

# CROSSTEX ENERGY LP

## FORM 8-K (Current report filing)

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# 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): March 10, 2006

## 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 No.)
2501 CEDAR SPRINGS, SUITE 100 DALLAS, TEXAS		75201
----- (Address of principal executive offices)		----- (Zip Code)

Registrant's telephone number, including area code: (214) 953-9500

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(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.**

On March 10, 2006, Crosstex Energy, L.P. (the "Registrant") issued a press release reporting its financial results for the quarter and fiscal year ended December 31, 2005. A copy of the press release is furnished as Exhibit 99.1 to this Current Report and will be published on the Registrant's website at [www.crosstexenergy.com](http://www.crosstexenergy.com). In accordance with General Instruction B.2 of Form 8-K, the information set forth in this Item 2.02 and in the attached exhibit are deemed to be furnished and shall not be deemed to be "filed" for purposes of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

**ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.**

(d) Exhibits.

In accordance with General Instruction B.2 of Form 8-K, the information set forth in the attached exhibit are deemed to be furnished and shall not be deemed to be "filed" for purposes of the Exchange Act.

EXHIBIT NUMBER -----	DESCRIPTION -----
99.1	-- Press release dated March 10, 2006.

**SIGNATURES**

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

**CROSSTEX ENERGY, L.P.**

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

By: Crosstex Energy GP, LLC,  
its General Partner

*Date: March 10, 2006*

*By: /s/ William W. Davis*

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

INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
99.1	-- Press release dated March 10, 2006.

[LOGO OF CROSSTEX]

**PRESS RELEASE**

**FOR IMMEDIATE RELEASE**

Contact: Barry E. Davis, President and Chief Executive Officer William W. Davis, Executive V.P. and Chief Financial Officer Phone: (214) 953-9500

**CROSSTEX REPORTS FOURTH QUARTER AND FULL YEAR 2005 RESULTS**

DALLAS, March 10, 2006 --- The Crosstex Energy companies, Crosstex Energy, L.P. (NasdaqNM: XTEX) (the Partnership) and Crosstex Energy, Inc. (NasdaqNM: XTXI) (the Corporation) today reported solid growth in results for the fourth quarter and the full year 2005. This growth allows the companies to continue their track record of increases in both distributions and dividends.

"We had a great fourth quarter and an outstanding year in 2005. The quarter and the year were distinguished by continued emphasis on maximizing profitable growth, including constructing a new pipeline in North Texas, the significant expansion in our treating business, and the strategic acquisition of the South Louisiana processing business," said Barry E. Davis, President and Chief Executive Officer.

**CROSSTEX ENERGY, L.P. FINANCIAL RESULTS**

The Partnership reported net income of \$10.5 million, or \$0.33 per limited partner unit, in the quarter ended December 31, 2005, compared to net income in the fourth quarter of 2004 of \$6.1 million, or \$0.23 per unit. Net income in the fourth quarter of 2005 was impacted by a \$2.3 million gain during the quarter from the mark-to-market valuation of the derivative financial instruments (puts) purchased to protect against liquid prices fluctuations in conjunction with the South Louisiana processing business.

Full year 2005 results for the Partnership were net income of \$19.2 million, or \$0.56 per unit, compared to net income of \$23.7 million or \$0.98 per unit in 2004. The year's net income was reduced by the impact of the fair value loss of \$9.2 million from the puts previously described. Neither the gains associated with the puts in the fourth quarter nor the fair value loss for the year had any impact on distributable cash flow.

The Partnership's Distributable Cash Flow for the fourth quarter of 2005 was \$22.2 million, or 3.48 times the amount required to cover its Minimum Quarterly Distribution of \$0.25 per unit, and 1.31 times the amount required to cover its recently increased distribution of \$0.51 per unit. This is an increase of \$10.3 million, or 87 percent, over Distributable Cash Flow of \$11.9 million in the 2004 fourth quarter. Fourth quarter 2005 Distributable Cash Flow was \$3.6 million in excess of the amount needed to provide 1.1 times coverage of the fourth quarter distribution of \$0.51. For the full year of 2005, Distributable Cash Flow was \$64.6 million, or 2.53 times the amount required to cover the Minimum Quarterly Distribution and 1.29 times the amount required to cover its actual distributions of \$50.1 million. Distributable Cash Flow for 2005 increased more than 53 percent from the 2004 figure of \$42.2 million. 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.

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The increase in Distributable Cash Flow in the fourth quarter 2005 was due to growth in the Partnership's gross margin to \$56.4 million compared to \$33.9 million in the corresponding 2004 period, an increase of 66 percent. Gross margin from the Midstream business segment increased by \$18.9 million, or 72 percent, to \$45.1 million driven in large part by South Louisiana processing margins of \$14.1 million and market volatility.

The quarter was negatively impacted by reduced throughput volumes on the new South Louisiana processing assets as a result of damage by Hurricanes Katrina and Rita to production and pipeline facilities owned by others in the Gulf of Mexico. The Partnership took advantage of arbitrage opportunities resulting from market volatility in the aftermath of the hurricanes which more than offset the negative impact of the reduced volumes. Additionally, the Partnership had negotiated a purchase price reduction on these assets due to the negative impacts on volumes foreseen prior to their acquisition. Volumes should begin to increase in these assets over the first two quarters of 2006 as natural gas producers and pipelines complete repairs to their infrastructure and resume full production, although it may be the third quarter before volumes are back to levels consistent with original acquisition expectations. The excess cash flow generated in the fourth quarter of 2005 and the purchase price reduction obtained on the South Louisiana processing assets will be considered in setting the distribution in the first quarter of 2006.

Gross margin for the quarter from the Treating segment increased by \$3.9 million, or 55 percent, to \$10.8 million due to the increase in the number of plants in service. The number of treating plants in service increased from 74 at the end of the fourth quarter of 2004 to 112 at the end of the fourth quarter of 2005.

For similar reasons, overall gross margin for the year increased from \$114.5 million to \$162.5 million, an increase of 42 percent. Of the \$48.0 million gross margin increase for the year, \$35 million was contributed from the midstream segment. Treating margins improved \$13 million year-over-year.

These improvements were offset by increases in operating expenses of \$7.5 million and \$18.4 million for the fourth quarter and full year, respectively, primarily associated with the new assets in service. General and administrative expenses increased by \$3.3 million and \$11.8 million for the fourth quarter and full year, respectively. This increase is related to the staffing increases from the South Louisiana processing acquisition, the North Texas Pipeline construction activity, the growth in treating plants and other growth.

Interest expense increased \$3.4 million and \$6.5 million for the fourth quarter and full year, respectively, due to increased debt to support growth activities. The Partnership's capital structure is still very conservative, having recently raised \$228 million of equity, representing approximately 47 percent of the purchase price of the South Louisiana processing assets.

#### **CROSSTEX ENERGY, INC. FINANCIAL RESULTS**

The Corporation reported net income of \$45.1 million for the fourth quarter of 2005, compared to net income of \$2.4 million for the fourth quarter of 2004. Net income for the fourth quarter included a non-cash gain on issuance of units of the Partnership of \$65.1 million related to the Partnership's offering of 6.6 million units during the quarter. This gain was offset by non-cash income tax expense of \$27.5 million for a net non-cash impact on fourth quarter earnings of \$37.6 million. The Corporation's net income before income taxes and interest of non-controlling partners in the net income of the Partnership was \$10.3 million in the fourth quarter of 2005 and \$6.1 million in the fourth quarter of 2004.

**- MORE -**

The Corporation's share of distributions, including distributions on its 10 million limited partner units, its two percent general partner interest and the incentive distribution rights was \$9.4 million for the fourth quarter of 2005 compared to \$6.5 million in the fourth quarter of 2004, an increase of over 44 percent. Much of the increase is the result of the increase in the number of limited partner units receiving distributions. Such units increased by 6.6 million to 24.8 million units due to equity issued to finance the South Louisiana processing assets. Since the Corporation's initial public offering in 2004, dividends have grown from \$0.30 to \$0.56 per share, an increase of 86 percent in seven quarters.

## **EARNINGS CALL**

Crosstex will hold its quarterly conference call to discuss fourth quarter and year-end results today, Friday, March 10, at 10:00 a.m. Central Time (11:00 a.m. Eastern Time). The dial-in number for the call is 800-322-5044, passcode Crosstex. A live Webcast of the call can be accessed on the investor relations page of Crosstex Energy's Web site at <http://www.crosstexenergy.com>. The call will also be available for replay for 30 days by dialing 888-286-8010, passcode 84615803, or by going to the investor relations events page of the Company's Web site.

## **ABOUT THE CROSSTEX ENERGY COMPANIES**

Crosstex Energy, L.P., a mid-stream natural gas company headquartered in Dallas, operates over 5,000 miles of pipeline, nine processing plants, four fractionators, and approximately 150 natural gas amine treating plants and 22 dew point control plants. Crosstex currently provides services for over 3.0 Bcf/day of natural gas, or approximately 6.0 percent of marketed U.S. daily production based on August 2005 Department of Energy data.

Crosstex Energy, Inc. owns the two percent general partner interest, a 38 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 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. Distributable Cash Flow includes earnings before non-cash charges, less maintenance capital expenditures, plus, in 2005, 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.

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This press release contains forward-looking statements identified by the use of words such as "forecast," "anticipate," "plan" and "estimate." These statements are based on currently available information and assumptions and expectations that the Partnership and the Corporation believe are reasonable. However, the assumptions and expectations are subject to a wide range of business risks, so they 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 and the Corporation'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; (6) natural disasters such as hurricanes may significantly disrupt operations; and (7) the Partnership may not adequately address construction and operating risks. The Partnership and the Corporation have no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

(Tables follow).

**- MORE -**

**CROSSTEX ENERGY, L.P.**  
**SELECTED FINANCIAL AND OPERATING DATA**  
(All amounts in thousands except per unit numbers)

	THREE MONTHS ENDED		YEAR ENDED	
	DECEMBER 31,		DECEMBER 31,	
	2005	2004	2005	2004
Revenues				
Midstream	\$ 1,054,544	\$ 620,840	\$ 2,982,874	\$ 1,948,021
Treating	14,542	8,163	48,606	30,755
Profit from Energy Trading Activities	411	623	1,568	2,228
	-----	-----	-----	-----
	1,069,497	629,626	3,033,048	1,981,004
Cost of Gas				
Midstream	1,009,405	594,580	2,860,823	1,861,204
Treating	3,710	1,182	9,706	5,274
	-----	-----	-----	-----
	1,013,115	595,762	2,870,529	1,866,478
Gross Margin	56,382	33,864	162,519	114,526
Operating Expenses	19,138	11,599	56,736	38,339
General and Administrative	10,360	7,063	32,697	20,867
(Gain) Loss on Derivatives	(3,711)	(92)	9,968	(279)
Gain on Sale of Property	(341)	-	(8,138)	(12)
Depreciation and Amortization	13,890	6,535	36,024	23,034
	-----	-----	-----	-----
Total	39,336	25,105	127,287	81,949
Operating Income	17,046	8,759	35,232	32,577
Interest Expense	(6,444)	(3,006)	(15,767)	(9,220)
Other Income	12	544	392	798
	-----	-----	-----	-----
Total Other Income	(6,432)	(2,462)	(15,375)	(8,422)
Net Income Before Minority Interest and Taxes	10,614	6,297	19,857	24,155
Minority Interest in Subsidiary	(110)	(139)	(441)	(289)
Income Tax Provision	(40)	(46)	(216)	(162)
	-----	-----	-----	-----
Net Income	\$ 10,464	\$ 6,112	\$ 19,200	\$ 23,704
General Partner Share of Net Income	\$ 3,435	\$ 1,908	\$ 8,651	\$ 5,913
Limited Partners Share of Net Income	\$ 7,029	\$ 4,204	\$ 10,549	\$ 17,791
Net Income per Limited Partners' Unit:				
Basic	\$ 0.33	\$ 0.23	\$ 0.56	\$ 0.98
Diluted	\$ 0.30	\$ 0.22	\$ 0.51	\$ 0.95
Weighted Average Limited Partners' Units Outstanding:				
Basic	21,554	18,086	19,006	18,081
Diluted	23,809	18,713	20,527	18,633
Distributions per Limited Partner Unit	\$ 0.51	\$ 0.45	\$ 1.93	\$ 1.70

(more)

**CROSSTEX ENERGY, L.P.**  
**RECONCILIATION OF NET INCOME TO DISTRIBUTABLE CASH FLOW**  
(All amounts in thousands except ratios)

	THREE MONTHS ENDED DECEMBER 31,		YEAR ENDED DECEMBER 31,	
	2005	2004	2005	2004
Net Income	\$ 10,464	\$ 6,112	\$ 19,200	\$ 23,704
Depreciation and Amortization (1)	13,820	6,478	35,751	22,852
Stock-Based Compensation	1,398	235	4,057	1,001
Gain on Sale of Property	(342)	-	(8,138)	(12)
Proceeds from Sale of Property	-	-	9,313	611
Puts Mark-to-Market	(2,304)	-	9,243	-
Deferred Tax Benefit	501	(22)	216	(190)
Cash Flow	23,537	12,803	69,642	47,966
Maintenance Capital Expenditures	(1,319)	(915)	(5,046)	(5,729)
Distributable Cash Flow	\$ 22,218	\$ 11,888	\$ 64,596	\$ 42,237
Minimum Quarterly Distribution (MQD)	\$ 6,379	\$ 4,615	\$ 25,515	\$ 18,458
Distributable Cash Flow/MQD	3.48	2.58	2.53	2.29
Actual Distribution	\$ 16,913	\$ 10,164	\$ 50,050	\$ 37,032
Distribution Coverage	1.31	1.17	1.29	1.14

(1) Excludes minority interest share of depreciation and amortization of \$70,000 and \$272,000 for the three months and year-end December 31, 2005, respectively, and \$57,000 and \$182,000 for the three months and year-ended December 31, 2004 respectively.

(more)

**CROSSTEX ENERGY, L.P.**  
**OPERATING DATA**

	THREE MONTHS ENDED DECEMBER 31,		YEAR ENDED DECEMBER 31,	
	2005	2004	2005	2004
PIPELINE THROUGHPUT (MMBtu/d)				
South Texas	524,000	548,000	517,000	555,000
LIG Pipeline & Marketing	604,000	619,000(1)	613,000	603,000(1)
Other Midstream	204,000	125,000	172,000	131,000
Total Gathering and Transmission Volume	1,332,000	1,292,000	1,302,000	1,289,000
NATURAL GAS PROCESSED				
MMBtu/d	1,730,000(2)	432,000(1)	1,825,000(2)	425,000(1)
Commercial Services Volume	168,000	212,000	181,000	210,000
Treating Plants in Service (3)	112	74	112	74

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(1) Includes LIG volumes after April 1, 2004 acquisition.

(2) Includes South Louisiana Processing volumes after November 1, 2005.

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

(more)

**CROSSTEX ENERGY, INC.**  
**SELECTED FINANCIAL AND OPERATING DATA**  
(All amounts in thousands except per unit numbers)

	THREE MONTHS ENDED DECEMBER 31,		TWELVE MONTHS ENDED DECEMBER 31,	
	2005	2004	2005	2004
Revenues				
Midstream	\$ 1,054,544	\$ 620,840	\$ 2,982,874	\$ 1,948,021
Treating	14,542	8,163	48,606	30,755
Profit from Energy Trading Activities	411	623	1,568	2,228
	-----	-----	-----	-----
	1,069,497	629,626	3,033,048	1,981,004
Cost of Gas				
Midstream	1,009,405	594,580	2,860,823	1,861,204
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	1,013,115	595,762	2,870,529	1,866,478
Gross Margin	56,382	33,864	162,519	114,526
Operating Expenses	19,155	11,628	56,768	38,396
General and Administrative	10,850	7,317	34,145	22,005
(Gain) Loss on Derivatives	(3,711)	(92)	9,968	(279)
Gain on Sale of Property	(341)	-	(8,138)	(12)
Impairments	-	-	-	981
Depreciation and Amortization	13,901	6,535	36,070	23,034
	-----	-----	-----	-----
Total	39,854	25,388	128,813	84,125
Operating Income	16,528	8,476	33,706	30,401
Interest Expense	(6,286)	(2,949)	(15,332)	(9,115)
Other Income	13	548	391	802
	-----	-----	-----	-----
Total Other Income	(6,273)	(2,401)	(14,941)	(8,313)
Income Before Income Taxes and Interest of Non-controlling Partners in the Partnership's Net Income	10,255	6,075	18,765	22,088
	-----	-----	-----	-----
Income Tax Expense	(27,519)	(1,645)	(30,047)	(5,149)
Gain on Issuance of Units of the Partnership	65,070	-	65,070	-
	-----	-----	-----	-----
Interest of Non-controlling Partners in the Partnership's Net (Income) Loss	(2,743)	(2,023)	(4,652)	(8,239)
	-----	-----	-----	-----
Net Income	\$ 45,063	\$ 2,407	\$ 49,136	\$ 8,700
	=====	=====	=====	=====
Preferred Stock Dividends	\$ -	\$ -	\$ -	\$ 132
	=====	=====	=====	=====
Net Income Available to Common	\$ 45,063	\$ 2,407	\$ 49,136	\$ 8,658
	=====	=====	=====	=====
Net Income per Common Share:				
Basic Earnings per Common Share	\$ 3.53	\$ 0.20	\$ 3.88	\$ 0.72
	=====	=====	=====	=====
Diluted Earnings per Common Share	\$ 3.47	\$ 0.19	\$ 3.79	\$ 0.67
	=====	=====	=====	=====
Weighted Average Shares Outstanding:				
Basic	12,760	12,214	12,652	11,849
	=====	=====	=====	=====
Diluted	12,982	12,932	12,957	12,899
	=====	=====	=====	=====
Dividends per Common Share	\$ 0.56	\$ 0.39	\$ 1.86	\$ 1.37
	=====	=====	=====	=====