DCPMidstream,LLC
CondensedConsolidatedFinancialStatementsforthe ThreeandNineMonthsEndedSeptember30,2011and 2010 (Unaudited)

DCPMIDSTREAM,LLC
CONDENSEDCONSOLIDATEDFINANCIALSTATEMENTS

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DCPMIDSTREAM,LLC
CONDENSEDCONSOLIDATEDBALANCESHEETS
(millions)

	September30, 2011 (Unaudited)	December31, 2010
ASSETS		
Currentassets:		
Cashandcashequivalents	$ 5	$ 8
Accountsreceivable:		
Customers,netofallowancefordoubtfulaccounts of$2millioneachperiod	965	1,013
Affiliates	304	239
Other	62	18
Inventories	93	108
Unrealizedgainsonderivativeinstruments	174	144
Other	66	43
Totalcurrentassets	1,669	1,573
Property,plantandequipment,net	5,695	5,287
Investmentsinunconsolidatedaffiliates	155	159
Intangibleassets,net	369	387
Goodwill	729	721
Unrealizedgainsonderivativeinstruments	60	25
Otherlong-termassets	112	86
Totalassets	$ 8,789	$ 8,238
LIABILITIESANDEQUITY		
Currentliabilities:		
Accountspayable:		
Trade	$ 1,092	$ 1,105
Affiliates	102	79
Other	55	33
Short-termborrowings	96	187
Currentmaturitiesoflong-termdebt	—	250
DCPPartners'revolvingcreditfacility	476	—
Distributionspayabletomembers	105	77
Unrealizedlossesonderivativeinstruments	180	180
Accruedtaxes	75	60
Other	257	235
Totalcurrentliabilities	2,438	2,206
Deferredincometaxes	93	135
Long-termdebt	3,323	3,223
Unrealizedlossesonderivativeinstruments	63	65
Otherlong-termliabilities	122	128
Totalliabilities	6,039	5,757
Commitmentsandcontingentliabilities		
Equity:		
Members'interest	2,213	2,073
Accumulatedothercomprehensiveloss	(12)	(13)
Totalmembers'equity	2,201	2,060
Noncontrollinginterest	549	421
Totalequity	2,750	2,481
Totalliabilitiesandequity	$ 8,789	$ 8,238

SeeNotestoCondensedConsolidatedFinancialState ments.

DCPMIDSTREAM,LLC
CONDENSEDCONSOLIDATEDSTATEMENTSOFOPERATIONS
(Unaudited)
(millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Operating revenues:				
Sales of natural gas and petroleum products	$ 2,496	$ 1,928	$ 7,209	$ 6,065
Sales of natural gas and petroleum products to affiliates	787	558	2,130	1,796
Transportation, storage and processing	100	90	287	268
Trading and marketing gains, net	77	7	81	42
Total operating revenues	3,460	2,583	9,707	8,171
Operating costs and expenses:				
Purchases of natural gas and petroleum products	2,506	1,949	7,038	6,087
Purchases of natural gas and petroleum products from affiliates	251	158	776	577
Operating and maintenance	163	141	473	427
Depreciation and amortization	116	104	331	309
General and administrative	68	63	211	174
Gain on sale of assets	(1)	—	(1)	—
Total operating costs and expenses	3,103	2,415	8,828	7,574
Operating income	357	168	879	597
Earnings from unconsolidated affiliates	9	6	21	25
Interest income	—	1	—	1
Interest expense	(55)	(64)	(160)	(199)
Income before income taxes	311	111	740	424
Income tax expense	—	(4)	—	(6)
Net income	311	107	740	418
Net (income) loss attributable to noncontrolling interests	(45)	12	(64)	(20)
Net income attributable to members' interests	$ 266	$ 119	$ 676	$ 398

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	**2010**	**2011**	**2010**
Net income	$ 311	$ 107	$ 740	$ 418
Other comprehensive (loss) income:				
Net unrealized losses on cash flow hedges	(6)	(5)	(11)	(18)
Reclassification of cash flow hedges into earnings	5	6	15	18
Total other comprehensive (loss) income	(1)	1	4	—
Total comprehensive income	310	108	744	418
Total comprehensive (loss) income attributable to noncontrolling interests	(45)	12	(67)	(19)
Total comprehensive income attributable to members' interests	$ 265	$ 120	$ 677	$ 399

See Notes to Condensed Consolidated Financial Statements.

DCPMIDSTREAM,LLC
CONDENSEDCONSOLIDATEDSTATEMENTSOFCASHFLOWS
(Unaudited)
(millions)

	NineMonthsEnded September30,	
	2011	**2010**
Cashflowsfromoperatingactivities:		
Netincome	$ 740	$ 418
Adjustmentstoreconcilenetincometonetcashprovidedbyoperatingactivities:		
Gainonsaleofassets	(1)	—
Depreciationandamortization	331	309
Earningsfromunconsolidatedaffiliates	(21)	(25)
Distributionsfromunconsolidatedaffiliates	31	34
Deferredincometaxbenefit	(7)	(2)
Other,net	2	(1)
Changesinoperatingassetsandliabilitieswhichprovided(used)cash:		
Accountsreceivable	(63)	223
Inventories	10	5
Netunrealizedgainsonderivativeinstruments	(62)	9
Accountspayable	23	(209)
Other	(5)	(52)
Netcashprovidedbyoperatingactivities	978	709
Cashflowsfrominvestingactivities:		
Capitalexpenditures	(688)	(325)
Acquisitions,netofcashacquired	(79)	(182)
Investmentsinunconsolidatedaffiliates	(6)	(1)
Proceedsfromsaleofassets	12	—
Purchasesofavailable-for-salesecurities	—	(623)
Proceedsfromsalesofavailable-for-salesecurities	—	633
Netcashusedininvestingactivities	(761)	(498)
Cashflowsfromfinancingactivities:		
Paymentofdividendsanddistributionstomembers	(539)	(457)
Proceedsfromdebt	1,332	1,258
Paymentofdebt	(1,004)	(1,461)
Proceedsfromissuanceofcommonunitsbyasubsidiary,netofofferingcosts	152	93
Commercialpaper,net	(91)	163
Distributionspaidtononcontrollinginterests	(63)	(46)
Purchaseofadditionalinterestinasubsidiary	—	(4)
Deferredfinancingcosts	(7)	(7)
Netcashusedinfinancingactivities	(220)	(461)
Netchangeincashandcashequivalents	(3)	(250)
Cashandcashequivalents,beginningofperiod	8	264
Cashandcashequivalents,endofperiod	$ 5	$ 14

SeeNotestoCondensedConsolidatedFinancialStatements.

DCP MIDSTREAM, LLC
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)
(millions)

	Members' Equity			
	Members' Interest	Accumulated Other Comprehensive (Loss) Income	Noncontrolling Interest	Total Equity
Balance, January 1, 2011	$ 2,073	$ (13)	$ 421	$ 2,481
Dividends and distributions	(567)	—	(63)	(630)
Equity-based compensation	—	—	3	3
Issuance of common units by a subsidiary, net of offering costs	31	—	121	152
Comprehensive income (loss):				
Net income	676	—	64	740
Net unrealized losses on cash flow hedges	—	(4)	(7)	(11)
Reclassifications of cash flow hedges into earnings	—	5	10	15
Total comprehensive income	676	1	67	744
Balance, September 30, 2011	$ 2,213	$ (12)	$ 549	$ 2,750
Balance, January 1, 2010	$ 2,020	$ (17)	$ 315	$ 2,318
Dividends and distributions	(429)	—	(46)	(475)
Purchase of additional interest in a subsidiary	—	—	(5)	(5)
Issuance of common units by a subsidiary	22	—	71	93
Comprehensive income (loss):				
Net income	398	—	20	418
Net unrealized losses on cash flow hedges	—	(6)	(12)	(18)
Reclassifications of cash flow hedges into earnings	—	7	11	18
Total comprehensive income	398	1	19	418
Balance, September 30, 2010	$ 2,011	$ (16)	$ 354	$ 2,349

See Notes to Condensed Consolidated Financial Statements.

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

1. Description of Business and Basis of Presentation

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

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

During the third quarter of 2011, ConocoPhillips announced that it is planning to divide its business into two separate publicly traded companies, and anticipates completing the potential spin during the first half of 2012. As a result of this potential transaction, we will no longer be owned 50% by ConocoPhillips. ConocoPhillips' 50% ownership interest in us will be transferred to the new downstream company.

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

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

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

2. Recent Accounting Pronouncements

Financial Accounting Standards Board, or FASB, Accounting Standards Update, or ASU, 2011-08 "Intangibles–Goodwill and Other (Topic 350)," or ASU 2011-08 —In September 2011, the FASB issued ASU 2011-08, which amends Accounting Standards Codification, or ASC, Topic 350 "Intangibles—Goodwill and Other." ASU 2011-08 provides additional guidance on the two-step test for goodwill impairment as previously described in Topic 350 "Intangibles—Goodwill and Other." Under the new guidance, entities may elect to first assess qualitative factors instead of calculating the fair value of a reporting unit unless the entity determines that it is more likely than not the fair value of the reporting unit is less than its carrying value. This ASU is effective for interim and annual goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. We elected to adopt ASU 2011-08 for our 2011 annual goodwill impairment test. There was no impact from the adoption of ASU 2011-08 on our condensed consolidated results of operations, cash flows and financial position.

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 ASC Topic 820 "Fair Value Measurements and Disclosures" to change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements, clarify the FASB's intent about the application of existing fair value measurement requirements, and change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The provisions of ASU 2011-04 are effective for us for interim and annual periods beginning after December 15, 2011 and we are currently assessing the impact of adoption on our consolidated results of operations, cash flows and financial position.

3. Acquisitions

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

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

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

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

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

4. Agreements and Transactions with Related Parties and Affiliates

Dividends and Distributions

During the nine months ended September 30, 2011 and 2010, we paid tax distributions of $176 million and $232 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 nine months ended September 30, 2011 and 2010, we declared and paid dividends of $363 million and $225 million, respectively, to Spectra Energy and ConocoPhillips, allocated in accordance with their respective ownership percentages.

During the nine months ended September 30, 2011 and 2010, DCP Partners paid distributions of $58 million and $41 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.

On June 8, 2011, we announced that we have entered into an agreement to acquire the Seaway Products Pipeline Company from ConocoPhillips and create new NGL transportation capacity from the Midcontinent to the Texas Gulf Coast markets. 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 a 30-mile extension to Mont Belvieu, as well as pumping capacity and associated gathering infrastructure, to the existing 580-mile pipeline. We are also evaluating various extensions to the northern portion of the Southern Hills Pipeline. This approximately $750 million to $850 million total investment is expected to have an in-service date in mid-2013. The pipeline will open new capacity for NGLs produced

from growing Midcontinent, Rockies and Conway-bound supply. In June 2011, in accordance with terms of the purchase agreement, we paid ConocoPhillips a deposit of approximately $40 million, which is currently classified in other current assets within our condensed consolidated balance sheets and within acquisitions, net of cash acquired in our condensed consolidated statements of cash flows.

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

Spectra Energy

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

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

DCP Partners

On August 1, 2011, we reached an agreement with DCP Partners, for DCP Partners to construct a 200 MMcf/d cryogenic natural gas processing plant, or the Eagle Plant, in the Eagle Ford shale. The Eagle Plant, which represents an investment of approximately $120 million, will enhance our existing South Texas super system comprised of 5 natural gas processing plants totaling approximately 800 million cubic feet per day, or MMcf/d, of capacity. We will provide upstream and downstream interconnects to the plant. In support of DCP Partners' construction of the Eagle Plant, we entered into a 15 year fee-based processing agreement with DCP Partners, which provides that we pay DCP Partners a fixed demand charge for 150 MMcf/d along with a throughput fee on all volumes processed. The processing agreement commences with commercial operations of the new plant, which is expected to be online by the fourth quarter of 2012. In conjunction with the agreement, we also entered into a purchase and sale agreement with DCP Partners to sell certain intangible assets and land located in the Eagle Ford shale for $23 million, financed at closing with borrowings under the DCP Partners' Credit Agreement. We will continue to consolidate these assets in our financial statements, through our consolidation of DCP Partners.

On January 1, 2011, we completed the sale of a 33.33% interest in the DCP Southeast Texas business, or Southeast Texas, to DCP Partners for $150 million, in a transaction among entities under common control. The transaction was financed at closing with proceeds from DCP Partners' November 2010 public equity offering and borrowings under the DCP Partners' revolving credit facility. The proceeds were received were used to pay down our short-term borrowings. Southeast Texas is a fully integrated midstream business which includes 675-miles of natural gas pipelines, three natural gas processing plants totaling 380 million cubic feet per day of processing capacity, natural gas storage assets with 9 billion cubic feet of existing storage capacity, and NGL market deliveries direct to ExxonMobil and to Mont Belvieu via DCP Partners' Black Lake NGL pipeline. The terms of the joint venture agreement provide that DCP Partners' distributions from the joint venture for the first seven years related to storage and transportation gross margin will be pursuant to a fee-based arrangement, based on storage capacity and tailgate volumes. Distributions related to the gathering and processing business, along with reductions for all expenditures, will be pursuant to our and DCP Partners' respective ownership interests in Southeast Texas. We will continue to consolidate these assets in our financial statements, through our 66.67% interest in the joint venture and our consolidation of DCP Partners.

Transactionswithotherunconsolidatedaffiliates

WesellaportionofourresiduegasandNGLsto,p urchasenaturalgasandotherpetroleumproductsfr om,andprovidegathering andtransportationservicesto,unconsolidatedaffi liates.Weanticipatecontinuingtopurchaseandse llcommoditiesandprovide servicestounconsolidatedaffiliatesintheordina rycourseofbusiness.

Thefollowingtablesummarizesourtransactionswit hrelatedpartiesandaffiliates:

	ThreeMonthsEnded September30,		NineMonthsEnded September30,	
	2011	2010	2011	2010
	(millions)			
ConocoPhillips:				
Salesofnaturalgasandpetroleumproductstoaffi liates	$ 770	$ 547	$ 2,080	$ 1,758
Transportation,storageandprocessing	$ 3	$ 3	$ 10	$ 14
Purchasesofnaturalgasandpetroleumproducts fromaffiliates	$ 149	$ 104	$ 436	$ 334
Operatingandgeneralandadministrativeexpenses	$ —	$ 1	$ 3	$ 3
SpectraEnergy:				
Salesofnaturalgasandpetroleumproductstoaffi liates	$ —	$ —	$ 1	$ 1
Purchasesofnaturalgasandpetroleumproduct sfromaffiliates	$ 66	$ 27	$ 237	$ 150
Operatingandgeneralandadministrativeexpenses	$ 4	$ 2	$ 10	$ 5
Unconsolidatedaffiliates:				
Salesofnaturalgasandpetroleumproductstoaffi liates	$ 17	$ 11	$ 49	$ 37
Transportation,storageandpr ocessing	$ 5	$ 4	$ 13	$ 14
Purchasesofnaturalgasandpetroleumproductsfro maffiliates	$ 36	$ 27	$ 103	$ 93

Wehadbalanceswithrelatedpartiesandaffiliate sasfollows:

	September30, 2011	December31, 2010
	(millions)	
ConocoPhillips:		
Accountsreceivable	$ 283	$ 221
Accountspayable	$ (55)	$ (46)
Otherassets	$ 43	$ 2
SpectraEnergy:		
Accountsreceivable	$ 1	$ 2
Accountspayable	$ (34)	$ (20)
Otherassets	$ 2	$ 2
Unconsolidatedaffiliates:		
Accountsreceivab le	$ 20	$ 16
Accountspayable	$ (13)	$ (13)

5.Inventories

Inventorieswereasfollows:

	September30, 2011	December31, 2010
	(millions)	
Naturalgas	$ 17	$ 11
NGLs	76	97
Totalinventories	$ 93	$ 108

6. Property, Plant and Equipment

Property, plant and equipment by classification is as follows:

	Depreciable Life	September 30, 2011	December 31, 2010
		(millions)	
Gathering and transmission systems	15 - 30 years	$ 5,640	$ 5,441
Processing, storage and terminal facilities	0 - 50 years	3,092	2,807
Other	0 - 30 years	273	253
Construction work in progress		761	545
Property, plant and equipment		9,766	9,046
Accumulated depreciation		(4,071)	(3,759)
Property, plant and equipment, net		$ 5,695	$ 5,287

Depreciation expense for the three and nine months ended September 30, 2011 was $109 million and $312 million, respectively. Depreciation expense for the three and nine months ended September 30, 2010 was $97 million and $292 million, respectively.

Interest capitalized on construction projects for the three and nine months ended September 30, 2011 was $2 million and $11 million, respectively. Interest capitalized on construction projects for the three and nine months ended September 30, 2010 was $4 million and $9 million, respectively.

Asset Retirement Obligations —As of September 30, 2011 and December 31, 2010, we had $76 million and $79 million, respectively, of asset retirement obligations, or AROs, in other long-term liabilities in the consolidated balance sheets. During the second quarter of 2011, we recorded a change in estimate to reduce our AROs by approximately $6 million. The change in estimate was primarily attributable to a reassessment of anticipated timing of settlements and of the original ARO estimated amounts. Accretion expense was $1 million for the three months ended September 30, 2011 and accretion benefit was $1 million for the nine months ended September 30, 2011, respectively. Accretion expense was $1 million and $4 million for the three and nine months ended September 30, 2010, respectively. 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:

	September 30, 2011	December 31, 2010
	(millions)	
Balance, beginning of period	$ 79	$ 73
Accretion (benefit) expense	(1)	5
Liabilities incurred	—	2
Liabilities settled	(2)	(1)
Balance, end of period	$ 76	$ 79

7. Goodwill and Intangible Assets

The change in the carrying amount of goodwill is as follows:

	September 30, 2011	December 31, 2010
	(millions)	
Beginning of period	$ 721	$ 662
Acquisitions	8	59
End of period	$ 729	$ 721

During 2011, goodwill increased by $8 million, primarily attributable to a $7 million purchase price adjustment related to the settlement of a contingent payment in conjunction with the acquisition of Michigan Pipeline & Processing, LLC.

We performed our annual goodwill assessment during the quarter and concluded that the entire amount of goodwill on the balance sheet is recoverable. We primarily used a discounted cash flow analysis to perform the assessment. Key assumptions in the analysis include the use of an appropriate discount rate, estimated future cash flows and an estimate of operating and general and administrative costs. In estimating cash flows, we incorporate current market information, as well as historical and other factors, into our forecasted commodity prices. For certain reporting units, we elected to first assess qualitative factors to determine whether it is more likely than not that the fair value of our reporting units is less than the carrying value. Our annual goodwill impairment tests, including our qualitative analysis, indicated that our reporting units' fair value exceeded the carrying or book value. If actual results are not consistent with our assumptions and estimates, or our assumptions and estimates change due to new information, we may be exposed to goodwill impairment charges, which would be recognized in the period in which the carrying value exceeds fair value.

Intangible assets consist of customer contracts, including commodity purchase, transportation and processing contracts and related relationships. The gross carrying amount and accumulated amortization of these intangible assets are included in the accompanying condensed consolidated balance sheets as intangible assets, net, and are as follows:

	September 30, 2011	December 31, 2010
	(millions)	
Gross carrying amount	$ 524	$ 523
Accumulated amortization	(155)	(136)
Intangible assets, net	$ 369	$ 387

During the three and nine months ended September 30, 2011, we recorded amortization expense of $7 million and $19 million, respectively. During the three and nine months ended September 30, 2010, we recorded amortization expense of $7 million and $17 million, respectively. As of September 30, 2011, the remaining amortization periods ranged from two years to 24 years, with a weighted-average remaining period of approximately 19 years.

The weighted-average remaining amortization is 19 years for the $33 million of intangible assets acquired with our acquisition of Marysville.

Estimated future amortization for these intangible assets is as follows:

	Estimated Future Amortization
	(millions)
Remainder of 2011	$ 6
2012	26
2013	26
2014	20
2015	19
Thereafter	272
Total	$ 369

8. Fair Value Measurement

Determination of Fair Value

Below is a general description of our valuation methodologies for derivative financial assets and liabilities, as well as short-term and restricted investments, which are measured at fair value. Fair values are generally based upon quoted market prices, 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. 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 10, Risk Management and Hedging Activities, Credit Risk and Financial Instruments.

Valuation Hierarchy

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

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

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

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

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

Commodity Derivative Assets and Liabilities

We enter into a variety of derivative financial instruments, which may include exchange traded instruments (such as New York Mercantile Exchange, or NYMEX, crude oil or natural gas futures) or over-the-counter, or OTC, instruments (such as natural gas contracts, costless collars, crude oil or NGL swaps). The exchange traded instruments are generally executed on the NYMEX exchange with a highly rated broker dealer serving as the clearing house 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 and forward-starting interest rate swap agreements as part of its overall capital strategy. These instruments effectively exchange a portion of DCP Partners' existing floating rate debt and lock in rates on DCP Partners' anticipated future fixed-rate debt, respectively. 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.

NonfinancialAssetsandLiabilities

Weutilizefairvalueonanon-recurringbasistoperformimpairmenttestsasrequiredonourproperty,plantandequipment, goodwillandintangibleassets.Assetsandliabilitiesacquiredinbusinesscombinationsarerecorded attheirfairvalueasofthedateof acquisition.Theinputsusedtodeterminesuchfair valueareprimarilybaseduponinternallydevelopedcashflowmodelsandwould generallybeclassifiedwithinLevel3,intheeventthatwewererequiredtomeasureandrecordsuch assetsatfairvaluewithinour condensedconsolidatedfinancialstatements.Additionally,weusefairvaluetodeterminetheinceptionvalueofourassetretirement obligations.Theinputsusedtodeterminesuchfair valueareprimarilybaseduponcostsincurredhistoricallyforsimilarwork,aswell asestimatesfromindependentthirdpartiesforcoststhatwouldbeincurredtorestoreleasedpropertytothecontractuallystipulated condition,andwouldgenerallybeclassifiedwithin Level3.

Wemayutilizefairvalueonarecurringbasistomeasureourcontingentconsiderationthatisaresultofcertainacquisitions.The inputsusedtodeterminesuchfairvalueareprimarilybaseduponinternallydevelopedcashflowmodelsandareclassifiedwithin Level3.

Thefollowingtablepresentsthefinancialinstrumentscarriedatfairvalue,bycondensedconsolidatedbalancesheetcaptionand byvaluationhierarchy,asdescribedabove:

	September30,2011				December31,2010			
	Level1	Level2	Level3	Total Carrying Value	Level1	Level2	Level3	Total Carrying Value
	(millions)							
Currentassets(a):								
Commodityderivatives	$ 82	$ 61	$ 30	$ 173	$ 41	$ 52	$ 50	$ 143
Interestratederivatives	$ —	$ 1	$ —	$ 1	$ —	$ 1	$ —	$ 1
Long-termassets:								
Commodityderivatives(b)	$ 38	$ 15	$ 7	$ 60	$ 11	$ 4	$ 10	$ 25
Companyownedlifeinsurance(c)	$ —	$ 18	$ —	$ 18	$ —	$ 16	$ —	$ 16
Currentliabilities:								
Commodityderivatives(d)	$ (83)	$ (59)	$ (21)	$ (163)	$ (45)	$ (73)	$ (45)	$ (163)
Interestratederivatives(d)	$ —	$ (17)	$ —	$ (17)	$ —	$ (17)	$ —	$ (17)
Acquisitionrelatedcontingent consideration(e)	$ —	$ —	$ —	$ —	$ —	$ —	$ (2)	$ (2)
Long-termliabilities(f):								
Commodityderivatives	$ (37)	$ (18)	$ (2)	$ (57)	$ (14)	$ (40)	$ (1)	$ (55)
Interestratederivatives	$ —	$ (6)	$ —	$ (6)	$ —	$ (10)	$ —	$ (10)

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

Changes in Level 3 Fair Value Measurements

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

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.

	CommodityDerivativeInstruments			
	Current Assets	Long-Term Assets	Current Liabilities	Long-Term Liabilities
	(millions)			
ThreemonthsendedSeptember30,2011(a):				
Beginningbalance	$ 32	$ 11	$ (32)	$ —
Netrealizedandunrealizedgains(losses)included inearnings	15	(1)	(8)	(2)
TransfersintoLevel3(b)	—	—	—	—
TransfersoutofLevel3(b)	—	(3)	1	—
Settlements	(17)	—	18	—
Endingbalance	$ 30	$ 7	$ (21)	$ (2)
Netunrealizedgains(losses)stillheldincludedi nearnings(c)	$ 11	$ (4)	$ (5)	$ (2)
ThreemonthsendedSeptember30,2010:				
Beginningbalance	$ 27	$ 8	$ (28)	$ (8)
Netrealizedandunrealizedgains(losses)included inearnings	9	(1)	(21)	3
TransfersintoLevel3(b)	—	—	—	—
TransfersoutofLevel3(b)	(4)	(1)	5	1
Purchases,issuancesandsettlements,net	(5)	—	13	—
Endingbalance	$ 27	$ 6	$ (31)	$ (4)
Netunrealizedgains(losses)stillheldincludedi nearnings(c)	$ 12	$ (1)	$ (13)	$ 3
NinemonthsendedSeptember30,2011(a):				
Beginningbalance	$ 50	$ 10	$ (45)	$ (1)
Netrealizedandunrealizedgains(losses)included inearnings	38	(2)	(36)	(1)
TransfersintoLevel3(b)	—	—	—	—
TransfersoutofLevel3(b)	(18)	(1)	8	—
Settlements	(40)	—	52	—
Endingbalance	$ 30	$ 7	$ (21)	$ (2)
Netunrealizedgains(losses)stillheldincludedi nearnings(c)	$ 26	$ (3)	$ (13)	$ (2)
NinemonthsendedSeptember30,2010:				
Beginningbalance	$ 73	$ 18	$ (88)	$ (6)
Netrealizedandunrealizedgains(losses)included inearnings	5	(12)	1	2
TransfersintoLevel3(b)	—	—	—	—
TransfersoutofLevel3(b)	(12)	—	6	—
Purchases,issuancesandsettlements,net	(39)	—	50	—
Endingbalance	$ 27	$ 6	$ (31)	$ (4)
Netunrealizedgains(losses)stillheldincludedi nearnings(c)	$ 23	$ (9)	$ (23)	$ 1

(a) Therewerenopurchases,issuancesandsalesforth ethreeandninemonthsendedSeptember30,2011.
(b) Amountstransferredinandamountstransferredout arereflectedatfairvalueasoftheendofthepe riod.
(c) Representstheamountoftotalgainsorlossesfor theperiod,includedintradingandmarketinggains ,net,attributableto changesinunrealizedgainsorlossesrelatingtoa ssetsandliabilitiesclassifiedasLevel3thatar estillheldasofSeptember30, 2011and2010.

DuringtheninemonthsendedSeptember30,2011,w esettledthe$2millioncontingentconsiderationa ssociatedwithour acquisitionofCeritas.Therewasnoactivityrelat ingtocontingentconsiderationrecognizedorsettl edduringthethreemonthsended September30,2011.Duringthethreeandninemonth sendedSeptember30,2010;wereassessedthe$1mi llionfairvalueofthe

contingent consideration associated with DCP Partners' purchase of an additional ownership interest in a subsidiary, and adjusted the fair value of the liability to zero. Accordingly, we recognized approximately $1 million as an offset to operating expense in our condensed consolidated results of operations during the three and nine months ended September 30, 2010.

During the three and nine months ended September 30, 2011 and 2010 we had no significant transfers into or out of Levels 1 and 2. To qualify as a transfer, the asset or liability must have existed in the previous reporting period and moved into a different level during the current period.

Estimated Fair Value of Financial Instruments

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

The fair value of accounts receivable, accounts payable and short-term borrowings are not materially different from their carrying amounts because of the short-term nature of these instruments or the stated rates approximating market rates. Unrealized gains and unrealized losses on derivative instruments are carried at fair value. As of September 30, 2011, the carrying and fair value of our long-term debt was $3,799 million and $4,170 million, respectively. As of December 31, 2010, the carrying and fair value of our long-term debt, including current maturities of long-term debt, was $3,473 million and $3,790 million, respectively. We determine the fair value of our variable rate debt based upon the discounted present value of expected future cash flows, taking into account the difference between the contractual borrowing spread and the spread for similar credit facilities available in the marketplace.

9. Financing

	September 30, 2011	December 31, 2010
	(millions)	
Short-term borrowings	$ 96	$ 187
DCP Midstream's debt securities:		
Issued January 2001, interest at 6.875% payable semiannually, due February 2011 (a)	—	250
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	—
Issued August 2000, interest at 8.125% payable semiannually, due August 2030 (b)	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
DCP Partners' revolving credit facility, weighted-average variable interest rate of 0.75% and 1.14%, respectively, due June 2012 (c)	476	398
Fair value adjustments related to interest rate swap fair value hedges (a)(b)	35	37
Unamortized discount	(12)	(12)
Total debt	3,895	3,660
Current maturities of long-term debt	—	(250)
Short-term borrowings	(96)	(187)
Current maturities—DCP Partners' revolving credit facility	(476)	—
Total long-term debt	$ 3,323	$ 3,223

(a) In July 2009, $200 million of debt was swapped to a floating interest rate obligation. These swaps matured in February 2011.
(b) In December 2008, the swaps associated with this debt were terminated. The remaining long-term fair value of approximately $35 million related to the swaps is being amortized as a reduction to interest expense through the maturity date of the debt.
(c) $450 million of 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 4.20% on the $476 million of outstanding debt under the DCP Partners' revolving credit facility as of September 30, 2011.

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

In March 2010, we issued $600 million principal amount of 5.35% Senior Notes due 2020, or the 5.35% Notes, for proceeds of approximately $597 million, net of unamortized discounts and related offering costs. The 5.35% Notes mature and become due and payable on March 15, 2020. We pay interest semiannually on March 15 and September 15 of each year, and our first payment was on September 15, 2010. The net proceeds from this offering were used to repay a portion of our $800 million, 7.875% Notes that were due August 2010, 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 unsecured and are redeemable at a premium at our option.

DCP Midstream's Credit Facilities with Financial Institutions—On March 18, 2011, we entered into an $800 million revolving credit facility, which matures in March 2015 and terminated our existing $350 million revolving credit facility which was entered into in January 2010, and would have matured in April 2012. On July 12, 2011, upon receiving lender consent, we expanded our existing $800 million revolving credit facility by an additional $450 million, bringing the new capacity of the facility to $1,250 million, or the

$1,250 Million Facility. This expansion does not alter the terms or expiration of the facility. The $1,250 Million Facility allows for extensions of the March 2015 maturity date for two additional one year periods, with lender consent. There were no borrowings outstanding under the $1,250 Million Facility as of September 30, 2011.

We have a $450 million revolving credit facility, or the $450 Million Facility, which matures in April 2012. Any outstanding borrowings under the $450 Million Facility at maturity may, at our option, be converted into an unsecured one-year term loan. There were no borrowings outstanding under the $450 Million Facility as of September 30, 2011 and December 31, 2010.

As of September 30, 2011, the $1,250 Million Facility and the $450 Million Facility, or together, the Facilities, provided us with total revolving credit availability of $1,700 million. The $1,700 million of revolving credit from the Facilities may be used to support our commercial paper program, and for working capital requirements and other general corporate purposes as well as for letters of credit. As of September 30, 2011 and December 31, 2010, we had $96 million and $187 million of commercial paper outstanding, respectively, backed by the Facilities. As of September 30, 2011 and December 31, 2010, we had $7 million and $6 million in letters of credit outstanding, respectively. As of September 30, 2011, the available capacity under the Facilities was $1,597 million.

The $1,250 Million Facility bears interest at either: (1) the higher of JPMorgan's prime rate or the Federal Funds rate plus 0.50% or (2) LIBOR plus an applicable margin, which is 1.50% based on our credit rating. The facility incurs an annual fee of 0.25% based on our current credit rating. This fee is paid on drawn and undrawn portions of the facility.

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

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

DCP Partners' Debt Securities—In September 2010, DCP Partners issued $250 million of 3.25% Senior Notes, or the DCP Partners' 3.25% Notes, due October 1, 2015, for proceeds of approximately $248 million, which are net of unamortized discounts and related offering costs. The DCP Partners' 3.25% Notes mature and become due and payable on October 1, 2015, unless redeemed prior to maturity. DCP Partners' pays interest semi annually on April 1 and October 1 of each year, with the first payment 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 Facility.

The DCP Partners' 3.25% Notes are senior unsecured obligations, ranking equally in right of payment with DCP Partners' existing unsecured indebtedness, including indebtedness under the DCP Partners' Credit Facility. DCP Partners is not required to make mandatory redemption or sinking fund payments with respect to these notes. The notes are redeemable at a premium at DCP Partners' option.

DCP Partners' Credit Facilities with Financial Institutions—DCP Partners has an $850 million revolving credit facility that matures on June 21, 2012, or the DCP Partners' Credit Agreement. As of September 30, 2011 and December 31, 2010, DCP Partners had $1 million and $32 million, respectively, of letters of credit issued under the DCP Partners' Credit Agreement. As of September 30, 2011, the unused capacity under the revolving credit facility was $373 million.

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

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

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

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

Other Financing —During the third quarter of 2011, DCP Partners issued 345,031 of its common units and received proceeds from units issued of $13 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 offering costs.

In November 2010, DCP Partners issued 2,875,000 common units at $34.96 per unit. DCP Partners received proceeds of $96 million, net of offering costs.

In August 2010, DCP Partners issued 2,990,000 common units at $32.57 per unit. DCP Partners received proceeds of $93 million, net of offering costs.

10. 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 owned and leased 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 costs 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 a corresponding 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 statement 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.

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

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

NGL Proprietary Trading

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

Commodity Cash Flow Protection Activities at DCP Partners

As a result of DCP Partners' operations of gathering, processing and transporting natural gas, DCP Partners takes title to a portion of residue gas, NGLs and condensate, which are considered to be DCP Partners' equity volumes. The possession of and the related operations of transporting and marketing of NGLs creates commodity price risk due to market changes in commodity prices, primarily with respect to the prices of NGLs, natural gas and crude oil. DCP Partners has mitigated a portion of its expected commodity cash flow risk associated with these equity volumes through 2016 with natural gas, NGL and crude oil derivatives. Additionally, given the limited depth of the NGL derivatives market, DCP Partners utilizes crude oil swaps and costless collars and NGL swaps to mitigate a portion of its commodity price risk exposure for NGLs. When the relationship of NGL prices to crude oil prices is at a discount to historical ranges, DCP Partners experiences additional exposure as a result of the relationship where DCP Partners utilizes crude oil swaps to mitigate NGL price exposure. For shorter dated time periods where the NGL markets have greater liquidity, DCP Partners has utilized NGL swaps to mitigate a portion of its NGL price risk through March 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 and forward-starting interest rate swaps to convert variable interest rates on our existing debt and 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 and forward-starting 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 and locking in rates on DCP Partners' anticipated future fixed-rate debt, respectively. The interest rate swap agreements convert the interest rate associated with the indebtedness outstanding under the DCP Partners' revolving credit facility to a fixed-rate obligation, thereby reducing the exposure to market rate fluctuations. The forward-starting interest rate swap agreements lock in the interest rate associated with DCP Partners' anticipated future fixed-rate debt, thereby reducing the exposure to market rate fluctuations prior to issuance.

At September 30, 2011, DCP Partners had interest rate swap agreements totaling $450 million, of which DCP Partners has designated $425 million as cash flow hedges and accounts for the remaining $25 million under the mark-to-market method of accounting. As DCP Partners generally expects to have variable rate debt levels equal to or exceeding their swap positions during their term, the entire $450 million of these arrangements mitigate DCP Partners' interest rate risk through June 2012, with $150 million extending from June 2012 through June 2014. Based on current operations, DCP Partners believes its interest rate swap agreements mitigate its interest rate risk associated with its variable rate debt.

At September 30, 2011, DCP Partners had forward-starting interest rate swap agreements totaling $195 million, which have been designated as cash flow hedges. As DCP Partners anticipates entering into future fixed-rate debt at levels equal to or exceeding its forward-starting swap positions during their term, the entire $195 million of these arrangements mitigate a portion of DCP Partners' interest rate risk through the term of DCP Partners' anticipated debt into 2022. Based on current operations, DCP Partners believes its forward-starting interest rate swap agreements mitigate a portion of its interest rate risk associated with its anticipated future fixed-rate debt.

DCP Partners' has designated $425 million of interest rate swap agreements and $195 million of its forward-starting interest rate swaps as cash flow hedges, and effectiveness is determined by matching the principal balance and terms with that of the specified obligation. The effective portions of changes in fair value are recognized in 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.

As of September 30, 2011, $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. Under the terms of the forward-starting interest rate swaps agreements, DCP Partners will pay fixed-rates ranging from 2.15% to 2.598%, and receive interest payments approximating 10-year U.S. Treasury rates. The differences to be paid or received under the interest rate swap agreements are recognized as an adjustment to interest expense.

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

Credit Risk

Our principal customers range from large, natural gas marketing services to industrial end-users for our natural gas products and services, as well as large multi-national petrochemical and refining companies, to small regional propane distributors for our NGL products and services. Substantially all of our natural gas and NGL sales are made at market-based prices. Approximately 40% of our NGL production is committed to ConocoPhillips and CPChem, both related parties, under an existing 15-year contract, the primary production commitment of which expires in 2015. This concentration of credit risk may affect our overall credit risk, in that these customers may be similarly affected by changes in economic, regulatory or other factors. Where exposed to credit risk, we analyze the

counterparties' financial condition prior to entering into an agreement, establish credit limits and monitor the appropriateness of these limits on an ongoing basis. We may use various master agreements that include language giving us the right to request collateral to mitigate credit exposure. The collateral language provides for a counterparty to post cash or letters of credit for exposure in excess of the established threshold. The threshold amount represents an open credit limit, determined in accordance with our credit policy. The collateral language also provides that the inability to post collateral is sufficient cause to terminate a contract and liquidate all positions. In addition, our master agreements and our standard gas and NGL sales contracts contain adequate assurance provisions, which allow us to suspend deliveries and cancel agreements, or continue deliveries to the buyer after the buyer provides security for payment in a satisfactory form.

Contingent Credit Features

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

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

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

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

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

Depending upon the movement of commodity prices and interest rates, each of our individual contracts with counterparties to our commodity derivative instruments or interest rate swap instruments are in either a net asset or net liability position. Our commodity derivative contracts that are not governed by ISDA contracts do not have any credit-risk related contingent features. As of September 30, 2011, we had $33 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 September 30, 2011, if a credit-risk related event were to occur, we may be required to post additional collateral. Additionally, although our commodity derivative contracts that contain credit-risk related contingent features were in a net liability position as of September 30, 2011, if a credit-risk related event were to occur, the net liability position would be partially offset by contracts in a net asset position reducing our net liability to $21 million.

As of September 30, 2011, DCP Partners had $23 million of individual interest rate swap instruments that were in a net liability position and were subject to credit-risk related contingent features. Although DCP Partners' interest rate swap instruments were in a net liability position as of September 30, 2011, if a credit-risk related event were to occur, the net liability position would be partially offset by contracts in a net asset position reducing DCP Partners' net liability to $22 million. If DCP Partners were to have an event of default relative to any covenants of its credit agreement, that occurs and is continuing, the counterparties to DCP Partners' swap instruments have the right to request early termination and net settlement of the outstanding derivative position.

Collateral

As of September 30, 2011, we held cash of $2 million, included in other current liabilities in the condensed consolidated balance sheet related to cash postings by third parties, and letters of credit of $87 million from counterparties to secure their future performance under financial or physical contracts. We had cash deposits with counterparties of $7 million, included in other current assets as of September 30, 2011, to secure our obligations to provide future services or to perform financial contracts. As of September 30, 2011, DCP Partners had a contingent letter of credit facility for up to $10 million, on which DCP Partners had no letters of credit issued and outstanding. This contingent letter of credit facility was issued directly by a financial institution and does not reduce the available capacity under the DCP Partners' Credit Agreement. As of September 30, 2011, DCP Partners had no other cash collateral posted with counterparties to its commodity derivative instruments. As of September 30, 2011, 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 the contingent letter of credit facility reduce the amount of cash DCP Partners may be required to post as collateral. Collateral amounts held or posted may be fixed or may vary, depending on the value of the underlying contracts, and could cover normal purchases and sales, trading and hedging contracts. In many cases, we and our counterparties publicly disclose credit ratings, which may impact the amounts of collateral requirements.

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

Summarized Derivative Information

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

	September 30, 2011	December 31, 2010
	(millions)	
Commodity cash flow hedges:		
Net deferred losses in AOCI	$ (4)	$ (3)
Interest rate cash flow hedges:		
Net deferred losses in AOCI	(8)	(10)
Total AOCI	$ (12)	$ (13)

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

Balance Sheet Line Item	September 30, 2011	December 31, 2010
	(millions)	
Derivative Assets Designated as Hedging Instruments:		
Interest rate derivatives:		
Unrealized gains on derivative instruments—current	$ 1	$ 1
Unrealized gains on derivative instruments—long-term	—	—
	$ 1	$ 1
Commodity derivatives:		
Unrealized gains on derivative instruments—current	$ —	$ —
Unrealized gains on derivative instruments—long-term	—	—
	$ —	$ —
Derivative Assets Not Designated as Hedging Instruments:		
Interest rate derivatives:		
Unrealized gains on derivative instruments—current	$ —	$ —
Unrealized gains on derivative instruments—long-term	—	—
	$ —	$ —
Commodity derivatives:		
Unrealized gains on derivative instruments—current	$ 173	$ 143
Unrealized gains on derivative instruments—long-term	60	25
	$ 233	$ 168

Balance Sheet Line Item	September 30, 2011	December 31, 2010
	(millions)	
Derivative Liabilities Designated as Hedging Instruments:		
Interest rate derivatives:		
Unrealized losses on derivative instruments—current	$ (16)	$ (12)
Unrealized losses on derivative instruments—long-term	(6)	(5)
	$ (22)	$ (17)
Commodity derivatives:		
Unrealized losses on derivative instruments—current	$ —	$ —
Unrealized losses on derivative instruments—long-term	(1)	—
	$ (1)	$ —
Derivative Liabilities Not Designated as Hedging Instruments:		
Interest rate derivatives:		
Unrealized losses on derivative instruments—current	$ (1)	$ (5)
Unrealized losses on derivative instruments—long-term	—	(5)
	$ (1)	$ (10)
Commodity derivatives:		
Unrealized losses on derivative instruments—current	$ (163)	$ (163)
Unrealized losses on derivative instruments—long-term	(56)	(55)
	$ (219)	$ (218)

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

	Loss Recognized in AOCI on Derivatives – Effective Portion		Loss Reclassified from AOCI to Earnings – Effective Portion			Gain (Loss) Recognized in Income on Derivatives – Ineffective Portion and Amount Excluded from Effectiveness Testing			Deferred Losses in AOCI Expected to be Reclassified into Earnings Over the Next 12 Months
	Three Months Ended September 30,								
	2011	**2010**	**2011**	**2010**		**2011**	**2010**		
	(millions)								**(millions)**
Commodity derivatives	$ (1)	$ —	$ —	$ —		$ —	$ —		
Interest rate derivatives	$ (1)	$ (1)	$ (1)	$ (2)	(a)	$ —	$ —	(a)(b)	
	Nine Months Ended September 30,								
	2011	**2010**	**2011**	**2010**		**2011**	**2010**		
	(millions)								
Commodity derivatives	$ (1)	$ —	$ —	$ —		$ —	$ —		
Interest rate derivatives	$ (3)	$ (6)	$ (5)	$ (7)	(a)	$ —	$ —	(a)(b)	$ (5)

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

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

Commodity Derivatives: Statement of Operations Line Item	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
	(millions)			
Realized gains	$ 21	$ 24	$ 16	$ 50
Unrealized gains (losses)	56	(17)	65	(8)
Trading and marketing gains, net	$ 77	$ 7	$ 81	$ 42

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

Thefollowingtablesrepresent,bycommoditytype, ournetlongorshortpositions,aswellasthenum berofoutstandingcontracts thatareexpectedtopartiallyorentirelysettlei neachrespectiveyear.Totheextentthatwehave longdatedderivativepositionsthat spanmultiplecalendaryears,thecontractwillapp earinmorethanonelineiteminthetablebelow. Additionally,relativetothe hedgingofcertainofourstorageand/ortransporta tionassets,wemayexecutebasistransactionsfor naturalgas,whichmayresultina netlong/shortpositionofzero.Thistablealsopr esentsournetlongorshortnaturalgasbasisswap positionsseparatelyfromournet longorshortnaturalgaspositions.

	September30,2011								
	CrudeOil		NaturalGas		NaturalGasLiquids			NaturalGas BasisSwaps	
Yearof Expiration	NetLong (Short) Position (Bbls)	Number of Contracts	NetLong (Short) Position (MMBtu)	Number of Contracts	NetLong (Short) Position (Bbls)	Number of Contracts		NetLong (Short) Position (MMBtu) (d)	Number of Contracts
2011	(110,058)	801	(1,511,050)	292	(4,062,185)	511	(a)	987,500	211
2012	(1,122,171)	300	(25,491,250)	97	(10,486,002)	196	(b)	15,302,500	116
2013	(1,009,249)	162	1,835,000	8	(8,765,250)	6	(c)	(3,765,000)	10
2014	(769,500)	28	(365,000)	3	(9,000,000)	2	(c)	—	—
2015	(365,000)	2	—	—	—	—		—	—
2016	(183,000)	1	—	—	—	—		—	—

(a) Includes32physicalindexbasedderivativecontrac tstotaling(4,907,000)barrels,orBbls.
(b) Includes8physicalindexbasedderivativecontract stotaling(11,175,000)Bbls.
(c) Includes2physicalindexbasedderivativecontract stotaling(9,0000,000)Bbls.
(d) OnemillionBritishthermalunits,orMMBtu.

	September30,2010								
	CrudeOil		NaturalGas		NaturalGasLiquids			NaturalGas BasisSwaps	
Yearof Expiration	NetLong (Short) Position (Bbls)	Number of Contracts	NetLong (Short) Position (MMBtu)	Number of Contracts	NetLong (Short) Position (Bbls)	Number of Contracts		NetLong (Short) Position (MMBtu)	Number of Contracts
2010	(360,930)	827	(22,738,050)	328	(3,951,025)	445	(a)	1,364,000	276
2011	(1,558,250)	288	(4,022,000)	141	(11,440,689)	347	(b)	11,185,000	135
2012	(612,750)	107	269,000	62	(8,580,000)	7	(c)	13,700,000	15
2013	(626,250)	24	(165,000)	3	(9,000,000)	2	(c)	—	—
2014	(547,500)	5	(365,000)	1	(9,000,000)	2	(c)	—	—
2015	(182,500)	1	—	—	—	—		—	—

(a) Includes25physicalindexbasedderivativecontrac tstotaling(4,690,500)Bbls.
(b) Includes8physicalindexbasedderivativecontract stotaling(12,513,000)Bbls.
(c) Includes2physicalindexbasedderivativecontract stotaling(9,000,000)Bbls.

AsofSeptember30,2011,DCPPartnershadinterest rateswapsoutstandingwithindividualnotionalva luesbetween$25million and$80million,which,inaggregate,exchange$450 millionofDCPPartners'floatingrateobligation forafixedrateobligation throughJune2012,with$150millionextendingfrom June2012throughJune2014.

11.IncomeTaxes

Wearestructuredasalimitedliabilitycompany,w hichisapass-throughentityforfederalincometa xpurposes.Weowna corporationthatfilesitsownfederal,foreignand statecorporateincometaxreturns.Theincometax expenserelatedtothis corporationisincludedinourincometaxexpense, alongwithstateandlocaltaxesofthelimitedlia bilitycompanyandother subsidiaries.

OnDecember30,2010,DCPPartnersacquiredallof theinterestsinMarysville,anentitythatowneda taxableC-Corporation consolidatedreturngroup.Weestimated$35million ofdeferredtaxliabilitiesresultingfrombuilt-i ntaxgainsrecognizedinthe transactionandrecordedthisinourpreliminarypu rchasepriceallocationasofDecember31,2010.On January4,2011,DCPPartners

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

12. Commitments and Contingent Liabilities

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

DCP East Texas Holdings, LLC, or East Texas, reached $8 million in settlements with the responsible third party, related to the first quarter 2009 fire. We have allocated these settlements based upon relative ownership percentages at the time the losses were incurred and for amounts which were previously paid by us. During the nine months ended September 30, 2011, we recognized $1 million as an offset to operating and maintenance expense in the condensed consolidated statement of operations, as reimbursement of amounts previously paid by us and have recorded $7 million of business interruption proceeds as sales of natural gas and petroleum products in our condensed consolidated statement of operations. We received the cash related to these settlements during the third quarter of 2011.

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

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

Environmental—The operation of pipelines, plants and other facilities for gathering, transporting, processing, treating, or storing natural gas, NGLs and other products is subject to stringent and complex laws and regulations pertaining to health, safety and the environment. As an owner or operator of these facilities, we must comply with United States laws and regulations at the federal, state and local levels that relate to air and water quality, hazardous and solid waste storage, management, transportation and disposal, and other environmental matters including recently adopted 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 condensed consolidated results of operations, financial position or cash flows.

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

13. Supplemental Cash Flow Information

	Nine Months Ended September 30,	
	2011	2010
	(millions)	
Cash paid for interest, net of capitalized interest	$ 167	$ 218
Cash paid for income taxes, net of refunds	$ 37	$ 6
Non-cash investing and financing activities:		
Distributions payable to members	$ 105	$ 43
Property, plant and equipment acquired with accounts payable	$ 79	$ 47
Other non-cash additions of property, plant and equipment	$ 7	$ 4
Acquisition related contingent consideration	$ —	$ 1

During the nine months ended September 30, 2011 and 2010, we received distributions from DCP Partners of $39 million and $33 million, respectively, which are eliminated in consolidation.

14. Subsequent Events

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

On November 4, 2011, we entered into agreements with DCP Partners to contribute our remaining 49.9% interest in East Texas for aggregate consideration of $165 million, subject to certain working capital and other customary purchase price adjustments. Subsequent to this transaction, we will continue to consolidate East Texas as part of DCP Partners. This transaction is expected to close in the fourth quarter of 2011.

On October 31, 2011, we closed on the acquisition of Southern Hills Pipeline from ConocoPhillips for $400 million.

On October 26, 2011, the board of directors of DCP Partners' general partner declared a quarterly distribution of $0.64 per unit, payable on November 14, 2011 to unitholders of record on November 7, 2011.

In October 2011, our board of directors approved a $145 million dividend which was paid in October 2011.