

# Crosstex Reports Third Quarter Results

11.08.05

DALLAS, Nov. 8 /PRNewswire-FirstCall/ -- The Crosstex Energy companies, Crosstex Energy, L.P. (Nasdaq: XTEX) (the Partnership) and Crosstex Energy, Inc. (Nasdaq: XTXI) (the Corporation) today reported results for the third quarter of 2005.

## Crosstex Energy, L.P. Financial Results

The Partnership reported net income of \$1.1 million for the third quarter of 2005 compared to net income in the third quarter of 2004 of \$5.9 million. As previously disclosed, the Partnership's net income in the third quarter of 2005 was negatively impacted by an \$11.5 million charge for the mark-to-market valuation of the derivative financial instruments (puts) purchased to protect against liquids prices fluctuations in conjunction with the South Louisiana processing asset acquisition, and positively impacted by an \$8.0 million gain on sale of property.

Net income per limited partner unit for the third quarter of 2005 decreased to a loss of \$0.05 per unit from income of \$0.24 per unit in the corresponding quarter in 2004. The current quarter loss per limited partner unit results from the preferential allocation of net income to the general partner equal to its incentive distribution rights, less certain costs. For the third quarter 2005, this allocation resulted in \$2.0 million of net income allocated to the general partners' share of net income. This allocation reduced the limited partners' share of net income to a net loss of \$0.9 million in the quarter.

The Partnership's Distributable Cash Flow for the quarter was \$17.9 million, 3.50 times the amount required to cover its Minimum Quarterly Distribution of \$0.25 per unit, and 1.54 times the amount required to cover its distribution of \$0.49 per unit. As previously disclosed, the Partnership sold certain idle equipment for \$9.0 million in 2005, and during the third quarter, the Partnership received the final \$5.4 million of funds for the sale, which is included in Distributable Cash Flow for the quarter. The \$11.5 million charge for the mark-to-market value of the puts did not affect Distributable Cash Flow. Excluding proceeds from the sale, Distributable Cash Flow for the quarter increased \$2.1 million, or 20.2 percent, over Distributable Cash Flow of \$10.4 million in the 2004 third quarter. Distributable Cash Flow is a non-GAAP financial measure and is explained in greater detail under "Non-GAAP Financial Information." Also, in the tables at the end of this release is a reconciliation of this measure to net income.

In addition to the sale proceeds, the growth in Distributable Cash Flow was driven by growth in the Partnership's gross margin to \$39.4 million in the third quarter of 2005, an increase of 33 percent compared to \$29.7 million in the corresponding 2004 period. Gross margin from the midstream segment increased by \$6.3 million, or 28 percent, to \$28.8 million. The Partnership was able to benefit from natural gas price volatility and abnormal basis differentials during the current quarter, contributing \$4.3 million to the margin increase. Operational efficiencies offset volume declines due to hurricanes, contributing the remaining \$2.0 million increase.

Gross margin from the Treating segment increased \$3.7 million, or 56 percent, to \$10.3 million. Plants in service increased to 111 at September 30, 2005 from 67 at September 30, 2004, contributing \$3.0 million to the increase in gross margin. Plant expansions and increased volumes made up \$0.5 million of the increase and the acquisition and installation of dew point control plants contributed the remaining \$0.2 million.

"We are pleased that, despite the challenges presented by Hurricane Katrina in the third quarter and later by Hurricane Rita, we have been able to continue to show improved results and consistent increases in our distributions and dividends,"

said Barry E. Davis, President and Chief Executive Officer. "As we look forward to next year we expect to see that growth continue with our acquisition of the South Louisiana processing assets from El Paso, the completion of the North Texas pipeline and our pursuit of other growth opportunities."

## Crosstex Energy, Inc. Financial Results

The Corporation reported net income of \$0.8 million for the third quarter of 2005, compared to net income of \$1.7 million for the comparable period in 2004. The Corporation's net income before income taxes and interest of non- controlling partners in the net income of the Partnership was \$0.9 million in the third quarter of 2005 and \$4.6 million in the third quarter of 2004.

The Corporation's share of distributions, including distributions on its ten million limited partner units, its two percent general partner interest, and the incentive distribution rights, was \$7.7 million for the third quarter. Its share of the distribution in the third quarter of 2004 was \$6.0 million. The recently announced increase in the Partnership's distribution of \$0.02 per unit increased the Corporation's share of distributions by \$0.6 million, from \$7.1 million in the second quarter of 2005 to \$7.7 million in the third quarter of 2005.

## Earnings Call

Crosstex will hold its quarterly conference call to discuss third quarter results today at 10:00 a.m. Central Time (11:00 a.m. Eastern Time). The dial- in number for the call is 800-561-2718, passcode Crosstex. A live Webcast of the call can be accessed on the investor information page of Crosstex Energy's Website at <http://www.crosstexenergy.com>. The call will be available for replay for 30 days by dialing 888-286-8010, passcode 33312060. A replay of the broadcast will also be available on the company's Website.

## About Crosstex

Crosstex Energy, L.P., a mid-stream natural gas company headquartered in Dallas, operates approximately 5,000 miles of pipeline, nine processing plants, four fractionators and more than 100 natural gas amine treating plants.

Crosstex Energy Inc. owns the two percent general partner interest, a 44 percent limited partner interest, and the incentive distribution rights of Crosstex Energy, L.P.

Additional information about the Crosstex companies can be found at <http://www.crosstexenergy.com>.

## Non-GAAP Financial Information

This press release contains a non-generally accepted accounting principle financial measure which we refer to as Distributable Cash Flow. Distributable Cash Flow includes earnings before non-cash charges, less maintenance capital expenditures plus, in this period, proceeds from the sale of idle equipment. The amounts included in the calculation of these measures are computed in accordance with generally accepted accounting principles (GAAP), with the exception of maintenance capital expenditures. Maintenance capital expenditures are capital expenditures made to replace partially or fully depreciated assets in order to maintain the existing operating capacity of our assets and to extend their useful lives. We believe this measure is useful to investors because it may provide users of this financial information with meaningful comparisons between current results and prior reported results and a meaningful measure of the Partnership's cash flow after it has satisfied the capital and related requirements of its operations. Distributable Cash Flow is not a measure of financial performance or liquidity under GAAP. It should not be considered in isolation or as an indicator of the Partnership's performance. Furthermore, it should not be seen as a measure of liquidity or a substitute for metrics prepared in accordance with GAAP. Our reconciliation of this measure to net income is included in the following tables.

This press release contains forward-looking statements identified by the use of words such as "forecast," "anticipate" and "estimate". These statements are based on currently available information and assumptions and expectations that the Partnership believes are reasonable. However, the assumptions and expectations are subject to a wide range of business risks, so the Partnership can give no assurance that actual performance will fall within the forecast ranges. Among the key

risks that may bear directly on the Partnership's results of operations and financial condition are: (1) the amount of natural gas transported in the Partnership's gathering and transmission lines may decline as a result of competition for supplies, reserve declines and reduction in demand from key customers and markets; (2) the level of the Partnership's processing and treating operations may decline for similar reasons; (3) fluctuations in natural gas and NGL prices may occur due to weather and other natural and economic forces; (4) there may be a failure to successfully integrate new acquisitions; (5) the Partnership's credit risk management efforts may fail to adequately protect against customer nonpayment; and (6) the Partnership may not adequately address construction and operating risks. The Partnership has no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Contact:

Barry E. Davis, President and Chief Executive Officer

William W. Davis, Executive V.P. and Chief Financial Officer

Phone: (214) 953-9500

CROSSTEX ENERGY, L.P.

Selected Financial and Operating Data

(All amounts in thousands except per unit numbers)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2005	2004	2005	2004
Revenues				
Midstream	\$769,334	\$501,004	\$1,928,330	\$1,327,181
Treating	13,117	7,880	34,064	22,592
Profit from Energy				
Trading Activities	306	579	1,157	1,605
	782,757	509,463	1,963,551	1,351,378
Cost of Gas				
Midstream	740,519	478,536	1,851,418	1,266,624
Treating	2,792	1,229	5,996	4,092
	743,311	479,765	1,857,414	1,270,716
Gross Margin	39,446	29,698	106,137	80,662
Operating Expenses	13,874	10,087	37,598	26,740
General and Administrative	8,127	5,121	22,337	13,804
(Gain) Loss on Derivatives	13,273	(187)	13,679	(187)
Gain on Sale of				
Property	(7,632)	(287)	(7,797)	(12)
Depreciation and				
Amortization	7,828	6,160	22,134	16,499
Total	35,470	20,894	87,951	56,844
Operating Income	3,976	8,804	18,186	23,818

Interest Expense	(2,762)	(2,872)	(9,323)	(6,214)
Other Income	32	51	380	254
Total Other Income	(2,730)	(2,821)	(8,943)	(5,960)
Net Income Before Minority Interest and Taxes	1,246	5,983	9,243	17,858
Minority Interest in Subsidiary	(106)	(51)	(331)	(150)
Income Tax Provision	(68)	13	(176)	(116)
Net Income	\$1,072	\$5,945	\$8,736	\$17,592
General Partner Share of Net Income	\$1,990	\$1,563	\$5,216	\$4,005
Limited Partners Share of Net Income	\$ (918)	\$4,382	\$3,520	\$13,587
Net Income per Limited Partners' Unit:				
Basic	\$ (0.05)	\$0.24	\$0.19	\$0.75
Diluted	\$ (0.05)	\$0.23	\$0.18	\$0.73
Weighted Average Limited Partners' Units Outstanding:				
Basic	18,157	18,083	18,126	18,079
Diluted	20,479	18,662	19,371	18,607

CROSSTEX ENERGY, L.P.

Reconciliation of Net Income to Distributable Cash Flow

(All amounts in thousands except ratios)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Net Income	\$1,072	\$5,945	\$8,736	\$17,592
Depreciation and Amortization (1)	7,760	6,112	21,932	16,374
Stock-Based Compensation	1,143	288	2,659	766
Gain on Sale of Property	(7,632)	(287)	(7,797)	(12)
Proceeds from Sale of Property	5,400	385	9,313	611
Puts Mark-to-Market	11,547	-	11,547	-
Deferred Tax Benefit	(95)	(168)	(286)	(168)
Cash Flow	19,195	12,275	46,104	35,163
Maintenance Capital Expenditures	(1,251)	(1,842)	(3,727)	(4,814)
Distributable Cash Flow	\$17,944	\$10,433	\$42,377	\$30,349
Minimum Quarterly				

Distribution (MQD)	\$5,120	\$4,612	\$13,955	\$13,840
Distributable Cash Flow/MQD	3.50	2.26	3.04	2.19
Actual Distribution	\$11,663	\$9,439	\$33,137	\$26,868
Distribution Coverage	1.54	1.11	1.28	1.13

(1) Excludes minority interest share of depreciation and amortization of \$68,000 and \$202,000 for the three and nine months ended September 30, 2005, respectively, and \$48,000 and \$125,000 for the three and nine months ended September 30, 2004, respectively.

# CROSSTEX ENERGY, L.P.

## Operating Data

(All volumes in MMBtu/d)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2005	2004	2005	2004
Pipeline Throughput				
Gulf Coast Transmission				
& Vanderbilt	156,000	124,000	148,000	140,000
CCNG Transmission	267,000	301,000	253,000	282,000
Gregory Gathering	114,000	127,000	114,000	137,000
LIG Pipeline & Marketing	583,000	628,000	616,000	594,000
Other Midstream	193,000	129,000	160,000	132,000
Total Gathering and				
Transmission Volume	1,313,000	1,309,000	1,291,000	1,285,000
Natural Gas Processed				
Gregory Processing	108,000	100,000	100,000	110,000
Conroe Processing	17,000	25,000	23,000	26,000
LIG Processing	327,000	303,000	327,000	283,000
Total Processed Volume	452,000	428,000	450,000	419,000
Total On-System Volumes	1,765,000	1,737,000	1,741,000	1,704,000
Commercial Services Volume	188,000	224,000	186,000	209,000
Treating Plants in				
Service (1)	111	67	111	67

(1) Plants in service represents plants in service on the last day of the quarter.

## CROSSTEX ENERGY, INC.

## Selected Financial and Operating Data

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	September 30,		September 30,	
	2005	2004	2005	2004
Revenues				
Midstream	\$769,334	\$501,004	\$1,928,330	\$1,327,181
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Treating	2,792	1,229	5,996	4,092
	743,311	479,765	1,857,414	1,270,716
Gross Margin	39,446	29,698	106,137	80,662
Operating Expenses	13,882	10,092	37,613	26,768
General and				
Administrative	8,471	5,478	23,295	14,688
(Gain) Loss on				
Derivatives	13,273	(187)	13,679	(187)
Gain on Sale				
of Property	(7,633)	(287)	(7,797)	(12)
Impairment	-	981	-	981
Depreciation and				
Amortization	7,839	6,160	22,169	16,499
Total	35,832	22,237	88,959	58,737
Operating Income	3,614	7,461	17,178	21,925
Interest Expense	(2,701)	(2,869)	(9,046)	(6,166)
Other Income	32	50	378	254
Total Other Income	(2,669)	(2,819)	(8,668)	(5,912)
Income Before Income				
Taxes and Interest of				
Non-controlling Partners				
in the Partnership's				
Net Income	945	4,642	8,510	16,013
Income Tax Expense	(494)	(957)	(2,528)	(3,504)
Interest of Non-controlling				

Partners in the				
Partnership's Net				
(Income) Loss	304	(2,005)	(1,909)	(6,216)
Net Income	\$755	\$1,680	\$4,073	\$6,293
Net Income per Common Share:				
Basic Earnings per				
Common Share	\$0.06	\$0.14	\$0.32	\$0.54
Diluted Earnings				
per Common Share	\$0.06	\$0.13	\$0.32	\$0.49
Weighted Average				
Shares Outstanding:				
Basic	12,760	12,134	12,615	11,727
Diluted	12,962	12,918	12,944	12,892

SOURCE Crosstex Energy

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/CONTACT: Barry E. Davis, President and Chief Executive Officer, or  
William W. Davis, Executive V.P. and Chief Financial Officer, both of Crosstex  
Energy, +1-214-953-9500/

/Web site: <http://www.crosstexenergy.com> /

(XTEX XTXI)

CO: Crosstex Energy

ST: Texas

IN: OIL

SU: ERN CCA

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