FINAL TRANSCRIPT

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DPM - Q4 2008 DCP MIDSTREAM PARTNERS LP Earnings Conference Call

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PRESENTATION

Operator

Hello and welcome to the DCP Midstream Partners fourth quarter and year-end 2008 earnings conference call. All participants will be in a listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. (OPERATOR INSTRUCTIONS) Now I would like to turn the conference over to Ms. Karen Taylor. Ms. Taylor, you may begin.

Karen Taylor - *DCP Midstream Partners - Director, IR*

Thank you, Camille. Good morning and welcome to the DCP Midstream Partners fourth quarter and year-end 2008 earnings release conference call. As always, we want to thank you for your interest in the Partnership. Today you will hear from Mark Borer, President and Chief Executive Officer and Angela Minas, Vice President and Chief Financial Officer.

Before turning it over to Mark, I'll mention a couple of items. First, all the slides we'll be talking from today are available on our website at www.DCPPartners.com in PDF format. You may access them by clicking on the Investor page and then the webcast icon. Next, I'd like to remind you that our discussion today may contain forward-looking-statements. Actual results may differ due to certain risk factors that affect our business. Please review the second slide in the deck that describes our use of forward-looking-statements and lists some of the risk factors that may affect actual results.

For a complete listing of risk factors that may impact our business results, please review our Form 10-K for the year ended December 31, 2007 as files with the SEC on March 10, 2008 and updated through subsequent SEC filings.

In addition, during our discussion we will use various non-GAAP measures including distributable cash flow, adjusted EBITDA and adjusted gross margin. These measures are reconciled to the nearest GAAP measure in schedules at the end of the presentation, starting with slide 33. We ask that you read those slides as well.

And finally a note about the presentation of our earnings. On July 1, 2007 we completed the acquisition of equity interest in East Texas and Discovery from DCP Midstream. Since this transaction was between entities under common control, the historical results prior to the Partnership's acquisition, including distributable cash flow, are included in the Partnership's results for the year ended December 31, 2007. Note however there were no associated debt balances, no interest expense and no hedge settlements in our results prior to our acquisition of these assets on July 1, 2007. Results for these equity interests for periods prior to our ownership are allocated to predecessor operations to derive net income or loss attributable to Limited Partners.

And now I'll turn it over to Mark Borer.

Mark Borer - *DCP Midstream Partners - President & CEO*

Thanks Karen. Good morning, everyone and thanks for joining us today. Thank you also for your investment and interest in the Partnership. On slide 4, you will see our agenda for this morning. We will begin with a progress update on our 2009 business plan. We will discuss the East Texas dropdown, Angela will follow with a review of fourth quarter and 2008 results, and we'll revisit our 2009 and 2010 DCF or distributable cash flow forecast.

Along the way, we will also remind you of the strength of our sponsors; DCP Midstream, ConocoPhillips and Spectra and why we believe we are strategically positioned to be a long-term player in the gathering and processing sector.

As we enter 2009, our focus remains on the basics of the business, running our assets well, being disciplined on every dollar the Partnership spends, whether it's cost or capital, and effectively managing our business risk in daily operations in a very uncertain and volatile business environment. Demand for our key commodities, natural gas and natural gas liquids, weakened considerably during the fourth quarter of 2008, as a result of the hurricanes and recessionary impact on the petrochemical and refining industry, as well as overall industrial demand.

As we move into early 2009, we've begun to see some significant improvement in petrochemical demand. Industry consultants have reported that utilization rates have improved from the low 50s experienced last fall, to the 70-plus percent range currently. We've seen the NGL to crude oil relationship for our composite natural gas liquids barrel improve from approximately 50% in the fourth quarter to a 60 to 65% range year-to-date. Given the nature of our hedging program, an improved NGL to crude oil relationship also improves our hedge effectiveness and revenue realizations. While 2009 will have its challenges, we remain very committed to our business plan.

Now if you will turn to slide 5 for an update from when we last spoke with you during our Investor and Analyst call on December 8th. At that time we provided you with our 2009 and 2010 outlook, indicating that we believe our business plan is reasonable and achievable. Our current distribution is prudent and appropriate and we are committed to maintain it. And we anticipated near-term challenges until our operations at Discovery and Douglas are fully restored and organic projects come on line, but we were confident that we could overcome those challenges even in a low commodity price environment. We also indicated that our sponsor will provides support via a dropdown transaction to grow our asset base and provide financial strength to bridge our near-term challenges. We reiterate these points today and are pleased with the progress of the priorities we had outlined in December.

The restoration of our operations is nearing completion. Repairs to the Discovery system, which was damaged by the hurricanes last fall, were substantially completed in January. About 85% of the volumes and margins have been returned to service, with the remainder expected by early March.

The second phase of our Douglas Wyoming pipeline integrity and system enhancement project has been completed, returning over 80% of the system volumes to service by mid January. The final phase is on target for completion in March. As we announced earlier this month, we temporarily shut-in our East Texas processing complex and residue delivery system known as the Carthage Hub, following the fire caused by a third party underground pipeline rupture occurring just outside of our property line. We are in the process of bringing gas back on line at this time, with approximately 120 million cubic feet a day currently flowing this morning. Our Carthage Hub and certain third party pipeline facilities sustained damage which may take up to 30 days to bring back to normal service. During this time we will ramp-up processing volumes in close coordination with the available downstream pipelines.

We are continuing to execute on our two organic growth projects in the Piceance Basin and East Texas. As we will discuss later, we are making some adjustments to the pace of development of the Piceance project. We continue to be very mindful in this capital constrained environment to preserve liquidity to support our operations, remaining spending for our capital projects will be funded through our existing credit facility and we have ample available capacity under our credit facility to support our operations. At year-end our leverage ratio was 3.9 times, well within our covenant limits.

Finally, I want to stress that we are committed to maintaining our distribution which is supported by the DCF forecast we have provided. The return of normal operations, the East Texas dropdown and the benefit from our organic growth projects will enhance our distributable cash flow and financial position.

Turning to slide 6, as we announced last night, we signed an agreement to acquire an additional 25.1% interest in the East Texas joint venture from DCP Midstream, providing us with a 50.1% ownership following the expected closing of the transaction in April. The transaction will be fully financed with equity through the issuance of 3.5 million class D units DCP Midstream in exchange for the 25.1% interest. These units will automatically convert into common units in August of 2009, and will not be eligible to receive a distribution until August. 100% equity financing is highly beneficial to us in that it eliminates any need to access outside capital markets or increase our borrowings.

The transaction is expected to generate adjusted EBITDA of approximately $15 million during the first 12 months, as part of this transaction DCP Midstream has agreed to provide us a fixed price natural gas liquids hedge by component for the first 12 months. This transaction will be immediately accretive to cash flow and will help strengthen our financial position. Strategically it provides us with an attractive source of long-term cash flows in a dynamic area. Clearly this transaction provides strong evidence of support by our General Partner, which is a key competitive advantage.

Turning to slide 7, I'll shift gears and go through our 2008 highlights. Not withstanding the challenges we had in the second half of the year, 2008 had some noteworthy accomplishments. We increased our distribution by 5% over the fourth quarter of 2007. We generated distributable cash flow of $80 million. We achieved a 1.0 times DCF coverage for the year despite the operational disruptions from the hurricanes, the pipeline integrity work and non-cash propane inventory charges. We continued to grow our business during the year from both acquisitions and organic growth projects while also adding to our portfolio of fee-based earnings.

Given the extreme volatility in the financial and energy markets during the fourth quarter and the market's desire for more transparency and disclosure, we had an investor call in December. In that call we outlined a business plan and forecast through 2010, that supports maintaining our distribution based on the underlying earnings power of our existing asset base. That is the same business plan along with the supporting details that formed the basis for our discussion today. Consistent with our track record, we continue to maintain solid credit metrics and ample liquidity.

Moving on to slide 8, let's spend a few minutes updating you on our segment operations. I'll start with natural gas services. We view our diverse geographic footprint as a strong positive in the current environment. This diversity reduces our exposure to any one resource play, contract type or customer drilling forecast. We believe this portfolio of assets will enable us to successfully navigate through this turbulent period.

For our newly acquired asset, Michigan, we are pleased with the integration of this fee-based asset. Our 2009 outlook is positive, given the robust 2008 drilling and the time lag between drilling and production due to typical Antrim shale dewatering requirements.

In East Texas we expect the current activity around the Haynesville shale and Cotton Valley to support production levels and offset the impacts from any slowdown in conventional drilling. In addition, our Lake Murvaul expansion project will bring committed volumes to the system that is currently flowing to third parties. This project is on budget and on track for second quarter operations.

With regards to our Haynesville connector project, we continue to have discussions with producers but we don't see a long-haul intrastate pipeline in our 2009 plans. At our Discovery system we expect volumes to be supported by new additions, including the Tahiti production which is scheduled to be on line later this year. With these new additions we expect our offshore gathering volumes to have an exit rate in 2009, well above our pre-hurricane throughput level.

In the Piceance Basin our producers have announced plans to temporarily stop drilling until economic conditions improve. We do have a backlog of wells and 2 new central delivery point supply connections which we expect will result in throughput growth over the next several months. Fortunately, our Collbran expansion project is partially supported by firm commitments with guaranteed margin, which will temper the impact from the reduced drilling activity. In 2009 our forecasted margins are supported by firm commitments covering approximately 50% of our throughput.

In light of the drilling environment, we are deferring the installation of some compression in our Collbran expansion project. This deferral is expected to reduce our 2009 capital expenditures by $5 million net to our 70% interest. Our current projected timing for the completion of the project is third quarter 2009.

Now moving to slide 9, in our wholesale propane logistics segment cold temperatures in the latter part of the fourth quarter have helped drive brisk propane demand and continues into the first quarter. As we look back on 2008, our annual volumes were impacted by customer conservation which was a consistent theme in this space. We also terminated a supply contract earlier in the year which had an impact on volumes as well. With the rapid decline in prices during the fourth quarter and the cold weather, this volume trend has significantly moderated and we are seeing brisk sales in the first quarter of 2009, and expect overall very positive winter season results.

Our propane logistics business continues to have a key competitive advantage with its diversity of supply options and the ability to supply both term and spot sales during peak demand periods. As we conclude this winter's business, we are well positioned for a healthy re-contracting season for next winter.

Now moving to slide 10 for our NGL logistics segment. This year we added a truck rack at our Wilbreeze Pipeline which allowed DCP Midstream and third parties to inject natural gas liquids from the Barnett Shale and other areas that have NGL takeaway constraints. This provided a nice boost to Wilbreeze volumes this year. In the fourth quarter we had reduced throughput due to ethane rejection at certain plants. Overall though, you will see that this business has strong volumes for the year and corresponding earnings growth.

And now I'll turn it over to Angela to review the financial results.

Angela Minas - *DCP Midstream Partners - CFO*

Thank you, Mark. Good morning and thank you for joining us today. On slide 12, we begin with the consolidated financial results. 2007 includes partial year results for the Momentum and Lindsay acquisitions, while results from East Texas and Discovery are pooled into the results for the first six months of 2007. Note that we will be discussing results adjusted to remove the impact of non-cash mark to market activities of our commodity hedges.

Accounting treatment requires that we true-up the value of all of our future financial derivative contracts using quarter end prices and record the net change over the period as a non-cash gain or loss. Included in derivative activity and total revenues for the fourth quarter was a non-cash gain of $146 million and current period hedge settlements received of $8 million, approximately half of which was associated with rebalancing our portfolio.

Included in derivative activity in total revenues for the year was a non-cash gain of $102 million, offset by current period hedge settlements of $30 million.

Adjusted EBITDA was $13.6 million for the quarter as compared to $37.7 million for the same period in 2007. Fourth quarter results were impacted by an estimated $9 million impact from hurricanes on Discovery and $11.9 million non-cash write-down of inventory for our wholesale propane business and lower commodity prices, partially offset by earnings from our Michigan acquisition.

Adjusted EBITDA for 2008 was $90.4 million compared to $110.3 million for 2007. The decrease was primarily due to an approximate $16 million impact of the hurricanes non-cash write-downs of inventory totaling $15.1 million for the wholesale propane business, partially offset by acquisitions that we closed during 2007 and 2008.

Gross margin tended more towards fee-base from 2007 to 2008, including the addition of our Michigan assets in the fourth quarter. Changes in operating and maintenance expenses reflect the addition of acquisitions, G&A for the year reflects reduced compensation and benefits expense and reduced acquisition related costs. Net interest expense increased as a result of acquisitions, partially offset by lower average interest rates.

Moving to slide 13 for a review of segment results. Adjusted segment EBITDA was $20.1 million for the three months ended December 31, 2008 compared to $36.4 million for the same period in 2007. The decrease primarily due to $9 million from the impact of the hurricanes on Discovery; $2.5 million margin impact due to the Douglas pipeline integrity work and lower commodity pricing, partially offset by growth from Michigan and the organic growth in the Piceance Basin.

For the year, adjusted segment EBITDA was $104.8 million compared to $111.8 for 2007. The decrease is primarily due to the impact of the hurricanes on our operations and a $5 to $6 million margin impact on our Douglas system in Wyoming during the pipeline integrity enhancement work, again, partially offset by growth from acquisitions and expansions to our Piceance gathering system.

Slide 14 indicates the results from our wholesale propane logistics segment. Financial results for the fourth quarter and 2008 were significantly impacted by non-cash lower cost to market inventory adjustments, lower margins and timing impacts, primarily resulting from the dramatic and rapid decline in wholesale propane prices. During the fourth quarter we recorded non-cash lower cost to market inventory adjustments totaling $11.9 million. Additionally, at September 30, we had recorded another approximate $3 million adjustment, bringing the total for 2008 to $15.1 million.

While non-cash in nature, these adjustments do lower our adjusted EBITDA and DCF. The inventory write-downs are generally recovered upon the sale of the inventory and then positively impact adjusted EBITDA and DCF at that time. As a reminder, we evaluate this business on a fiscal basis which runs through the heating season from April to March. On that basis, any timing issues with inventory accounting are generally eliminated. Given the anticipated recovery of the inventory adjustment and the strong sales activity so far, we are optimistic Q1 will provide fiscal results that would be in line with historical ranges. To provide some perspective, January 2009 adjusted EBITDA is estimated at approximately $8 million.

For the NGL logistics segment on slide 15, segment adjusted EBITDA more than doubled to $1.4 million for the three months ended December 2008 as compared to the same period in 2007. This was primarily due to increased throughput volumes on the Wilbreeze pipeline, partially offset by lower throughput volumes on Seabreeze and Black Lake. For the year, segment adjusted EBITDA increased almost 50% to $6.9 million, reflecting increased throughput volumes across all our pipelines.

Moving to slide 16 for our distributable cash flow. Our distributable cash flow for the year of $80.3 million was in line with the forecast we provided in December and provided 1.0 coverage for the year. In addition to items affecting adjusted EBITDA, distributable cash was also impacted by approximately $7.5 million of maintenance capital related to the pipeline integrity and system enhancements on our Wyoming system. Distributions for our 40% interest in Discovery are paid one quarter in arrears. As a result, distributable cash flow for the fourth quarter and 2008 was only impacted by third quarter amounts related to the hurricanes.

Now let's move on to slide 17 for our forecast of distributable cash flow. In our December call we introduced our forecast for 2009 and 2010, which I'll summarize again. For reference, we've included those slides in the appendix. For illustrative purposes, our forecast was premised on $60 per barrel crude oil, $6.00 per MMBtu natural gas and a 60% relationship of NGL to crude, with sensitivity for varying commodity prices and NGL to crude relationships. Please note that none of the forecast figures include any impact from the East Texas dropdown transaction, for which we'll update our forecast following the closing of that transaction.

As a reminder, our current annual distribution is 80 million. Clearly we still have some challenges in 2009 with our 2010 forecast improving significantly. Douglas and Discovery volumes will be returned to full earnings power by March, however, the Discovery distribution is paid one quarter in arrears, so the impact to cash flow will continue to be felt through Q2. We do not expect to receive a distribution for Discovery in the first quarter of 2009.

Once our operations are fully restored and organic projects come on line midyear, our cash flow is expected to increase and coverage should improve significantly thereafter.

Quickly, to summarize assumptions for 2009, these numbers include a full year at the Michigan acquisition, half year impact from organic growth projects, expansion capital of $65 million and maintenance capital of $10 to $15 million which includes the remainder of the Douglas repairs. In total, operational disruptions at Discovery and Douglas would be approximately $10 to $12 million in 2009.

In 2010 we estimate a year-on-year DCF improvement resulting from the operational restoration and organic growth projects of over $20 million. Even at crude prices as low as $40 a barrel and NGL to crude relationship at 50%, these figures result in a distribution coverage ratio in excess of 1 time. The combination of our significant fee-base business, our highly hedged position and minimum fees in certain contracts provide downside protection to our cash flow. The charts illustrate at commodity prices, a floor of approximately $65 million of DCF in 2009, increasing to $80 to $85 million in 2010, given the full year impact of the operational restoration and the organic growth projects.

Turning to slide 18, our contract mix and commodity sensitivity shown on this slide reflect our 2009 forecast, including recent hedging activity. Our percentage of fee-base margin increase from 45% in 2008 to 56% in 2009. Of our commodity sensitive margins, we have now hedged approximately 80% of our equity position in natural gas liquids, condensate and natural gas, up from the 70% we showed you in December. Approximately 90% of 2009 margins are fee-based or supported by commodity hedges. Given the current contract mix and the commodity hedges we have in place, we've updated our commodity sensitivities for 2009 as shown on this slide.

As shown on slide 19, our 2009 hedge position is part of a multiyear hedging program providing cash flow stability through 2013. The objective of our commodity risk management program is to protect downside risk in our distributable cash flow. For the period 2009 to 2012, approximately 75%-plus of our total equity volumes on a crude equivalent basis are hedged. In addition to our highly hedged position, our significant fee-base business and minimum fees in certain contracts provide further downside protection to cash flow. The combination of these should substantially help us to weather the storm of a low commodity price environment.

Due to low commodity periods such as the one we're in, our commodity hedging program supplements our cash flow. The current mark-to-market value of our hedge portfolio is currently approximately $55 million.

Let's move to slide 20 to review our liquidity position, which fully supports the business plan that we've laid out. We have an excellent $825 million credit facility comprised of 17 financial institutions that extends through June 2012. As of year-end, we had drawn $597 million; our available capacity under the facility is $228 million. Estimated remaining expansion capital for the Piceance Basin and the East Texas projects is approximately $65 million and calculating our liquidity, excluding cash, we have an estimated range at the end of 2009 of approximately $135 to $160 million, again, consistent with the numbers we'd outlined in December.

The range factors in any other capital needs that may occur over the period, such as nominal organic capital or borrowings that may be required to meet distribution payments at current levels. Our plan is to maintain the current distribution level and borrow for any temporary cash shortfalls in 2009, until our operations at Discovery and Douglas are fully restored and our organic projects come on line.

Our cost of debt is highly competitive with the interest rate on our revolver currently at LIBOR plus 0.5%, similar to our view on commodity risk management, we utilize interest rate hedges to provide cash flow stability. We've taken advantage of the recent low interest rate environment to execute additional interest rate swaps, expanding our hedge position to $575 million or our revolver through its maturity in June 2012, resulting in an effective pre-spread borrowing rate of 4.2% for 2009 and 2010, and 3.8% for 2011 through June 2012. We are comfortably within our debt covenant. As of year-end, our leverage ratio was 3.9 times compared to the maximum allowable of 5.5 times. Interest coverage ratio was 4.7 times compared to a minimum allowable of 2.5.

Footnote 3 of this slide provides detail on the calculation of the credit metrics for bank purposes, specifically the definitions used for long-term debt and EBITDA.

In summary, we've continued to maintain solid credit metrics and liquidity and have a plan that supports continuing to do so, despite the challenges of the current environment. And now I'll turn it back over to Mark.

Mark Borer - *DCP Midstream Partners - President & CEO*

Thanks, Angela. Before we take your questions this morning I wanted to briefly recap a couple of key points. We laid out a plan in December in support of maintaining our distribution and we are executing on each element of that plan. The dropdown we discussed this morning is just one of numerous examples for having a strong supportive General Partner is a key competitive advantage, particularly a General Partner with an industry leading presence.

That's the conclusion of our prepared remarks, so I'll turn it back over to the operator and we'll be happy to take your questions.

QUESTIONS AND ANSWERS

Operator

(OPERATOR INSTRUCTIONS) Your first question is from Michael Blum from Wachovia.

Michael Blum - *Wachovia - Analyst*

First question, are you able to quantify at all the financial impact of the third party pipeline rupture at East Texas, what that might impact cash flows in Q1?

Mark Borer - *DCP Midstream Partners - President & CEO*

What I would say, Michael -- this is Mark -- we have property insurance obviously for the damage. We first seek damages from the third party who caused the pipeline rupture from an ongoing -- so for both property and margins and ongoing costs of that we would seek from third parties. If that was not available to us for some reason, we have property insurance and we also have business interruption insurance. The business interruption insurance kicks in after 30 days. That's pretty much the highlights.

Michael Blum - *Wachovia - Analyst*

Okay. Second question, you mentioned I think in the press release that you have some sort of ongoing litigation around the Minden asset. Does that liability fall on the Partnership or on DCP Midstream?

Mark Borer - *DCP Midstream Partners - President & CEO*

That liability would fall on -- the lawsuit was brought against both of us, both the Partnership as well as DCP Midstream. It was a lawsuit that was filed in 2006, and involves a commercial dispute over a processing contract, so the liability does lie with both. We disclosed at this time due to the potential for decision that might occur prior to the filing of our 10-K, because it's currently in a jury trial in Texas, so we were just being conservative and decided to disclose it at this time.

Michael Blum - *Wachovia - Analyst*

Okay. Last question is a somewhat conceptual question. You defined the low end of your stress test with commodity prices at $40 oil. Obviously we've dipped below that in the first quarter for a period of time. So the question is, would you still feel like your distribution is sustainable if we're spending a significant amount of time at or below that $40 level in 2009 and kind of where is the break point?

Angela Minas - *DCP Midstream Partners - CFO*

We did not update the boxes that we provided with respect to the sensitivity, but if you were to look at the $30 case with a 50% relationship, that would still put you in the same band as the $40 price.

Michael Blum - *Wachovia - Analyst*

Okay. Last question, are you going to disclose the price per unit that DCP is paying for the acquisition?

Mark Borer - *DCP Midstream Partners - President & CEO*

For the 3.5 million units it would be determined at the time of closing, but the amount of units has been set.

Michael Blum - *Wachovia - Analyst*

Okay. Is there a formula; is it like a 10-day moving average or is there something else?

Mark Borer - *DCP Midstream Partners - President & CEO*

The number of units really won't change, given the really low share price that we're presently experiencing today. It was really structured in a fashion to provide some accretion to the Limited Partners, so I think if you took a $10 price today, that would be about $35 million against the $15 million of EBITDA that we disclosed.

Operator

Your next question is from Jessica Chipman from Tudor, Pickering.

Jessica Chipman - *Tudor, Pickering Holt & Company - Analyst*

I just had a real quick question again on the litigation that you disclosed in your press release. I just wanted to see if there's any way you could quantify that for us or just say whether or not you think it will actually be significant in this quarter or next quarter? Any color you can give would be great.

Mark Borer - *DCP Midstream Partners - President & CEO*

Okay. As I mentioned, this was brought against us and DCP Midstream, the owner of our General Partner and this is something that we've disclosed in our past 10-Ks and 10-Qs since 2006. We think our exposure is likely in the $2 to $3 million range. We believe our interpretation of the contract is correct and obviously we're going to vigorously defend our position.

Operator

(OPERATOR INSTRUCTIONS) Your next question is from Yves Siegel from Aurora Capital.

Yves Siegel - *Aurora Capital - Analyst*

Do you expect to receive any money from insurance recoveries in 2009 and what could that amount be?

Mark Borer - *DCP Midstream Partners - President & CEO*

Yves, are you saying for East Texas or I'm not certain?

Yves Siegel - *Aurora Capital - Analyst*

Well, for East Texas as well as for the Douglas facility as well in Wyoming, is there any--?

Mark Borer - *DCP Midstream Partners - President & CEO*

Relative to Douglas, there's no insurance coverage there. I would also indicate on Discovery, Williams has been managing on the insurance side along with our commercial folks and we've been receiving the property insurance on an ongoing basis and have already realized the impact of the deductible against our numbers. And relative to East Texas, given that it was a third party that caused it, we would anticipate recovering damages from the third party or its insurance carrier and for some reason that's not successful, we have both property insurance as well as business interruption insurance.

Yves Siegel - *Aurora Capital - Analyst*

Okay. And then I'd like to just follow-up as it relates to maintenance CapEx, once you get Wyoming straightened out, what do you think a reasonable run rate would be moving forward?

Angela Minas - *DCP Midstream Partners - CFO*

We have talked about $5 to $10 million in terms of our existing asset base in the East Texas dropdown portion. You can think about that as $2 million. In this environment I think you'd still probably be in that $5 to $10 million range on an annual basis, once you incorporated that additional 25%.

Yves Siegel - *Aurora Capital - Analyst*

Okay. I thought I had one more, but I guess I'm just getting old. Thanks a lot.

Operator

Your next question is from Helen [Royou] from Barclays Capital.

Helen Royou - *Barclays Capital - Analyst*

Just a question on the NGL hedges in the East Texas interest that you would be dropping down, will you be able to share what price it is hedged at and whether it's the full equity volume?

Mark Borer - *DCP Midstream Partners - President & CEO*

Helen, this is Mark. Good morning. Yes, we hedged on the NGLs with DCP Midstream at about $50 per barrel and we hedged the majority of the expected NGL production.

Helen Royou - *Barclays Capital - Analyst*

Okay, so it's reasonable to assume that your equity volume is almost totally hedged at that price?

Mark Borer - *DCP Midstream Partners - President & CEO*

I'd say significantly hedged. We obviously allow some room for operational.

Helen Royou - *Barclays Capital - Analyst*

Okay, and that's when, just as a reminder, the contract mix is POL and fee?

Mark Borer - *DCP Midstream Partners - President & CEO*

Yes, it's predominantly percent of liquids contracts and the hedge that Midstream is providing us is for each of the natural gas liquid components of our composite barrel at East Texas and that's for the first 12 months.

Operator

Your next question is from John Tysseland from Citi.

John Tysseland - *Citigroup - Analyst*

Just to follow-up on the previous question, the POL, the hedging on the production coming out of the East Texas system, is that including the ethane or is that excluding the ethane?

Mark Borer - *DCP Midstream Partners - President & CEO*

John, that would include our estimated ethane production for the plant, for this 25% interest.

John Tysseland - *Citigroup - Analyst*

And then if you experience ethane rejection on that, how do you plan to manage that?

Mark Borer - *DCP Midstream Partners - President & CEO*

In East Texas, John, just to kind of refresh, we do not have a contract structure that causes us to reject ethane. We have percent of liquids contracts. We do warm up plants from time to time if there's some optimization we want to do relative to how we're managing the product slate. But generally given the percent of liquids contracts, we maximize the recoveries.

John Tysseland - *Citigroup - Analyst*

Okay, that's fair enough. And then also, when you acquire the 25.1% that will put you over the 50% threshold, so I assume you'll consolidate that on your income statement and balance sheet and then show a minority interest, is that right?

Angela Minas - *DCP Midstream Partners - CFO*

Yes, that's correct.

John Tysseland - *Citigroup - Analyst*

Will you consolidate it under the natural gas services segment or will we be able to see what East Texas is providing as more or less a breakout or will it just be kind of thrown into or consolidated within the natural gas services segment?

Angela Minas - *DCP Midstream Partners - CFO*

It will be consolidated within natural gas services. It's a clean fit with the assets that are there.

John Tysseland - *Citigroup - Analyst*

Okay. And then I assume that there will be an 8-K that will disclose more or less the historical numbers for East Texas with this 25% ownership pick up?

Angela Minas - *DCP Midstream Partners - CFO*

Yes. That requirement is to post those 75 days after close. We'll do that more quickly than that. Okay, excellent, thank you very much.

Operator

Thank you. That does conclude today's question and answer session. I would like to turn the conference back over to Karen Taylor for any closing remarks.

Karen Taylor - *DCP Midstream Partners - Director, IR*

Thanks, Camille and thanks to everyone for your interest in the Partnership and joining us today. If you have any further questions, I'm available today as well as Mark and Angela, so don't hesitate to give me a call. As a reminder, you can access a replay of this webcast as well as a transcript via our website at www.DCPPartners.com. Thanks and have a great day.

Operator

The conference is now concluded. Thank you for attending today's presentation and you may now disconnect.