DCP Midstream, LLC
Condensed Consolidated Financial Statements for the Three Months Ended March 31, 2012 and 2011
(Unaudited)

DCPMIDSTREAM,LLC
CONDENSEDCONSOLIDATEDFINANCIALSTATEMENTS

TABLEOFCONTENTS

	Page
CondensedConsolidatedBalanceSheets.............	1
CondensedConsolidatedStatementsofOperations....	2
CondensedConsolidatedStatementsofComprehensive Income...	3
CondensedConsolidatedStatementsofCashFlows...	4
CondensedConsolidatedStatementsofChangesinEqu ity...	5
NotestoCondensedConsolidatedFinancialStatement s...	6

DCPMIDSTREAM,LLC
CONDENSEDCONSOLIDATEDBALANCESHEETS
(unaudited)
(millions)

	March31, 2012	December31, 2011
ASSETS		
Currentassets:		
Cashandcashequivalents	$ 8	$ 9
Accountsreceivable:		
Customers,netofallowancefordoubtfulaccounts of$2millioneachperiod	769	981
Affiliates	263	307
Other	36	44
Inventories	81	105
Unrealizedgainsonderivativeinstruments	114	107
Other	15	24
Totalcurrentassets	1,286	1,577
Property,plantandequipment,net	6,841	6,448
Investmentsinunconsolidatedaffiliates	156	154
Intangibleassets,net	355	362
Goodwill	723	723
Unrealizedgainsonderivativeinstruments	25	23
Otherlong-termassets	164	125
Totalassets	$ 9,550	$ 9,412
LIABILITIESANDEQUITY		
Currentliabilities:		
Accountspayable:		
Trade	$ 1,212	$ 1,547
Affiliates	76	127
Other	44	49
Short-termborrowings	355	370
Distributionspayabletomembers	43	95
Unrealizedlossesonderivativeinstruments	130	113
Accruedtaxes	51	36
Other	247	310
Totalcurrentliabilities	2,158	2,647
Deferredincometaxes	94	93
Long-termdebt	4,188	3,820
Unrealizedlossesonderivativeinstruments	47	40
Otherlong-termliabilities	128	123
Totalliabilities	6,615	6,723
Commitmentsandcontingentliabilities		
Equity:		
Members'interest	2,223	2,164
Accumulatedothercomprehensiveloss	(11)	(12)
Totalmembers'equity	2,212	2,152
Noncontrollinginterest	723	537
Totalequity	2,935	2,689
Totalliabilitiesandequity	$ 9,550	$ 9,412

SeeNotestoCondensedConsolidatedFinancialState ments.

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

	Three Months Ended March 31,	
	2012	**2011**
Operating revenues:		
Sales of natural gas and petroleum products	$ 2,101	$ 2,226
Sales of natural gas and petroleum products to affiliates	631	645
Transportation, storage and processing	97	91
Trading and marketing gains (losses), net	10	(29)
Total operating revenues	2,839	2,933
Operating costs and expenses:		
Purchases of natural gas and petroleum products	2,021	2,153
Purchases of natural gas and petroleum products from affiliates	264	268
Operating and maintenance	153	158
Depreciation and amortization	120	105
General and administrative	73	75
Total operating costs and expenses	2,631	2,759
Operating income	208	174
Earnings from unconsolidated affiliates	7	5
Interest expense, net	(56)	(53)
Income before income taxes	159	126
Income tax expense	(4)	—
Net income	155	126
Net (income) loss attributable to noncontrolling interests	(11)	7
Net income attributable to members' interests	$ 144	$ 133

See Notes to Condensed Consolidated Financial Statements.

DCPMIDSTREAM,LLC
CONDENSEDCONSOLIDATEDSTATEMENTSOFCOMPREHENSIVE INCOME
(unaudited)
(millions)

	Three Months Ended March 31,	
	2012	**2011**
Netincome	$ 155	$ 126
Othercomprehensiveincome:		
Netunrealizedgains(losses)oncashflowhedges	1	(1)
Reclassificationofcashflowhedgesintoearnings	5	5
Totalothercomprehensiveincome	6	4
Totalcomprehensiveincome	161	130
Totalcomprehensive(income)lossattributableto noncontrolling interests	(16)	4
Totalcomprehensiveincomeattributabletomembers' interests	$ 145	$ 134

SeeNotestoCondensedConsolidatedFinancialState ments.

DCPMIDSTREAM,LLC
CONDENSEDCONSOLIDATEDSTATEMENTSOFCASHFLOWS
(unaudited)
(millions)

	Three Months Ended March 31,	
	2012	**2011**
Cash flows from operating activities:		
Net income	$ 155	$ 126
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	120	105
Earnings from unconsolidated affiliates	(7)	(5)
Distributions from unconsolidated affiliates	6	8
Net unrealized gains on derivative instruments	24	29
Deferred income tax expense (benefit)	1	(2)
Other, net	(4)	4
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	264	114
Inventories	18	30
Accounts payable	(417)	(74)
Other	(83)	(39)
Net cash provided by operating activities	77	296
Cash flows from investing activities:		
Capital expenditures	(390)	(189)
Acquisitions, net of cash acquired	(60)	(40)
Proceeds from sales of available-for-sale securities	—	1
Net cash used in investing activities	(450)	(228)
Cash flows from financing activities:		
Payment of dividends and distributions to members	(178)	(160)
Proceeds from debt	973	547
Payment of debt	(604)	(769)
Proceeds from issuance of common units by a subsidiary, net of offering costs	234	140
Commercial paper, net	(15)	198
Distributions paid to noncontrolling interests	(23)	(19)
Deferred financing costs	(15)	(4)
Net cash provided by (used in) financing activities	372	(67)
Net change in cash and cash equivalents	(1)	1
Cash and cash equivalents, beginning of period	9	8
Cash and cash equivalents, end of period	$ 8	$ 9

See Notes to Condensed Consolidated Financial Statements.

DCPMIDSTREAM,LLC
CONDENSEDCONSOLIDATEDSTATEMENTSOFCHANGESINEQU ITY
(unaudited)
(millions)

	Members'Equity			
	Members' Interest	Accumulated Other Comprehensive (Loss)Income	Noncontrolling Interest	Total Equity
Balance,January1,2012	$ 2,164	$ (12)	$ 537	$ 2,689
Dividendsanddistributions	(126)	—	(23)	(149)
Issuanceofcommonunitsbyasubsidiary,netof offeringcosts	41	—	193	234
Comprehensiveincome(loss):				
Netincome	144	—	11	155
Netunrealized(losses)gainsoncashflowhedges	—	(1)	2	1
Reclassificationofcashflowhedgesintoearnings	—	2	3	5
Totalcomprehensiveincome	144	1	16	161
Balance,March31,2012	$ 2,223	$ (11)	$ 723	$ 2,935
Balance,January1,2011	$ 2,073	$ (13)	$ 421	$ 2,481
Dividendsanddistributions	(118)	—	(19)	(137)
Issuanceofcommonunitsbyasubsidiary,netof offeringcosts	28	—	112	140
Comprehensiveincome(loss):				
Netincome	133	—	(7)	126
Netunrealizedlossesoncashflowhedges	—	(1)	—	(1)
Reclassificationsofcashflowhedgesintoearnings	—	2	3	5
Totalcomprehensiveincome(loss)	133	1	(4)	130
Balance,March31,2011	$ 2,116	$ (12)	$ 510	$ 2,614

SeeNotestoCondensedConsolidatedFinancialState ments.

DCP MIDSTREAM, LLC
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Three Months Ended March 31, 2012 and 2011
(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 natural gas, and fractionating, transporting, gathering, treating, processing and storing 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 our wholly-owned subsidiary acts as general partner. As of March 31, 2012 and December 31, 2011, we owned an approximate 26% limited partner interest and an approximate 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. Transactions between us and DCP Partners' operations have been identified in the condensed consolidated financial statements as transactions between affiliates.

During the third quarter of 2011, ConocoPhillips announced plans to separate its business into two stand-alone publicly traded companies. As a result of this transaction, we are no longer owned 50% by ConocoPhillips. ConocoPhillips' 50% ownership interest in us was transferred to the new downstream company, Phillips 66, on May 1, 2012. We do not anticipate that the change in ownership will have a material impact on our operations.

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 months ended March 31, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012. These condensed consolidated financial statements should be read in conjunction with our consolidated financial statements for the year ended December 31, 2011.

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 became effective for us on December 15, 2011. The provisions of ASU 2011-04 impact only disclosures, and we have disclosed information in accordance with the provisions of ASU 2011-04 within these financial statements.

3. Acquisitions

On February 27, 2012, we closed on the previously announced $60 million acquisition of the Odessa Pipeline System from a third-party in a transaction accounted for as an asset acquisition. The Odessa Pipeline System consists of 60 miles of 20-inch pipeline, which will be converted from gas to NGL service and will connect to our Sand Hills Pipeline. The Sand Hills Pipeline is expected to be phased into service, with the first phase expected to be completed in the second half of 2012 to accommodate Eagle Ford basin NGL volumes. Service to the Permian Basin is expected to begin in 2013.

4. Agreements and Transactions with Related Parties and Affiliates

Dividends and Distributions

During the three months ended March 31, 2012 and 2011, we paid tax distributions of $95 million and $77 million, respectively, based on estimated annual taxable income allocated to Spectra Energy and ConocoPhillips according to their respective ownership percentages at the date the distributions became due. During the three months ended March 31, 2012 and 2011, we declared and paid dividends of $83 million and $83 million, respectively, to Spectra Energy and ConocoPhillips, allocated in accordance with their respective ownership percentages.

During the three months ended March 31, 2012 and 2011, DCP Partners paid distributions of $22 million and $18 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 Chevron Phillips Chemical, or 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.

In October 2011, we closed on the previously announced $400 million acquisition of the Seaway Products Pipeline Company from ConocoPhillips. This common carrier pipeline will be renamed Southern Hills Pipeline and will be converted from refined products service to an NGL pipeline, which will ship NGLs from Kansas, Oklahoma and Texas to the NGL market hub at Mont Belvieu, Texas. We will add an extension to Mont Belvieu, as well as pumping capacity and associated gathering infrastructure, to the existing 580-mile pipeline. We are also building over 380 miles of new pipeline to connect several of our owned or operated and third-party processing facilities in the Mid-Contingent region. This approximately $1 billion total investment is expected to have an in-service date in mid-2013. The pipeline will open new capacity for NGLs produced from growing Mid-Continent, Rockies and Conway-bound supply.

In January 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 had propane supply agreements with Spectra Energy, which were effective through April 2012, and provided DCP Partners propane supply at its marine terminals for up to approximately 185 million gallons of propane annually. DCP Partners has contracted with various suppliers and has several available options for future supply sources.

DCP Partners

On March 30, 2012, we contributed our remaining 66.67% interest in Southeast Texas Holdings, GP, or Southeast Texas, and derivative instruments related to the Southeast Texas storage business, together the Southeast Texas Midstream Business, to DCP Partners, for aggregate consideration of $240 million, subject to certain working capital and other customary purchase price adjustments. $192 million of the aggregate purchase price was financed with a portion of the proceeds from DCP Partners' 4.95% 10-year Senior Notes offering. The remaining $48 million consideration was financed with the issuance by DCP Partners of 1,000,417 common units to us. We also provided fixed NGL commodity derivatives for the three year period subsequent to closing valued at $40 million. Certain of the NGL commodity derivatives were valued at $25 million and represent consideration for the termination of a fee-based storage arrangement that we had with DCP Partners in conjunction with its initial 33.33% interest in Southeast Texas; the remaining portion of the commodity derivatives, valued at $15 million, mitigate a portion of DCP Partners' currently anticipated commodity price risk associated with the gathering and processing portion of the 66.67% interest in Southeast Texas acquired on March 30, 2012. The contribution of our remaining 66.67% interest in Southeast Texas represents a transaction between entities among common control. We will continue to consolidate the Southeast Texas Midstream Business through our interest in DCP Partners.

On January 3, 2012, we completed the previously announced contribution of our remaining 49.9% interest in DCP East Texas Holdings, LLC, or East Texas, to DCP Partners, for aggregate consideration of $165 million, subject to certain working capital and other customary purchase price adjustments. $132 million of the aggregate purchase price was financed with borrowings under DCP Partners' term loan. The remaining $33 million consideration was financed with the issuance of 727,520 common units to us. We will continue to consolidate East Texas through our ownership 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 March 31,	
	2012	2011
	(millions)	
ConocoPhillips:		
Sales of natural gas and petroleum products to affiliates	$ 618	$ 628
Transportation, storage and processing	$ 5	$ 4
Purchases of natural gas and petroleum products from affiliates	$ 138	$ 130
Operating and general and administrative expenses	$ 1	$ 1
Spectra Energy:		
Sales of natural gas and petroleum products to affiliates	$ —	$ 1
Purchases of natural gas and petroleum products from affiliates	$ 94	$ 103
Operating and general and administrative expenses	$ 3	$ 3
Unconsolidated affiliates:		
Sales of natural gas and petroleum products to affiliates	$ 13	$ 16
Transportation, storage and processing	$ 5	$ 5
Purchases of natural gas and petroleum products from affiliates	$ 32	$ 35

Wehadbalanceswithrelatedpartiesandaffiliates asfollows:

	March31, 2012	December31, 2011
	(millions)	
ConocoPhillips:		
Accountsreceivable	$ 244	$ 283
Accountspayable	$ (51)	$ (73)
Otherassets	$ 1	$ 2
SpectraEnergy:		
Accountspayable	$ (7)	$ (30)
Otherassets	$ —	$ 1
Otherliabilities	$ (1)	$ —
Unconsolidatedaffiliates:		
Accountsreceivable	$ 19	$ 24
Accountspayable	$ (18)	$ (24)

5.Inventories

Inventorieswereasfollows:

	March31, 2012	December31, 2011
	(millions)	
Naturalgas	$ 17	$ 26
NGLs	64	79
Totalinventories	$ 81	$ 105

6.Property,PlantandEquipment

Property,plantandequipmentbyclassificationwer easfollows:

	Depreciable Life	March31, 2012	December31, 2011
		(millions)	
Gatheringandtransmissionsystems	15 - 30 years	$ 5,894	$ 5,800
Processing,storageandterminalfacilities	0 - 50years	3,199	3,175
Other	0 - 30years	293	281
Constructionworkinprogress		1,742	1,366
Property,plantandequipment		11,128	10,622
Accumulateddepreciation		(4,287)	(4,174)
Property,plantandequipment,net		$ 6,841	$ 6,448

Depreciationexpenseforthethreemonthsended March31,2012and2011was$113millionand$99million,respectively. Interestcapitalizedonconstructionprojectsduring thethreemonthsendedMarch31,2012and2011was $14millionand$5million, respectively.

Asset Retirement Obligations —As of March 31, 2012 and December 31, 2011, we had $86 million and $73 million, respectively, of asset retirement obligations, or AROs, in other long-term liabilities in the condensed consolidated balance sheets. During the first quarter of 2012, we recorded a change in estimate to increase our AROs by approximately $12 million. The change in estimate was primarily attributable to a reassessment of anticipated timing of settlements and of the original ARO estimated amounts. For the three months ended March 31, 2012, accretion benefit was $2 million, and for the three months ended March 31, 2011, accretion expense was $1 million. Accretion expense is recorded within operating and maintenance expense in our condensed consolidated statements of operations.

The following table summarizes changes in the asset retirement obligations, included in our balance sheets:

	March 31, 2012	December 31, 2011
	(millions)	
Balance, beginning of period	$ 73	$ 79
Accretion (benefit) expense	(2)	—
Liabilities incurred	15	—
Liabilities settled	—	(6)
Balance, end of period	$ 86	$ 73

7. Fair Value Measurement

Determination of Fair Value

Below is a general description of our valuation methodologies for derivative financial assets and liabilities, which are measured at fair value. Fair values are generally based upon quoted market prices or prices obtained through external sources, where available. If listed market prices or quotes are not available, we determine fair value based upon a market quote, adjusted by other market-based or independently sourced market data such as historical commodity volatilities, crude oil future yield curves, and/or counterparty specific considerations. These adjustments result in a fair value for each asset or liability under an "exit price" methodology, in line with how we believe a marketplace participant would value that asset or liability. Fair values are adjusted to reflect the credit risk inherent in the transaction as well as the potential impact of liquidating open positions in an orderly manner over a reasonable time period under current conditions. These adjustments may include 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 9, 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

itselfmaynotexistbeyondsuchtimehorizon.ContractsenteredintowitharelativelyshorttimehorizonforwhichpricesarereadilyobservableintheOTCmarketaregenerallyclassifiedwithinLevel2.Contractswithalongertimehorizon,forwhichweinternallygenerateaforwardcurvetovaluesuchinstruments,aregenerallyclassifiedwithinLevel3.Theinternallygeneratedcurvemayutilizeavarietyofassumptionsincluding,butnotlimitedto,dataobtainedfromthird-partypricingservices,historicalandfutureexpectedrelationshipofNGLpricestocrudeoilprices,theknowledgeofexpectedsupplysourcescomingonline,expectedweathertrendswithincertainregionsoftheUnitedStates,andthefutureexpecteddemandforNGLs.

Eachinstrumentisassignedtoalevelwithinthehierarchyattheendofeachfinancialquarterdependinguupontheextenttowhichthevaluationinputsareobservable.Generally,aninstrumentwillmovetowardalevelwithinthehierarchythatrequiresalowerdegreeofjudgmentasthetimetomaturityapproaches,andasthemarketsinwhichtheassettradeswilllikelybecomemoreliquidandpricesmorereadilyavailableinthemarket,thusreducingtheneedtorelyuponourinternallydevelopedassumptions.However,thelevelofagiveninstrumentmaychange,ineitherdirection,dependinguponmarketconditionsandtheavailabilityofmarketobservabledata.

InterestRateDerivativeAssetsandLiabilities

DCPPartnersusesinterestrateswapagreementsaspartofitsoverallcapitalstrategy.TheseinstrumentseffectivelyexchangeaportionofDCPPartners’existingfloatingratedebttofixedratedebtorlockinratesonDCPPartners’anticipatedfuturefixed-ratedebt.DCPPartners’swapsaregenerallypricedbaseduponaLondonInterbankOfferedRate,orLIBOR,instrumentwithsimilarduration,adjustedbythecreditspreadbetweenDCPPartnersandtheLIBORinstrument.Giventhataportionoftheswapvalueisderivedfromthecreditspread,whichmaybeobservedbycomparingsimilarassetsinthemarket,theseinstrumentsareclassifiedwithinLevel2.Defaultriskoneithersideoftheswaptransactionisalsoconsideredinthevaluation.DCPPartnersrecordscounterpartycreditandentityvaluationadjustmentsinthevaluationofitsinterestrateswaps;however,thesereservesarenotconsideredtobeasignificantinputtotheoverallvaluation.

Long-TermAssets

WeoffercertaineligibleexecutivestheopportunitytoparticipateinDCPMidstreamLP’sNon-QualifiedExecutiveDeferredCompensationplan,andhaveelectedtofundaportionofthisparticipationbyinvestingincompanyownedlifeinsurancepolicies.Theseinvestmentsarereflectedwithinourcondensedconsolidatedbalancesheetsaslong-termassetsandareconsideredfinancialinstrumentsthatarerecordedatfairvalue,withanychangesinfairvaluebeingrecordedasagainorlossinthecondensedconsolidatedstatementsofoperations.Giventhatthevalueoftheselifeinsurancepoliciesisdeterminedbaseduponcertainpubliclytradedmutualfundswhosevalueisreadilyobservableinthemarketplace,theseinvestmentsareclassifiedwithinLevel2.

NonfinancialAssetsandLiabilities

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Wemayutilizefairvalueonarecurringbasistomeasureourcontingentconsiderationthatisaresultofcertainacquisitions.TheinputsusedtodeterminesuchfairvalueareprimarilybaseduponinternallydevelopedcashflowmodelsandareclassifiedwithinLevel3.

Thefollowingtablepresentsthefinancialinstrume ntscarriedatfairvalue,bycondensedconsolidate dbalancesheetcaptionand byvaluationhierarchy,asdescribedabove:

	March31,2012				December31,2011			
	Level1	Level2	Level3	Total Carrying Value	Level1	Level2	Level3	Total Carrying Value
	(millions)							
Currentassets(a):								
Commodityderivatives	$ 46	$ 44	$ 24	$ 114	$ 29	$ 55	$ 23	$ 107
Long-termassets:								
Commodityderivatives(b)	$ 14	$ 6	$ 5	$ 25	$ 11	$ 7	$ 5	$ 23
Companyownedlifeinsurance(c)	$ —	$ 23	$ —	$ 23	$ —	$ 18	$ —	$ 18
Currentliabilities(d):								
Commodityderivatives	$ (53)	$ (55)	$ (14)	$ (122)	$ (36)	$ (53)	$ (8)	$ (97)
Interestratederivatives	$ —	$ (8)	$ —	$ (8)	$ —	$ (16)	$ —	$ (16)
Long-termliabilities(e):								
Commodityderivatives	$ (9)	$ (34)	$ —	$ (43)	$ (6)	$ (28)	$ (1)	$ (35)
Interestratederivatives	$ —	$ (4)	$ —	$ (4)	$ —	$ (5)	$ —	$ (5)

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

ChangesinLevels1and2FairValueMeasurements

Wemanageouroverallriskattheportfoliolevel, andintheexecutionofourstrategy,wemayusea combinationoffinancial instruments,whichmaybeclassifiedwithinanylev el.WetypicallyuseOTCderivativecontractsinor dertomitigateaportionofour exposuretonaturalgas,NGLandcondensatepricec hanges.Wealsomayenterintonaturalgasderivati vestolockinmarginaround ourstorageandtransportationassets.Theseinstru mentsaregenerallyclassifiedasLevel2.Thedete rminationtoclassifyafinancial instrumentwithinLevel1orLevel2isbasedupon theavailabilityofquotedpricesforidenticalor similarassetsandliabilitiesin activemarkets.Dependingupontheinformationread ilyobservableinthemarket,and/ortheuseofide nticalorsimilarquotedprices, whicharesignificanttotheoverallvaluation,the classificationofanyindividualfinancialinstrum entmaydifferfromone measurementdatetothenext.Toqualifyasatrans fer,theassetorliabilitymusthaveexistedinth epreviousreportingperiodand movedintoadifferentlevelduringthecurrentper iod.Intheeventthatthereisamovementbetween theclassificationofan instrumentasLevel1or2,thetransferbetweenLe vel1andLevel2wouldbereflectedinatableas “Transfersin/outofLevel1/Level 2.”DuringthethreemonthsendedMarch31,2012,t herewerenotransfersbetweenLevel1andLevel2 ofthefairvaluehierarchy.

ChangesinLevel3FairValueMeasurements

Thetablesbelowillustratearollforwardoftheam ountsincludedinourcondensedconsolidatedbalanc esheetsforderivative financialinstrumentsthatwehaveclassifiedwithi nLevel3.Thedeterminationtoclassifyafinancia linstrumentwithinLevel3is baseduponthesignificanceoftheunobservablefac torsusedindeterminingtheoverallfairvalueof theinstrument.Sincefinancial instrumentsclassifiedasLevel3typicallyinclude acombinationofobservablecomponents(thatis,c omponentsthatareactively quotedandcanbevalidatedtoexternalsources)an dunobservablecomponents,thegainsandlossesin thetablebelowmayinclude changesinfairvaluedueinparttoobservablemar ketfactors,orchangestoourassumptionsontheu nobservablecomponents. Dependingupontheinformationreadilyobservablei nthemarket,and/ortheuseofunobservableinputs ,whicharesignificanttothe overallvaluation,theclassificationofanyindivi dualfinancialinstrumentmaydifferfromonemeasu rementdatetothenext.The significantunobservableinputsusedindetermining fairvalueincludeadjustmentsbyothermarket-bas edorindependentlysourced marketdatasuchashistoricalcommodityvolatiliti es,crudeoilfutureyieldcurves,and/orcounterpa rtyspecificconsiderations.Inthe eventthatthereisamovementto/fromtheclassifi cationofaninstrumentasLevel3,wehavereflect edsuchitemsinthetablebelow withinthe“TransfersintoLevel3”and“Transfers outofLevel3”captions.

We manage our overall risk at the portfolio level, and in the execution of our strategy, we may use a combination of financial instruments, which may be classified within any level. Since Level 1 and Level 2 risk management instruments are not included in the rollforwards below, the gains or losses in the tables do not reflect the effect of our total risk management activities.

	Commodity Derivative Instruments			
	Current Assets	Long-Term Assets	Current Liabilities	Long-Term Liabilities
	(millions)			
Three months ended March 31, 2012(a):				
Beginning balance	$ 23	$ 5	$ (8)	$ (1)
Net realized and unrealized gains (losses) included in earnings(b)	9	—	(8)	1
Transfers into Level 3(c)	—	—	—	—
Transfers out of Level 3(c)	(1)	—	2	—
Settlements	(7)	—	—	—
Ending balance	$ 24	$ 5	$ (14)	$ —
Net unrealized gains (losses) still held included in earnings(b)	$ 10	$ —	$ (9)	$ 1
Three months ended March 31, 2011(a):				
Beginning balance	$ 50	$ 10	$ (45)	$ (1)
Net realized and unrealized gains (losses) included in earnings(b)	42	3	(67)	(2)
Transfers into Level 3(c)	—	—	—	—
Transfers out of Level 3(c)	(8)	—	1	—
Settlements	(16)	—	42	—
Ending balance	$ 68	$ 13	$ (69)	$ (3)
Net unrealized gains (losses) still held included in earnings(b)	$ 38	$ 3	$ (39)	$ —

(a) There were no purchases, issuances and sales for the three months ended March 31, 2012 and 2011.
(b) Represents the amount of total gains or losses for the period, included in trading and marketing gains, net, attributable to changes in unrealized gains or losses relating to assets and liabilities classified as Level 3.
(c) Amounts transferred in and amounts transferred out are reflected at fair value as of the end of the period.

QuantitativeInformationandFairValueSensitiviti esRelatedtoLevel3UnobservableInputs

Weutilizethemarketapproachtomeasurethefair valueofourcommoditycontracts.Thesignificantu nobservableinputsused inthisapproacharelongerdatedpricequotes.Our sensitivitytotheselongerdatedforwardcurvepr icesarepresentedinthetable below.Significantchangesinanyofthoseinputsi nisolationwouldresultinsignificantlydifferent fairvaluemeasurements, dependingonourshortorlongpositioninthese co ntracts.

ProductGroup		FairValue (millions)	ForwardCurve Range	
Assets:				
NGLs................................ .	$	26	$0.41–$2.38	Pergallon
NaturalGas		3	$2.68–$4.20	PerMMBtu(a)
Totalassets	$	29		
Liabilities:				
NGLs................................ .	$	(13)	$0.45–$2.38	Pergallon
Naturalgas		(1)	$2.68–$4.20	PerMMBtu
Totalliabilities	$	(14)		

(a) MMBturepresentsonemillionBritishthermalunits.

EstimatedFairValueofFinancialInstruments

Valuationofacontract'sfairvalueisvalidatedb yaninternalgroupindependentofthemarketinggr oup.Whilecommonindustry practicesareusedtodevelopvaluationtechniques, changesinpricingmethodologiesortheunderlying assumptionscouldresultin significantlydifferentfairvaluesandincomereco gnition.Whenavailable,quotedmarketpricesorpr icesobtainedthroughexternal sourcesareusedtodetermineacontract'sfairval ue.Forcontractswithadeliverylocationordurat ionforwhichquotedmarketprices arenotavailable,fairvalueisdeterminedbasedo npricingmodelsdevelopedprimarilyfromhistorica landexpectedrelationshipwith quotedmarketprices.

Valuesareadjustedtoreflectthecreditriskinhe rentinthetransactionaswellasthepotentialim pactofliquidatingopenpositions inanorderlymanneroverareasonabletimeperiod undercurrentconditions.Changesinmarketprices andmanagementestimates directlyaffecttheestimatedfairvalueofthesec ontracts.Accordingly,itisreasonablypossibleth atsuchestimatesmaychangeinthe nearterm.

Thefairvalueofourinterestrateswapsandcommo ditynon-tradingderivativesisbasedonpricessup portedbyquotedmarket pricesandotherexternalsourcesandpricesbased onmodelsandothervaluationmethods.The"prices supportedbyquotedmarket pricesandotherexternalsources"categoryinclude sourinterestrateswaps,ourNYMEXpositionsinn aturalgas,NGLsandcrudeoil. Inaddition,thiscategoryincludesourforwardpos itionsinnaturalgasforwhichourforwardpricec urvesareobtainedfromathird-partypricingserviceandthenvalidatedthroughan internalprocesswhichincludestheuseofindepen dentbrokerquotes.This categoryalsoincludesourforwardpositionsinNGL satpointsforwhichover-the-counter,orOTC,bro kerquotesforsimilarassetsor liabilitiesareavailableforthefulltermofthe instrument.Thiscategoryalsoincludes"strip"tra nsactionswhosepricinginputsare directlyorindirectlyobservablefromexternalsou rcesandthenmodeledtodailyormonthlypricesas appropriate.The"pricesbased onmodelsandothervaluationmethods"categoryinc ludesthevalueoftransactionsforwhichinputsto thefairvalueoftheinstrument areunobservableinthemarketplaceandareconside redsignificanttotheoverallfairvalueofthein strument.Thefairvalueofthese instrumentsmaybebaseduponaninternallydevelop edpricecurve,whichwasconstructedasaresulto fthelongdatednatureofthe transactionortheilliquidityofthemarketpoint.

Wehavedeterminedfairvalueamountsusingavailab lemarketinformationandappropriatevaluationmet hodologies.However, considerablejudgmentisrequiredininterpretingm arketdatatodeveloptheestimatesoffairvalue. Accordingly,theestimates presentedhereinarenotnecessarilyindicativeof theamountsthatwecouldrealizeinacurrentmark etexchange.Theuseofdifferent marketassumptionsand/orestimationmethodsmayha veamaterialeffectontheestimatedfairvalueam ounts.

Thefairvalueofaccountsreceivable,accountspay ableandshort-termborrowingsarenotmateriallyd ifferentfromtheircarrying amountsbecauseoftheshort-termnatureofthesei nstrumentsorthestatedratesapproximatingmarket rates.Unrealizedgainsand

unrealized losses on derivative instruments are carried at fair value. As of March 31, 2012, the carrying and fair value of our long-term debt was $4,188 million and $4,642 million, respectively. As of December 31, 2011, the carrying and fair value of our long-term debt was $3,820 million and $4,264 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. We determine the fair value of our fixed-rate debt based on quotes obtained from bond dealers. We classify the fair value of our outstanding debt balances within Level 2 of the fair value hierarchy.

8. Financing

	March 31, 2012	December 31, 2011
	(millions)	
Short-term borrowings	$ 355	$ 370
DCP Midstream's debt securities:		
Issued November 2008, interest at 9.700% payable semiannually, due December 2013	250	250
Issued October 2005, interest at 5.375% payable semiannually, due October 2015	200	200
Issued February 2009, interest at 9.750% payable semiannually, due March 2019	450	450
Issued March 2010, interest at 5.350% payable semiannually, due March 2020	600	600
Issued September 2011, interest at 4.750% payable semiannually, due September 2021	500	500
Issued August 2000, interest at 8.125% payable semiannually, due August 2030 (a)	300	300
Issued October 2006, interest at 6.450% payable semiannually, due November 2036	300	300
Issued September 2007, interest at 6.750% payable semiannually, due September 2037	450	450
DCP Midstream term-loan, variable interest at 1.625%, due September 2014	250	—
DCP Partners' debt securities:		
Issued September 2010, interest at 3.25% payable semiannually, due October 2015	250	250
Issued March 2012, interest at 4.95% payable semiannually, due April 2022	350	—
DCP Partners' revolving credit facility, weighted-average variable interest rate of 1.56% and 1.69%, respectively, due November 2016 (b)	267	497
Fair value adjustments related to interest rate swap fair value hedges (a)	33	34
Unamortized discount	(12)	(11)
Total debt	4,543	4,190
Short-term borrowings	(355)	(370)
Total long-term debt	$ 4,188	$ 3,820

(a) In December 2008, the swaps associated with this debt were terminated. The remaining long-term fair value of approximately $33 million related to the swaps is being amortized as a reduction to interest expense through the maturity date of the debt.
(b) This debt has been swapped to a fixed interest rate obligation with effective fixed interest rates ranging from 2.94% to 5.19%, for a net effective interest rate of 3.97% on the $267 million of outstanding debt under DCP Partners' revolving credit facility as of March 31, 2012.

DCP Midstream's Debt Securities—In September 2011, we issued $500 million principal amount of 4.75% Senior Notes due September 30, 2021, or the 4.75% Notes, for proceeds of approximately $496 million, net of unamortized discounts and related offering costs. We will pay interest semiannually on March 30 and September 30 of each year, and our first payment occurred on March 30, 2012. The net proceeds from this offering were used to repay short-term borrowings and for general corporate purposes.

The DCP Midstream debt securities mature and become payable on the respective due dates, and are not subject to any sinking fund provisions. The DCP Midstream debt securities are senior unsecured obligations, and are redeemable at a premium at our option.

DCP Midstream's Credit Facilities with Financial Institutions— On March 2, 2012, we entered into a $2 billion revolving credit facility, or the $2 Billion Facility, which matures in March 2017 and terminated our existing $1,250 million revolving credit facility which would have matured in March 2015 and our existing $450 million revolving credit facility which would have matured in April 2012, or together the $1.7 Billion Facilities. The $2 Billion Facility allows for up to two one-year extensions of the March 2017 maturity date, subject to lender consent. There were no borrowings outstanding under the $2 Billion Facility as of March 31, 2012.

The $2 Billion Facility may be used to support our commercial paper program, our capital expansion program, working capital requirements and other general corporate purposes as well as for letters of credit. As of March 31, 2012 and December 31, 2011, we had $355 million and $370 million of commercial paper outstanding, backed by the $2 Billion Facility and the $1.7 Billion Facilities, respectively. As of both March 31, 2012 and December 31, 2011, we had $7 million in letters of credit outstanding. As of March 31, 2012, the available capacity under the $2 Billion Facility was $1,638 million.

On March 2, 2012, we entered into a $1 billion delayed draw term loan agreement, or the Term Loan, which matures in September 2014. Proceeds from the Term Loan may be used for our capital expansion program and working capital requirements. As of March 31, 2012, we had $250 million outstanding under the Term Loan.

The $2 Billion Facility bears interest at either: (1) LIBOR, plus an applicable margin of 117.5 basis points based on our current credit rating; or (2) (a) the base rate which shall be the higher of Wells Fargo Bank's prime rate, the Federal Funds rate plus 0.50% or the LIBOR Market Index rate plus 1% plus (b) an applicable margin of 17.5 basis points based on our current credit rating. The $2 Billion Facility incurs an annual facility fee of 0.20% based on our current credit rating. This fee is paid on drawn and undrawn portions of the $2 Billion Facility.

The Term Loan bears interest at either: (1) LIBOR, plus an applicable margin of 137.5 basis points based on our current credit rating; or (2) (a) the base rate which shall be the higher of Royal Bank of Canada's prime rate, the Federal Funds rate plus 0.50% or the LIBOR Market Index rate plus 1% plus (b) an applicable margin of 37.5 basis points based on our current credit rating. The Term Loan incurs an annual facility fee of 0.20% based on our current credit rating. This fee is paid on undrawn portions of the Term Loan.

The $2 Billion Facility and the Term Loan requires us to maintain a consolidated leverage ratio (the ratio of consolidated indebtedness to consolidated EBITDA as is defined by the Facility) 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 Term Loan, in the midstream energy business of not more than 5.5 to 1.0. Any drawn amounts under the Term Loan are required to be repaid from proceeds from the sale or contribution of Sand Hills or Southern Hills.

DCP Partners' Debt Securities—On March 13, 2012, DCP Partners issued $350 million of 4.95% 10-year Senior Notes, or the DCP Partners 4.95% Notes, due April 1, 2022. DCP Partners received proceeds of $346 million, net of underwriters' fees, related expenses and unamortized discounts. Proceeds from the DCP Partners 4.95% Notes were used to fund a portion of DCP Partners' acquisition of our 66.67% remaining interest in Southeast Texas and to repay funds borrowed under DCP Partners' Credit Agreement and the DCP Partners Term Loan. Interest on the notes will be paid semiannually on April 1 and October 1 of each year, commencing on October 1, 2012. 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.

In September 2010, DCP Partners issued $250 million of 3.25% 5-year Senior Notes due October 1, 2015, or the DCP Partners 3.25% Notes, for proceeds of $248 million, net of unamortized discounts and related offering costs. DCP Partners pays interest semiannually on April 1 and October 1 of each year, and the first payment was made on April 1, 2011. The net proceeds from this offering were used to repay funds borrowed under the revolver portion of the DCP Partners' Credit Agreement. 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 DCP Partners debt securities mature and become payable on the respective due dates, unless redeemed prior to maturity, and are not subject to any sinking fund provisions. The DCP Partners debt securities are senior unsecured obligations, and are redeemable at a premium at DCP Partners' option.

DCP Partners' Credit Facilities with Financial Institutions—On January 3, 2012, DCP Partners entered into a 2-year term loan agreement, or the DCP Partners Term Loan. DCP Partners borrowed $135 million under the DCP Partners Term Loan on January 3, 2012, which was used to fund a portion of DCP Partners' acquisition of our remaining 49.9% interest in East Texas. In March 2012, DCP Partners repaid the term loan with proceeds from the DCP Partners 4.95% Notes.

On November 10, 2011, DCP Partners entered into a $1 billion revolving credit facility, or the DCP Partners' Credit Agreement, that matures November 10, 2016. As of both March 31, 2012 and December 31, 2011, DCP Partners had $1 million of letters of credit issued under the DCP Partners' Credit Agreement. As of March 31, 2012, the unused capacity under the revolving credit facility was $732 million.

The DCP Partners' Credit Agreement bears interest at either: (1) LIBOR, plus an applicable margin of 1.25% based on DCP Partners' current credit rating; or (2) (a) the base rate which shall be the higher of Wells Fargo Bank's prime rate, the Federal Funds rate plus 0.50% or the LIBOR Market Index rate plus 1% plus (b) an applicable margin of 0.25% based on DCP Partners' current credit rating. The revolving credit facility incurs an annual facility fee of 0.25% based on DCP Partners' current credit rating. This fee is paid on drawn and undrawn portions of the revolving credit facility.

The DCP Partners' Credit Agreement requires DCP Partners to maintain a leverage ratio (the ratio of our consolidated indebtedness to our consolidated EBITDA, in each case as is defined by the 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 March 31, 2012, 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 March 31, 2012, 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.

Other Financing—In March 2012, DCP Partners issued 5,148,500 of its common units at $47.42 per unit. DCP Partners received proceeds of $234 million, net of commissions and offering costs.

During 2011, DCP Partners issued 761,285 of its common units, under an on-going equity distribution agreement and received proceeds of $30 million, net of commissions and offering costs.

In March 2011, DCP Partners issued 3,596,636 common units at $40.55 per unit. DCP Partners received proceeds of $140 million, net of commissions and offering costs.

9. Risk Management and Hedging Activities, Credit Risk and Financial Instruments

Our day-to-day operations expose us to a variety of risks including but not limited to changes in the prices of commodities that we buy or sell, changes in interest rates, and the creditworthiness of each of our counterparties. We manage certain of these exposures by using physical and financial derivative instruments. All of our commodity derivative activities are conducted under the governance of internal Risk Management Committees that establish policies limiting exposure to market risk and requiring daily reporting to management of potential financial exposure. These policies include statistical risk tolerance limits using historical price movements to calculate daily value at risk. The following briefly describes each of the risks that we manage.

Commodity Price Risk

Our portfolio of commodity derivative activity is primarily accounted for using the mark-to-market method of accounting; however, depending upon our risk profile and objectives, in certain limited cases, we may execute transactions that qualify for the hedge method of accounting. The risks, strategies and instruments used to mitigate such risks, as well as the method of accounting are discussed and summarized below.

Natural Gas Asset Based Trading and Marketing

Our natural gas asset based trading and marketing activities engage in the business of trading energy related products and services, including managing purchase and sales portfolios, storage contracts and facilities, and transportation commitments for products. These energy trading operations are exposed to market variables and commodity price risk with respect to these products and services, and we 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. We manage commodity price risk related to our natural gas storage and pipeline assets by engaging in natural gas asset based trading and marketing. The commercial activities related to our natural gas asset based trading and marketing primarily consist of time spreads and basis spreads.

We may execute a time spread transaction when the difference between the current price of natural gas (cash or futures) and the futures market price for natural gas exceeds our cost of storing physical gas in our owned and/or leased storage facilities. The time spread transaction allows us to lock in a margin when this market condition exists. A time spread transaction is executed by establishing a long gas position at one point in time and establishing an equal short gas position at a different point in time. We typically use swaps to execute these transactions, which 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. While gas held in our storage locations is recorded at the lower of average cost or market, the derivative instruments that are used to manage our storage facilities are recorded at fair value and any changes in fair value are currently recorded in our condensed consolidated statements of operations. Even though we may have economically hedged our exposure and locked in a future margin, the use of lower-of-cost-or-market accounting for our physical inventory and the use of mark-to-market accounting for our derivative instruments may subject our earnings to market volatility.

We may execute basis spread transactions when the market price differential between locations on a pipeline asset exceeds our cost of transporting physical gas through our owned and/or leased pipeline asset. When this market condition exists, we may execute derivative instruments around this differential at the market price. This basis spread transaction allows us to lock in a margin on our physical purchases and sales of gas. We typically use swaps to execute these transactions, which 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. As discussed above, the accounting for physical gas purchases and sales and the accounting for the derivative instruments used to manage such purchases and sales differ, and may subject our earnings to market volatility, even though the transaction represents an economic hedge in which we have locked in a future margin.

In order for our storage facility to remain operational, a minimum level of base gas must be maintained in each storage cavern, which is capitalized on our condensed consolidated balance sheets as a component of property, plant and equipment, net. During 2011, we commenced an expansion project to build an additional storage cavern. Upon completion of the expansion project, we 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, we executed a series of derivative financial instruments, which have been designated as cash flow hedges. These cash flow hedges were in a loss position of $4 million as of March 31, 2012, and will fluctuate in value through the term of construction. 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, following completion of the additional storage cavern, any deferred gain or loss at the time of the purchase will remain in AOCI until the cavern is emptied and the base gas is sold. As of March 31, 2012, there was a deferred loss of $3 million recognized in AOCI in relation to our 2009 storage cavern expansion, and 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.

We employ established risk limits, policies and procedures to manage risks associated with the natural gas asset based trading and marketing and NGL proprietary trading.

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 these commodities 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 to mitigate a portion of its commodity price 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 and costless collars 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 2012 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 convert variable interest rates to fixed rates on our existing debt and to lock in rates on our anticipated future fixed-rate debt, respectively. 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, which reduce DCP Partners' exposure to market fluctuations by converting variable interest rates on DCP Partners' existing debt to fixed interest rates. The interest rate swap agreements convert the interest rate associated with the indebtedness outstanding under DCP Partners' revolving credit facility to a fixed-rate obligation, thereby reducing the exposure to market rate fluctuations.

At March 31, 2012, DCP Partners had interest rate swap agreements totaling $450 million, of which DCP Partners has designated $200 million as cash flow hedges and accounts for the remaining $250 million under the mark-to-market method of accounting. $450 million of these agreements extend through June 2012, with $150 million extending through June 2014.

At December 31, 2011, DCP Partners had interest rate swap agreements totaling $450 million, of which DCP Partners had designated $425 million as cash flow hedges and accounted for the remaining $25 million under the mark-to-market method of accounting. In March 2012, DCP Partners paid down a portion of the DCP Partners Credit Agreement. As a result of the paydown of the DCP Partners Credit Agreement, DCP Partners discontinued cash flow hedge accounting on $225 million of its interest rate swap agreements.

Effectiveness of DCP Partners' interest rate swap agreements designated as cash flow hedges 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 AOCI in the condensed consolidated balance sheets and are reclassified into earnings as the hedged transactions impacted 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.

At March 31, 2012, $275 million of the interest rate swap 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.

On March 8, 2012, DCP Partners settled $195 million of its forward-starting interest rate swap agreements for $7 million. The net deferred losses of $5 million in AOCI, as of the settlement date, will be amortized into interest expense associated with DCP Partners' 4.95% Notes through 2022.

We previously had interest rate cash flow hedges and fair value hedges in place that were terminated in 2000 and 2008, respectively. As a result, the remaining net loss deferred in AOCI relative to these cash flow hedges and fair value 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 or DCP Partners 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.

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 March 31, 2012, we had $61 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 March 31, 2012, if a credit-risk related event were to occur, we may be required to post additional collateral. Although our commodity derivative contracts that contain credit-risk related contingent features were in a net liability position as of March 31, 2012, 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 $54 million.

As of March 31, 2012, DCP Partners had $12 million of individual interest rate swap instruments that were in a net liability position and were subject to credit-risk related contingent features. If DCP Partners were to have an event of default relative to any covenants of the DCP Partners' Credit Agreement, that occurs and is continuing, the counterparties to DCP Partners' swap instruments have the right to request that DCP Partners net settle the instrument in the form of cash.

Collateral

As of March 31, 2012, we held cash of $1 million, included in other current liabilities in the condensed consolidated balance sheet related to cash postings by third parties, and letters of credit of $31 million from counterparties to secure their future performance under financial or physical contracts. We had cash deposits with counterparties of $5 million, included in other current assets as of March 31, 2012, to secure our obligations to provide future services or to perform financial contracts. As of March 31, 2012, DCP Partners had no cash collateral posted with counterparties to its commodity derivative instruments. As of March 31, 2012, we had issued and outstanding parental guarantees totaling $70 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 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:

	March 31, 2012	December 31, 2011
	(millions)	
Commodity cash flow hedges:		
Net deferred losses in AOCI	$ (5)	$ (5)
Interest rate cash flow hedges:		
Net deferred losses in AOCI	(6)	(7)
Total AOCI	$ (11)	$ (12)

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	March 31, 2012	December 31, 2011
	(millions)	
Derivative Assets 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—long-term	$ —	$ —
	$ —	$ —
Derivative Assets Not Designated as Hedging Instruments:		
Interest rate derivatives:		
Unrealized gains on derivative instruments — current	$ —	$ —
	$ —	$ —
Commodity derivatives:		
Unrealized gains on derivative instruments—current	$ 114	$ 107
Unrealized gains on derivative instruments—long-term	25	23
	$ 139	$ 130

Balance Sheet Line Item	March 31, 2012	December 31, 2011
	(millions)	
Derivative Liabilities Designated as Hedging Instruments:		
Interest rate derivatives:		
Unrealized losses on derivative instruments—current	$ (5)	$ (16)
Unrealized losses on derivative instruments—long-term	(4)	(5)
	$ (9)	$ (21)
Commodity derivatives:		
Unrealized losses on derivative instruments—long-term	$ (4)	$ (3)
	$ (4)	$ (3)
Derivative Liabilities Not Designated as Hedging Instruments:		
Interest rate derivatives:		
Unrealized losses on derivative instruments — current	$ (3)	$ —
	$ (3)	$ —
Commodity derivatives:		
Unrealized losses on derivative instruments—current	$ (122)	$ (97)
Unrealized losses on derivative instruments—long-term	(39)	(32)
	$ (161)	$ (129)

Thefollowingtablesummarizestheimpactonourco ndensedconsolidatedbalancesheetsandcondensedc onsolidatedstatements ofoperationsofourderivativeinstruments,netof noncontrollinginterest,thatareaccountedforus ingthecashflowhedgemethodof accounting:

	LossRecognizedin AOCIonDerivatives –EffectivePortion		LossReclassified fromAOCIto Earnings –Effective Portion			Gain(Loss) RecognizedinIncome onDerivatives – IneffectivePortionand AmountExcluded fromEffectiveness Testing			Deferred LossesinAOCI Expectedtobe Reclassified intoEarnings OvertheNext 12Months
	ThreeMonthsEndedMarch31,								
	2012	2011	2012	2011		2012	2011		
	(millions)								(millions)
Commodityderivatives	$ (1)	$ —	$ —	$ —		$ —	$ —		
Interestratederivatives	$ —	$ (1)	$ (2)	$ (2)	(a)	$ —	$ —	(a)(b)	$ (2)

(a) Includedininterestexpenseinourcondensedconso lidatedstatementsofoperations.
(b) ForthethreemonthsendedMarch31,2012and2011, noderivativegainsorlosseswerereclassifiedfr omAOCItocurrentperiodearningsas aresultofthediscontinuanceofcashflowhedges relatedtocertainforecastedtransactionsthatare notprobableofoccurringorasaresultof exclusionfromeffectivenesstesting.

Changeinvalueofderivativeinstruments,forwhic hthehedgemethodofaccountinghasnotbeenelect edfromoneperiodtothe next,arerecordedinthecondensedconsolidatedst atementsofoperations.Thefollowingsummarizesth eseamountsandthelocation withinthecondensedconsolidatedstatementsofope rationsthatsuchamountsarereflected:

CommodityDerivatives:StatementofOperationsLine Item	ThreeMonthsEnded March31, 2012	2011
	(millions)	
Realizedgains (losses)..	$ 33	$ (1)
Unrealizedlosses...............................	(23)	(28)
Tradingandmarketinggains(losses),net	$ 10	$ (29)

Wedonothaveanyderivativefinancialinstruments thatqualifyasahedgeofanetinvestment.

Thefollowingtablesrepresent,bycommoditytype,ournetlongorshortderivativepositions,aswellasthenumberofoutstandingcontractsthatareexpectedtopartiallyorentirelysettleineachrespectiveyear.Totheextentthatwehavelongdatedderivativepositionsthatspanmultiplecalendaryears,thecontractwillappearinmorethanonelineiteminthetablebelow. Additionally,relativetothehedgingofcertainofourstorageand/ortransportationassets,wemayexecutebasistransactionsfornaturalgas,whichmayresultinanetlong/shortpositionofzero.Thistablealsopresentsournetlongorshortnaturalgasbasisswappositionsseparatelyfromournetlongorshortnaturalgaspositions.

	March31,2012								
	CrudeOil		NaturalGas		NaturalGasLiquids			NaturalGas BasisSwaps	
Yearof Expiration	NetLong (Short) Position (Bbls)(a)	Number of Contracts	NetLong (Short) Position(MMBtu)	Number of Contracts	NetLong (Short) Position (Bbls)	Number of Contracts		NetLong (Short) Position (MMBtu)	Number of Contracts
2012	(993,678)	582	(23,630,450)	474	(12,993,858)	418	(b)	2,272,500	144
2013	(835,032)	233	655,000	27	(9,559,449)	47	(c)	3,892,500	45
2014	(522,500)	61	(365,000)	3	(9,000,000)	2	(d)	(900,000)	1
2015	(365,000)	2	—	—	—	—		—	—
2016	(183,000)	1	—	—	—	—		—	—

(a) Bblsrepresentsbarrels.
(b) Includes28physicalindexbasedderivativecontractstotaling(12,370,400)Bbls.
(c) Includes13physicalindexbasedderivativecontractstotaling(9,772,800)Bbls.
(d) Includes2physicalindexbasedderivativecontractstotaling(9,000,000)Bbls.

	March31,2011								
	CrudeOil		NaturalGas		NaturalGasLiquids			NaturalGas BasisSwaps	
Yearof Expiration	NetLong (Short) Position (Bbls)	Numberof Contracts	NetLong (Short) Position (MMBtu)	Numberof Contracts	NetLong (Short) Position (Bbls)	Numberof Contracts		NetLong (Short) Position (MMBtu)	Numberof Contracts
2011	(493,505)	661	(8,794,950)	370	(10,702,251)	472	(a)	(3,985,000)	143
2012	(1,003,762)	217	(7,966,000)	66	(8,281,900)	24	(b)	5,465,000	32
2013	(695,365)	77	(165,000)	5	(8,945,250)	3	(c)	1,825,000	1
2014	(547,500)	5	(365,000)	3	(9,000,000)	2	(c)	—	—
2015	(365,000)	2	—	—	—	—		—	—
2016	(183,000)	1	—	—	—	—		—	—

(a) Includes18physicalindexbasedderivativecontractstotaling(9,459,000)Bbls.
(b) Includes4physicalindexbasedderivativecontractstotaling(9,195,000)Bbls.
(c) Includes2physicalindexbasedderivativecontractstotaling(9,000,000)Bbls.

AsofMarch31,2012,DCPPartnershadinterestrateswapsoutstandingwithindividualnotionalvaluesbetween$25millionand $80million,which,inaggregate,exchangeupto$450millionofDCPPartners'floatingrateobligationforafixedrateobligation throughJune2012,with$150millionextendingthroughJune2014.

10.CommitmentsandContingentLiabilities

Litigation—Themidstreamindustryhasseenanumberofclassactionlawsuitsinvolvingroyaltydisputes,mismeasurementand mispaymentallegations.Wearecurrentlynamedasdefendantsinsomeofthesecasesandcustomershaveassertedindividualaudit claimsrelatedtomismeasurementandmispayment.Managementbelieveswehavemeritoriousdefensestothesecasesand,therefore, willcontinuetodefendthemvigorously.Theseclaims,however,canbecostlyandtimeconsumingtodefend.Wearealsoapartyto variouslegal,administrativeandregulatoryproceedingsthathavearisenintheordinarycourseofourbusiness,including,fromtime totime,disputeswithcustomersovervariousmeasurementandsettlementissues.

Managementcurrentlybelievesthatthesematters,takenasawhole,andafterconsiderationofamountsaccrued,insurance coverageandotherindemnificationarrangements,willnothaveamaterialadverseeffectuponourconsolidatedresultsofoperations, financialpositionorcashflows.

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, or EPA, regulations related to reporting of greenhouse gas emissions which have taken effect over the past two years. The cost of planning, designing, constructing and operating pipelines, plants, and other facilities must incorporate compliance with environmental laws and regulations and safety standards. In addition, there is increasing focus, both from state and federal regulatory officials and through litigation, on hydraulic fracturing and the real or perceived environmental impacts of this technique, which indirectly presents some risk to our available supply of natural gas. 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 consolidated results of operations, financial position or cash flows.

We make expenditures in connection with environmental matters as part of our normal operations. As of March 31, 2012 and December 31, 2011, environmental liabilities included in the condensed consolidated balance sheets as other current liabilities amounted to $7 million and $6 million, respectively, and environmental liabilities included in the condensed consolidated balance sheets as other long-term liabilities amounted to $7 million and $9 million, respectively.

11. Supplemental Cash Flow Information

	Three Months Ended March 31,	
	2012	2011
	(millions)	
Cash paid for interest, net of capitalized interest	$ 70	$ 72
Income tax refunds received, net of cash paid for taxes	$ (1)	$ —
Non-cash investing and financing activities:		
Distributions payable to members	$ 43	$ 35
Property, plant and equipment acquired with accounts payable	$ 124	$ 69
Other non-cash additions of property, plant and equipment	$ 20	$ 1

During the three months ended March 31, 2012 and 2011, we received distributions from DCP Partners of $15 million and $12 million, respectively, which are eliminated in consolidation.

12. Subsequent Events

We have evaluated subsequent events occurring through May 10, 2012, the date the condensed consolidated financial statements were issued.

On April 27, 2012, the board of directors of DCP Partners' general partner declared a quarterly distribution of $0.66 per unit, payable on May 15, 2012 to unitholders of record on May 8, 2012.

In April 2012, our board of directors approved a $78 million dividend which was paid in April 2012.

On April 12, 2012, DCP Partners announced that it has acquired a 10% ownership interest in the Texas Express Pipeline joint venture, or TEP, from Enterprise Products Partners L.P., or Enterprise, representing an approximate investment of $85 million in the joint venture. In conjunction with the agreement, DCP Partners paid $11 million for its 10% share of the investment to date on the pipeline. The remainder of the $85 million will be spent over the construction period of the pipeline. Originating near Skellytown in Carson County, Texas, the 20-inch diameter mainline will extend approximately 580 miles to Enterprise's NGL fractionation and storage complex in Mont Belvieu, Texas and will provide access to other third-party facilities in the area. Enterprise will construct and operate the pipeline, which is underpinned by long-term, fee-based ship-or-pay transportation agreements. TEP is expected to be completed in the second quarter of 2013. We have provided shipping commitments of 20 thousand barrels per day, or MBbls/d, to the pipeline, increasing total long-term shipper commitments to 252 MBbls/d.

On April 12, 2012, we announced we have entered into an agreement with Enterprise and Anadarko Petroleum Corporation, or Anadarko, to design and construct a new NGL pipeline, or the Front Range Pipeline, that will originate in the Denver-Julesburg Basin, or the DJ Basin, in Weld County, Colorado and extend approximately 435 miles to Skellytown, Texas. We, Enterprise and Anadarko will each hold a 33.33% interest in the Front Range Pipeline. The Front Range Pipeline will connect to third party systems and TEP, and will provide takeaway capacity and market access to the Gulf Coast markets. Enterprise will construct and operate the pipeline, which is expected to be in service in the fourth quarter of 2013.

On April 4, 2012, the board of directors of ConocoPhillips approved the previously announced spin-off of its downstream business. The newly created downstream company, Phillips 66, was separated from the upstream company through the distribution of shares of Phillips 66 to holders of ConocoPhillips common stock following market close on April 30, 2012. ConocoPhillips shareholders received one share of Phillips 66 common stock for every two shares of ConocoPhillips common stock held on the record date of April 16, 2012. Following the distribution of Phillips 66 common stock, Phillips 66 is now an independent, publicly traded company, and ConocoPhillips retained no ownership interest. Phillips 66 is traded on the New York Stock Exchange under the symbol PSX. Effective May 1, 2012, we are owned 50% by Phillips 66 and 50% by Spectra Energy.