



CROSSTEX



**ANOTHER STEP IN THE RIGHT DIRECTION**

*2003 Annual Report*

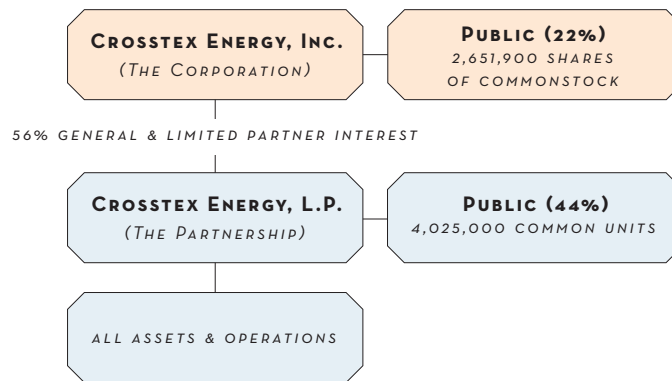
GROWTH



**LETTER TO THE UNITHOLDERS OF CROSSTEX ENERGY, L.P.  
AND THE STOCKHOLDERS OF CROSSTEX ENERGY, INC.**

**D**EAR FELLOW UNITHOLDERS AND STOCKHOLDERS: WITH THE COMPLETION OF THE IPO OF CROSSTEX ENERGY, INC. (“CEI” OR “THE CORPORATION”) IN JANUARY OF 2004, CROSSTEX IS NOW TWO PUBLIC COMPANIES SUPPORTED BY THE SAME BUSINESS. CEI OWNS APPROXIMATELY 56% OF THE INTERESTS IN CROSSTEX ENERGY, L.P. (“CELP” OR “THE PARTNERSHIP”) THROUGH ITS OWNERSHIP OF THE GENERAL PARTNER AND 5 MILLION LIMITED PARTNER UNITS. THE PARTNERSHIP OWNS THE OPERATING ASSETS OF THE BUSINESS, WHICH AFTER OUR RECENTLY ANNOUNCED ACQUISITION OF THE LOUISIANA INTRASTATE GAS (“LIG”) SYSTEM, CONSIST OF 4,500 MILES OF PIPELINE, 8 PROCESSING PLANTS, AND OVER 60 TREATING PLANTS.

*ONE BUSINESS, TWO WAYS TO OWN IT*



THE PARTNERSHIP AND THE CORPORATION ARE BOTH GROWTH VEHICLES WITH DIFFERENT CHARACTERISTICS THAT ARE DERIVED FROM THEIR STRUCTURE AS A PARTNERSHIP AND A CORPORATION. THE PARTNERSHIP DISTRIBUTES CASH TO ITS PARTNERS IN A TAX EFFICIENT MANNER, IN THAT IT PAYS NO TAXES, AND ITS TAXABLE GAINS AND LOSSES FLOW THROUGH TO ITS PARTNERS ON THEIR K-1. THE CASH DISTRIBUTION FROM THE PARTNERSHIP INCREASED 50% IN 2003, FROM \$.50 PER UNIT IN THE FIRST QUARTER OF THE YEAR, TO \$.75 PER UNIT IN THE FOURTH QUARTER. OUR FOCUS ON CONTINUED GROWTH IS DRIVEN BY THE DESIRE TO CONTINUE TO GROW THE CASH DISTRIBUTION.

THE CORPORATION BENEFITS IN TWO WAYS FROM THE CONTINUED GROWTH OF THE DISTRIBUTION FROM THE PARTNERSHIP. IN ADDITION TO ITS OWNERSHIP OF THE GENERAL PARTNER INTEREST AND THE LIMITED PARTNER UNITS, IT ALSO OWNS THE INCENTIVE DISTRIBUTION RIGHTS FROM THE PARTNERSHIP, SO THAT AS THE CASH DISTRIBUTION GROWS, ITS SHARE OF THE DISTRIBUTIONS INCREASES. UNLIKE THE PARTNERSHIP, THE CORPORATION IS A TAXPAYER, AND THE DIVIDENDS IT PAYS TO STOCKHOLDERS WILL ALSO BE TAXABLE AT THE NEW 15% DIVIDEND RATE FOR INDIVIDUALS. IT IS OUR EXPECTATION THAT GROWTH IN THE CASH DISTRIBUTIONS FROM THE PARTNERSHIP WILL LEAD DIRECTLY TO INCREASES IN CASH DIVIDENDS FROM THE CORPORATION.



## OUR GROWTH IN 2003 – EXECUTING OUR STRATEGY

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- 1**  
*Acquire* WE ACQUIRED THE **MISSISSIPPI SYSTEM**, THE **SEMINOLE CO<sub>2</sub> PLANT**, AND OTHER ASSETS FROM **DUKE ENERGY FIELD SERVICES**, ADDING NEW CORE AREAS TO OUR OPERATIONS.
  - 2**  
*Enhance* SINCE WE BEGAN ACQUIRING AND CONSOLIDATING OUR **TEXAS GULF COAST** ASSETS IN LATE 2000, WE HAVE INCREASED ON-SYSTEM VOLUMES ON THE COMBINED SYSTEMS BY **30%**, WHILE IMPROVING THE QUALITY OF THE CONTRACTS ON THE SYSTEMS TO EXPAND UNIT MARGINS
  - 3**  
*Consolidate* THE INTEGRATION OF THE **VANDERBILT SYSTEM** AND THE **HALLMARK LATERAL** INTO OUR OTHER **TEXAS GULF COAST** ASSETS GAVE US ACCESS TO SIGNIFICANT NEW MARKETS AND SUPPLY SOURCES, WHILE LINKING OUR SYSTEMS TOGETHER TO BETTER BALANCE SUPPLY AND DEMAND.
  - 4**  
*Construct* WE INCREASED THE NUMBER OF TREATING PLANTS IN SERVICE FROM **35 TO 52** YEAR-OVER-YEAR, AND BUILT A GRASSROOTS GATHERING SYSTEM IN THE FAST-GROWING **BARNETT SHALE** PLAY IN NORTH TEXAS
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THE PARTNERSHIP REPORTED NET INCOME OF \$15.2 MILLION IN 2003, COMPARED TO \$2.0 MILLION IN 2002. DISTRIBUTABLE CASH FLOW WAS \$29.5 MILLION, AN INCREASE OF 150% FROM THE \$11.8 MILLION LEVEL ACHIEVED IN 2002, REFLECTING THE GROWTH WE ACHIEVED DURING THE YEAR. DISTRIBUTABLE CASH FLOW FROM THE PARTNERSHIP WAS SUFFICIENT TO COVER THE \$2.50 PER UNIT DISTRIBUTION FOR THE YEAR BY 1.3 TIMES.

THE CORPORATION REPORTED NET INCOME OF \$13.4 MILLION IN 2003, COMPARED TO \$5.6 MILLION IN 2002. ITS SHARE OF THE DISTRIBUTIONS PAID BY THE PARTNERSHIP IN THE FOURTH QUARTER WAS \$4.4 MILLION, AND FOR THE FULL YEAR IT WAS \$13.9 MILLION. EACH \$0.05 INCREASE IN THE QUARTERLY DISTRIBUTION PER UNIT FROM THE PARTNERSHIP WILL INCREASE THE QUARTERLY DISTRIBUTION TO THE CORPORATION BY APPROXIMATELY \$700 THOUSAND.

THIS GROWTH IS THE DIRECT RESULT OF THE VISION AND DEDICATION OF CROSTEX'S PEOPLE AND THE "OWNERSHIP MENTALITY" EACH BRINGS TO THE JOB EVERY DAY. THAT MENTALITY COMES NATURALLY TO THE PEOPLE WE ADD TO OUR TEAM AND IS REINFORCED IN TWO IMPORTANT WAYS. FIRST, EACH EMPLOYEE PARTICIPATES IN A BONUS PLAN THAT HAS ONLY ONE MEASURE: RETURN ON INVESTED CAPITAL. SECOND, EACH EMPLOYEE HAS EQUITY, EITHER DIRECTLY OR IN THE FORM OF OPTIONS TO ACQUIRE EQUITY THROUGH OUR INCENTIVE PLANS. BECAUSE OF THIS, EVERYONE IN THE COMPANY IS FOCUSED NOT ON GROWTH FOR ITS OWN SAKE, BUT RATHER ON HIGHLY PROFITABLE GROWTH THAT WILL ALLOW US TO CONTINUE TO INCREASE CASH DISTRIBUTIONS AND DIVIDENDS.

EMPLOYEES  
*taking*  
OWNERSHIP



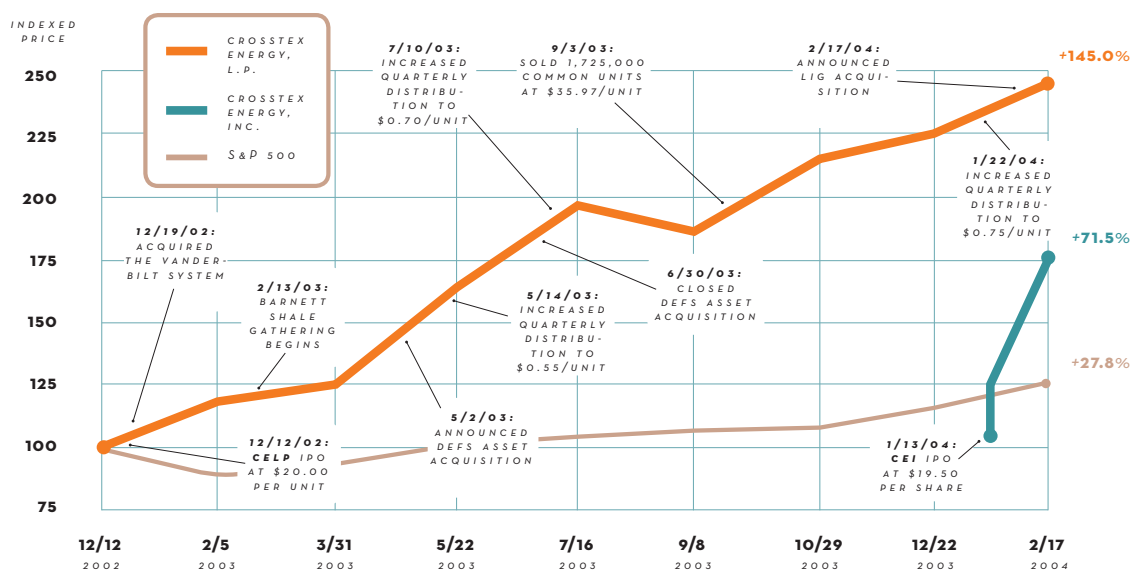


**EXCELLENCE**

**ENTHUSIASM**



## PRICE PERFORMANCE



## LOOKING AHEAD

WE DIDN'T WAIT LONG INTO THE NEW YEAR BEFORE WE ANNOUNCED OUR NEXT MAJOR GROWTH STEP. HAVING SUCCESSFULLY INTEGRATED THE ASSETS WE ACQUIRED IN 2003, IN FEBRUARY 2004 WE ANNOUNCED OUR LARGEST ACQUISITION TO DATE - THE LOUISIANA INTRASTATE GAS SYSTEM (LIG). AT \$76.2 MILLION, WE EXPECT THE TRANSACTION TO BE IMMEDIATELY ACCRETIVE TO OUR DISTRIBUTABLE CASH FLOW.

THE LIG SYSTEM CONSISTS OF ALMOST 2,000 MILES OF PIPE AND 5 PROCESSING PLANTS AND IS THE LARGEST INTRASTATE GAS TRANSMISSION SYSTEM IN LOUISIANA. IT CURRENTLY MOVES APPROXIMATELY 600,000 MMBTU'S OF GAS PER DAY, WHICH WILL INCREASE THE AMOUNT OF GAS WE HANDLE EACH DAY TO OVER 1.5 BILLION CUBIC FEET, OR THE EQUIVALENT OF ABOUT 3% OF THE PRODUCTION IN THE UNITED STATES EACH DAY.

WE PLAN TO CONTINUE TO BE ACTIVE ACQUIRERS. WE ARE STUDYING POTENTIAL TRANSACTIONS THAT WOULD BE COMPLEMENTARY TO OUR EXISTING ASSETS IN SOUTH TEXAS, LOUISIANA, AND MISSISSIPPI. WE ARE ALSO LOOKING AT POTENTIAL NEW CORE AREAS IN WEST TEXAS, AND LEVERAGING OUR POSITION IN THE SEMINOLE PLANT INTO ADDITIONAL CO<sub>2</sub> BUSINESS OPPORTUNITIES. OUR GOAL IS TO CONTINUE BUILDING A COMPANY THAT IS BASED ON SOLID ASSETS, ONE THAT CAN GENERATE STABLE AND PREDICTABLE CASH FLOWS FROM A DIVERSIFIED GEOGRAPHIC AREA AND MARKET MIX.



CROSSTEX



“

BUILDING A GREAT COMPANY THAT WILL LAST

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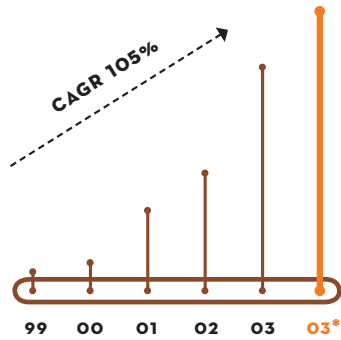
# GROWTH HIGHLIGHTS

\*PRO FORMA 2003 FOR THE LIG ACQUISITION

## GROSS MARGIN

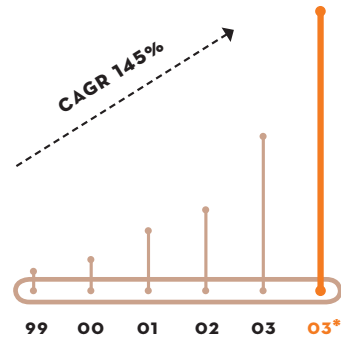
(\$000,000's)

4.4 8.9 24.2 32.7 59.7 78.3



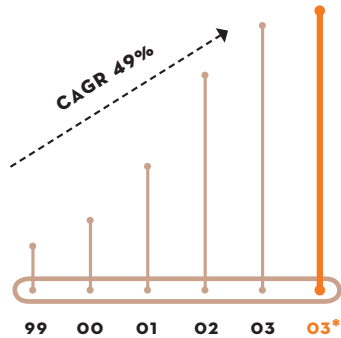
## MILES OF PIPELINE

125 700 1,470 1,700 2,500 4,500



## TREATING PLANTS IN SERVICE

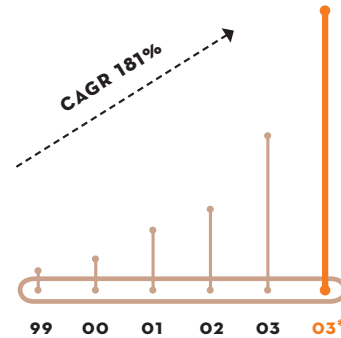
11 16 25 35 52 54



## PIPELINE THROUGHPUT

(000's MMBTU/D)

20 78 313 392 626 1,226



IN CLOSING, 2003 WAS ANOTHER GREAT YEAR FOR THE CROSSTEX FAMILY. IN ADDITION TO OUTSTANDING GROWTH, THE PASSIONATE PURSUIT OF OUR PEOPLE TO "BUILD A GREAT COMPANY THAT WILL LAST" HAS TRANSFORMED OUR BUSINESS OF MOVING GAS MOLECULES THROUGH OUR PIPELINES INTO AN EXTRAORDINARY STORY OF SERVICE, RESULTING IN THE #1 INDUSTRY RANKING IN CUSTOMER SATISFACTION. IT IS THIS PASSION THAT CARRIED US INTO THE NEW YEAR OF 2004 WITH A SPIRIT OF FULL COMMITMENT TO CONTINUE THE CROSSTEX STORY OF SUCCESSFUL GROWTH. I THANK ALL CROSSTEX EMPLOYEES FOR NOT ONLY THEIR HANDS AND GREAT MINDS, BUT ALSO FOR THEIR HEARTS.

WE THANK EACH OF OUR CUSTOMERS, VENDORS, FINANCIAL PARTNERS, STOCKHOLDERS, UNITHOLDERS, AND OTHER STAKEHOLDERS FOR THEIR CONTINUED SUPPORT OF CROSSTEX.

SINCERELY,

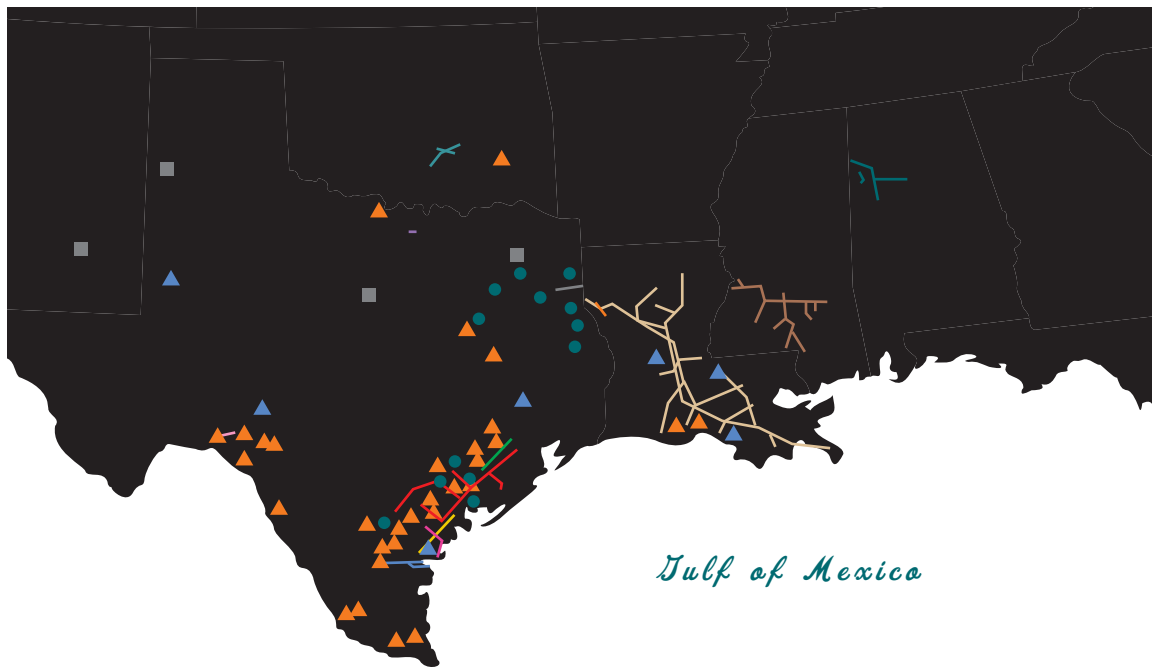
BARRY E. DAVIS

PRESIDENT AND CHIEF EXECUTIVE OFFICER



## CROSSTEX ENERGY, L.P. MAJOR ASSET LOCATIONS

(DETAILED MAPS AVAILABLE AT [WWW.CROSSTEXENERGY.COM](http://WWW.CROSSTEXENERGY.COM))



### LEGEND

- |                           |                                 |                             |
|---------------------------|---------------------------------|-----------------------------|
| ● GATHERING SYSTEMS       | — VANDERBILT SYSTEM             | — DENTON GATHERING          |
| ■ INDUSTRIAL PIPELINES    | — CCNG TRANSMISSION             | — HARRISON GATHERING SYSTEM |
| ▲ GAS PROCESSING PLANTS   | — CCNG TRANSMISSION-HALLMARK 20 | — ARKOMA GATHERING SYSTEM   |
| ▲ AMINE TREATING PLANTS   | — GREGORY GATHERING SYSTEM      | — CONROE GATHERING          |
| — GULF COAST TRANSMISSION | — MISSISSIPPI SYSTEM            | — PANDALE GATHERING SYSTEM  |
| — CROSSTEX LIG            | — ALABAMA SYSTEM                | — AURORA CENTANA            |



## EXECUTIVE MANAGEMENT

**JAMES R. WALES**

*EXECUTIVE VICE PRESIDENT,  
SOUTHERN DIVISION*

**JACK M. LAFIELD**

*EXECUTIVE VICE PRESIDENT,  
CORPORATE DEVELOPMENT*

**WILLIAM W. DAVIS**

*EXECUTIVE VICE PRESIDENT &  
CHIEF FINANCIAL OFFICER*

**BARRY E. DAVIS**

*PRESIDENT &  
CHIEF EXECUTIVE OFFICER*

**MICHAEL P. SCOTT**

*SENIOR VICE PRESIDENT,  
TECHNICAL SERVICES*

**A. CHRIS AULDS**

*EXECUTIVE VICE PRESIDENT,  
EASTERN DIVISION*

## CROSSTEX ENERGY, L.P. AND CROSSTEX ENERGY, INC. BOARDS OF DIRECTORS

**BRYAN H. LAWRENCE**

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NEW YORK, NEW YORK  
(CEI AND CELP)*

**BARRY E. DAVIS**

*PRESIDENT & CEO,  
DALLAS, TEXAS  
(CEI AND CELP)*

**C. ROLAND HADEN**

*COLLEGE STATION, TEXAS  
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**FRANK M. BURKE**

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**ROBERT F. MURCHISON**

*DALLAS, TEXAS  
(CEI AND CELP)*

## UNITHOLDER INFORMATION

**EXCHANGE LISTING**

**CROSSTEX ENERGY, L.P.** COMMON UNITS ARE LISTED ON THE NASDAQ NATIONAL MARKET UNDER THE SYMBOL **XTEX**.

**CROSSTEX ENERGY, INC.**

COMMON SHARES ARE LISTED ON THE NASDAQ NATIONAL MARKET UNDER THE SYMBOL **XTXI**.

**TRANSFER AGENT/UNITHOLDER RECORDS**

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TEL 212-936-5100

**AUDITORS**

KPMG LLP

**INVESTOR INFORMATION**

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FAX 214-953-9501

**WEB ADDRESS**

[WWW.CROSSTEXENERGY.COM](http://WWW.CROSSTEXENERGY.COM)

REFER TO OUR WEB SITE FOR:

- COMPANY NEWS
- EARNINGS CALLS SCHEDULES
- PRESS RELEASES
- K-1 INFORMATION
- DISTRIBUTION & DIVIDEND INFORMATION

K-1'S WERE MAILED TO UNITHOLDERS IN FEBRUARY 2004.



**CROSSTEX**

*Energy Services. Strong. Dedicated.*