DCPMidstream,LLC
CondensedConsolidatedFinancialStatementsforthe ThreeMonthsEndedMarch31,2013and2012
(Unaudited)

DCPMIDSTREAM,LLC
CONDENSEDCONSOLIDATEDFINANCIALSTATEMENTS

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DCPMIDSTREAM,LLC
CONDENSEDCONSOLIDATEDBALANCESHEETS
(unaudited)
(millions)

	March31, 2013	December31, 2012
ASSETS		
Currentassets:		
Cashandcashequivalents	$ 38	$ 4
Accountsreceivable:		
Customers,netofallowancefordoubtfulaccounts of$2millionforbothperiods	857	886
Affiliates	152	172
Other	28	35
Inventories	41	105
Unrealizedgainsonderivativeinstruments	57	57
Other	34	30
Totalcurrentassets	1,207	1,289
Property,plantandequipment,net	7,700	7,331
Investmentsinunconsolidatedaffiliates	1,009	872
Intangibleassets,net	329	336
Goodwill	723	723
Unrealizedgainsonderivativeinstruments	11	10
Otherlong-termassets	235	223
Totalassets	$ 11,214	$ 10,784
LIABILITIESANDEQUITY		
Currentliabilities:		
Accountspayable:		
Trade	$ 1,199	$ 1,065
Affiliates	30	37
Other	59	51
Short-termborrowings	675	958
Currentmaturitiesoflong-termdebt	250	250
Unrealizedlossesonderivativeinstruments	72	65
Accruedtaxes	47	32
Other	282	317
Totalcurrentliabilities	2,614	2,775
Deferredincometaxes	91	92
Long-termdebt	4,561	4,443
Unrealizedlossesonderivativeinstruments	10	11
Otherlong-termliabilities	142	146
Totalliabilities	7,418	7,467
Commitmentsandcontingentliabilities		
Equity:		
Members'interest	2,485	2,413
Accumulatedothercomprehensiveloss	(7)	(9)
Totalmembers'equity	2,478	2,404
Noncontrollinginterest	1,318	913
Totalequity	3,796	3,317
Totalliabilitiesandequity	$ 11,214	$ 10,784

SeeNotestoCondensedConsolidatedFinancialState ments.

DCPMIDSTREAM,LLC
CONDENSEDCONSOLIDATEDSTATEMENTSOFOPERATIONS
(unaudited)
(millions)

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Operatingrevenues:		
Salesofnaturalgasandpetroleumproducts	$ 2,214	$ 2,101
Salesofnaturalgasandpetroleumproductstoaffiliates	339	631
Transportation,storageandprocessing	100	97
Tradingandmarketing(losses)gains,net	(3)	10
Totaloperatingrevenues	2,650	2,839
Operatingcostsandexpenses:		
Purchasesofnaturalgasandpetroleumproducts	2,142	2,021
Purchasesofnaturalgasandpetroleumproductsfromaffiliates	50	264
Operatingandmaintenance	168	153
Depreciationandamortization	69	120
Generalandadministrative	60	73
Totaloperatingcostsandexpenses	2,489	2,631
Operatingincome	161	208
Earningsfromunconsolidatedaffiliates	9	7
Interestexpense,net	(50)	(56)
Incomebeforeincometaxes	120	159
Incometaxexpense	—	(4)
Netincome	120	155
Netincomeattributabletononcontrollinginterests	(29)	(11)
Netincomeattributabletomembers’interests	$ 91	$ 144

SeeNotestoCondensedConsolidatedFinancialStatements.

DCPMIDSTREAM,LLC
CONDENSEDCONSOLIDATEDSTATEMENTSOFCOMPREHENSIVE INCOME
(unaudited)
(millions)

	Three Months Ended March 31,	
	2013	**2012**
Netincome	$ 120	$ 155
Othercomprehensiveincome:		
Netunrealizedgainsoncashflowhedges	—	1
Reclassificationofcashflowhedgelossesintoea rnings	1	5
Totalothercomprehensiveincome	1	6
Totalcomprehensiveincome	121	161
Totalcomprehensiveincomeattributabletononcont rollinginterests	(28)	(16)
Totalcomprehensiveincomeattributabletomembers' interests	$ 93	$ 145

SeeNotestoCondensedConsolidatedFinancialState ments.

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

	Three Months Ended March 31,	
	2013	**2012**
Cash flows from operating activities:		
Net income	$ 120	$ 155
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	69	120
Earnings from unconsolidated affiliates	(9)	(7)
Distributions from unconsolidated affiliates	11	6
Net unrealized losses on derivative instruments	6	24
Deferred income tax (benefit) expense	(1)	1
Other, net	1	(4)
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	59	264
Inventories	64	18
Accounts payable	137	(417)
Other	(66)	(83)
Net cash provided by operating activities	391	77
Cash flows from investing activities:		
Capital expenditures	(407)	(390)
Acquisitions, net of cash acquired	—	(60)
Investments in unconsolidated affiliates	(140)	—
Net cash used in investing activities	(547)	(450)
Cash flows from financing activities:		
Payment of dividends and distributions to members	(104)	(178)
Proceeds from debt	809	973
Payment of debt	(690)	(604)
Proceeds from issuance of common units by DCP Partners, net of offering costs	494	234
Repayment of commercial paper, net	(283)	(15)
Distributions paid to noncontrolling interests	(32)	(23)
Deferred financing costs	(4)	(15)
Net cash provided by financing activities	190	372
Net change in cash and cash equivalents	34	(1)
Cash and cash equivalents, beginning of period	4	9
Cash and cash equivalents, end of period	$ 38	$ 8

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,January1,2013	$ 2,413	$ (9)	$ 913	$ 3,317
Netincome	91	—	29	120
Othercomprehensiveincome	—	2	(1)	1
Dividendsanddistributions	(104)	—	(32)	(136)
IssuanceofcommonunitsbyDCPPartners,netof offeringcosts	85	—	409	494
Balance,March31,2013	$ 2,485	$ (7)	$ 1,318	$ 3,796
Balance,January1,2012	$ 2,164	$ (12)	$ 537	$ 2,689
Netincome	144	—	11	155
Othercomprehensiveincome	—	1	5	6
Dividendsanddistributions	(126)	—	(23)	(149)
IssuanceofcommonunitsbyDCPPartners,netof offeringcosts	41	—	193	234
Balance,March31,2012	$ 2,223	$ (11)	$ 723	$ 2,935

SeeNotestoCondensedConsolidatedFinancialState ments.

DCP MIDSTREAM, LLC
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Three Months Ended March 31, 2013 and 2012
(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 Phillips 66 and its affiliates, or Phillips 66, and 50% by Spectra Energy Corp and its affiliates, or Spectra Energy. We operate in the midstream natural gas industry. Our primary operations consist of gathering, compressing, treating, processing, transporting, storing and selling natural gas and producing, fractionating, transporting, storing and selling natural gas liquids, or NGLs, and 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 we act as general partner. As of March 31, 2013 and December 31, 2012, we owned an approximate 25% and 27% limited partner interest, respectively. Additionally, as of March 31, 2013 and December 31, 2012, we owned 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 through our ownership and general partner interest and we account for it as a consolidated subsidiary. Transactions between us and DCP Partners have been identified in the condensed consolidated financial statements as transactions between affiliates.

Prior to May 1, 2012, we were owned 50% by ConocoPhillips. On May 1, 2012, ConocoPhillips created two independent publicly traded companies by separating its downstream businesses, including its 50% ownership interest in us, to a newly formed company, Phillips 66.

We are governed by a five member board of directors, consisting of two voting members from Phillips 66 and Spectra Energy and our Chief Executive Officer, 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 Phillips 66 (or ConocoPhillips prior to May 1, 2012) and Spectra Energy board member. In the event the board cannot reach a majority decision, the decision is appealed to the Chief Executive Officers of both Phillips 66 and Spectra Energy.

These condensed consolidated financial statements reflect all normal recurring adjustments, consisting only of 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 prepared in accordance with generally accepted accounting principles, or GAAP, have been condensed in or omitted from these interim financial statements pursuant to such rules and regulations, although we believe that the disclosures made are adequate to make the information not misleading. Results of operations for the three months ended March 31, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013. These unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2012.

The condensed consolidated financial statements have been prepared in accordance with 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.

Certain amounts in the prior year's condensed consolidated financial statements have been reclassified to the current year presentation.

2. Agreements and Transactions with Related Parties and Affiliates

Dividends and Distributions

No tax distributions were paid during the three months ended March 31, 2013. During the three months ended March 31, 2012, we paid tax distributions of $95 million, based on estimated annual taxable income allocated to Phillips 66 (or ConocoPhillips prior to May 1, 2012) and Spectra Energy according to their respective ownership percentages at the date the distributions became due. During the three months ended March 31, 2013 and 2012, we declared and paid dividends of $104 million and $83 million, respectively, to Phillips 66 (or ConocoPhillips prior to May 1, 2012) and Spectra Energy, allocated in accordance with their respective ownership percentages. During the three months ended March 31, 2013 and 2012, DCP Partners paid distributions of $31 million and $22 million, respectively, to its public common unitholders.

DCP Sand Hills Pipeline, LLC and DCP Southern Hills Pipeline, LLC

During the fourth quarter of 2012, we completed the sale of a one-third interest in Sand Hills Pipeline, LLC, or Sand Hills, and Southern Hills Pipeline, LLC, or Southern Hills, to both Phillips 66 and Spectra Energy, for aggregate consideration of approximately $919 million. The proceeds from this transaction were used to repay borrowings under our term loan and for general corporate purposes. As a result of this transaction, we, Phillips 66 and Spectra Energy each own a one-third interest in the two pipeline projects.

Phillips 66 and ConocoPhillips

Prior to May 1, 2012, we were owned 50% by ConocoPhillips. On May 1, 2012, ConocoPhillips created two independent publicly traded companies by separating its downstream businesses, including its 50% ownership interest in us, to a newly formed company, Phillips 66. In connection with this transaction, or the Phillips 66 separation, ConocoPhillips is not considered a related party for periods after May 1, 2012. In connection with the Phillips 66 separation, as of May 1, 2012, Chevron Phillips Chemical, or CPChem, is owned 50 percent by Phillips 66 and continues to be considered a related party.

Long-Term NGL Purchases Contract and Transactions —We sell a portion of our residue gas to ConocoPhillips and sell a portion of our NGLs to Phillips 66 and CPChem. 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 Phillips 66 (or ConocoPhillips prior to May 1, 2012) and CPChem 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 Phillips 66 (or ConocoPhillips prior to May 1, 2012) 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 commodities with ConocoPhillips as a third-party and with Phillips 66 and CPChem as related parties, in the ordinary course of business.

We are party to a 15-year gathering and processing agreement with ConocoPhillips, which expires in January 2026, 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, and is considered a third-party contract for periods after May 1, 2012.

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 that expired in April 2012, which provided DCP Partners propane supply at its marine terminals for up to approximately 185 million gallons of propane annually.

DCP Partners

On March 28, 2013, we contributed an additional 46.67% interest in DCP SC Texas GP, or the Eagle Ford system, and an $87 million fixed price commodity derivative hedge for a three-year period to DCP Partners for aggregate consideration of $626 million, plus customary working capital and other purchase price adjustments. DCP Partners financed $490 million of the consideration with

thenetproceedsfromDCPPartners'3.875%10-year SeniorNotesoffering,$125millionwasfinancedby theissuanceatclosingof anaggregate2,789,739ofDCPPartners'commonunitstousandtheremaining$11millionwaspaidwith DCPPartners'cashon hand.DCPPartnersalsoreimbursedus$50millionfororourproportionateshareof46.67%ofthecapital spenttodatebytheEagle FordsystemfortheconstructionoftheGoliadplant,plusanincrementalpaymentof$23millionasreimbursementfor46.67%of preformationcapitalexpenditures.Asaresultofthistransaction,DCPPartnersowns80%oftheEagle Fordsystem,andwewill continuetoconsolidatetheEagleFordsystemthroughourownershipinterestinDCPPartners.

Transactionswithotherunconsolidatedaffiliates

WesellaportionofourresiduegasandNGLsto,purchasenaturalgasandotherpetroleumproductsfrom,andprovidegathering andtransportationservicesto,unconsolidatedaffiliates.Weanticipatecontinuingtopurchaseandsellcommoditiesandprovide servicestounconsolidatedaffiliatesintheordinarycourseofbusiness.

Thefollowingtablesummarizesourtransactionswithrelatedpartiesandaffiliates:

	ThreeMonthsEnded March31,	
	2013	2012
	(millions)	
Phillips66(a):		
Salesofnaturalgasandpetroleumproductstoaffiliates	$ 326	$ —
Operatingandgeneralandadministrativeexpenses	$ 1	$ —
ConocoPhillips(a):		
Salesofnaturalgasandpetroleumproductstoaffiliates	$ —	$ 618
Transportation,storageandprocessing	$ —	$ 5
Purchasesofnaturalgasandpetroleumproductsfromaffiliates	$ —	$ 138
Operatingandgeneral andadministrativeexpenses	$ —	$ 1
SpectraEnergy:		
Purchasesofnaturalgasandpetroleumproductsfromaffiliates	$ 23	$ 94
Operatingandgeneralandadministrativeexpenses	$ 2	$ 3
Unconsolidatedaffiliates:		
Salesofnaturalgasandpetroleumproductstoaffiliates	$ 13	$ 13
Transportation,storageandprocessing	$ 3	$ 5
Purchasesofnaturalgasandpetroleumproductsfromaffiliates	$ 27	$ 32

(a) InconnectionwiththePhillips66separation,ConocoPhillipsisnotconsideredarelated partyforperiodsafterApril30,2012andPhillips 66isconsideredarelatedpartyforperiods startingMay1,2012.

Wehadbalanceswithrelatedpartiesandaffiliates asfollows:

	March31, 2013	December31, 2012
	(millions)	
Phillips66:		
Accountsreceivable	$ 126	$ 152
Accountspayable	$ (10)	$ (14)
Otherassets	$ 1	$ 2
SpectraEnergy:		
Accountspayable	$ (6)	$ (6)
Otherassets	$ —	$ 1
Unconsolidatedaffiliates:		
Accountsreceivable	$ 26	$ 20
Accountspayable	$ (14)	$ (17)

3.Inventories

Inventorieswereasfollows:

	March31, 2013	December31, 2012
	(millions)	
Naturalgas	$ 10	$ 23
NGLs	31	82
Totalinventories	$ 41	$ 105

4.Property,PlantandEquipment

Property,plantandequipmentbyclassificationwereasfollows:

	Depreciable Life	March31, 2013	December31, 2012
		(millions)	
Gatheringandtransmissionsystems	20 - 50years	$ 7,026	$ 6,919
Processing,storageandterminalfacilities	35 - 60years	3,231	3,035
Other	3 - 30years	321	310
Constructionworkinprogress		1,611	1,494
Property,plantandequipment		12,189	11,758
Accumulateddepreciation		(4,489)	(4,427)
Property,plantandequipment,net		$ 7,700	$ 7,331

Interestcapitalizedonconstructionprojectsduringthethreemonthsended March31,2013and2012was$21millionand$14 million,respectively.

DepreciationexpenseforthethreemonthsendedMarch31,2013and2012was$62millionand$113million,respectively.

Werevisedthedepreciablelivesforourgathering andtransmissionsystems,processing,storageandterminalfacilities,andother assets,effectiveApril1,2012.Thekeycontributingfactorstothechangeindepreciablelivesisan increaseintheestimatedremaining economicallyrecoverablereserves,resultingfromthedevelopmentoftechniquesthatimprovecommodity productionintheregions ourassetsserve.Advancesinextractionprocesses, alongwithimprovedtechnologyusedtolocatecommodityreserves,isgiving producersgreateraccesstounconventionalcommodities.Basedonourproperty,plantandequipmentas ofApril1,2012,thenew remainingdepreciablelivesresultedinanapproximate$60millionreductionindepreciationexpenseforthethreemonthsended March31,2013ascomparedtothesameperiodin2012,andresultedinareductionindepreciationexpenseofapproximately$180 millionfortheyearendedDecember31,2012ascomparedtothesameperiodinthe prioryear.

AssetRetirementObligations —AsofMarch31,2013andDecember31,2012,wehad$93millionand$91million, respectively,ofassetretirementobligations,orAROs,inotherlong-termliabilitiesinthecondensedconsolidatedbalancesheets. Duringthefirstquarterof2012,werecordedachangeinestimatetoincreaseourAROsbyapproximately$12million.Thechangein estimatewasprimarilyattributabletoareassessmentofanticipatedtimingofsettlementsandofthe originalAROestimatedamounts. ForeachofthethreemonthsendedMarch31,2013and2012,accretionbenefitwas$2million.Accretionexpenseisrecordedwithin operatingandmaintenanceexpenseinourcondensed consolidatedstatementsofoperations.

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

	March 31, 2013	December 31, 2012
	(millions)	
Balance, beginning of period	$ 91	$ 73
Accretion (benefit) expense	(2)	3
Liabilities incurred	4	15
Balance, end of period	$ 93	$ 91

5. Investments in Unconsolidated Affiliates

We had investments in the following unconsolidated affiliates accounted for using the equity method:

	Percentage Ownership	March 31, 2013	December 31, 2012
		(millions)	
DCP Sand Hills Pipeline, LLC	33.33%	$ 317	$ 263
DCP Southern Hills Pipeline, LLC	33.33%	281	253
Discovery Producer Services, LLC	40.00%	229	222
Texas Express Pipeline Joint Venture	10.00%	55	41
Front Range Pipeline Joint Venture	33.33%	55	24
Main Pass Oil Gathering Company	66.67%	25	24
Mont Belvieu Enterprise Fractionator	12.50%	18	18
Mont Belvieu I Fractionation Facility	20.00%	17	15
Other unconsolidated affiliates	Various	12	12
Total investments in unconsolidated affiliates		$ 1,009	$ 872

There was an excess of the carrying amount of the investment over the underlying equity of DCP Sand Hills Pipeline, LLC, or Sand Hills, of $6 million and $2 million as of March 31, 2013 and December 31, 2012, respectively, which is associated with interest capitalized during the construction of the Sand Hills pipeline and will be amortized over the life of the underlying long-lived assets of Sand Hills.

There was an excess of the carrying amount of the investment over the underlying equity of DCP Southern Hills Pipeline, LLC, or Southern Hills, of $5 million and $2 million as of March 31, 2013 and December 31, 2012, respectively, which is associated with interest capitalized during the construction of the Southern Hills pipeline and will be amortized over the life of the underlying long-lived assets of Southern Hills.

During the three months ended March 31, 2013, we invested an additional $75 million for our one-third interest in Sand Hills and Southern Hills to fund continued construction on the pipelines.

There was a deficit between the carrying amount of the investment and the underlying equity of Discovery Producer Services, LLC, or Discovery, of $30 million at March 31, 2013 and December 31, 2012, which is associated with, and is being amortized over the life of, the underlying long-lived assets of Discovery.

There was an excess of the carrying amount of the investment over the underlying equity of Main Pass Oil Gathering Company, or Main Pass, of $7 million at March 31, 2013 and December 31, 2012, which is associated with, and is being amortized over the life of, the underlying long-lived assets of Main Pass.

There was a deficit between the carrying amount of the investment and the underlying equity of Mont Belvieu I Fractionation Facility, or Mont Belvieu I, of $5 million at both March 31, 2013 and December 31, 2012, which is associated with, and is being amortized over the life of, the underlying long-lived assets of Mont Belvieu I.

Earnings from unconsolidated affiliates amounted to the following:

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
	(millions)	
Discovery	$ 1	$ 6
Enterprise Fractionator	4	—
Mont Belvieu	4	1
Total earnings from unconsolidated affiliates	$ 9	$ 7

The following tables summarize the combined financial information of unconsolidated affiliates:

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
	(millions)	
Income statement:		
Operating revenues	$ 230	$ 120
Operating expenses	$ 110	$ 63
Net income	$ 120	$ 57

	March 31, 2013	December 31, 2012
	(millions)	
Balance sheet:		
Current assets	$ 172	$ 165
Long-term assets	3,594	3,037
Current liabilities	(299)	(194)
Long-term liabilities	(60)	(67)
Net assets	$ 3,407	$ 2,941

6. 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 8, 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

DCP Partners uses interest rate swap agreements as part of its overall capital strategy. These instruments effectively exchange a portion of DCP Partners' existing floating rate debt to fixed rate debt. DCP Partners' swaps are generally priced based upon a London Interbank Offered Rate, or LIBOR, instrument with similar duration, adjusted by the credit spread between DCP Partners 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. DCP Partners records counterparty credit and entity valuation adjustments in the valuation of its 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 instruments that are recorded at fair value, with any changes in fair value being recorded as a gain or loss in the condensed consolidated statements of operations. Given that the value of these life insurance policies is determined based upon certain publicly traded mutual funds whose value is readily observable in the marketplace, these investments are classified within Level 2.

Nonfinancial Assets and Liabilities

We utilize fair value on a non-recurring basis to perform impairment tests as required on our property, plant and equipment; goodwill; and intangible assets. Assets and liabilities acquired in business combinations are recorded at their fair value as of the date of acquisition. The inputs used to determine such fair value are primarily based upon internally developed cash flow models and would generally be classified within Level 3, in the event that we were required to measure and record such assets at fair value within our condensed consolidated financial statements. Additionally, we use fair value to determine the inception value of our asset retirement obligations. The inputs used to determine such fair value are primarily based upon costs incurred historically for similar work, as well as estimates from independent third parties for costs that would be incurred to restore leased property to the contractually stipulated condition, and would generally be classified within Level 3.

Thefollowingtablepresentsthefinancialinstrumentscarriedatfairvalue,bycondensedconsolidatedbalancesheetcaptionand byvaluationhierarchy,asdescribedabove:

	March31,2013				December31,2012			
	Level1	Level2	Level3	Total Carrying Value	Level1	Level2	Level3	Total Carrying Value
	(millions)							
Currentassets(a):								
Commodityderivatives	$ 17	$ 24	$ 16	$ 57	$ 18	$ 23	$ 16	$ 57
Long-termassets:								
Commodityderivatives(b)	$ 2	$ 6	$ 3	$ 11	$ 2	$ 5	$ 3	$ 10
Companyownedlifeinsurance(c)	$ —	$ 29	$ —	$ 29	$ —	$ 23	$ —	$ 23
Currentliabilities(d):								
Commodityderivatives	$ (14)	$ (44)	$ (10)	$ (68)	$ (13)	$ (34)	$ (14)	$ (61)
Interestratederivatives	$ —	$ (4)	$ —	$ (4)	$ —	$ (4)	$ —	$ (4)
Long-termliabilities(e):								
Commodityderivatives	$ (4)	$ (5)	$ —	$ (9)	$ (3)	$ (6)	$ —	$ (9)
Interestratederivatives	$ —	$ (1)	$ —	$ (1)	$ —	$ (2)	$ —	$ (2)

(a) Includedincurrentunrealizedgainsonderivativeinstrumentsinourcondensedconsolidatedbalancesheets.
(b) Includedinlong-termunrealizedgainsonderivativeinstrumentsinourcondensedconsolidatedbalancesheets.
(c) Includedinotherlong-termassetsinourcondensedconsolidatedbalancesheets.
(d) Includedincurrentunrealizedlossesonderivativeinstrumentsinourcondensedconsolidatedbalancesheets.
(e) Includedinlong-termunrealizedlossesonderivativeinstrumentsinourcondensedconsolidatedbalancesheets.

ChangesinLevels1and2FairValueMeasurements

Thedeterminationtoclassifyafinancialinstrumentwithin Level1orLevel2isbasedupontheavailabilityofquotedpricesfor identicalorsimilarassetsandliabilitiesinactivemarkets.Dependingupontheinformationreadilyobservableinthemarket,and/or theuseofidenticalorsimilarquotedprices,whicharesignificanttotheoverallvaluation,theclassificationofanyindividualfinancial instrumentmaydifferfromonemeasurementdatetothenext.Toqualifyasatransfer,theassetorliabilitymusthaveexistedinthe previousreportingperiodandmovedintoadifferentlevelduringthecurrentperiod.AmountstransferredinandoutofLevel1and Level2arereflectedatfairvalueasoftheendoftheperiod.DuringthethreemonthsendedMarch31,2013and2012,therewereno transfersbetweenLevel1andLevel2ofthefairvaluehierarchy.

ChangesinLevel3FairValueMeasurements

Thetablesbelowillustratearollforwardoftheamountsincludedinourcondensedconsolidatedbalancesheetsforderivative financialinstrumentsthatwehaveclassifiedwithinLevel3.ThedeterminationtoclassifyafinancialinstrumentwithinLevel3is basedupon thesignificanceoftheunobservablefactorsusedindeterminingtheoverallfairvalueoftheinstrument.Sincefinancial instrumentsclassifiedasLevel3typicallyincludeacombinationofobservablecomponents(thatis,componentsthatareactively quotedandcanbevalidatedtoexternalsources)andunobservablecomponents,thegainsandlossesinthetablebelowmayinclude changesinfairvaluedueinparttoobservablemarketfactors,orchangestoourassumptionsontheunobservablecomponents. Dependingupontheinformationreadilyobservableinthemarket,and/ortheuseofunobservableinputs,whicharesignificanttothe overallvaluation,theclassificationofanyindividualfinancialinstrumentmaydifferfromonemeasurementdatetothenext.The significantunobservableinputsusedindeterminingfairvalueincludeadjustmentsbyothermarket-basedorindependentlysourced marketdatasuchashistoricalcommodityvolatilities,crudeoilfutureyieldcurves,and/orcounterpartyspecificconsiderations.Inthe eventthatthereisamovementto/fromtheclassificationofaninstrumentasLevel3,wehavereflectedsuchitemsinthetablebelow withinthe“TransfersintoLevel3”and“TransfersoutofLevel3”captions.

Wemanageouroverallriskattheportfoliolevel,andintheexecutionofourstrategy,wemayuseacombinationoffinancial instruments,whichmaybeclassifiedwithinanylevel.SinceLevel1andLevel2riskmanagementinstrumentsarenotincludedinthe rollforwardsbelow,thegainsorlossesinthetablesdonotreflecttheeffectofourtotalriskmanagementactivities.

	Commodity Derivative Instruments			
	Current Assets	Long-Term Assets	Current Liabilities	Long-Term Liabilities
	(millions)			
ThreeMonthsEndedMarch31,2013(a):				
Beginningbalance	$ 16	$ 3	$ (14)	$ —
Netrealizedandunrealizedgains(losses)includedinearnings(b)	2	—	(3)	—
TransfersintoLevel3(c)	—	—	—	—
TransfersoutofLevel3(c)	—	—	1	—
Settlements	(2)	—	6	—
Endingbalance	$ 16	$ 3	$ (10)	$ —
Netunrealizedgains(losses)stillheldincludedinearnings(b)	$ 5	$ —	$ (3)	$ —
ThreeMonthsEndedMarch31,2012(a):				
Beginningbalance	$ 23	$ 5	$ (8)	$ (1)
Netrealizedandunrealizedgains(losses)includedinearnings(b)	9	—	(8)	1
TransfersintoLevel3(c)	—	—	—	—
TransfersoutofLevel3(c)	(1)	—	2	—
Settlements	(7)	—	—	—
Endingbalance	$ 24	$ 5	$ (14)	$ —
Netunrealizedgains(losses)stillheldincludedinearnings(b)	$ 10	$ —	$ (9)	$ 1

(a) Therewerenopurchases,issuancesandsalesofderivativesforthethreemonthsendedMarch31,2013and2012.
(b) Representstheamountoftotalgainsorlossesfortheperiod,includedintradingandmarketinggains,net,attributabletochangesinunrealizedgainsorlossesrelatingtoassetsandliabilitiesclassifiedasLevel3.
(c) Amountstransferredinandamountstransferredoutarereflectedatfairvalueasoftheendoftheperiod.

QuantitativeInformationandFairValueSensitivitiesRelatedtoLevel3UnobservableInputs

Weutilizethemarketapproachtomeasurethefairvalueofourcommoditycontracts.Thesignificantunobservableinputsusedinthisapproacharelongerdatedpricequotes.Oursensitivitytotheselongerdatedforwardcurvepricesarepresentedinthetablebelow.Significantchangesinanyofthoseinputsinisolationwouldresultinsignificantlydifferentfairvaluemeasurements,dependingonourshortorlongpositioninthesecontracts.

ProductGroup	FairValue (millions)	ForwardCurve Range	
Assets:			
NGLs	$ 18	$0.25–$2.19	Pergallon
NaturalGas	1	$3.78–$4.42	PerMMBtu(a)
Totalassets	$ 19		
Liabilities:			
NGLs	$ (10)	$0.25–$2.19	Pergallon
Naturalgas	—	$4.03–$4.42	PerMMBtu
Totalliabilities	$ (10)		

(a) MMBturepresentsonemillionBritishthermalunits.

Estimated Fair Value of Financial Instruments

Valuation of a contract's fair value is validated by an internal group independent of the marketing group. While common industry practices are used to develop valuation techniques, changes in pricing methodologies or the underlying assumptions could result in significantly different fair values and income recognition. When available, quoted market prices or prices obtained through external sources are used to determine a contract's fair value. For contracts with a delivery location or duration for which quoted market prices are not available, fair value is determined based on pricing models developed primarily from historical and expected relationship with quoted market prices.

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. Changes in market prices and management estimates directly affect the estimated fair value of these contracts. Accordingly, it is reasonably possible that such estimates may change in the near term.

The fair value of our interest rate swaps and commodity non-trading derivatives is based on prices supported by quoted market prices and other external sources and prices based on models and other valuation methods. The "prices supported by quoted market prices and other external sources" category includes our interest rate swaps, our NGL and crude oil swaps, and our NYMEX positions in natural gas. In addition, this category includes our forward positions in natural gas for which our forward price curves are obtained from a third-party pricing service and then validated through an internal process which includes the use of independent broker quotes. This category also includes our forward positions in NGLs at points for which over-the-counter, or OTC, broker quotes for similar assets or liabilities are available for the full term of the instrument. This category also includes "strip" transactions whose pricing inputs are directly or indirectly observable from external sources and then modeled to daily or monthly prices as appropriate. The "prices based on models and other valuation methods" category includes the value of transactions for which inputs to the fair value of the instrument are unobservable in the marketplace and are considered significant to the overall fair value of the instrument. The fair value of these instruments may be based upon an internally developed price curve, which was constructed as a result of the long dated nature of the transaction or the illiquidity of the market point.

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. Derivative instruments are carried at fair value. As of March 31, 2013, the carrying and fair value of our long-term debt, including current maturities of long-term debt, was $4,811 million and $5,331 million, respectively. As of December 31, 2012, the carrying and fair value of our long-term debt, including current maturities of long-term debt, was $4,693 million and $5,236 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.

7. Financing

	March 31, 2013	December 31, 2012
	(millions)	
Short-term borrowings	$ 675	$ 958
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 Partners' debt securities:		
Issued September 2010, interest at 3.25% payable semiannually, due October 2015	250	250
Issued November 2012, interest at 2.50% payable semiannually, due December 2017	500	500
Issued March 2012, interest at 4.95% payable semiannually, due April 2022	350	350
Issued March 2013, interest at 3.875% payable semiannually, due March 2023	500	—
DCP Partners' revolving credit facility, weighted-average variable interest rate of 1.46% and 1.47%, respectively, due November 2016 (b)	150	525
Fair value adjustments related to interest rate swap fair value hedges (a)	31	32
Unamortized discount	(20)	(14)
Total debt	5,486	5,651
Current maturities of long-term debt	(250)	(250)
Short-term borrowings	(675)	(958)
Total long-term debt	$ 4,561	$ 4,443

(a) In December 2008, the swaps associated with this debt were terminated. The remaining long-term fair value of approximately $31 million related to the swaps is being amortized as a reduction to interest expense through the maturity date of the debt.

(b) $150 million has been swapped to a fixed interest rate obligation with fixed interest rates ranging from 2.94% to 2.99%, for a net effective interest rate of 4.21% on the $150 million of outstanding debt under DCP Partners' revolving credit facility as of March 31, 2013. $150 million has been swapped to a fixed interest rate obligation with fixed interest rates ranging from 2.94% to 2.99%, for a net effective interest rate of 2.25% on the $525 million of outstanding debt under DCP Partners' revolving credit facility as of December 31, 2012.

DCP Midstream's Debt Securities—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—In March 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. 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, 2013.

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, up to a maximum of $200 million of outstanding letters of credit. As of March 31, 2013 and December 31, 2012, we had $675 million and $958 million of commercial paper outstanding, backed by the $2 Billion Facility, which are included in short-term borrowings in our condensed consolidated balance sheets. As of both March 31, 2013 and December 31, 2012, we had $6 million in letters of credit outstanding. As of March 31, 2013, the available capacity under the $2 Billion Facility was $1,319 million.

In March 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. In November 2012, we repaid $250 million of outstanding borrowings under the Term Loan with proceeds from the sale of a one-third interest in Sand Hills and Southern Hills to both Phillips 66 and Spectra Energy, as required by the Term Loan agreement. Under the Term Loan

agreement, amounts repaid on the Term Loan may not be reborrowed, as such; the Term Loan capacity has been reduced to $750 million as of March 31, 2013. As of March 31, 2013, there were no borrowings outstanding under the Term Loan.

As of March 31, 2013, the unused capacity under the $2 Billion Facility and Term Loan was $2,069 million, of which approximately $910 million was available for general working capital purposes. Our borrowing capacity is limited at March 31, 2013 by the $2 Billion Facility and Term Loan's financial covenant requirements.

The $2 Billion Facility bears interest at either: (1) LIBOR, plus an applicable margin of 1.175% based on our current credit rating; or (2) (a) the base rate which shall be the higher of Wells Fargo Bank N.A.'s prime rate, the Federal Funds rate plus 0.50% or the LIBOR Market Index rate plus 1% plus (b) an applicable margin of 0.175% 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 1.375% 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 0.375% based on our current credit rating. The Term Loan incurs an annual commitment 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 defined) of not more than 5.0 to 1.0, and following the consummation of qualifying acquisitions (as defined), not more than 5.5 to 1.0, on a temporary basis for three consecutive quarters, including the quarter in which such acquisition is consummated. 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. Commencing with the fiscal period ending December 31, 2012 and continuing through the fiscal period ending December 31, 2013, the definition of consolidated EBITDA under the $2 Billion Facility and the Term Loan has been amended to allow for additional adjustments related to certain projects.

DCP Partners' Debt Securities—On March 14, 2013, DCP Partners issued $500 million of 3.875% 10-year Senior Notes, or the DCP Partners 3.875% Notes, due March 15, 2023. DCP Partners received proceeds of $490 million, net of underwriters' fees, related expenses and unamortized discounts. DCP Partners used the proceeds from the DCP Partners 3.875% Notes to fund a portion of the purchase price for the acquisition of an additional 46.67% interest in the Eagle Ford system. Interest on the notes will be paid semi-annually on March 15 and September 15 of each year, commencing September 15, 2013. The underwriters' fees and related expenses are deferred in other long-term assets in our condensed consolidated balance sheets and will be amortized over the term of the notes.

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. 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—DCP Partners has a $1 billion revolving credit facility, or the DCP Partners' Credit Agreement, that matures November 10, 2016. The unused portion of DCP Partners' Credit Agreement may be used for letters of credit up to a maximum of $500 million of outstanding letters of credit. At March 31, 2013 and December 31, 2012, DCP Partners had $1 million of letters of credit issued under the DCP Partners' Credit Agreement. As of March 31, 2013, the unused capacity under the revolving credit facility was $849 million, of which $770 million was available for general working capital purposes. DCP Partners' borrowing capacity is limited at March 31, 2013 by DCP Partners' Credit Agreement's financial covenant requirements.

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 N.A.'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 DCP Partners' consolidated indebtedness to DCP Partners' consolidated EBITDA, in each case as is defined by the Credit Agreement) of not more than 5.0 to 1.0, and following the consummation of qualifying acquisitions (as defined by the DCP Partners' Credit Agreement), not more than 5.5 to 1.0, on a temporary basis for three consecutive quarters, including the quarter in which such acquisition is consummated.

OtherFinancing —InMarch2013,DCPPartnersissued12,650,000ofitscommonunitsat$40.63perunit.DCPPartners receivedproceedsof$494million,netofcommissionsandofferingcosts.

8.RiskManagementandHedgingActivities,CreditRiskandFinancialInstruments

Ourday-to-dayoperationsexposeustoavarietyofrisksincludingbutnotlimitedtochangesinthepricesofcommoditiesthatwe buyorsell,changesininterestrates,andthecreditworthinessofeachofourcounterparties.Wemanagecertainoftheseexposuresby usingphysicalandfinancialderivativeinstruments.Allofourcommodityderivativeactivitiesareconductedunderthegovernanceof internalRiskManagementCommitteesthatestablishpolicieslimitingexposuretomarketriskandrequiringdailyreportingto managementofpotentialfinancialexposure.Thesepoliciesincludestatisticalrisktolerancelimitsusinghistoricalpricemovementsto calculatedailyvalueatrisk.Thefollowingbrieflydescribeseachoftheriskthatwemanage.

CommodityPriceRisk

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

NaturalGasAssetBasedTradingandMarketing

Ournaturalgasassetbasedtradingandmarketingactivitiesengageinthebusinessoftradingenergyrelatedproductsand services,includingmanagingpurchaseandsalesportfolios,storagecontractsandfacilities,andtransportationcommitmentsfor products.Theseenergytradingoperationsareexposedtomarketvariablesandcommoditypriceriskwithrespecttotheseproducts andservices,andwemayenterintophysicalcontractsandfinancialinstrumentswiththeobjectiveofrealizingapositivemarginfrom thepurchaseandsaleofcommodity-basedinstruments.Wemanagecommoditypriceriskrelatedtoournaturalgasstorageand pipelineassetsbyengaginginnaturalgasassetbasedtradingandmarketing.Thecommercialactivitiesrelatedtoournaturalgasasset basedtradingandmarketingprimarilyconsistoftimespreadsandbasisspreads.

Wemayexecuteatimespreadtransactionwhenthedifferencebetweenthecurrentpriceofnaturalgas(cashorfutures)andthe futuresmarketpricefornaturalgasexceedsourcostofstoringphysicalgasinourownedand/orleasedstoragefacilities.Thetime spreadtransactionallowsustolockinamarginwhenthismarketconditionexists.Atimespreadtransactionisexecutedby establishingalonggaspositionatonepointintimeandestablishinganequalshortgaspositionatadifferentpointintime.We typicallyuseswapstoexecutethesetransactions,whicharenotdesignatedashedginginstrumentsandarerecordedatfairvaluewith changesinfairvaluerecordedinthecurrentperiodcondensedconsolidatedstatementsofoperations.Whilegasheldinourstorage locationsisrecordedatthelowerofaveragecostormarket,thederivativeinstrumentsthatareusedtomanageourstoragefacilities arerecordedatfairvalueandanychangesinfairvaluearecurrentlyrecordedinourcondensedconsolidatedstatementsofoperations. Eventhoughwemayhaveeconomicallyhedgedourexposureandlockedinafuturemargin,theuseoflower-of-cost-or-market accountingforourphysicalinventoryandtheuseofmark-to-marketaccountingforourderivativeinstrumentsmaysubjectour earningstomarketvolatility.

Wemayexecutebasisspreadtransactionswhenthemarketpricedifferentialbetweenlocationsonapipelineassetexceedsour costoftransportingphysicalgasthroughourownedand/orleasedpipelineasset.Whenthismarketconditionexists,wemayexecute derivativeinstrumentsaroundthisdifferentialatthemarketprice.Thisbasisspreadtransactionallowsustolockinamarginonour physicalpurchasesandsalesofgas.Wetypicallyuseswapstoexecutethesetransactions,whicharenotdesignatedashedging instrumentsandarerecordedatfairvaluewithchangesinfairvaluerecordedinthecurrentperiodcondensedconsolidatedstatements ofoperations.Asdiscussedabove,theaccountingforphysicalgaspurchasesandsalesandtheaccountingforthederivative instrumentsusedtomanagesuchpurchasesandsalesdiffer,andmaysubjectourearningstomarketvolatility,eventhoughthe transactionrepresentsaneconomichedgeinwhichwehavelockedinafuturemargin.

Inorderforourstoragefacilitytoremainoperational,aminimumlevelofbasegasmustbemaintainedineachstoragecavern, whichiscapitalizedonourcondensedconsolidatedbalancesheetsasacomponentofproperty,plantandequipment,net.During2011, wecommencedanexpansionprojecttobuildanadditionalstoragecavern.Uponcompletionoftheexpansionproject,wewillbe requiredtopurchaseasignificantamountofbasegastobringthestoragecaverntooperation.Tomitigateriskassociatedwiththe forecastedpurchaseofnaturalgasinJune,JulyandAugust2013,weexecutedaseriesofderivativefinancialinstruments,whichhave beendesignatedascashflowhedges.Thesecashflowhedgeswereinalosspositionof$2millionasofMarch31,2013,andwill

fluctuate in value through the term of construction. Any effective changes in fair value of these derivative instruments will be deferred in accumulated other comprehensive income, or 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, 2013, 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 commodity derivative instruments. DCP Partners' commodity derivative instruments used for its hedging program are a combination of direct NGL product, crude oil and natural gas hedges. Due to the limited depth of the NGL derivatives market, DCP Partners has used crude oil swaps and costless collars to mitigate a portion of its commodity price risk exposure for NGLs. Prices of NGLs have generally been related to the price of crude oil, however, there are some periods of time when NGL pricing may be at a greater discount to crude oil pricing, resulting in additional exposure to NGL commodity prices. Recently, the relationship of NGLs to crude oil has been lower than historical relationships; however, a significant amount of DCP Partners' NGL hedges from 2013 through 2016 are direct product hedges with us. When crude oil swaps become short-term in nature, DCP Partners may periodically convert certain crude oil derivatives to NGL derivatives by entering into offsetting crude oil swaps while adding NGL swaps. These transactions are primarily accomplished through the use of forward contracts that exchange DCP Partners' floating price risk for a fixed price. DCP Partners also utilizes costless collars that minimize its floating price risk by establishing a fixed price floor and a fixed price ceiling. However, the type of instrument that DCP Partners uses to mitigate a portion of its risk may vary depending on DCP Partners' risk management 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. 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.

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, 2013 and December 31, 2012, DCP Partners had interest rate swap agreements extending through June 2014 totaling $150 million, which DCP Partners has designated as cash flow hedges. At March 31, 2013, 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 2.99%, and receives interest payments based on the one-month LIBOR.

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 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.

In March 2012, DCP Partners settled $195 million of its forward-starting interest rate swap agreements for $7 million. The remaining net deferred losses of $5 million in AOCI will be amortized, as of the settlement date, into interest expense associated with DCP Partners' long-term debt 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 the remaining net loss included in long-term debt relative to these 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 Phillips 66 (or ConocoPhillips prior to May 1, 2012) 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, 2013, we had $20 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, 2013, 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, 2013, 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 $19 million.

As of March 31, 2013, DCP Partners had $150 million of individual interest rate swap instruments that were in a net liability position of $5 million 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, 2013, we held cash of less than $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 $64 million from counterparties to secure their future performance under financial or physical contracts. We had cash deposits with counterparties of $23 million included in other current assets as of March 31, 2013, to secure our obligations to provide future services or to perform under financial contracts. As of March 31, 2013, DCP Partners had no cash collateral posted with counterparties to its commodity derivative instruments. As of March 31, 2013, we had issued and outstanding parental guarantees totaling $25 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 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.

Offsetting

Certainofourderivativeinstrumentsaresubjectt oamasternettingorsimilararrangement,whereby wemayelecttosettle multiplepositionswithanindividualcounterparty throughasinglenetpayment.Eachofourindividua lderivativeinstrumentsare presentedonagrossbasisonthecondensedconsoli datedbalancesheets,regardlessofourabilityto netsettleourpositions. Instrumentsthataregovernedbyagreementsthatin clude“netsettle”provisionsallowfinalsettlemen t,whenpresentedwitha terminationevent,ofoutstandingamounts,byextin guishingthemutualdebtsowedbetweentheparties inexchangeforanetamount due.Wehavetradereceivablesandpayablesassocia tedwithderivativeinstruments,subjecttomaster nettingorsimilaragreements, whicharenotincludedinthetablebelow.Thefoll owingsummarizesthegrossandnetamountsofourd erivativeinstruments:

Description	Gross Amountsof Assetsand (Liabilities) Presentedin theBalance Sheet	AmountsNot Offsetinthe BalanceSheet– Financial Instruments(a)	Net Amount	Gross Amountsof Assetsand (Liabilities) Presentedin theBalance Sheet	AmountsNot Offsetinthe BalanceSheet– Financial Instruments(a)	Net Amount
	March31,2013			December31,2012		
	(millions)					
Assets:						
Commodityderivatives	$ 68	$ (2)	$ 66	$ 67	$ (3)	$ 64
Liabilities:						
Commodityderivatives	$ (77)	$ 2	$ (75)	$ (70)	$ 3	$ (67)
Interestratederivatives	$ (5)	$ —	$ (5)	$ (6)	$ —	$ (6)

(a) Thereisnocashcollateralpledgedorreceivedaga instthesepo sitions.

SummarizedDerivativeInformation

Thefairvalueofourderivativeinstrumentsthata redesignatedashedginginstrumentsandthosethat aremarked-to-marketeach period,andthelocationofeachwithinourcondens edconsolidatedbalancesheets,bymajorcategory, issummarizedasfollows:

BalanceSheetLineItem	March31, 2013	December31, 2012	BalanceSheetLineItem	March31, 2013	December31, 2012
	(millions)			(millions)	
DerivativeAssetsDesignatedasHedgingInstruments :			**DerivativeLiabilitiesDesignatedasHedgingInst ruments:**		
Interestratederivatives:			**Interestratederivatives:**		
Unrealizedgainsonderivative instruments—current	$ —	$ —	Unrealizedlossesonderivative instruments—current	$ (4)	$ (4)
Unrealized gainsonderivative instruments — long-term	—	—	Unrealizedlossesonderivative instruments — long-term	(1)	(2)
	$ —	$ —		$ (5)	$ (6)
Commodityderivatives:			**Commodityderivatives:**		
Unrealizedgainsonderivative instruments—current	$ —	$ —	Unrealizedlossesonderivative instruments—current	$ (2)	$ (3)
	$ —	$ —		$ (2)	$ (3)
DerivativeAssetsNotDesignatedasHedgingInstrum ents:			**DerivativeLiabilitiesNotDesignatedasHedgingIn struments:**		
Commodityderivatives:			**Commodityderivatives:**		
Unrealizedgainsonderivative instruments—current	$ 57	$ 57	Unrealizedlossesonderivative instruments—current	$ (66)	$ (58)
Unrealizedgainsonderivative instruments—long-term	11	10	Unrealizedlossesonderivative instruments—long-term	(9)	(9)
	$ 68	$ 67		$ (75)	$ (67)

Thefollowingtablesummarizesthebalanceandactivitywithin AOCIrelativetoourinterestrateand commodityderivatives,net ofnoncontrollinginterest,asofandforthethree monthsendedMarch31,2013:

	InterestRate Derivatives		Commodity Derivatives		Total
			(millions)		
NetdeferredlossesinAOCI(beginningbalance)...	$ (4)		$ (5)		$ (9)
Gains (losses)recognizedinAOCIonderivatives — effectiveportion	—		—		—
Losses reclassifiedfromAOCItoearnings — effectiveportion	1	(a)	1	(b)	2
NetdeferredlossesinAOCI(endingbalance)......	$ (3)		$ (4)		$ (7)
DeferredlossesinAOCIexpectedtobereclassified intoearningsover thenext12months..............................	$ (1)		$ —		$ (1)

(a) Includedininterestexpenseinourcondensedconsolidatedstatementsofoperations.
(b) Includedintradingandmarketing(losses)gains,netinourcondensedconsolidatedstatementsofoperations.

ForthethreemonthsendedMarch31,2013,noderivativegainsorlosseswererecognizedintradingandmarketing(losses), gains,netandinterestexpenseinourcondensedconsolidatedstatementsofoperationsattributableto theineffectiveportionofour derivativeinstruments,asaresultofthediscontinuanceofcashflowhedgesrelatedtocertainforecastedtransactionsthatarenot probableofoccurringorasaresultofexclusionfromeffectivenesstesting.

Thefollowingtablesummarizestheimpactonourcondensedconsolidatedbalancesheetsandcondensedconsolidatedstatements ofoperationsofourderivativeinstruments,netof noncontrollinginterest,thatareaccountedforusingthecashflowhedgemethodof accountingforthethreemonthsendedMarch31,2012:

	Losses Recognizedin AOCIon Derivatives— EffectivePortion	Losses Reclassified fromAOCIto Earnings— Effective Portion		Gains(Losses) Recognizedin Incomeon Derivatives— IneffectivePortion andAmount Excludedfrom Effectiveness Testing	
		(millions)			
Commodityderivatives	$ (1)	$ —		$ —	
Interestratederivatives	$ —	$ (2)	(a)	$ —	(b)

(a) Includedininterestexpenseinourcondensedconsolidatedstatementsofoperations.
(b) ForthethreemonthsendedMarch31,2012,noderivativegainsorlosseswerereclassifiedfromAOCIto currentperiodearningsasaresultofthediscontinuanceofcashflowhedgesrelatedtocertainforecasted transactionsthatarenotprobableofoccurringorasaresultofexclusionfromeffectivenesstesting.

Changeinvalueofderivativeinstruments,forwhichthehedgemethodofaccountinghasnotbeenelectedfromoneperiodtothe next,arerecordedinthecondensedconsolidatedstatementsofoperations.Thefollowingsummarizestheseamountsandthelocation withinthecondensedconsolidatedstatementsofoperationsthatsuchamountsarereflected:

CommodityDerivatives:StatementofOperationsLine Item	ThreeMonthsEnded March31, 2013	2012
	(millions)	
Realizedgains	$ 4	$ 33
Unrealizedlosses................................	(7)	(23)
Tradingandmarketing(losses)gains,net	$ (3)	$ 10

Wedonothaveanyderivativefinancialinstruments thatqualifyasahedgeofanetinvestment.

The following tables represent, by commodity type, our net long or short derivative positions, as well as the number of outstanding contracts that are expected to partially or entirely settle in each respective year. To the extent that we have long dated derivative positions that span multiple calendar years, the contract will appear in more than one line item in the table below. Additionally, relative to the hedging of certain of our storage and/or transportation assets, we may execute basis transactions for natural gas, which may result in a net long/short position of zero. This table also presents our net long or short natural gas basis swap positions separately from our net long or short natural gas positions.

	March 31, 2013								
	Crude Oil		**Natural Gas**		**Natural Gas Liquids**			**Natural Gas Basis Swaps**	
Year of Expiration	**Net Short Position (Bbls)(a)**	**Number of Contracts**	**Net Short Position (MMBtu)**	**Number of Contracts**	**Net Short Position (Bbls)**	**Number of Contracts**		**Net Short Position (MMBtu)**	**Number of Contracts**
2013	(1,200,285)	480	(22,654,450)	280	(10,415,425)	350	(b)	(5,537,500)	116
2014	(674,500)	140	(1,347,500)	40	(9,566,755)	12	(c)	(4,097,500)	16
2015	(266,000)	19	—	—	—	—		—	—
2016	(183,000)	1	—	—	—	—		—	—

(a) Bbls represents barrels.
(b) Includes 23 physical index based derivative contracts totaling (12,073,000) Bbls.
(c) Includes 4 physical index based derivative contracts totaling (9,675,000) Bbls.

	March 31, 2012								
	Crude Oil		**Natural Gas**		**Natural Gas Liquids**			**Natural Gas Basis Swaps**	
Year of Expiration	**Net Short Position (Bbls)(a)**	**Number of Contracts**	**Net (Short) Long Position (MMBtu)**	**Number of Contracts**	**Net Short Position (Bbls)**	**Number of Contracts**		**Net Long (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) Bbls represents barrels.
(b) Includes 28 physical index based derivative contracts totaling (12,370,400) Bbls.
(c) Includes 13 physical index based derivative contracts totaling (9,772,800) Bbls.
(d) Includes 2 physical index based derivative contracts totaling (9,000,000) Bbls.

As of March 31, 2013, DCP Partners had interest rate swaps outstanding with individual notional values of $70 million and $80 million, which, in aggregate, exchange up to $150 million of DCP Partners' floating rate obligation for a fixed rate obligation through June 2014.

9. 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.

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 Phillips 66, 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, processing, compressing, transporting, or storing natural gas, and fractionating, transporting, gathering, processing and storing 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 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 condensed 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 both March 31, 2013 and December 31, 2012, environmental liabilities included in the condensed consolidated balance sheets as other current liabilities amounted to $5 million, and environmental liabilities included in the condensed consolidated balance sheets as other long-term liabilities amounted to $9 million, respectively.

10. Guarantees and Indemnifications

We periodically enter into agreements for the acquisition, contribution or divestiture of assets. These agreements contain indemnification provisions that may provide indemnity for environmental, tax, employment, outstanding litigation, breaches of representations, warranties and covenants, performance of DCP Partners or other liabilities related to the assets being acquired, contributed or divested. Claims may be made by third parties or DCP Partners under these indemnification agreements for various periods of time depending on the nature of the claim. The effective periods on these indemnification provisions generally have terms of one to 15 years, although some are longer. Our maximum potential exposure under these indemnification agreements can vary depending on the nature of the claim and the particular transaction. We are unable to estimate the total maximum potential amount of future payments under indemnification agreements due to several factors, including uncertainty as to whether claims will be made under these indemnities. We have issued guarantees and indemnifications for certain of our consolidated subsidiaries.

11. Supplemental Cash Flow Information

	Three Months Ended March 31,	
	2013	2012
	(millions)	
Cash paid for interest, net of capitalized interest	$ 50	$ 70
Income tax refunds received, net of cash paid for income taxes	$ (1)	$ (1)
Non-cash investing and financing activities:		
Distributions payable to members	$ —	$ 43
Property, plant and equipment acquired with accounts payable	$ 159	$ 124
Other non-cash additions of property, plant and equipment	$ 27	$ 20

During the three months ended March 31, 2013 and 2012, we received distributions from DCP Partners of $23 million and $15 million, respectively, which are eliminated in consolidation.

12. Subsequent Events

We have evaluated subsequent events occurring through May 10, 2013, the date the condensed consolidated financial statements were issued.

On April 25, 2013, DCP Partners announced that the board of directors of DCP Partners' general partner declared a quarterly distribution of $0.70 per unit, payable on May 15, 2013 to unitholders of record on May 8, 2013.

In April 2013, our board of directors approved an $82 million dividend which was paid in April 2013.