the rich gas condensate and natural gas liquids part of the play. So condensate is a big part of it.

We are well-positioned; we are moving first barrels through our trucking operation up there. We are actively negotiating with producers about condensate stabilization facilities and fully expect to be able to establish some key asset positions there for condensate handling. We then will take it to markets that we have served locally, the local refiners. We have had long established relationships.

We believe we will be the first providers of this condensate into those local markets as well as beginning to develop markets outside the region via rail and barge. So we think it's going to be a great opportunity. We are well-positioned to provide those services and are seeing good acceleration of the production right in front of us.

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**T.J. Schultz** - *RBC Capital Markets - Analyst*

Okay, how much growth capital are you allocating to the ORV this year? I'm just trying to get my arms around how quickly that business could ramp for you all kind of versus your initial transaction multiples.

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

Let me say generally, T.J., we still believe that the plan that we laid out, which was on top of the $210 million acquisition we had some very near-term expansions of the rail, expansions of the barge and other optimization, if you will, of those assets. We expected to do about $50 million in near-term investment that would drive cash flows from what was a low $20 million run rate to something in the neighborhood of $50 million run rate. We are on track for that.

That is playing out the way that we expected. On top of that we see an incremental investment opportunity that we think could be far above that $50 million. And hopefully in the very new future we will be able to communicate to you on some projects that would be on top of that initial $50 million. Now Mike can give you some details around what is in the plan for 2013.

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

Yes, T.J., so it is just right about half of the $50 million Barry mentioned that is expected during 2013.

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**T.J. Schultz** - *RBC Capital Markets - Analyst*

Okay, thanks. Just shifting gears I guess to the Permian, kind of your visibility on needs for additional processing and what timing could look like on that decision. And maybe if you could kind of expand on what the potential would be to build the relationship there that you already have with Apache?

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

Yes, we are obviously in daily conversation with Apache as well as in constant contact with a number of other producers who are looking at their needs for additional gathering and processing infrastructure -- both gathering -- gas gathering as well as potential crude oil gathering into our Mesquite facility. So we have got lots of those conversations going on.

For competitive reasons we won't get into the details of timing and the status of those discussions, but we are very optimistic given the level of activity in the area and our position with our assets that we've got good exposure to lots of growth opportunities out there.

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**T.J. Schultz** - *RBC Capital Markets - Analyst*

Okay, where are you -- at Mesquite where are you now kind of with crude loading capabilities and is there any color you can provide on how that expands or evolves this year?

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

Yes, we are currently handling -- I will include NGLs in the answer there. We are currently moving on a transload basis from truck to rail about 1,200 barrels a day of NGLs at Mesquite and a couple hundred barrels a day of crude. We think we can expand both of those businesses significantly and are working on deals to support a small amount of capital to make those expansions happen.

So as we see the liquid lines from West Texas come into service, as you will recall, we had projected that the Mesquite end of life would happen about the midpoint of this year at the time we acquired it. But given the level of activity that we currently have at the facility for transloading and our visibility to grow from that business, we are confident that we will continue to see volumes grow through that facility over the rest of this year.

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**T.J. Schultz** - *RBC Capital Markets - Analyst*

Okay, good. I will leave it there, thanks.

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**Operator**

John Edwards, Credit Suisse.

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**John Edwards** - *Credit Suisse - Analyst*

Just -- you were mentioning in your remarks North Texas volumes are tracking a little bit better than expected. And maybe if you could give a little more detail on what you think is going on there.

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

Well, I think the activity that we are seeing there is activity that the team creates by providing producers with optionality at various points in time and providing the service that we provide. And so we see producers, for example, going into a particular facility, get shut in at that facility and so they are looking for an alternative and we are available to provide those kinds of alternatives. So it is just paying attention to the business every day and taking advantage of opportunities as they develop.

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**John Edwards** - *Credit Suisse - Analyst*

Okay so it's not necessarily a change in your view of the overall trend then?

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

Well, we haven't updated our guidance or changed any of that at this point in time. We will see how things continue to play out over the course of the year. The drilling activity remains low and so the underlying trend is still there. How long we can continue to offset it with all this additional activity will remain to be seen.

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**John Edwards** - *Credit Suisse - Analyst*

Okay, that's helpful. And then I thought maybe you could perhaps comment a little bit on the brine disposal growth possibilities?

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

Yes, John, this is an area that has been a positive for us in Ohio. We have seen more brine volumes to date than what we anticipated. And as a result we have already drilled a first brine saltwater disposal well that was completed near year end or actually in October. We have begun a second additional well that is almost completed now. So we are continuing to expand our capacity to handle this volume and we think it is a nice addition to the business.

From a margin perspective it looks essentially the same to us as our handling -- our logistics handling of crude or condensate. It is essentially moved with our trucking operation and our pipe operation there and then injected into our saltwater disposal wells. So it has been a nice business for us.

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**John Edwards** - *Credit Suisse - Analyst*

Okay, great. That is helpful. And then just last question for me is can you remind us the impact financially of the sinkhole, how that is impacting you? I seem to remember it was fairly benign but just could you remind us on that?

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

Yes, John, this is Mike. If you remember when we talked about the sinkhole impact, we said it was around $250,000 a month impact to us. And again, we are working each day to mitigate that impact and have still continued to do that.

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**John Edwards** - *Credit Suisse - Analyst*

Okay, and then when do you think -- remind us again when you think that will be resolved?

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

We project it to be all resolved in the third quarter of this year.

**John Edwards** - *Credit Suisse - Analyst*

Okay, great. All right, thank you. That is all for me, thank you.

**Operator**

Sharon Lui, Wells Fargo.

**Sharon Lui** - *Wells Fargo Securities - Analyst*

I'm just wondering if you can talk about if you experienced any ethane rejection in any of the facilities in Q4 and how that -- I guess if you have any assumptions around ethane rejection baked into your guidance for this year.

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

Well, I think people are rejecting ethane as best they can given whatever their Btu specs are on the residue gas or their plant capabilities. It really doesn't have any significant impact on us because of the fee-based nature of our contracts. It does affect the spec of the product that we get into the fractionators by lowering the ethane content a little bit, but that is really not a material impact. We are running about as full as we can be.

**Sharon Lui** - *Wells Fargo Securities - Analyst*

Okay.

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

To be clear, Sharon, the impact of ethane rejection is reflected in our current forecast. And as Mike summarized in his prepared remarks, the downside that we see, it really results in opportunity processing that isn't being done.

**Sharon Lui** - *Wells Fargo Securities - Analyst*

Okay, all right. And perhaps if you can provide an update on the LPG export opportunities? Have you seen I guess a change in support or in vision, perhaps a change in the scope of the project given some of the recent expansion announcements in the market?

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

Sharon, there is no change to our project. And again, we believe that that is an opportunity that is the result of our expanded platform in South Louisiana and the volume of product that we are handling. Also I would say it is potentially a relationship opportunity we have with some key customers down there that control key assets. It could lead to the export opportunity.

So, no, the projects that we have heard announced don't diminish the possibility of our project. We think that there is still a very dynamic market evolving and we don't really know how much of the natural gas liquids, for example, that are going to come out of the Marcellus and Utica that will ultimately end up in the Gulf Coast and will be looking for markets that could potentially be the international market.

So we are still optimistic about that project. But I will -- as I said previously, it is in the early stages and something that we are still spending time on.

**Sharon Lui** - *Wells Fargo Securities - Analyst*

Thank you for the color.

**Operator**

(Operator Instructions). James Jampel, HITE.

**James Jampel** - *HITE Hedge Asset Management - Analyst*

You mentioned something in the opening remarks about costs related to evaluating acquisitions. Did I hear that right?

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

That is correct, James.

**James Jampel** - *HITE Hedge Asset Management - Analyst*

And so, what kinds of acquisitions are you looking at and what are your general comments on the acquisition market?

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

Yes, James, I will just remind you of our overall objective over the last several years has been to increase our scale and diversity of our assets. And as we went into the beginning of last year we felt like the M&A market could be a part of that. And so throughout 2012 we did pursue various opportunities that could have established another key asset or strategic position for us.

We continue to do that today, but I will tell you that given the $1 billion of current defined growth projects and a very strong backlog or visibility to projects beyond that we believe that we can be very selective.

Obviously for us to have spent money in 2012 we got pretty far along in more than one transaction and ultimately chose not to do those transactions primarily because of the selectivity and it is -- we don't have to do it. So we will continue to be active looking to continue to increase our scale and diversity of assets.

**James Jampel** - *HITE Hedge Asset Management - Analyst*

Does the environment look any more favorable for 2013 than it did in 2012 on this front?

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

I would say year-to-date 2013 looks a whole lot like 2012 in terms of we think there will be a strong supply of M&A opportunities. There seems to be a number of assets that are either in the market or will be coming to market. But what we would like to see different is a little more attractive market in terms of valuations for acquisitions.

And so, that continues also to look the same. And we are watching closely to see if that changes in the transactions that may come about in the near future.

**James Jampel** - *HITE Hedge Asset Management - Analyst*

Okay, thank you.

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

I will just remind James and say it again, we like where we are in terms of the growth that we can achieve through our organic bolt-on and expansions of our existing platforms. We will be very strategic as we look at other opportunities and we will be in the market to make sure we don't miss an opportunity that might fit the needle.

**Operator**

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

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

Thank you, Matt. I want to quickly remind you that our vision for 2013 remains unchanged; we are on target to become the best Midstream energy solutions provider in the industry. We are right -- in the right energy market, we have the right platform, the right opportunities and the right people and I am confident we will realize our vision.

Thanks again for participating in the call today and we hope each of you have a great weekend. Talk to you soon.

**Operator**

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