DCP Midstream, LLC
Condensed Consolidated Financial Statements for the Three and Six Months Ended June 30, 2011 and 2010
(Unaudited)

DCPMIDSTREAM,LLC
CONDENSEDCONSOLIDATEDFINANCIALSTATEMENTS

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DCPMIDSTREAM,LLC
CONDENSEDCONSOLIDATEDBALANCESHEETS
(millions)

	June30, 2011 (Unaudited)	December31, 2010
ASSETS		
Currentassets:		
Cashandcashequivalents	$ 5	$ 8
Accountsreceivable:		
Customers,netofallowancefordoubtfulaccounts of$2millioneachperiod	936	1,013
Affiliates	282	239
Other	39	18
Inventories	87	108
Unrealizedgainsonderivativeinstruments	162	144
Other	74	43
Totalcurrentassets	1,585	1,573
Property,plantandequipment,net	5,566	5,287
Investmentsinunconsolidatedaffiliates	156	159
Intangibleassets,net	376	387
Goodwill	728	721
Unrealizedgainsonderivativeinstruments	40	25
Otherlong-termassets	94	86
Totalassets	$ 8,545	$ 8,238
LIABILITIESANDEQUITY		
Currentliabilities:		
Accountspayable:		
Trade	$ 1,068	$ 1,105
Affiliates	90	79
Other	49	33
Short-termborrowings	460	187
Currentmaturitiesoflong-termdebt	—	250
DCPPartners’revolvingcreditfacility	461	—
Distributionspayabletomembers	64	77
Unrealizedlossesonderivativeinstruments	184	180
Accruedtaxes	63	60
Other	243	235
Totalcurrentliabilities	2,682	2,206
Deferredincometaxes	95	135
Long-termdebt	2,824	3,223
Unrealizedlossesonderivativeinstruments	81	65
Otherlong-termliabilities	117	128
Totalliabilities	5,799	5,757
Commitmentsandcontingentliabilities		
Equity:		
Members’interest	2,241	2,073
Accumulatedothercomprehensiveloss	(11)	(13)
Totalmembers’equity	2,230	2,060
Noncontrollinginterest	516	421
Totalequity	2,746	2,481
Totalliabilitiesandequity	$ 8,545	$ 8,238

SeeNotestoCondensedConsolidatedFinancialStatements.

DCP MIDSTREAM, LLC
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	**2010**	**2011**	**2010**
Operating revenues:				
Sales of natural gas and petroleum products	$ 2,487	$ 1,870	$ 4,713	$ 4,137
Sales of natural gas and petroleum products to affiliates	698	544	1,343	1,238
Transportation, storage and processing	96	87	187	178
Trading and marketing gains, net	33	15	4	35
Total operating revenues	3,314	2,516	6,247	5,588
Operating costs and expenses:				
Purchases of natural gas and petroleum products	2,379	1,860	4,532	4,138
Purchases of natural gas and petroleum products from affiliates	257	154	525	419
Operating and maintenance	152	153	310	286
Depreciation and amortization	110	102	215	205
General and administrative	68	55	143	111
Total operating costs and expenses	2,966	2,324	5,725	5,159
Operating income	348	192	522	429
Earnings from unconsolidated affiliates	7	10	12	19
Interest expense	(52)	(70)	(105)	(135)
Income before income taxes	303	132	429	313
Income tax expense	—	—	—	(2)
Net income	303	132	429	311
Net income attributable to noncontrolling interests	(26)	(18)	(19)	(32)
Net income attributable to members' interests	$ 277	$ 114	$ 410	$ 279

See Notes to Condensed Consolidated Financial Statements.

DCPMIDSTREAM,LLC
CONDENSEDCONSOLIDATEDSTATEMENTSOFCOMPREHENSIVE INCOME
(Unaudited)
(millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	**2010**	**2011**	**2010**
Net income	$ 303	$ 132	$ 429	$ 311
Other comprehensive income (loss):				
Net unrealized losses on cash flow hedges	(4)	(5)	(5)	(13)
Reclassification of cash flow hedges into earnings	5	5	10	12
Total other comprehensive income (loss)	1	—	5	(1)
Total comprehensive income	304	132	434	310
Total comprehensive income attributable to noncontrolling interests	(26)	(18)	(22)	(31)
Total comprehensive income attributable to members' interests	$ 278	$ 114	$ 412	$ 279

See Notes to Condensed Consolidated Financial Statements.

DCPMIDSTREAM,LLC
CONDENSEDCONSOLIDATEDSTATEMENTSOFCASHFLOWS
(Unaudited)
(millions)

	Six Months Ended June 30,	
	2011	**2010**
Cashflowsfromoperatingactivities:		
Netincome	$ 429	$ 311
Adjustmentstoreconcilenetincometonetcashprovidedbyoperatingactivities:		
Depreciationandamortization	215	205
Earningsfromunconsolidatedaffiliates	(12)	(19)
Distributionsfromunconsolidatedaffiliates	17	27
Deferredincometaxbenefit	(5)	(4)
Other,net	(7)	2
Changesinoperatingassetsandliabilitieswhichprovided(used)cash:		
Accountsreceivable	19	246
Inventories	17	4
Netunrealizedgainsonderivativeinstruments	(7)	(9)
Accountspayable	(24)	(257)
Other	(28)	(43)
Netcashprovidedbyoperatingactivities	614	463
Cashflowsfrominvestingactivities:		
Capitalexpenditures	(446)	(185)
Acquisitions,netofcashacquired	(79)	(101)
Investmentsinunconsolidatedaffiliates	(2)	(1)
Proceedsfromsaleofassets	12	—
Purchasesofavailable-for-salesecurities	—	(623)
Proceedsfromsalesofavailable-for-salesecurities	—	571
Netcashusedininvestingactivities	(515)	(339)
Cashflowsfromfinancingactivities:		
Paymentofdividendsanddistributionstomembers	(283)	(373)
Proceedsfromdebt	716	810
Paymentofdebt	(903)	(210)
Proceedsfromissuanceofcommonunitsbyasubsidiary,netofofferingcosts	140	—
Commercialpaper,net	273	—
Distributionspaidtononcontrollinginterests	(41)	(29)
Purchaseofadditionalinterestinasubsidiary	—	(4)
Deferredfinancingcosts	(4)	(5)
Netcash(usedin)providedbyfinancingactivities	(102)	189
Netchangeincashandcashequivalents	(3)	313
Cashandcashequivalents,beginningofperiod	8	264
Cashandcashequivalents,endofperiod	$ 5	$ 577

SeeNotestoCondensedConsolidatedFinancialStatements.

DCPMIDSTREAM,LLC
CONDENSEDCONSOLIDATEDSTATEMENTSOFCHANGESINEQU ITY
(Unaudited)
(millions)

	Members'Equity			
	Members' Interest	Accumulated Other Comprehensive (Loss)Income	Noncontrolling Interest	Total Equity
Balance,January1,2011	$ 2,073	$ (13)	$ 421	$ 2,481
Dividendsanddistributions	(270)	—	(41)	(311)
Equity-basedcompensation	—	—	2	2
Issuanceofcommonunitsbyasubsidiary,netof offeringcosts	28	—	112	140
Comprehensiveincome(loss):				
Netincome	410	—	19	429
Netunrealizedlossesoncashflowhedges	—	(2)	(3)	(5)
Reclassificationsofcashflowhedgesintoearnings	—	4	6	10
Totalcomprehensiveincome	410	2	22	434
Balance,June30,2011	$ 2,241	$ (11)	$ 516	$ 2,746
Balance,January1,2010	$ 2,020	$ (17)	$ 315	$ 2,318
Dividendsanddistributions	(365)	—	(30)	(395)
Purchaseofadditionalinterestinasubsidiary	—	—	(4)	(4)
Comprehensiveincome(loss):				
Netincome	279	—	32	311
Netunrealizedlossesoncashflowhedges	—	(5)	(8)	(13)
Reclassificationsofcashflowhedgesintoearnings	—	5	7	12
Totalcomprehensiveincome	279	—	31	310
Balance,June30,2010	$ 1,934	$ (17)	$ 312	$ 2,229

SeeNotestoCondensedConsolidatedFinancialState ments.

DCP MIDSTREAM, LLC
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Three and Six Months Ended June 30, 2011 and 2010
(Unaudited)

1. Description of Business and Basis of Presentation

DCP Midstream, LLC, with its consolidated subsidiaries, or us, we, our, or the Company, is a joint venture owned 50% by Spectra Energy Corp and its affiliates, or Spectra Energy, and 50% by ConocoPhillips and its affiliates, or ConocoPhillips. We operate in the midstream natural gas industry. Our primary operations consist of gathering, processing, compressing, transporting and storing of natural gas, and fractionating, transporting, gathering, treating, processing and storing of natural gas liquids, or NGLs, and/or condensate as well as marketing, from which we generate revenues primarily by trading and marketing natural gas and NGLs.

DCP Midstream Partners, LP, or DCP Partners, is a master limited partnership, of which a wholly-owned subsidiary of ours acts as general partner. As of June 30, 2011 and December 31, 2010, we owned an approximately 26% and 29% limited partner interest, respectively, in DCP Partners. Additionally, as of June 30, 2011 and December 31, 2010, we owned an approximately 1% general partner interest in DCP Partners, for both periods, as well as incentive distribution rights that entitle us to receive an increasing share of available cash as pre-defined distribution targets are achieved. As the general partner of DCP Partners, we have responsibility for its operations. We exercise control over DCP Partners and we account for it as a consolidated subsidiary.

We are governed by a five member board of directors, consisting of two voting members from each parent company and our Chief Executive Officer and President, a non-voting member. All decisions requiring the approval of our board of directors are made by simple majority vote of the board, but must include at least one vote from both a Spectra Energy and ConocoPhillips board member. In the event the board cannot reach a majority decision, the decision is appealed to the Chief Executive Officers of both Spectra Energy and ConocoPhillips.

These condensed consolidated financial statements reflect all normal recurring adjustments that are, in the opinion of management, necessary to present fairly the financial position and results of operations for the respective interim periods. Certain information and notes normally included in our annual financial statements have been condensed in or omitted from these interim financial statements. Operating results for the three and six months ended June 30, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011. These condensed consolidated financial statements should be read in conjunction with our consolidated financial statements for the year ended December 31, 2010. The December 31, 2010 balance sheet included in this report has been retrospectively adjusted to reflect changes to the preliminary purchase price allocation relating to DCP Partners' December 2010 acquisition of Marysville Hydrocarbons Holdings, LLC, or Marysville. See Note 3, Acquisitions, for further discussion of this adjustment.

The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP. Conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and notes. Although these estimates are based on management's best available knowledge of current and expected future events, actual results could differ from those estimates. These condensed consolidated financial statements include the accounts of the Company and all majority-owned subsidiaries where we have the ability to exercise control and undivided interests in jointly owned assets. We also consolidate DCP Partners, which we control as the general partner and where the limited partners do not have substantive kick-out or participating rights. Investments in greater than 20% owned affiliates that are not variable interest entities and where we do not have the ability to exercise control, and investments in less than 20% owned affiliates where we have the ability to exercise significant influence, are accounted for using the equity method. Intercompany balances and transactions have been eliminated.

2. Recent Accounting Pronouncements

***Financial Accounting Standards Board, or FASB, Accounting Standards Update, or ASU, 2011-04 "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs,"* or ASU 2011-04** — In May 2011, the FASB issued ASU 2011-04 which amends Accounting Standards Codification, or ASC, Topic 820 "Fair Value Measurements and Disclosures" to change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements, clarify the FASB's intent about the application of existing fair value measurement requirements, and change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The provisions of ASU 2011-04 are effective for us for interim and annual periods beginning after December 15, 2011 and we are currently assessing the impact of adoption on our consolidated results of operations, cash flows and financial position.

3. Acquisitions

On March 24, 2011, DCP Partners acquired two NGL fractionation facilities in Weld County, Colorado, located in the Denver-Julesburg Basin, or DJ Basin, from a third party in a transaction accounted for as an asset acquisition. DCP Partners paid a purchase price of $30 million financed at closing with borrowings under DCP Partners' revolving credit facility, and received a post-closing purchase price adjustment of less than $1 million. The NGL fractionation facilities, or the DJ Basin Fractionators, are located on our processing plant sites and are operated by us. We will continue to operate and supply certain committed NGLs produced by us in Weld County to the DJ Basin Fractionators under the existing agreements that are effective through March 2018.

On December 30, 2010, DCP Partners acquired all of the interests in Marysville. The acquisition involved three separate transactions with a number of parties. DCP Partners acquired a 90% interest in Marysville from Dart Energy Corporation, a 5% interest in Marysville from Prospect Street Energy, LLC and 100% of EE Group, LLC, which owned the remaining 5% interest in Marysville. DCP Partners paid a purchase price of $95 million plus $6 million for net working capital and other adjustments, for an aggregate purchase price of $101 million, subject to customary purchase price adjustments, for DCP Partners' 100% interest. The purchase was financed at closing with borrowings under DCP Partners revolving credit facility. $21 million of the purchase price has been deposited in an indemnity escrow to satisfy certain tax liabilities and provide for breaches of representations and warranties of the sellers. Approximately $19 million remains in the escrow account after approximately $2 million was released on June 15, 2011.

On January 4, 2011, DCP Partners merged two wholly-owned subsidiaries of Marysville and converted the combined entity's organizational structure from a corporation to a limited liability company. This conversion to a limited liability company triggered tax liabilities, resulting from built-in tax gains recognized in the transaction, to become currently payable. Accordingly, $35 million of estimated deferred tax liabilities associated with this transaction and recorded at December 31, 2010, became current tax liabilities as of January 4, 2011. These tax liabilities are unrelated to the tax liabilities of Marysville for which an indemnity escrow has been established. These tax liabilities may be greater or less than the $35 million which was initially recorded in our condensed consolidated balance sheet, depending on the final accounting for the Marysville business combination. On April 18, 2011, DCP Partners made an estimated federal tax payment of $29 million related to the $35 million tax liability that resulted from the acquisition of Marysville. The remaining $6 million estimated tax payable is included in accrued taxes in our condensed consolidated balance sheet as of June 30, 2011.

We have updated our accounting for the Marysville business combination for the fair value of assets acquired and liabilities assumed including intangible assets, goodwill and property, plant and equipment. The purchase price allocation is preliminary and is based on initial estimates of fair values at the date of the acquisition. We are currently evaluating the preliminary purchase price allocation, which will be adjusted as additional information relative to the fair value of assets and liabilities becomes available. This allocation may change in subsequent financial statements, pending the final estimates of fair value and the final outcome of our estimated tax liabilities. The preliminary purchase price allocation as of June 30, 2011 is as follows:

	June 30, 2011 (millions)
Aggregate consideration	$ 101
Cash	$ 3
Accounts receivable	1
Inventory	5
Other current assets	1
Property, plant and equipment	57
Intangible assets	33
Goodwill	40
Other long-term assets	1
Deferred income taxes	(35)
Other current liabilities	(5)
Total preliminary purchase price allocation	$ 101

4. Agreements and Transactions with Related Parties and Affiliates

Dividends and Distributions

During the six months ended June 30, 2011 and 2010, we paid tax distributions of $112 million and $169 million, respectively, based on estimated annual taxable income allocated to ConocoPhillips and Spectra Energy according to their respective ownership percentages at the date the distributions became due. During the six months ended June 30, 2011 and 2010, we declared and paid dividends of $171 million and $204 million, respectively, to Spectra Energy and ConocoPhillips, allocated in accordance with their respective ownership percentages.

During the six months ended June 30, 2011 and 2010, DCP Partners paid distributions of $38 million and $28 million, respectively, to its public unitholders.

ConocoPhillips

Long-Term NGL Purchases Contract and Transactions —We sell a portion of our residue gas and NGLs to ConocoPhillips. In addition, we purchase natural gas from and provide gathering, transportation and other services to ConocoPhillips. Approximately 40% of our NGL production is committed to ConocoPhillips and CPChem, both related parties, under an existing 15-year contract, which expires in 2015. Should the contract not be renegotiated or renewed, it provides for a five year ratable wind-down period through 2020. The NGL contract also grants ConocoPhillips the right to purchase at index-based prices certain quantities of NGLs produced at processing plants that are acquired and/or constructed by us in the future in various counties in the Mid-Continent and Permian Basin regions, and the Austin Chalk area. We anticipate continuing to purchase and sell these commodities and provide these services to ConocoPhillips in the ordinary course of business.

On June 8, 2011, we announced that we have entered into an agreement to acquire the Seaway Products Pipeline Company from ConocoPhillips and create new NGL transportation capacity from the Midcontinent to the Texas Gulf Coast markets. The pipeline will be renamed the Southern Hills Pipeline, or Southern Hills, and will be converted from refined products service to a NGL pipeline, which will ultimately run more than 700 miles between two major NGL market hubs: Conway, Kansas and Mont Belvieu, Texas. We will add a 130-mile extension to Conway and a 30-mile extension to Mont Belvieu, as well as add pumping capacity and associated gathering infrastructure, to the existing 580-mile pipeline. This approximately $750 million to $850 million total investment is expected to have an in-service date in mid-2013. We will operate Southern Hills as a common carrier pipeline. The pipeline will open new capacity for NGLs produced from growing Midcontinent, Rockies and Conway-bound supply. In June 2011, in accordance with terms of the purchase agreement, we paid ConocoPhillips a deposit of approximately $40 million, which is currently classified in other current assets within our condensed consolidated balance sheets and within acquisitions, net of cash acquired in our condensed consolidated statements of cash flows.

On January 1, 2011, we entered into a 15-year gathering and processing agreement with ConocoPhillips, whereby ConocoPhillips has dedicated all of its natural gas production within an area of mutual interest in Oklahoma and Texas. This contract replaces and extends certain contracts that we previously had with ConocoPhillips.

Spectra Energy

Commodity Transactions —We sell a portion of our residue gas and NGLs to, purchase natural gas and other petroleum products from, and provide gathering, transportation and other services to Spectra Energy. Management anticipates continuing to purchase and sell commodities and provide services to Spectra Energy in the ordinary course of business.

DCP Partners has propane supply agreements with Spectra Energy, effective through April 2012, which provide DCP Partners propane supply at its marine terminals for up to approximately 185 million gallons of propane annually. Additionally, DCP Partners has transportation agreements with Spectra Energy, effective through January 2012, which provide DCP Partners natural gas transportation of approximately 35 million cubic feet per day.

Transactions with DCP Partners

On January 1, 2011, we completed the sale of a 33.33% interest in the DCP Southeast Texas business, or Southeast Texas, to DCP Partners for $150 million, in a transaction among entities under common control. The transaction was financed at closing with proceeds from DCP Partners' November 2010 public equity offering and borrowings under the DCP Partners' revolving credit facility.

The proceeds we received were used to pay down our short-term borrowings. Southeast Texas is a fully integrated midstream business which includes 675-miles of natural gas pipelines, three natural gas processing plants totaling 380 million cubic feet per day of processing capacity, natural gas storage assets with 9 billion cubic feet per day of existing storage capacity, and NGL market deliveries direct to ExxonMobil and to Mont Belvieu via DCP Partners' Black Lake NGL pipeline. The terms of the joint venture agreement provide that DCP Partners' distributions from the joint venture for the first seven years related to storage and transportation gross margin will be pursuant to a fee-based arrangement, based on storage capacity and tailgate volumes. Distributions related to the gathering and processing business, along with reductions for all expenditures, will be pursuant to our and DCP Partners' respective ownership interests in Southeast Texas. We will continue to consolidate these assets in our financial statements, through our 66.67% interest in the joint venture and our consolidation of DCP Partners.

Transactions with other unconsolidated affiliates

We sell a portion of our residue gas and NGLs to, purchase natural gas and other petroleum products from, and provide gathering and transportation services to, unconsolidated affiliates. We anticipate continuing to purchase and sell commodities and provide services to unconsolidated affiliates in the ordinary course of business.

The following table summarizes our transactions with related parties and affiliates:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(millions)			
ConocoPhillips:				
Sales of natural gas and petroleum products to affiliates	$ 682	$ 532	$ 1,310	$ 1,211
Transportation, storage and processing	$ 3	$ 5	$ 7	$ 11
Purchases of natural gas and petroleum products from affiliates	$ 157	$ 99	$ 287	$ 230
Operating and general and administrative expenses	$ 2	$ 1	$ 3	$ 2
Spectra Energy:				
Sales of natural gas and petroleum products to affiliates	$ —	$ —	$ 1	$ 1
Purchases of natural gas and petroleum products from affiliates	$ 68	$ 25	$ 171	$ 123
Operating and general and administrative expenses	$ 3	$ 3	$ 6	$ 3
Unconsolidated affiliates:				
Sales of natural gas and petroleum products to affiliates	$ 16	$ 12	$ 32	$ 26
Transportation, storage and processing	$ 3	$ 4	$ 8	$ 10
Purchases of natural gas and petroleum products from affiliates	$ 32	$ 30	$ 67	$ 66

We had balances with related parties and affiliates as follows:

	June 30, 2011	December 31, 2010
	(millions)	
ConocoPhillips:		
Accounts receivable	$ 264	$ 221
Accounts payable	$ (68)	$ (46)
Other assets	$ 43	$ 2
Spectra Energy:		
Accounts receivable	$ 2	$ 2
Accounts payable	$ (10)	$ (20)
Other assets	$ 4	$ 2
Unconsolidated affiliates:		
Accounts receivable	$ 16	$ 16
Accounts payable	$ (12)	$ (13)

5.Inventories

Inventorieswereasfollows:

	June30, 2011	December31, 2010
	(millions)	
Naturalgas	$ 27	$ 11
NGLs	60	97
Totalinventories	$ 87	$ 108

6.Property,PlantandEquipment

Property,plantandequipmentbyclassificationis asfollows:

	Depreciable Life	June30, 2011	December31, 2010
		(millions)	
Gatheringandtransmissionsystems	15 - 30years	$ 5,601	$ 5,441
Processing,storageandterminalfacilities	0 - 50years	3,042	2,807
Other	0 - 30years	260	253
Constructionworkinprogress		625	545
Property,plantandequipment		9,528	9,046
Accumulateddepreciation		(3,962)	(3,759)
Property,plantandequipment,net		$ 5,566	$ 5,287

Depreciationexpenseforthethreeandsixmonthse ndedJune30,2011was$104millionand$203millio n,respectively. Depreciationexpenseforthethreeandsixmonthse ndedJune30,2010was$98millionand$195million ,respectively.

Interestcapitalizedonconstructionprojectsfort hethreeandsixmonthsendedJune30,2011was$4 millionand$9million, respectively.Interestcapitalizedonconstruction projectsforthethreeandsixmonthsendedJune30 ,2010was$3millionand$5 million,respectively.

AssetRetirementObligations —AsofJune30,2011andDecember31,2010,wehad $75millionand$79million,respectively, ofassetretirementobligations,orAROs,inother long-termliabilitiesintheconsolidatedbalances heets.Duringthesecondquarterof 2011,werecordedachangeinestimatetoreduceou rAROsbyapproximately$6million.Thechangeine stimatewasprimarily attributabletoareassessmentofanticipatedtimin gofsettlementsandoftheoriginalAROestimated amounts.Accretionbenefitwas $3millionand$2millionforthethreeandsixmon thsendedJune30,2011,respectively.Accretionex pensewas$2millionand$3 millionforthethreeandsixmonthsendedJune30, 2010,respectively.Accretionexpenseisrecorded withinoperatingand maintenanceexpenseinourcondensedconsolidateds tatementsofoperations.

Thefollowingtablesummarizeschangesintheasset retirementobligations,includedinourbalancesh eets:

	June30, 2011	December31, 2010
	(millions)	
Balance,beginningofperiod	$ 79	$ 73
Accretion(benefit)expense	(2)	5
Liabilitiesincurred	—	2
Liabilitiessettled	(2)	(1)
Balance,endofperiod	$ 75	$ 79

7.GoodwillandIntangibleAssets

Thechangeinthecarryingamountofgoodwillisas follows:

	June30, 2011	December31, 2010
	(millions)	
Beginningofperiod	$ 721	$ 662
Acquisitions	7	59
Endofperiod	$ 728	$ 721

Goodwillincreasedin2011approximately$7million primarilyasaresultofapurchasepriceadjustme ntrelatedtothesettlement ofacontingentpaymentinconjunctionwiththeacq uisitionofMichiganPipeline&Processing,LLC.

Intangibleassetsconsistofcustomercontracts,in cludingcommoditypurchase,transportationandproc essingcontractsand relatedrelationships.Thegrosscarryingamountan daccumulatedamortizationoftheseintangibleasse tsareincludedinthe accompanyingcondensedconsolidatedbalancesheets asintangibleassets,net,andareasfollows:

	June30, 2011	December31, 2010
	(millions)	
Grosscarryingamount	$ 524	$ 523
Accumulatedamortization	(148)	(136)
Intangibleassets,net	$ 376	$ 387

Duringthethreeandsixmonthsended June30,2011 ,werecordedamortizationexpenseof$6millionan d$12million, respectively.Duringthethreeandsixmonthsended June30,2010,werecordedamortizationexpenseof $4millionand$10million, respectively.AsofJune30,2011,theremainingam ortizationperiodsrangedfromtwoyearsto24year s,withaweighted-average remainingperiodofapproximately19years.

Theweighted-averageremainingamortizationis20y earsforthe$33millionofintangibleassetsacqui redwithouracquisitionof Marysville.

Estimatedfutureamortizationfortheseintangible assetsisasfollows:

	EstimatedFutureAmortization
	(millions)
Remainderof2011	$ 13
2012	26
2013	26
2014	20
2015	19
Thereafter	272
Total	$ 376

8.FairValueMeasurement

DeterminationofFairValue

Belowisageneraldescriptionofourvaluationmet hodologiesforderivativefinancialassetsandliab ilities,aswellasshort-term andrestrictedinvestments,whicharemeasuredatf airvalue.Fairvaluesaregenerallybaseduponquo tedmarketprices,where available.Iflistedmarketpricesorquotesareno tavailable,wedeterminefairvaluebaseduponam arketquote,adjustedbyother market-basedorindependentlysourcedmarketdatas uchashistoricalcommodityvolatilities,crudeoil futureyieldcurves,and/or counterpartyspecificconsiderations.Theseadjustm entsresultinafairvalueforeachassetorliabi lityunderan“exitprice” methodology,inlinewithhowwebelieveamarketpl aceparticipantwouldvaluethatassetorliability .Theseadjustmentsmayinclude

amounts to reflect counterparty credit quality, the effect of our own creditworthiness, the time value of money and/or the liquidity of the market.

- Counterparty credit valuation adjustments are necessary when the market price of an instrument is not indicative of the fair value as a result of the credit quality of the counterparty. Generally, market quotes assume that all counterparties have near zero, or low, default rates and have equal credit quality. Therefore, an adjustment may be necessary to reflect the credit quality of a specific counterparty to determine the fair value of the instrument. We record counterparty credit valuation adjustments on all derivatives that are in a net asset position as of the measurement date in accordance with our established counterparty credit policy, which takes into account any collateral margin that a counterparty may have posted with us as well as any letters of credit that they have provided.

- Entity valuation adjustments are necessary to reflect the effect of our own credit quality on the fair value of our net liability position with each counterparty. This adjustment takes into account any credit enhancements, such as collateral margin we may have posted with a counterparty, as well as any letters of credit that we have provided. The methodology to determine this adjustment is consistent with how we evaluate counterparty credit risk, taking into account our own credit rating, current credit spreads, as well as any change in such spreads since the last measurement date.

- Liquidity valuation adjustments are necessary when we are not able to observe a recent market price for financial instruments that trade in less active markets for the fair value to reflect the cost of exiting the position. Exchange traded contracts are valued at market value without making any additional valuation adjustments and, therefore, no liquidity reserve is applied. For contracts other than exchange traded instruments, we mark our positions to the midpoint of the bid/ask spread, and record a liquidity reserve based upon our total net position. We believe that such practice results in the most reliable fair value measurement as viewed by a market participant.

We manage our derivative instruments on a portfolio basis and the valuation adjustments described above are calculated on this basis. We believe that the portfolio level approach represents the highest and best use for these assets as there are benefits inherent in naturally offsetting positions within the portfolio at any given time, and this approach is consistent with how a market participant would view and value the assets and liabilities. Although we take a portfolio approach to managing these assets/liabilities, in order to reflect the fair value of any one individual contract within the portfolio, we allocate all valuation adjustments down to the contract level, to the extent deemed necessary, based upon either the notional contract volume, or the contract value, whichever is more applicable.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While we believe that our valuation methods are appropriate and consistent with other market participants, we recognize that the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. We review our fair value policies on a regular basis taking into consideration changes in the marketplace and, if necessary, will adjust our policies accordingly. See Note 10, Risk Management and Hedging Activities, Credit Risk and Financial Instruments.

Valuation Hierarchy

Our fair value measurements are grouped into a three-level valuation hierarchy. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1—inputs are unadjusted quoted prices for *identical* assets or liabilities in active markets.

- Level 2—inputs include quoted prices for *similar* assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

- Level 3—inputs are unobservable and considered significant to the fair value measurement.

A financial instrument's categorization within the hierarchy is based upon the input that requires the highest degree of judgment in the determination of the instrument's fair value. Following is a description of the valuation methodologies used as well as the general classification of such instruments pursuant to the hierarchy.

Commodity Derivative Assets and Liabilities

We enter into a variety of derivative financial instruments, which may include exchange traded instruments (such as New York Mercantile Exchange, or NYMEX, crude oil or natural gas futures) or over-the-counter, or OTC, instruments (such as natural gas contracts, costless collars, crude oil or NGL swaps). The exchange traded instruments are generally executed on the NYMEX exchange with a highly rated broker dealer serving as the clearinghouse for individual transactions.

Our activities expose us to varying degrees of commodity price risk. To mitigate a portion of this risk, and to manage commodity price risk related primarily to owned natural gas storage and pipeline assets, we engage in natural gas asset based trading and marketing, and we may enter into natural gas and crude oil derivatives to lock in a specific margin when market conditions are favorable. A portion of this may be accomplished through the use of exchange traded derivative contracts. Such instruments are generally classified as Level 1 since the value is equal to the quoted market price of the exchange traded instrument as of our balance sheet date, and no adjustments are required. Depending upon market conditions and our strategy we may enter into exchange traded derivative positions with a significant time horizon to maturity. Although such instruments are exchange traded, market prices may only be readily observable for a portion of the duration of the instrument. In order to calculate the fair value of these instruments, readily observable market information is utilized to the extent it is available; however, in the event that readily observable market data is not available, we may interpolate based upon observable data. In instances where we utilize an interpolated value, and it is considered significant to the valuation of the contract as a whole, we would classify the instrument within Level 2. In certain limited instances, we may extrapolate based upon the last readily observable data, developing our own expectation of fair value. To the extent that we have utilized extrapolated data, and it is considered significant to the valuation of the contract as a whole, we would classify the instrument within Level 3.

We also engage in the business of trading energy related products and services, which expose us to market variables and commodity price risk. We may enter into physical contracts or financial instruments with the objective of realizing a positive margin from the purchase and sale of these commodity-based instruments. We may enter into derivative instruments for NGLs or other energy related products, primarily using the OTC derivative instrument markets, which are not as active and liquid as exchange traded instruments. Market quotes for such contracts may only be available for short dated positions (up to six months), and an active market itself may not exist beyond such time horizon. Contracts entered into with a relatively short time horizon for which prices are readily observable in the OTC market are generally classified within Level 2. Contracts with a longer time horizon, for which we internally generate a forward curve to value such instruments, are generally classified within Level 3. The internally generated curve may utilize a variety of assumptions including, but not limited to, data obtained from third-party pricing services, historical and future expected relationship of NGL prices to crude oil prices, the knowledge of expected supply sources coming online, expected weather trends within certain regions of the United States, and the future expected demand for NGLs.

Each instrument is assigned to a level within the hierarchy at the end of each financial quarter depending upon the extent to which the valuation inputs are observable. Generally, an instrument will move toward a level within the hierarchy that requires a lower degree of judgment as the time to maturity approaches, and as the markets in which the asset trades will likely become more liquid and prices more readily available in the market, thus reducing the need to rely upon our internally developed assumptions. However, the level of a given instrument may change, in either direction, depending upon market conditions and the availability of market observable data.

Interest Rate Derivative Assets and Liabilities

We use interest rate swap agreements as part of our overall capital strategy. These instruments effectively exchange a portion of our floating rate debt for fixed rate debt or our fixed rate debt for floating rate debt. The swaps are generally priced based upon a London Interbank Offered Rate, or LIBOR, instrument with similar duration, adjusted by the credit spread between our company and the LIBOR instrument. Given that a portion of the swap value is derived from the credit spread, which may be observed by comparing similar assets in the market, these instruments are classified within Level 2. Default risk on either side of the swap transaction is also considered in the valuation. We record counterparty credit and entity valuation adjustments in the valuation of our interest rate swaps; however, these reserves are not considered to be a significant input to the overall valuation.

Long-Term Assets

We offer certain eligible executives the opportunity to participate in DCP Midstream LP's Non-Qualified Executive Deferred Compensation plan, and have elected to fund a portion of this participation by investing in company owned life insurance policies. These investments are reflected within our condensed consolidated balance sheets as long-term assets and are considered financial

instrumentsthatarerecordedatfairvalue,witha nychangesinfairvaluebeingrecordedasagaino rlossinthecondensed consolidatedstatementsofoperations.Giventhatt hevalueoftheselifeinsurancepoliciesisdeterm inedbaseduponcertainpublicly tradedmutualfundswhosevalueisreadilyobservab leinthemarketplace,theseinvestmentsareclassi fiedwithinLevel2.

NonfinancialAssetsandLiabilities

Weutilizefairvalueonanon-recurringbasistop erformimpairmenttestsasrequiredonourproperty ,plantandequipment, goodwillandintangibleassets.Assetsandliabilit iesacquiredinbusinesscombinationsarerecorded attheirfairvalueasofthedateof acquisition.Theinputsusedtodeterminesuchfair valueareprimarilybaseduponinternallydevelope dcashflowmodelsandwould generallybeclassifiedwithinLevel3,intheeven tthatwewererequiredtomeasureandrecordsuch assetsatfairvaluewithinour condensedconsolidatedfinancialstatements.Additi onally,weusefairvaluetodeterminetheinceptio nvalueofourassetretirement obligations.Theinputsusedtodeterminesuchfair valueareprimarilybaseduponcostsincurredhist oricallyforsimilarwork,aswell asestimatesfromindependentthirdpartiesforcos tsthatwouldbeincurredtorestoreleasedpropert ytothecontractuallystipulated condition,andwouldgenerallybeclassifiedwithin Level3.

Wemayutilizefairvalueonarecurringbasistom easureourcontingentconsiderationthatisaresul tofcertainacquisitions.The inputsusedtodeterminesuchfairvalueareprimar ilybaseduponinternallydevelopedcashflowmodel sandareclassifiedwithin Level3.

Thefollowingtablepresentsthefinancialinstrume ntscarriedatfairvalue,bycondensedconsolidate dbalancesheetcaptionand byvaluationhierarchy,asdescribedabove:

	June30,2011				December31,2010			
	Level1	Level2	Level3	Total Carrying Value	Level1	Level2	Level3	Total Carrying Value
	(millions)							
Currentassets(a):								
Commodityderivatives	$ 58	$ 72	$ 32	$ 162	$ 41	$ 52	$ 50	$ 143
Interestratederivatives	$ —	$ —	$ —	$ —	$ —	$ 1	$ —	$ 1
Long-termassets:								
Commodityderivatives(b)	$ 26	$ 3	$ 11	$ 40	$ 11	$ 4	$ 10	$ 25
Companyownedlifeinsurance(c)	$ —	$ 18	$ —	$ 18	$ —	$ 16	$ —	$ 16
Currentliabilities:								
Commodityderivatives(d)	$ (63)	$ (72)	$ (32)	$ (167)	$ (45)	$ (73)	$ (45)	$ (163)
Interestratederivatives(d)	$ —	$ (17)	$ —	$ (17)	$ —	$ (17)	$ —	$ (17)
Acquisitionrelatedcontingent consideration(e)	$ —	$ —	$ —	$ —	$ —	$ —	$ (2)	$ (2)
Long-termliabilities(f):								
Commodityderivatives	$ (27)	$ (49)	$ —	$ (76)	$ (14)	$ (40)	$ (1)	$ (55)
Interestratederivativ es	$ —	$ (5)	$ —	$ (5)	$ —	$ (10)	$ —	$ (10)

(a) Includedincurrentunrealizedgainsonderivative instrumentsinourcondensedconsolidatedbalances heets.
(b) Includedinlong-termunrealizedgainsonderivativ einstrumentsinourcondensedconsolidatedbalance sheets.
(c) Includedinotherlong-termassetsinourcondensed consolidatedbalancesheets.
(d) Includedincurrentunrealizedlossesonderivative instrumentsinourcondensedconsolidatedbalance sheets.
(e) Includedinothercurrentliabilitiesinourconden sedconsolidatedbalancesheetsasofDecember31, 2010.
(f) Includedinlong-termunrealizedlossesonderivati veinstrumentsinourcondensedconsolidatedbalanc esheets.

Changes in Level 3 Fair Value Measurements

The tables below illustrate a rollforward of the amounts included in our condensed consolidated balance sheets for derivative financial instruments that we have classified within Level 3. The determination to classify a financial instrument within Level 3 is based upon the significance of the unobservable factors used in determining the overall fair value of the instrument. Since financial instruments classified as Level 3 typically include a combination of observable components (that is, components that are actively quoted and can be validated to external sources) and unobservable components, the gains and losses in the table below may include changes in fair value due in part to observable market factors, or changes to our assumptions on the unobservable components. Depending upon the information readily observable in the market, and/or the use of unobservable inputs, which are significant to the overall valuation, the classification of any individual financial instrument may differ from one measurement date to the next. In the event that there is a movement to/from the classification of an instrument as Level 3, we have reflected such items in the table below within the “Transfers into Level 3” and “Transfers out of Level 3” captions.

Wemanageouroverallriskattheportfoliolevel, andintheexecutionofourstrategy,wemayusea combinationoffinancial instruments,whichmaybeclassifiedwithinanylevel.SinceLevel1andLevel2riskmanagementinstrumentsarenotincludedinthe rollforwardsbelow,thegainsorlossesinthetablesdonotreflecttheeffectofourtotalriskmanagementactivities.

	CommodityDerivativeInstruments			
	Current Assets	Long-Term Assets	Current Liabilities	Long-Term Liabilities
	(millions)			
ThreemonthsendedJune30,2011(a):				
Beginningbalance	$ 68	$ 13	$ (69)	$ (3)
Netrealizedandunrealizedgains(losses)included inearnings	13	(2)	(13)	1
TransfersintoLevel3(b)	—	—	—	—
TransfersoutofLevel3(b)	(33)	—	17	2
Settlements	(16)	—	33	—
Endingbalance	$ 32	$ 11	$ (32)	$ —
Netunrealizedgains(losses)stillheldincludedinearnings(c)	$ 12	$ (3)	$ (2)	$ —
ThreemonthsendedJune30,2010:				
Beginningbalance	$ 45	$ 11	$ (51)	$ (6)
Netrealizedandunrealizedgains(losses)included inearnings	4	(3)	(1)	(2)
TransfersintoLevel3(b)	—	—	—	—
TransfersoutofLevel3(b)	(8)	—	9	—
Purchases,issuancesandsettlements,net	(14)	—	15	—
Endingbalance	$ 27	$ 8	$ (28)	$ (8)
Netunrealizedgains(losses)stillheldincludedinearnings(c)	$ 9	$ (3)	$ (5)	$ (3)
SixmonthsendedJune30,2011(a):				
Beginningbalance	$ 50	$ 10	$ (45)	$ (1)
Netrealizedandunrealizedgains(losses)included inearnings	41	1	(68)	(1)
TransfersintoLevel3(b)	—	—	—	—
TransfersoutofLevel3(b)	(41)	—	16	2
Settlements	(18)	—	65	—
Endingbalance	$ 32	$ 11	$ (32)	$ —
Netunrealizedgains(losses)stillheldincludedinearnings(c)	$ 25	$ —	$ (17)	$ —
SixmonthsendedJune30,2010:				
Beginningbalance	$ 73	$ 18	$ (88)	$ (6)
Netrealizedandunrealizedgains(losses)included inearnings	2	(10)	6	(2)
TransfersintoLevel3(b)	—	—	—	—
TransfersoutofLevel3(b)	(10)	—	11	—
Purchases,issuancesandsettlements,net	(38)	—	43	—
Endingbalance	$ 27	$ 8	$ (28)	$ (8)
Netunrealizedgains(losses)stillheldincludedinearnings(c)	$ 18	$ (10)	$ (10)	$ (2)

(a) Therewerenopurchases,issuancesandsalesforthethreeandsixmonthsendedJune30,2011.
(b) Amountstransferredinandamountstransferredoutarereflectedatfairvalueasoftheendoftheperiod.
(c) Representstheamountoftotalgainsorlossesfortheperiod,includedintradingandmarketinggains,net,attributabletochangesinunrealizedgainsorlossesrelatingtoassetsandliabilitiesclassifiedasLevel3thatarestillheldasofJune30,2011 and2010.

During the six months ended June 30, 2011, the $2 million contingent consideration associated with our acquisition of Ceritas was settled in cash. During the six months ended June 30, 2010; we recognized the $1 million fair value of the contingent consideration associated with DCP Partners' purchase of an additional ownership interest in a subsidiary, which was included in other current liabilities in the condensed consolidated balance sheet. There was no activity relating to contingent consideration recognized or settled during the three months ended June 30, 2011 and 2010.

During the three and six months ended June 30, 2011 we had long-term asset transfers of $6 million for both periods, from Level 2 to Level 1. During the three months ended June 30, 2010, we had long-term liability transfers of $5 million from Level 2 to Level 1. We had no significant transfers between Level 1 and Level 2 during the six months ended June 30, 2010.

Estimated Fair Value of Financial Instruments

We have determined fair value amounts using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that we could realize in a current market exchange. The use of different market assumptions and/or estimation methods may have a material effect on the estimated fair value amounts.

The fair value of accounts receivable, accounts payable and short-term borrowings are not materially different from their carrying amounts because of the short-term nature of these instruments or the stated rates approximating market rates. Unrealized gains and unrealized losses on derivative instruments are carried at fair value. As of June 30, 2011, the carrying and fair value of our long-term debt was $3,285 million and $3,636 million, respectively. As of December 31, 2010, the carrying and fair value of our long-term debt, including current maturities of long-term debt, was $3,473 million and $3,790 million, respectively. We determine the fair value of our variable rate debt based upon the discounted present value of expected future cash flows, taking into account the difference between the contractual borrowing spread and the spread for similar credit facilities available in the marketplace.

9.Financing

	June30, 2011	December31, 2010
	(millions)	
Short-term borrowings	$ 460	$ 187
DCPMidstream'sdebtsecurities:		
IssuedJanuary2001,interestat6.875%payablesemiannually,dueFebruary2011(a)	—	250
IssuedNovember2008,interestat9.700%payablesemiannually,dueDecember2013	250	250
IssuedOctober2005,interestat5.375%payablesemiannually,dueOctober2015	200	200
IssuedFebruary2009,interestat9.750%payablesemiannually,dueMarch2019	450	450
IssuedMarch2010,interestat5.350%payablesemiannually,dueMarch2020	600	600
IssuedAugust2000,interestat8.125%payablesemiannually,dueAugust2030(b)	300	300
IssuedOctober2006,interestat6.450%payablesemiannually,dueNovember2036	300	300
IssuedSeptember2007,interestat6.750%payablesemiannually,dueSeptember2037	450	450
DCPPartners'debtsecurities:		
IssuedSeptember2010,interestat3.25%,payablesemiannually,dueOctober2015	250	250
DCPPartners' revolving creditfacility,weighted-averagevariableinterestrateof 0.67% and 1.14%,respectively,dueJune2012(c)	461	398
Fairvalueadjustmentsrelatedtointerestrateswapfairvaluehedges(a)(b)	35	37
Unamortizeddiscount	(11)	(12)
Totaldebt	3,745	3,660
Currentmaturitiesoflong-termdebt	—	(250)
Short-termborrowings	(460)	(187)
Currentmaturities — DCPPartners'revolvingcreditfacility	(461)	—
Totallong-termdebt	$ 2,824	$ 3,223

(a) InJuly2009,$200millionofdebtwasswappedtoafloatinginterestrateobligation.TheseswapsmaturedinFebruary2011.
(b) InDecember2008,theswapsassociatedwiththisdebtwereterminated.Theremaininglong-termfairvalueofapproximately$35millionrelatedtotheswapsisbeingamortizedasareductiontointerestexpensethroughthematuritydateofthedebt.
(c) $450millionofdebthasbeenswappedtoafixedinterestrateobligationwitheffectivefixedinterestratesrangingfrom2.94%to5.19%,foraneteffectiveinterestrateof4.31%onthe$461millionofoutstandingdebtundertheDCPPartners'revolvingcreditfacilityasofJune30, 2011.

DCPMidstream'sDebtSecurities —InMarch2010,weissued$600millionprincipalamountof5.35%SeniorNotesdue2020,orthe5.35%Notes,forproceedsofapproximately$597million,netofunamortizeddiscountsandrelatedofferingcosts.The5.35%NotesmatureandbecomedueandpayableonMarch15,2020.WepayinterestsemiannuallyonMarch15andSeptember15ofeachyear,andourfirstpaymentwasonSeptember15,2010.Thenetproceedsfromthisofferingwereusedtorepayaportionofour$800million,7.875%NotesthatweredueAugust2010,andforgeneralcorporatepurposes.

Thedebtsecuritiesmatureandbecomepayableontherespectiveduedates,andarenotsubjecttoanysinkingfundprovisions.Thedebtsecuritiesareunsecuredandareredeemableatapremiumatouroption.

DCPMidstream'sCreditFacilitieswithFinancialInstitutions—OnMarch18,2011,weenteredintoan$800millionrevolvingcreditfacility,orthe$800MillionFacility,whichmaturesinMarch2015,andterminatedourexisting$350millionrevolvingcreditfacilitywhichwasenteredintoinJanuary2010,andwouldhavematuredinApril2012.The$800MillionFacilityallowsforextensionsoftheMarch2015maturitydatefortwoadditionaloneyearperiods,withlenderconsent.Therewerenoborrowingsoutstandingunderthe$800MillionFacilityasofJune30,2011.

Wehavea$450millionrevolvingcreditfacility,orthe$450MillionFacility,whichmaturesinApril2012.Anyoutstandingborrowingsunderthe$450MillionFacilityatmaturitymay,atouroption,beconvertedintoanunsecuredone-yeartermloan.Therewerenoborrowingsoutstandingunderthe$450MillionFacilityasofJune30,2011andDecember31,2010.

As of June 30, 2011, the $800 Million Facility and the $450 Million Facility, or together, the Facilities, provided us with total revolving credit availability of $1.25 billion. The $1.25 billion of revolving credit from the Facilities may be used to support our commercial paper program, and for working capital requirements and other general corporate purposes as well as for letters of credit. As of June 30, 2011 and December 31, 2010, we had $460 million and $187 million of commercial paper outstanding, respectively, backed by the Facilities. As of June 30, 2011 and December 31, 2010, we had $7 million and $6 million in letters of credit outstanding, respectively. As of June 30, 2011, the available capacity under the Facilities was $783 million.

The $800 Million Facility bears interest at either: (1) the higher of JPMorgan's prime rate or the Federal Funds rate plus 0.50% or (2) LIBOR plus an applicable margin, which is 1.50% based on our credit rating. The facility incurs an annual fee of 0.25% based on our current credit rating. This fee is paid on drawn and undrawn portions of the facility.

The $450 Million Facility bears interest at either: (1) the higher of Wells Fargo's prime rate or the Federal Funds rate plus 0.50% or (2) LIBOR plus an applicable margin, which is 0.31% based on our current credit rating. The facility incurs an annual fee of 0.09% based on our current credit rating. This fee is paid on drawn and undrawn portions of the facility.

The Facilities require us to maintain a consolidated leverage ratio (the ratio of consolidated indebtedness to consolidated EBITDA, in each case as is defined by the Facilities) of not more than 5.0 to 1.0, and on a temporary basis for not more than three consecutive quarters (including the quarter in which such acquisition is consummated), following the consummation of qualifying asset acquisitions as defined by the Facilities, in the midstream energy business of not more than 5.5 to 1.0.

DCP Partners' Debt Securities —On September 30, 2010, DCP Partners issued $250 million of 3.25% Senior Notes due October 1, 2015. DCP Partners received proceeds of $248 million, which are net of underwriters' fees, related expenses and unamortized discounts, which were used to repay funds borrowed under the revolver portion of the DCP Partners' Credit Facility. Interest on the notes is paid semiannually on April 1 and October 1 of each year, with the first payment made on April 1, 2011. The notes will mature on October 1, 2015, unless redeemed prior to maturity. The underwriters' fees and related expenses are deferred in other long-term assets in the condensed consolidated balance sheets and will be amortized over the term of the notes.

The notes are senior unsecured obligations, ranking equally in right of payment with DCP Partners' existing unsecured indebtedness, including indebtedness under the DCP Partners' Credit Facility. DCP Partners is not required to make mandatory redemption or sinking fund payments with respect to these notes. The notes are redeemable at a premium at DCP Partners' option.

DCP Partners' Credit Facilities with Financial Institutions —DCP Partners has an $850 million revolving credit facility that matures on June 21, 2012, or the DCP Partners' Credit Agreement. As of June 30, 2011 and December 31, 2010, DCP Partners had $1 million and $32 million, respectively, of letters of credit issued under the DCP Partners' Credit Agreement. As of June 30, 2011, the unused capacity under the revolving credit facility was $388 million.

DCP Partners' borrowing capacity is limited at June 30, 2011 by the DCP Partners' Credit Agreement's financial covenant requirements. Except in the case of a default, amounts borrowed under DCP Partners' credit facility will not mature prior to the June 21, 2012 maturity date.

Under DCP Partners' Credit Agreement, indebtedness under the revolving credit facility bears interest at either: (1) the higher of Wells Fargo Bank's prime rate or the Federal Funds rate plus 0.50% or (2) LIBOR plus an applicable margin, which ranges from 0.23% to 0.575% dependent upon DCP Partners' current credit rating. The DCP Partners' revolving credit facility incurs an annual facility fee of 0.07% to 0.175% dependent upon DCP Partners' credit rating. This fee is paid on drawn and undrawn portions of DCP Partners' revolving credit facility.

The DCP Partners' Credit Agreement requires DCP Partners to maintain a leverage ratio (the ratio of its consolidated indebtedness to its consolidated EBITDA, in each case as is defined by the DCP Partners' Credit Agreement) of not more than 5.0 to 1.0, and on a temporary basis for not more than three consecutive quarters (including the quarter in which such acquisition is consummated) following the consummation of asset acquisitions in the midstream energy business of not more than 5.5 to 1.0.

Other Agreements —As of June 30, 2011, DCP Partners had a contingent letter of credit facility for up to $10 million, on which DCP Partners pays a fee of 0.50% per annum. As of June 30, 2011, DCP Partners had no letters of credit issued under this facility. Any letters of credit issued on this facility will incur a net fee of 1.75% per annum and will not reduce the available capacity under the DCP Partners' Credit Agreement.

OtherFinancing —InMarch2011,DCPPartnersissued3,596,636commonunitsat$40.55perunit.DCPPartnersreceived proceedsof$140million,netofofferingcosts.

InNovember2010,DCPPartnersissued2,875,000commonunitsat$34.96perunit.DCPPartnersreceived proceedsof$96 million,netofofferingcosts.

InAugust2010,DCPPartnersissued2,990,000commonunitsat$32.57perunit.DCPPartnersreceivedproceedsof$93million, netofofferingcosts.

10.RiskManagementandHedgingActivities,Credit RiskandFinancialInstruments

Ourday-to-dayoperationsexposeustoavarietyof risksincludingbutnotlimitedtochangesinthe pricesofcommoditiesthatwe buyorsell,changesininterestrates,andthecreditworthinessofeachofourcounterparties.Wemanagecertainoftheseexposuresby usingphysicalandfinancialderivativeinstruments.Allofourcommodityderivativeactivitiesareconductedunderthegovernanceof internalRiskManagementCommitteesthatestablish policies,limitingexposuretomarketriskandrequiringdailyreportingto managementofpotentialfinancialexposure.Thesepoliciesincludestatisticalrisktolerancelimitsusinghistoricalpricemovementsto calculatedailyvalueatrisk.Thefollowingbrieflydescribeseachoftherisksthatwemanage.

CommodityPriceRisk

Ourportfolioofcommodityderivativeactivityisprimarilyaccountedforusingthemark-to-marketmethodofaccounting; however,dependinguponourriskprofileandobjectives,incertainlimitedcases,wemayexecutetransactionsthatqualifyforthe hedgemethodofaccounting.Therisks,strategiesandinstrumentsusedtomitigatesuchrisks,aswell asthemethodofaccountingare discussedandsummarizedbelow.

NaturalGasAssetBasedTradingandMarketing

Ournaturalgasassetbasedtradingandmarketingactivitiesengageinthebusinessoftradingenergy relatedproductsand services,includingmanagingpurchaseandsalesportfolios,storagecontractsandfacilities,andtransportationcommitmentsfor products.Theseenergytradingoperationsareexposedtomarketvariablesandcommoditypriceriskwithrespecttotheseproducts andservices,andwemayenterintophysicalcontractsandfinancialinstrumentswiththeobjectiveof realizingapositivemarginfrom thepurchaseandsaleofcommodity-basedinstruments.Wemanagecommoditypriceriskrelatedtoowned andleasednaturalgas storageandpipelineassetsbyengaginginnatural gasassetbasedtradingandmarketing.Thecommercialactivitiesrelatedtoour naturalgasassetbasedtradingandmarketingprimarilyconsistoftimespreadsandbasisspreads.

Wemayexecuteatimespreadtransactionwhenthedifferencebetweenthecurrentpriceofnaturalgas (cashorfutures)andthe futuresmarketpricefornaturalgasexceedsourcostofstoringphysicalgasinourownedand/orleasedstoragefacilities.Thetime spreadtransactionallowsustolockinamarginwhenthismarketconditionexists.Atimespreadtransactionisexecutedby establishingalonggaspositionatonepointintimeandestablishingacorrespondingshortgaspositionatadifferentpointintime.We typicallyuseswapstoexecutethesetransactions, whicharenotdesignatedashedginginstrumentsand arerecordedatfairvaluewith changesinfairvaluerecordedinthecurrentperiodcondensedconsolidatedstatementofoperations.Whilegasheldinourstorage locationsisrecordedatthelowerofaveragecost ormarket,thederivativeinstrumentsthatareused tomanageourstoragefacilities arerecordedatfairvalueandanychangesinfair valuearecurrentlyrecordedinourcondensedconsolidatedstatementsofoperations. Eventhoughwemayhaveeconomicallyhedgedourexposureandlockedinafuturemargintheuseoflower-of-cost-or-market accountingforourphysicalinventoryandtheuseofmark-to-marketaccountingforourderivativeinstrumentsmaysubjectour earningstomarketvolatility.

Wemayexecutebasisspreadtransactionswhenthemarketpricedifferentialbetweenlocationsonapipelineassetexceedsour costoftransportingphysicalgasthroughourowned and/orleasedpipelineasset.Whenthismarketconditionexists,wemayexecute derivativeinstrumentsaroundthisdifferentialat themarketprice.Thisbasisspreadtransactionallowsustolockinamarginonour physicalpurchasesandsalesofgas.Wetypicallyuseswapstoexecutethesetransactions,whicharenotdesignatedashedging instrumentsandarerecordedatfairvaluewithchangesinfairvaluerecordedinthecurrentperiodcondensedconsolidatedstatements ofoperations.Asdiscussedabove,theaccountingforphysicalgaspurchasesandsalesandtheaccountingforthederivative instrumentsusedtomanagesuchpurchasesandsales differ,andmaysubjectourearningstomarketvolatility,eventhoughthe transactionrepresentsaneconomichedgeinwhichwehavelockedinafuturemargin.

Additionally, in order for our storage facilities to remain operational, we maintain a minimum level of base gas in each storage cavern, which is capitalized on our consolidated balance sheets as a component of property, plant and equipment, net. As of June 30, 2011, there was a deferred loss of $3 million recognized in AOCI, in relation to our 2009 storage cavern expansion.

During 2011, Southeast Texas commenced an expansion project to build an additional storage cavern. Upon completion of the expansion project, Southeast Texas will be required to purchase a significant amount of base gas to bring the storage cavern to operation. To mitigate risk associated with this forecasted purchase of natural gas, Southeast Texas executed a series of derivative financial instruments, which have been designated as cash flow hedges. Any effective changes in fair value of these derivative instruments will be deferred in AOCI until the underlying purchase of inventory occurs. While the cash paid or received upon settlement of these hedges will economically offset the cash required to purchase the base gas, any deferred gain or loss at the time of the purchase will remain in AOCI until such time that the cavern is emptied and the base gas is sold.

NGL Proprietary Trading

Our NGL proprietary trading activity includes trading energy related products and services. We undertake these activities through the use of fixed forward sales and purchases, basis and spread trades, storage opportunities, put/call options, term contracts and spot market trading. These energy trading operations are exposed to market variables and commodity price risk with respect to these products and services, and these operations may enter into physical contracts and financial instruments with the objective of realizing a positive margin from the purchase and sale of commodity-based instruments. These physical and financial instruments are not designated as hedging instruments and are recorded at fair value with changes in fair value recorded in the current period condensed consolidated statements of operations.

Commodity Cash Flow Protection Activities at DCP Partners

As a result of DCP Partners' operations of gathering, processing and transporting natural gas, DCP Partners takes title to a portion of residue gas, NGLs and condensate, which are considered to be DCP Partners' equity volumes. The possession of and the related operations of transporting and marketing of NGLs, creates commodity price risk due to market changes in commodity prices, primarily with respect to the prices of NGLs, natural gas and crude oil. DCP Partners has mitigated a portion of its expected commodity cash flow risk associated with these equity volumes through 2016 with natural gas, NGL and crude oil derivatives. Additionally, given the limited depth of the NGL derivatives market, DCP Partners utilizes crude oil swaps and costless collars and NGL swaps to mitigate a portion of its commodity price risk exposure for NGLs. When the relationship of NGL prices to crude oil prices is at a discount to historical ranges, DCP Partners experiences additional exposure as a result of the relationship where DCP Partners utilizes crude oil swaps to mitigate NGL price exposure. For shorter dated time periods where the NGL markets have greater liquidity, DCP Partners has utilized NGL swaps to mitigate a portion of its NGL price risk through December 2011 by entering into incremental NGL financial positions and by exchanging crude oil swaps for NGL swaps. These transactions are primarily accomplished through the use of swaps that exchange DCP Partners' floating price risk for a fixed price, but the type of instrument that is used to mitigate risk may vary depending upon DCP Partners' risk objective. These transactions are not designated as hedging instruments for accounting purposes and the change in fair value is reflected in the current period within our condensed consolidated statements of operations.

Interest Rate Risk

We enter into debt arrangements that have either fixed or floating rates, therefore we are exposed to market risks related to changes in interest rates. We periodically use interest rate swaps to hedge interest rate risk associated with our debt. Our primary goals include: (1) maintaining an appropriate ratio of fixed-rate debt to floating-rate debt; (2) reducing volatility of earnings resulting from interest rate fluctuations; and (3) locking in attractive interest rates based on historical rates.

DCP Partners mitigates a portion of its interest rate risk with interest rate swaps that reduce DCP Partners' exposure to market fluctuations by converting variable interest rates to fixed interest rates. These interest rate swap agreements convert the interest rate associated with the indebtedness outstanding under the DCP Partners' revolving credit facility to a fixed rate obligation, thereby reducing the exposure to market rate fluctuations.

At June 30, 2011, DCP Partners had interest rate swap agreements totaling $450 million, of which DCP Partners has designated $425 million as cash flow hedges and accounts for the remaining $25 million under the mark-to-market method of accounting. As DCP Partners generally expects to have variable rate debt levels equal to or exceeding their swap positions during their term, the entire

$450 million of these agreements generally mitigate DCP Partners' interest rate risk through June 2012, with $150 million extending from June 2012 through June 2014.

DCP Partners' has designated $425 million of interest rate swap agreements as cash flow hedges, and effectiveness is determined by matching the principal balance and terms with that of the specified obligation. The effective portions of changes in fair value are recognized in Accumulated other comprehensive income (loss), or AOCI, in the condensed consolidated balance sheets and are reclassified into earnings as the hedged transactions impact earnings. However, due to the volatility of the interest rate markets, the corresponding value in AOCI is subject to change prior to its reclassification into earnings. Ineffective portions of changes in fair value are recognized in earnings during the period they are identified.

As of June 30, 2011, $275 million of the agreements reprice prospectively approximately every 90 days and the remaining $175 million of the agreements reprice prospectively approximately every 30 days. Under the terms of the interest rate swap agreements, DCP Partners pays fixed rates ranging from 2.94% to 5.19%, and receives interest payments based on the three-month and one-month LIBOR. The differences to be paid or received under the interest rate swap agreements are recognized as an adjustment to interest expense.

We previously had interest rate cash flow hedges in place that were terminated in 2000. As a result, the remaining net loss deferred in AOCI relative to these cash flow hedges will be reclassified to interest expense through the remaining term of the debt through 2030, as the underlying transactions impact earnings.

Credit Risk

Our principal customers range from large, natural gas marketing services to industrial end-users for our natural gas products and services, as well as large multi-national petrochemical and refining companies, to small regional propane distributors for our NGL products and services. Substantially all of our natural gas and NGL sales are made at market-based prices. Approximately 40% of our NGL production is committed to ConocoPhillips and CPChem, both related parties, under an existing 15-year contract, the primary production commitment of which expires in 2015. This concentration of credit risk may affect our overall credit risk, in that these customers may be similarly affected by changes in economic, regulatory or other factors. Where exposed to credit risk, we analyze the counterparties' financial condition prior to entering into an agreement, establish credit limits and monitor the appropriateness of these limits on an ongoing basis. We may use various master agreements that include language giving us the right to request collateral to mitigate credit exposure. The collateral language provides for a counterparty to post cash or letters of credit for exposure in excess of the established threshold. The threshold amount represents an open credit limit, determined in accordance with our credit policy. The collateral language also provides that the inability to post collateral is sufficient cause to terminate a contract and liquidate all positions. In addition, our master agreements and our standard gas and NGL sales contracts contain adequate assurance provisions, which allow us to suspend deliveries and cancel agreements, or continue deliveries to the buyer after the buyer provides security for payment in a satisfactory form.

Contingent Credit Features

Each of the above risks is managed through the execution of individual contracts with a variety of counterparties. Certain of our derivative contracts may contain credit-risk related contingent provisions that may require us to take certain actions in certain circumstances.

We have International Swap Dealers Association, or ISDA, contracts which are standardized master legal arrangements that establish key terms and conditions which govern certain derivative transactions. These ISDA contracts contain standard credit-risk related contingent provisions. Some of the provisions we are subject to are outlined below.

- In the event that we were to be downgraded below investment grade by at least one of the major credit rating agencies, certain of our ISDA counterparties have the right to reduce our collateral threshold to zero, potentially requiring us to fully collateralize any commodity contracts in a net liability position.

- In some cases, our ISDA contracts contain cross-default provisions that could constitute a credit-risk related contingent feature. For example, if we were to fail to make a required interest or principal payment on a debt instrument, above a predefined threshold level, and after giving effect to any applicable notice or grace period as defined in the ISDA contracts, our ISDA counterparties may have the right to request early termination and net settlement of any outstanding derivative positions.

- Additionally, if DCP Partners were to have an effective event of default under the DCP Partners' Credit Agreement that occurs and is continuing, DCP Partners' ISDA counterparties may have the right to request early termination and net settlement of any outstanding derivative liability positions.

Depending upon the movement of commodity prices and interest rates, each of our individual contracts with counterparties to our commodity derivative instruments or interest rate swap instruments are in either a net asset or net liability position. Our commodity derivative contracts that are not governed by ISDA contracts do not have any credit-risk related contingent features. As of June 30, 2011, we had $79 million of individual commodity derivative contracts that contain credit-risk related contingent features that were in a net liability position, and have not posted any cash collateral relative to such positions. If a credit-risk related event were to occur and we were required to net settle our position with an individual counterparty, our ISDA contracts permit us to net all outstanding contracts with that counterparty, whether in a net asset or net liability position, as well as any cash collateral already posted. As of June 30, 2011, if a credit-risk related event were to occur, we may be required to post additional collateral. Additionally, although our commodity derivative contracts that contain credit-risk related contingent features were in a net liability position as of June 30, 2011, if a credit-risk related event were to occur, the net liability position would be partially offset by contracts in a net asset position reducing our net liability to $74 million.

As of June 30, 2011, DCP Partners' interest rate swaps were in a net liability position of $22 million, of which, the entire amount is subject to credit-risk related contingent features. If DCP Partners were to have an event of default relative to any covenants of its credit agreement, that occurs and is continuing, the counterparties to DCP Partners' swap instruments have the right to request early termination and net settlement of the outstanding derivative position.

Collateral

As of June 30, 2011, we held cash of $2 million, included in other current liabilities in the condensed consolidated balance sheet related to cash postings by third parties, and letters of credit of $96 million from counterparties to secure their future performance under financial or physical contracts. We had cash deposits with counterparties of $14 million included in other current assets as of June 30, 2011, to secure our obligations to provide future services or to perform financial contracts. As of June 30, 2011, DCP Partners had a contingent letter of credit facility for up to $10 million, on which DCP Partners had no letters of credit issued and outstanding. This contingent letter of credit facility was issued directly by a financial institution and does not reduce the available capacity under the DCP Partners' Credit Agreement. As of June 30, 2011, DCP Partners had no other cash collateral posted with counterparties to its commodity derivative instruments. As of June 30, 2011, we had issued and outstanding parental guarantees totaling $95 million in favor of certain counterparties to DCP Partners' commodity derivative instruments to mitigate a portion of DCP Partners' collateral requirements with those counterparties. DCP Partners pays us a fee of 0.50% per annum on these guarantees. These parental guarantees and the contingent letter of credit facility reduce the amount of cash DCP Partners may be required to post as collateral. Collateral amounts held or posted may be fixed or may vary, depending on the value of the underlying contracts, and could cover normal purchases and sales, trading and hedging contracts. In many cases, we and our counterparties publicly disclose credit ratings, which may impact the amounts of collateral requirements.

Physical forward contracts and financial derivatives are generally cash settled at the expiration of the contract term. These transactions are generally subject to specific credit provisions within the contracts that would allow the seller, at its discretion, to suspend deliveries, cancel agreements or continue deliveries to the buyer after the buyer provides security for payment satisfactory to the seller.

Summarized Derivative Information

The following summarizes the balance within AOCI, net of noncontrolling interest, relative to our commodity and interest rate cash flow hedges:

	June 30, 2011	December 31, 2010
	(millions)	
Commodity cash flow hedges:		
Net deferred losses in AOCI	$ (3)	$ (3)
Interest rate cash flow hedges:		
Net deferred losses in AOCI	(8)	(10)
Total AOCI	$ (11)	$ (13)

The fair value of our derivative instruments that are designated as hedging instruments, those that are marked-to-market each period, and the location of each within our condensed consolidated balance sheets, by major category, is summarized as follows:

Balance Sheet Line Item	June 30, 2011	December 31, 2010
	(millions)	
Derivative Assets Designated as Hedging Instruments:		
Interest rate derivatives:		
Unrealized gains on derivative instruments—current	$ —	$ 1
Unrealized gains on derivative instruments—long-term	—	—
	$ —	$ 1
Derivative Assets Not Designated as Hedging Instruments:		
Interest rate derivatives:		
Unrealized gains on derivative instruments—current	$ —	$ —
Unrealized gains on derivative instruments—long-term	—	—
	$ —	$ —
Commodity derivatives:		
Unrealized gains on derivative instruments—current	$ 162	$ 143
Unrealized gains on derivative instruments — long-term	40	25
	$ 202	$ 168

Balance Sheet Line Item	June 30, 2011	December 31, 2010
	(millions)	
Derivative Liabilities Designated as Hedging Instruments:		
Interest rate derivatives:		
Unrealized losses on derivative instruments—current	$ (16)	$ (12)
Unrealized losses on derivative instruments—long-term	(5)	(5)
	$ (21)	$ (17)
Derivative Liabilities Not Designated as Hedging Instruments:		
Interest rate derivatives:		
Unrealized losses on derivative instruments—current	$ (1)	$ (5)
Unrealized losses on derivative instruments—long-term	—	(5)
	$ (1)	$ (10)
Commodity derivatives:		
Unrealized losses on derivative instruments—current	$ (167)	$ (163)
Unrealized losses on derivative instruments — long-term	(76)	(55)
	$ (243)	$ (218)

The following table summarizes the impact on our condensed consolidated balance sheets and condensed consolidated statements of operations of our derivative instruments, net of noncontrolling interest, that are accounted for using the cash flow hedge method of accounting:

	Loss Recognized in AOCI on Derivatives – Effective Portion		Loss Reclassified from AOCI to Earnings – Effective Portion		Gain (Loss) Recognized in Income on Derivatives – Ineffective Portion and Amount Excluded from Effectiveness Testing		Deferred Losses in AOCI Expected to be Reclassified into Earnings Over the Next 12 Months
	Three Months Ended June 30,						
	2011	2010	2011	2010	2011	2010	
	(millions)						(millions)
Interest rate derivatives	$ (1)	$ (2)	$ (2)	$ (2) (a)	$ —	$ — (a)(b)	
	Six Months Ended June 30,						
	2011	2010	2011	2010	2011	2010	
	(millions)						
Interest rate derivatives	$ (2)	$ (5)	$ (4)	$ (5) (a)	$ —	$ — (a)(b)	$ (5)

(a) Included in interest expense in our condensed consolidated statements of operations.
(b) For the three and six months ended June 30, 2011 and 2010, no derivative gains or losses were reclassified from AOCI to current period earnings as a result of the discontinuance of cash flow hedges related to certain forecasted transactions that are not probable of occurring.

Change in value of derivative instruments, for which the hedge method of accounting has not been elected from one period to the next, are recorded in the condensed consolidated statements of operations. The following summarizes these amounts and the location within the condensed consolidated statements of operations that such amounts are reflected:

Commodity Derivatives: Statement of Operations Line Item	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
	(millions)			
Realized (losses) gains	$ (4)	$ 14	$ (5)	$ 26
Unrealized gains	37	1	9	9
Trading and marketing gains, net	$ 33	$ 15	$ 4	$ 35

We do not have any derivative financial instruments that qualify as a hedge of a net investment.

Thefollowingtablesrepresent,bycommoditytype, ournetlongorshortpositions,aswellasthenumberofoutstandingcontracts thatareexpectedtopartiallyorentirelysettleineachrespectiveyear.Totheextentthatwehave longdatedderivativepositionsthat spanmultiplecalendaryears,thecontractwillappearinmorethanonelineiteminthetablebelow. Additionally,relativetothe hedgingofcertainofourstorageand/ortransportationassets,wemayexecutebasistransactionsfor naturalgas,whichmayresultina netlong/shortpositionofzero.Thistablealsopresentsournetlongorshortnaturalgasbasisswap positionsseparatelyfromournet longorshortnaturalgaspositions.

	June30,2011								
	CrudeOil		**NaturalGas**		**NaturalGasLiquids**			**NaturalGas BasisSwaps**	
Yearof Expiration	**NetLong (Short) Position (Bbls)**	**Number of Contracts**	**NetLong (Short) Position (MMBtu)**	**Numberof Contracts**	**NetLong (Short) Position (Bbls)**	**Number of Contracts**		**NetLong (Short) Position (MMBtu) (d)**	**Number of Contracts**
2011	(335,281)	730	(15,312,550)	456	(6,812,299)	442	(a)	(8,747,500)	171
2012	(1,035,587)	244	(9,966,000)	68	(8,331,402)	67	(b)	18,357,500	69
2013	(945,998)	111	1,335,000	7	(8,945,250)	3	(c)	4,480,000	7
2014	(644,500)	10	(365,000)	3	(9,000,000)	2	(c)	—	—
2015	(365,000)	2	—	—	—	—		—	—
2016	(183,000)	1	—	—	—	—		—	—

(a) Includes19physicalindexbasedderivativecontractstotaling(6,906,250)barrels,orBbls.
(b) Includes4physicalindexbasedderivativecontractstotaling(9,195,000)Bbls.
(c) Includes2physicalindexbasedderivativecontractstotaling(9,000,000)Bbls.
(d) OnemillionBritishthermalunits,orMMBtu.

	June30,2010								
	CrudeOil		**NaturalGas**		**NaturalGasLiquids**			**NaturalGas BasisSwaps**	
Yearof Expiration	**NetLong (Short) Position (Bbls)**	**Number of Contracts**	**NetLong (Short) Position (MMBtu)**	**Number of Contracts**	**NetLong (Short) Position (Bbls)**	**Number of Contracts**		**NetLong (Short) Position (MMBtu)**	**Number of Contracts**
2010	(534,610)	760	(26,821,100)	348	(7,216,515)	459	(a)	14,756,000	238
2011	(1,734,250)	168	(4,686,000)	114	(9,000,678)	210	(b)	21,308,000	102
2012	(614,750)	59	(60,400)	64	(9,000,000)	2	(c)	9,292,200	14
2013	(748,250)	4	(92,000)	3	(9,000,000)	2	(c)	(292,000)	1
2014	(456,250)	4	—	—	(9,000,000)	2	(c)	—	—
2015	(182,500)	1	—	—	—	—		—	—

(a) Includes23physicalindexbasedderivativecontractstotaling(7,877,500)Bbls.
(b) Includes8physicalindexbasedderivativecontractstotaling(10,140,000)Bbls.
(c) Includes2physicalindexbasedderivativecontractstotaling(9,000,000)Bbls.

AsofJune30,2011,DCPPartnershadinterestrate swapsoutstandingwithindividualnotionalvalues between$25millionand $80million,which,inaggregate,exchange$450millionofDCPPartners'floatingrateobligationfor afixedrateobligationthrough June2012,with$150millionextendingfromJune2012throughJune2014.

11.IncomeTaxes

Wearestructuredasalimitedliabilitycompany,whichisapass-throughentityforfederalincometaxpurposes.Weowna corporationthatfilesitsownfederal,foreignand statecorporateincometaxreturns.Theincometax expenserelatedtothis corporationisincludedinourincometaxexpense, alongwithstateandlocaltaxesofthelimitedliabilitycompanyandother subsidiaries.

OnDecember30,2010,DCPPartnersacquiredallof theinterestsinMarysville,anentitythatowneda taxableC-Corporation consolidatedreturngroup.Weestimated$35million ofdeferredtaxliabilitiesresultingfrombuilt-intaxgainsrecognizedinthe transactionandrecordedthisinourpreliminarypurchasepriceallocationasofDecember31,2010.On January4,2011,DCPPartners

merged two wholly-owned subsidiaries of Marysville and converted the combined entity's organizational structure from a corporation to a limited liability company. This conversion to a limited liability company triggered the deferred tax liabilities resulting from built-in tax gains to become currently payable. Accordingly, the estimated $35 million of deferred tax liabilities at December 31, 2010 became currently payable on January 4, 2011. On April 18, 2011, DCP Partners made an estimated federal tax payment of $29 million related to the $35 million tax liability that resulted from the acquisition of Marysville. The remaining $6 million estimated payment is included in accrued taxes in our condensed consolidated balance sheets as of June 30, 2011.

12. Commitments and Contingent Liabilities

Litigation—The midstream industry has seen a number of class action lawsuits involving royalty disputes, mismeasurement and mispayment allegations. We are currently named as defendants in some of these cases and customers have asserted individual audit claims related to mismeasurement and mispayment. Management believes we have meritorious defenses to these cases and, therefore, will continue to defend them vigorously. These claims, however, can be costly and time consuming to defend. We are also a party to various legal, administrative and regulatory proceedings that have arisen in the ordinary course of our business, including, from time to time, disputes with customers over various measurement and settlement issues.

In June 2011, DCP East Texas Holdings, LLC, or East Texas, reached a $7 million settlement with the responsible third party, related to the first quarter 2009 fire, or the East Texas recovery settlement. We have allocated the settlement based upon relative ownership percentages at the time the losses were incurred and for amounts which were previously paid by us. Under the agreement, we recognized $1 million as an offset to operating and maintenance expense in the condensed consolidated statement of operations, as reimbursement of amounts previously paid by us and have recorded $6 million of business interruption proceeds to our condensed consolidated statement of operations in sales of natural gas and petroleum products for the three and six months ended June 30, 2011. We expect to receive cash related to the settlement in the second half of 2011.

Management currently believes that these matters, taken as a whole, and after consideration of amounts accrued, insurance coverage and other indemnification arrangements, will not have a material adverse effect upon our condensed consolidated results of operations, financial position or cash flows.

General Insurance —Our insurance coverage is carried with an affiliate of ConocoPhillips, an affiliate of Spectra Energy and third-party insurers. Our insurance coverage includes: (1) general liability insurance covering third-party exposures; (2) statutory workers' compensation insurance; (3) automobile liability insurance for all owned, non-owned and hired vehicles; (4) excess liability insurance above the established primary limits for general liability and automobile liability insurance; (5) property insurance, which covers the replacement value of real and personal property and includes business interruption; and (6) directors and officers insurance covering our directors and officers for acts related to our business activities. All coverage is subject to certain limits and deductibles, the terms and conditions of which are common for companies with similar types of operations.

Environmental—The operation of pipelines, plants and other facilities for gathering, transporting, processing, treating, or storing natural gas, NGLs and other products is subject to stringent and complex laws and regulations pertaining to health, safety and the environment. As an owner or operator of these facilities, we must comply with United States laws and regulations at the federal, state and local levels that relate to air and water quality, hazardous and solid waste storage, management, transportation and disposal, and other environmental matters including recently adopted U.S. Environmental Protection Agency regulations related to reporting of greenhouse gas emissions which became effective in January 2011. The cost of planning, designing, constructing and operating pipelines, plants, and other facilities must incorporate compliance with environmental laws and regulations and safety standards. Failure to comply with these laws and regulations may trigger a variety of administrative, civil and potentially criminal enforcement measures, including citizen suits, which can include the assessment of monetary penalties, the imposition of remedial requirements, the issuance of injunctions or restrictions on operations. Management believes that, based on currently known information, compliance with these laws and regulations will not have a material adverse effect on our condensed consolidated results of operations, financial position or cash flows.

We make expenditures in connection with environmental matters as part of our normal operations. Environmental liabilities as of June 30, 2011 and December 31, 2010, included in the condensed consolidated balance sheets as other current liabilities amounted to approximately $5 million and $6 million, respectively, and environmental liabilities included in the condensed consolidated balance sheets as other long-term liabilities amounted to $9 million and $9 million, respectively.

13. Supplemental Cash Flow Information

	Six Months Ended June 30,	
	2011	**2010**
	(millions)	
Cash paid for interest, net of capitalized interest	$ 97	$ 125
Cash paid for income taxes, net of refunds	$ 37	$ 6
Non-cash investing and financing activities:		
Distributions payable to members	$ 64	$ 63
Property, plant and equipment acquired with accounts payable	$ 77	$ 44
Other non-cash additions of property, plant and equipment	$ 2	$ 2
Acquisition related contingent consideration	$ —	$ 1

During the six months ended June 30, 2011 and 2010, we received distributions from DCP Partners of $25 million and $22 million, respectively, which are eliminated in consolidation.

14. Subsequent Events

We have evaluated subsequent events occurring through August 9, 2011, the date the condensed consolidated financial statements were issued.

On August 1, 2011, we reached an agreement with DCP Partners, for DCP Partners to construct a 200 MMcf/d cryogenic natural gas processing plant in the Eagle Ford shale, or the Eagle Plant. The Eagle Plant, which represents an approximately $120 million investment, will enhance our existing South Texas supersystem comprised of 5 natural gas processing plants totaling approximately 800 MMcf/d of capacity. We will provide upstream and downstream interconnects to the plant. In support of DCP Partners' construction of the Eagle Plant, we entered into a 15 year fee-based processing agreement with DCP Partners, which provides that we pay DCP Partners a fixed demand charge for 150 MMcf/d along with a throughput fee on all volumes processed. The processing agreement commences with commercial operations of the new plant, which is expected to be online by the fourth quarter of 2012. In conjunction with the agreement, we also entered into a purchase and sale agreement with DCP Partners to purchase certain tangible assets and land located in the Eagle Ford shale for approximately $25 million. We will continue to consolidate these assets in our financial statements, through our consolidation of DCP Partners.

On July 26, 2011, the board of directors of DCP Partners' general partner declared a quarterly distribution of $0.6325 per unit, payable on August 12, 2011 to unitholders of record on August 5, 2011.

On July 12, 2011, upon receiving lender consent, we expanded our existing $800 Million Facility by an additional $450 million, bringing the new capacity of the facility to approximately $1.25 billion. This expansion does not alter the terms or expiration of the facility, as outlined in Note 9 Financing. The expansion brings our total borrowing capacity under the Facilities, as defined in Note 9 Financing, to approximately $1.7 billion.

In July 2011, our board of directors approved a $192 million dividend which was paid in July 2011.