

# CROSSTEX ENERGY LP

## FORM 8-K (Current report filing)

Filed 11/13/03 for the Period Ending 11/12/03

CIK 0001179060  
Symbol XTEX  
SIC Code 5172 - Petroleum and Petroleum Products Wholesalers, Except Bulk Stations and Terminals  
Industry Oil Well Services & Equipment  
Sector Energy  
Fiscal Year 12/31

# CROSSTEX ENERGY LP

## FORM 8-K (Unscheduled Material Events)

Filed 11/13/2003 For Period Ending 11/12/2003

CIK	0001179060
Industry	Natural Gas Utilities
Sector	Utilities
Fiscal Year	12/31

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 8-K**

**CURRENT REPORT**

**PURSUANT TO SECTION 13 OR 15(D) OF**

**THE SECURITIES EXCHANGE ACT OF 1934**

**DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED) November 12, 2003**

**CROSSTEX ENERGY, L.P.**

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	000-50067	16-1616605
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification Number)

**2501 CEDAR SPRINGS, SUITE 600, DALLAS, TEXAS 75201**

(Address of principal executive offices)

**REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (214) 953-9500**

**ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.**

**Exhibit 99.1 Press Release dated November 12, 2003.**

**ITEM 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.**

On November 12, 2003, Crosstex Energy, L.P., a Delaware limited partnership (the "Partnership"), issued a press release describing its financial results for the three- and nine-month periods ended September 30, 2003. A copy of the Partnership's press release has been furnished as Exhibit 99.1 to this Current Report on Form 8-K.

The information on this report shall not be treated as "filed" for purposes of the Securities Exchange Act of 1934, as amended.

## SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**CROSSTEX ENERGY, L.P.**  
(Registrant)

By: Crosstex Energy GP, L.P.,  
its General Partner

By: Crosstex Energy GP, LLC,  
its General Partner

*Date: November 12, 2003*

*By: /s/ William W. Davis*

-----  
*William W. Davis*  
*Senior Vice President and*  
*Chief Financial Officer*

## INDEX TO EXHIBITS

EXHIBIT NUMBER -----		DESCRIPTION -----
99.1	--	Press Release dated November 12, 2003

## Crosstex Reports Third Quarter 2003 Results

DALLAS--(BUSINESS WIRE)--Nov. 12, 2003--Crosstex Energy, L.P. (NasdaqNM:XTEX), a Texas-based midstream natural gas company, reported third quarter net income of \$3.9 million, or \$0.43 per limited partner unit, compared to net income in the third quarter of 2002 of \$1.5 million. (Limited partner units were not outstanding in the 2002 period, as the Partnership completed its initial public offering in December 2002.) For the first nine months of 2003, Crosstex reported net income of \$9.7 million, or \$1.20 per unit, compared to net income of \$1.5 million in the first nine months of 2002.

Distributable Cash Flow for the quarter was \$8.6 million, covering its Minimum Quarterly Distribution of \$0.50 per unit 1.9 times and covering its actual distributions of \$0.70 per unit 1.3 times. Distributable Cash Flow was \$3.3 million in the 2002 third quarter. In the first nine months of 2003, Distributable Cash Flow was \$20.9 million, or 1.7 times the amount required to cover the Minimum Quarterly Distribution and 1.4 times the amount required to cover its actual distributions of \$1.75 per unit. (See below for a discussion of the Partnership's use of Distributable Cash Flow, which is a non-generally accepted accounting principle financial measure. Also, in the tables at the end of this release is a reconciliation of this measure to net income.)

Gross margin in the third quarter was \$17.3 million, compared to \$8.9 million in the corresponding 2002 period, an increase of 95 percent. Midstream gross margin increased by \$7.4 million, or 113 percent, to \$13.9 million, while Treating gross margin increased by \$1.0 million, or 45 percent, to \$3.4 million.

Net income was negatively impacted in the three- and nine-month periods in 2003 by charges of \$1.6 million and \$4.6 million, respectively, in stock-based compensation. The charges primarily resulted from a modification in stock options held in Crosstex Energy Inc. (formerly Crosstex Energy Holdings Inc.) by employees of the Partnership. Crosstex Energy Inc. is the owner of the Partnership's general partner. The charges, as previously discussed, had no impact on distributable cash or outstanding units of the Partnership.

General and administrative expenses charged to the Partnership are capped at \$1.5 million per quarter during 2003, plus costs associated with acquisition activities of \$212 thousand incurred in the quarter, for a total of \$1.7 million for the third quarter. Had the cap not been in place, those expenses would have been \$2.7 million, reducing reported earnings and Distributable Cash Flow by approximately \$1.0 million.

In the third quarter of 2003, pipeline throughput increased approximately 66 percent over the third quarter of 2002, from 407,000 MMBtu/d to 675,000 MMBtu/d. Natural gas processed increased approximately 61 percent, from 83,000 MMBtu/d to 134,000 MMBtu/d for the same period, and treating plants in operation increased from 30 at the end of the third quarter of 2002 to 45 at the end of the third quarter in 2003. Revenues for the quarter were \$283.2 million compared to \$114.6 million for the third quarter of 2002. The increase in revenues was attributable to recent property acquisitions, primarily the Duke assets, together with higher volumes on existing systems and the increase in average natural gas prices.

The Partnership has adjusted its forecast for net income and Distributable Cash Flow in the attached table. The Partnership now anticipates it will generate net income in 2003 of between \$14.0 million and \$15.0 million, and its estimate of Distributable Cash Flow for the year is in the range of \$26.9 million to \$28.9 million.

Crosstex will hold its quarterly conference call to discuss third quarter results tomorrow, Nov. 13, at 10:00 a.m. Central time (11:00 a.m. Eastern time). The dial-in number for the call is 800-901-5241, passcode Crosstex. A live webcast of the call can be accessed on the investor information page of Crosstex Energy's Web site at [www.crosstexenergy.com](http://www.crosstexenergy.com). The call will be available for replay for 30 days by dialing 888-286-8010, passcode 34787732. A replay of the broadcast will also be available on the company's Web site. Crosstex Energy, L.P., a mid-stream natural gas company headquartered in Dallas, operates over 2,500 miles of pipeline, three processing plants and over 40 natural gas amine treating plants. Crosstex currently provides services for more than 1 BCF/day of natural gas. Additional information about Crosstex can be found at [www.crosstexenergy.com](http://www.crosstexenergy.com). This press release contains non-generally accepted accounting principle financial measures of earnings before non-cash charges and less maintenance capital expenditures, which we refer to as Distributable Cash Flow. 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, which are defined as capital expenditures (as defined by GAAP) that do not increase the capacity of the asset. We believe this measure is useful to investors because it enhances the investors' overall understanding of our current financial performance, our prospects for future performance and the cash that our Partnership is generating. Management also uses Distributable Cash Flow to evaluate our financial performance. 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 Partnership's assumptions and expectations are subject to a wide range of business risks, so it 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 operation 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.

### Selected Financial and Operating Data (All amounts in thousands except per unit numbers)

Quarter Ended		Nine Months Ended	
Sept. 30,		Sept. 30,	
2003	2002	2003	2002

Revenues				
Midstream	\$277,925	\$110,858	\$747,270	\$311,453
Treating	5,273	3,753	15,750	10,631
	-----	-----	-----	-----
	283,198	114,611	763,020	322,084
Cost of Gas				
Midstream	264,035	104,350	715,514	294,025
Treating	1,860	1,397	6,311	3,996
	-----	-----	-----	-----
	265,895	105,747	721,825	298,021
Gross Margin	17,303	8,864	41,195	24,063
Operating Expenses	5,462	2,682	12,007	7,732
General & Administrative	1,721	2,041	5,112	6,247
Impairments	--	--	--	3,150
(Profit) Loss on Energy				
Trading Activities	(646)	(162)	(1,491)	(2,916)
Stock Based Compensation	1,577	33	4,649	33
Depreciation and Amortization	4,031	2,150	9,077	6,034
	-----	-----	-----	-----
Total	12,145	6,744	29,354	20,280
Operating Income	5,158	2,120	11,841	3,783
Interest Expense	(1,321)	(703)	(2,196)	(2,399)
Other Income	51	68	50	73
	-----	-----	-----	-----
Total Other Income				
(Expense)	(1,270)	(635)	(2,146)	(2,326)
	-----	-----	-----	-----
Net Income	\$3,888	\$1,485	\$9,695	\$1,457
	=====	=====	=====	=====
General Partner Share of Net				
Income	\$450		\$621	
	=====		=====	
Limited Partners Share of Net				
Income	\$3,438		\$9,074	
	=====		=====	
Net Income per Limited				
Partners' Unit	\$0.43		\$1.20	
	=====		=====	
Weighted Average Limited				
Partners' Units Outstanding				
(diluted)	7,930		7,548	
	=====		=====	

**Reconciliation of Net Income to Distributable Cash Flow**  
(All amounts in thousands except ratios)

	Quarter Ended		Nine Months Ended	
	Sept. 30,		Sept. 30,	
	2003	2002	2003	2002
	-----	-----	-----	-----
Net Income	\$3,888	\$1,485	\$9,695	\$1,457
Depreciation and Amortization	4,031	2,150	9,077	6,034
Impairments	--	--	--	3,150
(Profit) Loss on Energy Trading				
Activities	--	318 (1)	--	(1,673) (1)
Stock Based Compensation	1,577	33	4,649	33
	-----	-----	-----	-----
Cash Flow	9,496	3,986	23,421	9,001
Maintenance Capital				
Expenditures	(852)	(675)	(2,571)	(1,267)
	-----	-----	-----	-----
Distributable Cash Flow	\$8,644	\$3,311	\$20,850	\$7,734
	=====	=====	=====	=====
Minimum Quarterly Distribution				
(MQD)	\$4,605		\$12,054	
Distributable Cash Flow/MQD	1.88		1.73	
Actual Distribution	\$6,834		\$14,712	
Distribution Coverage	1.26		1.42	

(1) (Profit) loss on energy trading activities for the three and nine months ended Sept. 30, 2002 includes one-time (gains) and losses, primarily related to the Partnership's Enron position, of \$318 and (\$1,673), respectively, which have been excluded from the computation of Distributable Cash Flow.

Operating Data  
(All volumes in MMBtu/d)

	Quarter Ended		Nine Months Ended	
	Sept. 30,		Sept. 30,	
	2003	2002	2003	2002
Pipeline Throughput				
Gulf Coast Transmission	74,000	107,000	81,000	106,000
Vanderbilt	55,000	--	45,000	--
CCNG Transmission	170,000	159,000	166,000	157,000
CCNG Transmission - Hallmark	62,000	--	52,000	--
Gregory Gathering	163,000	117,000	150,000	105,000
Mississippi	84,000	--	84,000	--
Arkoma	15,000	11,000	12,000	11,000
Other Midstream	52,000	13,000	53,000	14,000
Total On-System Volume	675,000	407,000	643,000	393,000
Natural Gas Processed				
Gregory Processing	106,000	83,000	98,000	84,000
Conroe Processing	28,000	--	28,000	--
Total Processed Volume	134,000	83,000	126,000	84,000
Total On-System Volumes	809,000	490,000	769,000	477,000
Producer Services Volumes	274,000	225,000	263,000	229,000
Treating Volumes (1)	94,000	104,000	91,000	99,000
Treating Plants in Service (2)	45	30		

(1) Volumes represent volumes on volume sensitive plants only.

(2) Plants in service represent plants in service on the last day of the quarter.

Forecast for 2003 Net Income Reconciliation to Distributable Cash Flow

(In millions)

	Range	
	Low	High
Net Income (1)	\$14.0	\$15.0
Depreciation and Amortization	13.3	13.3
Stock Based Compensation (1)	4.6	4.6
Cash Flow	31.9	32.9
Maintenance Capital	(5.0)	(4.0)
Distributable Cash Flow	\$26.9	\$28.9

(1) The results for net income assume that no further charges are incurred due to the modification of certain stock options of Crosstex Energy Inc. Such charges are likely if the trading price of the partnership's units continue to exceed their average value in the third quarter of 2003, which was \$36.95 per unit. These charges do not negatively impact the calculation of Distributable Cash Flow. See the Partnership's filing on Form 10-Q.

CONTACT: Crosstex Energy, Dallas  
Barry E. Davis or William W. Davis, 214-953-9500

---

**End of Filing**

Powered By **EDGAR**  
Online

© 2005 | EDGAR Online, Inc.