UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 1, 2011

DCP MIDSTREAM PARTNERS, LP
(Exact name of registrant as specified in its charter)

Delaware	**001-32678**	**03-0567133**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

370 17th Street, Suite 2775 **Denver, Colorado**	**80202**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (303) 633-2900

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement.

On January 1, 2011, DCP Midstream Partners, LP (the "Partnership") acquired from DCP Midstream, LLC ("Midstream") a 33.33% interest in DCP Southeast Texas Holdings, GP (the "Joint Venture"). Midstream is the owner of the Partnership's general partner. The transaction (the "Transaction") was completed in accordance with the Purchase and Sale Agreement, and the Contribution Agreement, both dated November 4, 2010, between the Partnership and Midstream, previously reported in the Partnership's Current Report on Form 8-K dated November 8, 2010. The descriptions of the Purchase and Sale Agreement and the Contribution Agreement contained in the Form 8-K filed on November 8, 2010, are incorporated herein by reference and the Purchase and Sale Agreement and Contribution Agreement filed in such Form 8-K as Exhibit 2.1 and 2.2, respectively, are incorporated herein by reference.

In connection with the Transaction, the Partnership, or wholly-owned subsidiaries of the Partnership entered into the material definitive agreement described below.

Amended and Restated General Partnership Agreement of DCP Southeast Texas Holdings, GP

In conjunction with the Transaction, as of January 1, 2011, DCP Partners SE Texas LLC, a wholly-owned subsidiary of the Partnership, DCP Southeast Texas, LLC, a wholly-owned subsidiary of Midstream and Gas Supply Resources Holdings, Inc., a wholly-owned subsidiary of Midstream, entered into the Amended and Restated General Partnership Agreement of DCP Southeast Texas Holdings, GP (the "Agreement"). The Agreement governs the ownership and management of the Joint Venture.

The Joint Venture will be managed by a three-member management committee, consisting of one representative from each owner. The members of the management committee have voting power corresponding to their respective ownership interests in the Joint Venture. Most significant actions relating to the Joint Venture require the unanimous approval of the owners. The Joint Venture must make quarterly distributions of available cash (generally, cash from operations less required and discretionary reserves) to its owners. The management committee, by majority approval, will determine the amount of the distributions. Calls for capital contributions are determined by a vote of the management committee and require unanimous approval of the owners except in certain situations, such as the breach or default of a material agreement or payment obligation, that are reasonably likely to have a material adverse effect on the business, operations or financial condition of the Joint Venture.

Distributions to the Partnership will generally approximate the Partnership's share of earnings of the Joint Venture plus depreciation and amortization expense and other non-cash charges of the Joint Venture. The terms of the Agreement provide that distributions to us from the Joint Venture for the first seven years related to storage and transportation gross margin will be pursuant to a fee-based agreement, 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 Midstream's respective ownership interests.

The Agreement is attached as Exhibit 10.1 to this report and is incorporated by reference into this report in its entirety.

Item 2.01 Completion of Acquisition or Disposition of Assets.

On January 1, 2011, the Partnership completed the Transaction, as described in Item 1.01 of this report which is incorporated by reference into this item in its entirety. The total purchase price paid by the Partnership in the Transaction was $150 million in cash financed with borrowings under the Partnership's revolving credit facility. In November 2010, the Partnership issued 2,875,000 units for net proceeds of $96.4 million to fund a portion of this Transaction. The purchase price is subject to customary closing adjustments.

Item 8.01 Other Events.

On January 4, 2011, the Partnership issued a press release announcing that the Partnership is no longer pursuing a joint venture or alternative transaction with EQT Corporation ("EQT"), related to EQT's processing needs in the Marcellus and Huron shale areas of the Appalachian basin. A copy of the press release is filed as Exhibit 99.4 hereto.

Item 9.01 Financial Statements and Exhibits.

(a) Financial statements of businesses acquired.

Audited combined financial statements of the Southeast Texas Midstream Business as of December 31, 2009 and 2008, and for the years ended December 31, 2009, 2008 and 2007, and unaudited combined financial statements of the Southeast Texas Midstream Business as of September 30, 2010, and for the nine months ended September 30, 2010 and 2009, are attached hereto as Exhibit 99.1, and are incorporated herein by reference.

Audited consolidated financial statements of Ceritas Holdings, LP as of December 31, 2009 and 2008, and for the years ended December 31, 2009, 2008 and 2007, and unaudited consolidated financial statements of Ceritas Holdings, LP as of March 31, 2010, and for the three months ended March 31, 2010 and 2009, are attached hereto as Exhibit 99.2, and are incorporated herein by reference.

(b) Pro forma financial information.

The unaudited pro forma condensed consolidated financial statements of the Partnership as of September 30, 2010, and for the nine months ended September 30, 2010, and for the years ended December 31, 2009, 2008 and 2007, are attached hereto as Exhibit 99.3, and are incorporated herein by reference.

(c) Not applicable.

(d) Exhibits.

	Exhibit Number	Description
+	Exhibit 2.1	Purchase and Sale Agreement by and among DCP Midstream, LLC and DCP Midstream Partners, LP dated as of November 4, 2010.
+	Exhibit 2.2	Contribution Agreement by and between DCP Southeast Texas, LLC and DCP Partners SE Texas LLC dated as of November 4, 2010.
++	Exhibit 10.1	Amended and Restated General Partnership Agreement of DCP Southeast Texas Holdings, GP, dated as of January 1, 2011, by and among DCP Southeast Texas, LLC, Gas Supply Resources Holdings, Inc. and DCP Partners SE Texas LLC.

+++ Exhibit 23.1		Consent of Deloitte & Touche LLP on the Southeast Texas Midstream Business Combined Financial Statements as of December 31, 2009 and 2008 and for the years ended December 31, 2009, 2008 and 2007.
+++ Exhibit 23.2		Consent of Deloitte & Touche LLP on the Ceritas Holdings, LP Consolidated Financial Statements as of December 31, 2009 and 2008 and for the years ended December 31, 2009, 2008 and 2007.
Exhibit 99.1		Audited and unaudited historical combined financial statements of the Southeast Texas Midstream Business.
Exhibit 99.2		Audited and unaudited historical consolidated financial statements of Ceritas Holdings, LP.
Exhibit 99.3		Unaudited pro forma condensed consolidated financial statements of DCP Midstream Partners, LP.
Exhibit 99.4		Press Release dated January 4, 2011.

+ Incorporated by reference to the corresponding, like-numbered exhibit filed with the registrant's current report on form 8-K (File No: 001-32678) filed with the SEC on November 8, 2010.

++ Confidential treatment has been requested with respect to portions of the exhibit. Such portions have been redacted and filed separately with the SEC.

+++ Incorporated by reference to the corresponding, like-numbered exhibit filed with the registrant's current report on form 8-K/A (File No: 001-32678) filed with the SEC on November 9, 2010.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DCP Midstream Partners, LP

By: DCP Midstream GP, LP
its General Partner

By: DCP Midstream GP, LLC
its General Partner

Date: January 6, 2011

/S/ ANGELA A. MINAS

Name: **Angela A. Minas**
Title: **Vice President and Chief Financial Officer**

EXHIBIT INDEX

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+++ Incorporated by reference to the corresponding, like-numbered exhibit filed with the registrant’s current report on form 8-K/A (File No: 001-32678) filed with the SEC on November 9, 2010.

Exhibit 10.1

Portions of this Exhibit have been redacted pursuant to a request for confidential treatment under Rule 24b-2 of the General Rules and Regulations under the Securities and Exchange Act. Omitted information, marked "[***]" in this Exhibit, has been filed with the Securities and Exchange Commission together with such request for confidential treatment.

AMENDED AND RESTATED GENERAL PARTNERSHIP AGREEMENT OF DCP SOUTHEAST TEXAS HOLDINGS, GP DATED JANUARY 1, 2011 BETWEEN

DCP SOUTHEAST TEXAS, LLC,
GAS SUPPLY RESOURCES HOLDINGS, INC.
AND
DCP PARTNERS SE TEXAS LLC

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AMENDED AND RESTATED
GENERAL PARTNERSHIP AGREEMENT
OF DCP SOUTHEAST TEXAS HOLDINGS, GP

This AMENDED AND RESTATED GENERAL PARTNERSHIP AGREEMENT (the "Agreement"), dated as of January 1, 2011, by and among DCP Southeast Texas, LLC, a Delaware limited liability company and wholly owned subsidiary of DCP MIDSTREAM, LLC (the "Midstream Partner"), GAS SUPPLY RESOURCES HOLDINGS, INC., a Delaware corporation ("GSRH"), and DCP Partners SE Texas LLC, a Delaware limited liability company and wholly owned subsidiary of DCP ASSETS HOLDING, LP (the "MLP Partner").

ARTICLE 1
SUBJECT MATTER, DEFINITIONS AND RULES OF CONSTRUCTION

1.1 Subject Matter. This Agreement amends and restates the General Partnership Agreement of DCP Southeast Texas Holdings, GP, a Delaware general partnership (the "Partnership") dated as of November 4, 2010, between the Midstream Partner and GSRH.

1.2 Definitions. For purposes of this Agreement, including the Schedules hereto, the meanings assigned to the capitalized terms defined in this Section 1.2 and elsewhere in this Agreement, by inclusion in quotation marks and parentheses, shall have the meanings so ascribed to them unless the context requires otherwise.

"Adjusted Capital Account" means the Capital Account maintained for each Partner as of the end of each taxable year of the Partnership, (a) increased by any amount that such Partner is obligated to restore under the standards set by Regulations section 1.704-1(b)(2)(ii)(c) or is deemed obligated to restore pursuant to the penultimate sentences of Regulations sections 1.704-2(g)(1) and 1.704-2(i)(5), and (b) decreased by (i) the amount of all losses and deductions that, as of the end of such taxable year, are reasonably expected to be allocated to such Partner in subsequent years under sections 704(e)(2) and 706(d) of the Code and Regulations section 1.751-1(b)(2)(ii), and (ii) the amount of all distributions that, as of the end of such taxable year, are reasonably expected to be made to such Partner in subsequent years in accordance with the terms of this Agreement or otherwise to the extent they exceed offsetting increases to such Partner's Capital Account that are reasonably expected to occur during (or prior to) the year in which such distributions are reasonably expected to be made (other than increases as a result of a minimum chargeback pursuant to Section 4.1(d) or 4.1(e)). The foregoing definition of Adjusted Capital Account is intended to comply with the provisions of the Regulations section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

"Adjusted Property" means any property of the Partnership, the Carrying Value of which has been adjusted pursuant to Section 3.4(d) and Section 3.4(e).

"Affiliate" means with respect to any specified Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person or, in the case of a Person that is a limited partnership, an "Affiliate" shall include any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with the general partner of such limited partnership. For the purposes of this definition, "control" means the ownership, directly or indirectly, of more than 50% of the Voting Stock, of such Person; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agreed Rate" means the lesser of (a) the rate publicly announced by Wells Fargo Bank, National Association, Sioux Falls, South Dakota (or any successor bank) from time to time as its prime rate, plus one percent (1%) and (b) the maximum rate permitted by applicable law.

"Agreed Value" of any Contributed Property or Adjusted Property means the fair market value of such property or other considerations at the time of contribution as determined by the Partnership (but only in the absence of a negotiated determination of fair market value among the Partners, in which case such negotiated value shall be accepted as the Agreed Value) using such reasonable methods of valuation as it may adopt. In the absence of a negotiated value among the Partners (if such negotiated allocation exists, the negotiated allocation will be conclusive), the Partnership shall, in its sole discretion, use such method as it deems reasonable and appropriate to allocate the aggregate Agreed Value of Contributed Properties or Adjusted Property in a single or integrated transaction among such properties on a basis proportional to their fair market value.

"Agreement" has the meaning ascribed to such term in the preamble.

"Allocation Notice" has the meaning ascribed to such term in Section 4.1(b).

"Allocation Period" has the meaning ascribed to such term in Section 4.1.

"Arbitral Dispute" means any dispute, claim, counterclaim, demand, cause of action, controversy and other matters in question arising out of or relating to this Agreement or the alleged breach hereof, or in any way relating to the subject matter of this Agreement or the relationship among the Partners created by this Agreement, regardless of whether (a) allegedly extra-contractual in nature, (b) sounding in contract, tort, or otherwise, (c) provided for by applicable Law or otherwise, or (d) seeking damages or any other relief, whether at Law, in equity, or otherwise.

"Arbitration Rules" has the meaning ascribed to such term in Section 12.11(c).

"Available Cash" means, with respect to any Distribution Period ending prior to the dissolution or liquidation of the Partnership, and without duplication:

(a) the sum of (i) all cash and cash equivalents of the Partnership on hand at the end of such Distribution Period, determined in the reasonable discretion of the Management Committee, and (ii) all additional cash and cash equivalents of the Partnership on hand on the date of determination of Available Cash with respect to such Distribution Period, less

(b) the amount of any cash reserves that is necessary or appropriate in the reasonable discretion of the Management Committee to (i) provide for the proper conduct of the business of the Partnership (including reserves for future capital expenditures and for anticipated future credit needs of the Partnership) subsequent to such Distribution Period or (ii) comply with applicable Law or any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which the Partnership is a party or by which it is bound or its assets are subject; *provided, however*, that distributions made by the Partnership or cash reserves established, increased or reduced after the end of such Distribution Period but on or before the date of determination of Available Cash with respect to such Distribution Period shall be deemed to have been made, established, increased or reduced, for purposes of determining Available Cash, within such Distribution Period if the Management Committee so determines.

Notwithstanding the foregoing, "Available Cash" with respect to the Distribution Period in which a liquidation or dissolution of the Partnership occurs and any subsequent Distribution Period shall equal zero.

"Available Storage Capacity" means, for any Month, the -working gas storage capacity of the Partnership's subsidiary's natural gas storage facilities, expressed in Mcf (which value shall increase once Cavern 4 commences commercial operations); provided, that if average working gas storage capacity shall be reduced for any reason, the value of Available Storage Capacity shall not be altered unless and until the average working gas storage capacity remains at a reduced level for at least 30 consecutive days; if ever reduced, Available Storage Capacity shall increase to its actual level as soon as the event that gave rise to its reduction has been remedied.

"Bankruptcy" means (i) the filing of any petition or the commencement of any suit or proceeding by an individual or entity pursuant to Bankruptcy Law seeking an order for relief, liquidation, reorganization or protection from creditors, (ii) the entry of an order for relief against an individual or entity pursuant to Bankruptcy Law, or (iii) the appointment of a receiver, trustee or custodian for a substantial portion of an individual's or entity's assets or property, provided such order for relief, liquidation, reorganization or protection from creditors is not dismissed within sixty (60) days after such appointment of a receiver, trustee or custodian.

"Bankruptcy Law" means Title 11, U.S. Code or any similar Federal or state Law for the relief of debtors.

"Book-Tax Disparity" means with respect to any item of Contributed Property or Adjusted Property, as of the date of any determination, the difference between the Carrying Value of such Contributed Property or Adjusted Property, and the adjusted basis thereof for federal income tax purposes as of such date. A Partner's share of the Partnership's Book Tax Disparities in all Contributed Property or Adjusted Property will be reflected by the difference between such Partner's Capital Account balance as maintained pursuant to Section 3.4 and the hypothetical balance of such Partner's Capital Account computed as if it had been maintained strictly in accordance with federal income tax accounting principles. The determination of Book Tax Disparity and a Partner's share thereof shall be determined consistently with Regulations section 1.704-3(d).

"Business Day" means any day other than a Saturday, Sunday or other day on which banks in the State of Colorado are permitted or required to close.

"Capital Account" means the capital account maintained for each Partner for the purposes of section 704(b) of the Code as described in Section 3.4.

"Capital Contribution" means, with respect to any Partner, the amount of capital contributed by such Partner to the Partnership in accordance with Article 3 of this Agreement.

"Carrying Value" means (a) with respect to Contributed Property, the Agreed Value of such property reduced (but not below zero) by all depreciation, amortization and cost recovery deductions relating to such property charged to the Partners' Capital Accounts, and (b) with respect to any other Partnership property, the adjusted basis of such property for federal income tax purposes, all as of the time of determination. The Carrying Value of any property shall be adjusted from time to time in accordance with Section 3.4(d) and Section 3.4(e) and to reflect changes, additions or other adjustments to the Carrying Value for dispositions and acquisitions of Partnership properties, as deemed appropriate by the Partnership.

"Cavern 4" means the salt dome natural gas storage cavern utilized by the Partnership located in Jefferson County, Texas, that is in the development stage as of the date of this Agreement.

"CIPCO" means Centana Intrastate Pipeline, LLC, a Delaware limited liability company.

"Code" means the Internal Revenue Code of 1986, as amended.

"Contributed Property" means each property or other asset, in such form as may be permitted by the Delaware Act, but excluding cash or cash equivalents, contributed to the Partnership by a Partner. Once the Carrying Value of a Contributed Property is adjusted pursuant to Section 3.4(d), such property shall no longer constitute a Contributed Property for the purposes of Section 4.2, but shall be deemed an Adjusted Property for such purposes.

"Default" has the meaning ascribed to such term in Section 9.1.

"Defaulting Partner" has the meaning ascribed to such term in Section 9.1.

"Delaware Act" means the Delaware Revised Uniform Partnership Act, 6 Del. Code §§ 15-101, et seq., as amended from time to time.

"Distribution Period" means a period equal to a fiscal quarter of the Partnership or such shorter portion thereof, as determined from time to time by majority vote of the Management Committee.

"Economic Risk of Loss" has the meaning set forth in Regulations section 1.752-2(a).

"Fiscal Year" means (i) the period of time commencing on the Formation Date and ending on December 31, 2010, in the case of the first Fiscal Year of the Partnership or (ii) in the case of subsequent Fiscal Years of the Partnership, any subsequent twelve (12) month period commencing January 1 and ending on December 31.

"Forfeited Interest" has the meaning ascribed to such term in Section 9.5(e).

"Formation Date" has the meaning ascribed to such term in Section 2.1.

"GAAP" means generally accepted accounting principles in the United States of America.

"GAAP Capital Account" means the capital account maintained in accordance with GAAP for purposes of the annual financial statements referred to in Section 11.2.

"G&A Expenses" has the meaning ascribed to such term in Section 7.2.

"Governmental Body" means a government organization, subdivision, court, agency or authority thereof, whether foreign or domestic.

"GSRH" has the meaning ascribed to such term in the preamble.

"Income" means, for any taxable period or portion thereof, each item of income and gain for such period determined in accordance with Section 3.4(b).

"Indemnified Party" has the meaning ascribed to such term in Section 6.3.

"Indemnifying Party" has the meaning ascribed to such term in Section 6.3.

"Interest" means the ownership interest of a Partner in the Partnership (which shall be considered intangible personal property for all purposes) consisting of (i) such Partner's right to receive its Percentage Interest of the Partnership's profits, losses, allocations and distributions, (ii) such Partner's right to vote or grant or withhold consents with respect to matters related to the Partnership as provided herein or in the Delaware Act and (iii) such Partner's other rights and privileges as herein provided.

"Internal Transfer" has the meaning ascribed to such term in Section 8.1(a).

"Internal Transferee" has the meaning ascribed to such term in Section 8.1(a).

"Laws" means all applicable statutes, laws, rules, regulations, orders, ordinances, judgments and decrees of any Governmental Body, including the common or civil law of any Government Body.

"Liabilities" has the meaning ascribed to such term in Section 6.1.

"Liquidating Distribution" has the meaning ascribed to such term in Section 10.2(d).

"Liquidator" has the meaning ascribed to such term in Section 10.2.

"Loss" means, for any taxable period or portion thereof, each item of loss and deduction for such period determined in accordance with Section 3.4(b).

"Majority" means one or more Partners having among them more than 50% of the Interests of all Partners entitled to vote.

"Management Committee" means the committee comprised of the individuals designated by the Partners pursuant to Section 5.2 hereof and all other individuals who may from time to time be duly appointed by the Partners to serve as representatives of such committee in accordance with the provisions hereof, in each case so long as such individual shall continue in such capacity in accordance with the terms hereof. References herein to the Management Committee shall refer to such individuals collectively in their capacity as representatives on such committee.

"Marketed Interest" has the meaning ascribed to such term in Section 8.3(a).

"Mcf" shall mean one thousand cubic feet.

"Midstream Partner" has the meaning ascribed to such term in the preamble.

"Minimum Gain Attributable to a Partner Nonrecourse Debt" means the amount determined in accordance with the principles of Regulations section 1.704-2(i)(3).

"MLP" means DCP Midstream Partners, LP, a Delaware limited partnership.

"MLP Partner" has the meaning ascribed to such term in the preamble.

“MLP Partnership Agreement” means the Second Amended and Restated Agreement of the Limited Partnership of the MLP, dated November 1, 2006, as it may be amended and restated from time to time.

“MLP Storage G&A Expenses” means a value equal to (i) the product of (A) G&A Expenses, (B) 0.3333, and (C) 0.20, (ii) divided by 12.

“MLP Storage Opex” shall means a value equal to the product of (i) 0.3333 and (ii) the operating expenses incurred each Month by the JV and tracked separately from and attributable only to the Storage Business; MLP Storage Opex shall not include any operating expenses attributable to the CIPCO’s natural gas gathering business and other activities.

“Monetary Default” has the meaning ascribed to such term in Section 9.1(c).

“Month” shall mean period beginning at 9:00 a.m. central clock time on the first day of a calendar month and ending at 9:00 a.m. central clock time on the first day of the succeeding calendar month.

“Monthly Storage Revenue” means the sum of (i) the product of (A) $[***] and (B) Available Storage Capacity (which product shall nevertheless be deemed to be a fixed value each month equaling $[***], unless and until (I) Cavern 4 commences commercial operation or (II) Available Storage Capacity is reduced for any reason) and (ii) the product of (A) $[***] and (B) the volume of residue gas volumes measured (in Mcf) during a Month at the tailgates of the Partnership’s subsidiary’s W. Beaumont and Port Arthur natural gas processing plants located in Jefferson County, Texas. Beginning with calendar year 2012, the value in (i) above only, shall be increased each calendar year be the product of (x) [***] and (y) the percentage increase in the Consumer Price Index - All Urban Consumers, U.S. City Average, Not Seasonally Adjusted for the prior calendar year.

“Negotiation Period” has the meaning ascribed to such term in Section 8.3(a).

“Net Agreed Value” means (i) in the case of any Contributed Property, the fair market value of such property reduced by any liabilities either assumed by the Partnership upon such contribution or to which such property is subject when contributed, and (ii) in the case of any property distributed to a Partner by the Partnership, the Partnership’s Carrying Value of such property at the time such property is distributed, reduced by any indebtedness either assumed by such Partner upon such distribution or to which such property is subject at the time of distribution as determined under section 752 of the Code.

“Net Monthly Storage Revenue” means the Monthly Storage Revenue decreased by the sum of (i) MLP Storage G&A Expenses and (ii) and MLP Storage Opex.

"Nonrecourse Built-in Gain" means with respect to any Contributed Properties or Adjusted Properties that are subject to a mortgage or negative hedge securing a Nonrecourse Liability, the amount of any taxable gain that would be allocated to the Partners pursuant to Section 4.2(b)(i)(A) or 4.2(b)(ii)(A) if such properties were disposed of in a taxable transaction in full satisfaction of such liabilities and for no other consideration.

"Nonrecourse Debt" has the meaning set forth in Regulations section 1.704-2(b)(4).

"Nonrecourse Deductions" means any and all items of loss, deduction, or expenditure (described in section 705(a)(2)(B) of the Code) that, in accordance with the principles of Regulations section 1.704-2(b)(i) are attributable to a Nonrecourse Liability.

"Nondefaulting Partner" has the meaning ascribed to such term in Section 9.1.

"Non-Selling Partner" has the meaning ascribed to such term in Section 8.3(a).

"Notice Period' has the meaning ascribed to such term in Section 8.3(a).

"Operator" has the meaning ascribed to such term in Section 7.1.

"Parent" means (a) with respect to the Midstream Partner, DCP Midstream, LLC, a Delaware limited liability company, (b) with respect to the MLP Partner, MLP, and (c) with respect to GSRH, DCP Midstream, LLC.

"Partner Indemnitee" has the meaning ascribed to such term in Section 6.2.

"Partners" means GSRH, the Midstream Partner, the MLP Partner and any other Persons who are admitted as Partners in the Partnership pursuant to this Agreement, but does not include any Person who has become a Withdrawn Partner.

"Partnership" has the meaning ascribed to such term in Section 1.1.

"Partnership Assets" means the assets and properties owned, leased or used by the Partnership in its business, including without limitation, all of the ownership interests in various subsidiary limited liability companies which collectively own and operate certain natural gas storage, intrastate transportation, midstream gathering, compression, dehydrating, and processing assets located principally in Jefferson, Liberty, Orange, and Chambers, Counties, Texas.

"Partnership Indemnitee" has the meaning ascribed to such term in Section 6.1.

"Partnership Minimum Gain" means the amount determined pursuant to Treasury Regulations section 1.704-2(d).

"Percentage Interest" means, with respect to a Partner, the percentage set forth opposite such Partner's name on Schedule 3.1, subject to adjustment pursuant to a transfer of an Interest by a Partner or the issuance of new Interests by the Partnership, in either case, in compliance with the terms of this Agreement.

"Person" means any individual, corporation, partnership, joint venture, association, joint stock company, limited liability company, trust, estate, unincorporated organization or Governmental Body.

"Purchase Notice" has the meaning ascribed to such term in Section 8.3(a).

"Recapture Income" means any gain recognized by the Partnership (computed without regard to any adjustment required by section 734 or 743 of the Code) upon the disposition of any property or asset of the Partnership, which gain is characterized as ordinary income because it represents the recapture of deductions previously taken with respect to such property or asset.

"Regulations" means the U.S. Treasury Regulations promulgated under the Code, as in effect from time to time.

"Residual Gain" or "Residual Loss" means any item of gain or loss, as the case may be, of the Partnership recognized for federal income tax purposes resulting from a sale, exchange or other disposition of a Contributed Property or Adjusted Property, to the extent such item of gain or loss is not allocated to Section 4.2(b)(i)(A) or 4.2(b)(ii)(A), to eliminate Book Tax Disparities.

"Sale Offer" has the meaning ascribed to such term in Section 8.3(a).

"Selling Partner" has the meaning ascribed to such term in Section 8.3(a).

"Schedule" shall mean any schedule attached hereto.

"Storage Business" shall mean the natural gas storage business and associated intrastate gas transportation activity conducted by CIPCO at its Spindletop storage facility located south of Beaumont in Jefferson County, Texas.

"Targeted Distribution Amounts" has the meaning ascribed to such term in Section 10.2(d).

"Tax Matters Partner" has the meaning ascribed to such term in Section 11.4(a).

"Third Party Action" has the meaning ascribed to such term in Section 6.3.

"Unrealized Gain" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (a) the fair market value of such property as of such date over (b) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 3.4(d) or 3.4(e) as of such date). In determining such Unrealized Gain, the aggregate cash amount and fair market value of a Partnership asset (including cash or cash equivalents) shall be determined by the Partnership and agreed to by the Partners using such reasonable method of valuation as it may adopt.

"Unrealized Loss" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (a) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 3.4(d) or 3.4(e) as of such date) over (b) the fair market value of such property as of such date. In determining such Unrealized Loss, the aggregate cash amount and fair market value of a Partnership asset (including cash or cash equivalents) shall be determined by the Partnership and agreed to by the Partners using such reasonable method of valuation as it may adopt.

"Voting Stock" means the securities or other ownership interest in any Person which have ordinary voting power under ordinary circumstances to elect the directors (or the equivalent) of such Person.

"Withdraw" including the correlative terms "Withdrawn", "Withdrawing" and "Withdrawal", means the withdrawal, resignation or retirement of a Partner from the Partnership as a partner. Such terms shall not include any transfer of a Partner's Interest in accordance with the terms of this Agreement, even though the Partner making such a transfer may cease to be a Partner as a result of such transfer.

"Withdrawn Partner" has the meaning ascribed to such term in Section 9.5.

1.3 Rules of Construction. For purposes of this Agreement, including the Exhibits and Schedules hereto:

(a) General. Unless the context otherwise requires, (i) "or" is not exclusive; (ii) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP; (iii) words in the singular include the plural and words in the plural include the singular; (iv) words in the masculine include the feminine and words in the feminine include the masculine; (v) any date specified for any action that is not a Business Day shall be deemed to mean the first Business Day after such date; (vi) a reference to a Partner includes its successors and permitted assigns; and (vii) any reference to $ or dollars shall be a reference to U.S. dollars.

(b) Articles and Sections. Reference to Articles and Sections are, unless otherwise specified, to Articles and Sections of this Agreement.

1.4 MLP Partnership Agreement. Notwithstanding any other provision of this Agreement, the Partners agree that to the extent any provision of this Agreement contradicts with or is in conflict with any provision of the MLP Partnership Agreement, the provisions of the MLP Partnership Agreement shall control.

ARTICLE 2
ORGANIZATION AND CONDUCT OF BUSINESS

2.1 Formation of the General Partnership. The Midstream Partner and GSRH formed the Partnership as a Delaware general partnership under and pursuant to the Delaware Act on November 4, 2010 (the "Formation Date"), and caused a statement of partnership existence to be filed with the Secretary of State of the State of Delaware as of November 8, 2010. All actions by the Midstream Partner and GSRH in making such filing are hereby ratified, adopted and approved. The rights and liabilities of the Partners will be determined pursuant to the Delaware Act and this Agreement. To the extent that there is any conflict or inconsistency between any provision of this Agreement and any non-mandatory provision of the Delaware Act, the provisions of this Agreement shall control and take precedence.

2.2 Foreign Qualification. Prior to the Partnership's conducting business in any jurisdiction other than Delaware, to the extent required by Law, the Management Committee shall cause the Partnership to comply, to the extent procedures are available and those matters are reasonably within the control of the Management Committee, with all requirements necessary to qualify the Partnership as a foreign partnership in such jurisdiction. At the request of the Management Committee, each Partner shall execute, acknowledge, swear to and deliver all certificates and other instruments that are necessary or appropriate to qualify the Partnership as a foreign partnership in all such jurisdictions in which the Partnership may conduct business.

2.3 Purpose. The business and purposes of the Partnership shall be (i) to own and operate the Partnership Assets and (ii) to engage in such other business activities that may be undertaken by a partnership under the Delaware Act as the Partners may from time to time determine; *provided, however*, that the Partners determine, as of the date of the acquisition or commencement of such other business activity, that such activity (a) generates "qualifying income" (as such term is defined pursuant to section 7704 of the Code) or (b) enhances the operations of an activity of the Partnership that generates qualifying income.

2.4 Place of Business. The principal place of business of the Partnership shall be 370 17th Street, Suite 2500, Denver, Colorado 80202 or such other place as the Partners may from time to time determine. The registered office of the Partnership in the State of Delaware shall be 1209 Orange Street, Wilmington, New Castle County, Delaware 19801, and the registered agent for service of process on the Partnership shall be The Corporation Trust Company, whose business address is the same as the Partnership's registered office (or such other registered office and registered agent as the Partners may from time to time select).

2.5 Term. The Partnership shall continue indefinitely unless dissolved in accordance with Section 10.1.

2.6 Business Opportunities; No Implied Duty. Except as may be provided in the MLP Partnership Agreement, the Partners and their respective Affiliates may engage, directly or indirectly, without the consent of the other Partners or the Partnership, in other business opportunities, transactions, ventures or other arrangements of any nature or description, independently or with others, including without limitation business of a nature which may be competitive with or the same as or similar to the business of the Partnership, regardless of the geographic location of such business, and without any duty or obligation to account to the other Partners or the Partnership in connection therewith.

ARTICLE 3
CAPITAL STRUCTURE

3.1 Percentage Interests. The Percentage Interests of the Partners on the date hereof are set forth on Schedule 3.1 hereto. Upon the transfer by a Partner of all or a portion of such Partner's Interest pursuant to Article 8 or the issuance of new Interests by the Partnership in compliance with this Agreement, Schedule 3.1 shall be updated to reflect the Percentage Interests of the Partners effective upon such transfer or issuance.

3.2 Capital Contributions. The Partners shall make Capital Contributions of cash, property or services as follows:

(a) Agreed Contributions. The Partners shall make Capital Contributions of cash, property or services they determine and approve pursuant to Section 5.4. If the Partners determine and approve pursuant to Section 5.4 that cash Capital Contributions should be made for any purpose, the Partners shall make such cash Capital Contributions in proportion to their respective Percentage Interests in such amounts and on such dates as the Partners may determine. The Management Committee shall issue a written request to each Partner for payment of such cash Capital Contributions on such due dates and in such amounts; provided, that the due date for any such cash Capital Contribution shall be no less than 5 days after the date such written request is issued to the Partners. All Capital Contributions received by the Partnership after the due date specified in such written request shall be accompanied by interest on such overdue amounts, which interest shall be payable to the Partnership and shall accrue from and after such specified dates until paid at the Agreed Rate.

(b) Mandatory Contributions. If the Midstream Partner elects not to fund shortfalls in Net Monthly Storage Revenues by assigning its distribution rights to the MLP Partner, the Midstream Partner shall make the Capital Contributions required by Section 4.3 within 30 days following the end of each Distribution Period. All Capital Contributions received by the Partnership after such date shall be accompanied by interest on such overdue amounts, which interest shall be payable to the Partnership and shall accrue from and after such specified dates until paid at the Agreed Rate.

3.3 No Voluntary Contributions; Interest. No Partner shall make any Capital Contributions to the Partnership except pursuant to this Article 3. No Partner shall be entitled to interest on its Capital Contribution.

3.4 Capital Accounts. A separate Capital Account shall be established and maintained for each Partner in accordance with Regulations section 1.704-2(b)(2)(iv), Section 4.1 and the following terms and conditions:

(a) Increases and Decreases. Each Partner's Capital Account shall be (i) increased by (A) the amount of cash or cash equivalent Capital Contributions made by such Partner, (B) the Net Agreed Value of non-cash assets contributed as Capital Contributions by such Partner, and (C) allocations to such Partner of Partnership income and gain (or items thereof), including, without limitation, income and gain exempt from tax and income and gain described in Regulations section 1.704-1(b)(2)(iv)(g), but excluding income and gain described in Regulations section 1.704-1(b)(4)(i); and (ii) shall be decreased by (A) the amount of cash or cash equivalents distributed to such Partner by the Partnership, (B) the Net Agreed Value of any non-cash assets or other property distributed to such Partner by the Partnership, and (C) allocations to such Partner of Partnership losses and deductions (or items thereof), including losses and deductions described in Regulations section 1.704-1(b)(2)(iv)(g) (but excluding losses or deductions described in Regulations section 1.704-1(b)(4)(i) or (iii)).

(b) Computation of Amounts. For purposes of computing the amount of any item of income, gain, loss or deduction to be reflected in the Partners' Capital Accounts, the determination, recognition and classification of any such item shall be the same as its determination, recognition and classification for federal income tax purposes (including, without limitation, any method of depreciation, cost recovery or amortization used for that purpose), provided that:

(i) All fees and other expenses incurred by the Partnership to promote the sale of (or to sell) any interest that can neither be deducted nor amortized under section 709 of the Code, if any, shall, for purposes of Capital Account maintenance, but treated as an item of deduction at the time such fees and other expenses are required and shall be allocated among the Partners pursuant to Sections 4.1 and 4.2.

(ii) Except as otherwise provided in Regulations section 1.704-1(b)(2)(iv)(m), the computation of all items of income, gain, loss and deduction shall be made without regard to any election under section 754 of the Code which may be made by the Partnership and, as to those items described in section 705(a)(1)(B) or 705(a)(2)(B) of the Code, without regard to the fact that such items are not includable in gross income or are neither currently deductible nor capitalized for federal income tax purposes.

(iii) Any income, gain or loss attributable to the taxable disposition of any Partnership property shall be determined as if the adjusted basis of such property as of such date of disposition were equal in amount to the Partnership's Carrying Value with respect to such property as of such date.

(iv) In accordance with the requirements of section 704(b) of the Code, any deductions for depreciation, cost recovery or amortization attributable to any Contributed Property shall be determined as if the adjusted basis of such property on the date it was acquired by the Partnership was equal to the Agreed Value of such property on the date if was acquired by the Partnership. Upon an adjustment pursuant to Section 3.4(d) or 3.4(e) to the Carrying Value of any Partnership property subject to depreciation, cost recovery or amortization, any further deductions for such depreciation, cost recovery or amortization attributable to such property shall be determined (A) as if the adjusted basis of such property were equal to the Carrying Value of such property immediately following such adjustment and (B) using a rate of depreciation, cost recovery or amortization derived from the same method or useful life (or, if applicable, the remaining useful life) as is applied for federal income tax purposes; provided, however, that if the asset has a zero adjusted basis for federal income tax purposes, depreciation, cost recovery or amortization deductions shall be determined using any reasonable method that the Partnership may adopt.

(c) Transferees. A transferee of all or a part of a Partner's Interest shall succeed to all or the transferred part of the Capital Account of the transferring Partner.

(d) Contributed Unrealized Gains and Losses. Consistent with the provisions of the Regulations section 1.704-1(b)(2)(iv)(f), on an issuance of additional Interests for cash or Contributed Property, the Capital Accounts of all Partners and the Carrying Value of each Partnership property immediately prior to such issuance shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Partnership property, as if such Unrealized Gain or Unrealized Loss had been recognized on an actual sale of each such property immediately prior to such issuance and had been allocated to the Partners at such time pursuant to Section 4.1.

(e) Distributed Unrealized Gains and Losses. In accordance with Regulations section 1.704-1(b)(2)(iv)(f), immediately prior to any distribution to a Partner of any Partnership property (other than a distribution of cash or cash equivalents that are not in redemption or retirement of a Partner's Interest), the Capital Accounts of all Partners and the Carrying Value of each Partnership property shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Partnership property, as if such Unrealized

Gain or Unrealized Loss had been recognized in a sale of such property immediately prior to such distribution for an amount equal to its fair market value (which shall be determined by the Partnership using any valuation method it deems reasonable under the circumstances), and had been allocated to the Partners at such time, pursuant to Section 4.1.

(f) Code Compliance. Notwithstanding any provision in this Agreement to the contrary, each Partner's Capital Account shall be maintained and adjusted in accordance with the Code and the Regulations thereunder, including without limitation (i) the adjustments permitted or required by Code section 704(b) and, to the extent applicable, the principles expressed in Code section 704(c) and (ii) the adjustments required to maintain capital accounts in accordance with the "substantial economic effect test" set forth in the Regulations under Code section 704(b).

3.5 Return of Capital. No Partner shall have the right to demand a return of such Partner's Capital Contributions (or the balance of such Partner's Capital Account). Further, no Partner has the right (i) to demand and receive any distribution from the Partnership in any form other than cash or (ii) to bring an action of partition against the Partnership or its property. Neither the Partners nor the Management Committee shall have any personal liability for the repayment of the Capital Contributions from Partners. No Partner is required to contribute or to lend any cash or property to the Partnership to enable the Partnership to return any other Partner's Capital Contribution.

ARTICLE 4
ALLOCATIONS AND DISTRIBUTIONS

4.1 Allocations for Capital Account Purposes. For purposes of maintaining the Capital Accounts and in determining the rights of the Partners among themselves, the Partnership's items of income, gain, loss and deduction (computed in accordance with Section 3.4(b)) shall be allocated among the Partners in each taxable year or portion thereof (an "Allocation Period") as provided herein below.

(a) Income & Loss Generally. Until either the Midstream Partner or the MLP Partner has delivered an Allocation Notice, all items of Income or Loss, as the case may be, and each item of income, gain, loss and deduction entering into the computation thereof, shall be allocated to the Partners as follows:

(i) All Income and Loss of the Partnership from or attributable to the Storage Business will be allocated as follows:

a. first, an amount of Income equal to the Net Monthly Storage Revenue shall be allocated to the MLP Partner;

b. second, the Partners shall be allocated all non-cash items of Income and Loss from or attributable to the Storage Business, in accordance with their respective Percentage Interest; and

c. third, the remainder of all Income and Loss from or attributable to the Storage Business shall be allocated to the Midstream Partner and GSRH in accordance with their respective Percentage Interest.

(ii) All remaining Income and Loss of the Partnership shall be allocated to the Partners in accordance with their respective Percentage Interest,

provided, *however*, that Losses shall not be allocated pursuant to this Section 4.1(a) to the extent that such allocation would cause any Partner to have a deficit balance in its Adjusted Capital Account at the end of such taxable year (or increase any existing deficit balance in its Adjusted Capital Account).

(b) Income & Loss Following Allocation Notice. Beginning with the first Distribution Period that begins immediately following the date that is the 7 year anniversary of the date of this Agreement, either the MLP Partner or the Midstream Partner may deliver to the other a notice (the "Allocation Notice") terminating the application of (i) the allocations set forth in Section 4.1(a) and (ii) the distributions set forth in Section 4.3(a). Following the delivery of an Allocation Notice, all items of Income or Loss, as the case may be, attributable to Allocation Periods after the delivery of the Allocation Notice, and each item of income, loss and deduction entering into the computation thereof, shall be allocated to the Partners in accordance with its respective Percentage Interest; *provided, however*, that Losses shall not be allocated pursuant to this Section 4.1(b) to the extent that such allocation would cause a Partner to have a deficit balance in its Adjusted Capital Account at the end of such taxable year (or increase any existing deficit balance in its Adjusted Capital Account).

(c) Nonrecourse Liabilities. For the purposes of Regulations section 1.752-3(a)(3), the Partners agree that Nonrecourse Liabilities of the Partnership in excess of the sum of (A) the amount of Partnership Minimum Gain and (B) the total amount of Nonrecourse Built-in Gain shall be allocated among the Partners in accordance with their respective Percentage Interests.

(d) Partnership Minimum Gain Chargeback. Notwithstanding the other provisions of this Section 4.1, except as provided in Regulations section 1.704-2(f)(2) through (5), if there is a net decrease in Partnership Minimum Gain during any Partnership taxable year, each Partner shall be allocated items of Partnership income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Regulations sections 1.704-2(f)(6) and (g)(2) and section 1.704-2(j)(2)(i), or any successor provisions. For purposes of this Section 4.1(d), each Partner's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 4.1 with respect to such taxable year (other than an allocation pursuant to Section 4.1(h) or (i)).

(e) Chargeback of Minimum Gain Attributable to Partner Nonrecourse Debt. Notwithstanding the other provisions of this Section 4.1 (other than Section 4.1(d), except as provided in Regulations section 1.704-2(i)(4)), if there is a net decrease in Minimum Gain Attributable to Partner Nonrecourse Debt during any Partnership taxable period, any Partner with a share of Minimum Gain Attributable to Partner Nonrecourse Debt at the beginning of such taxable period shall be allocated items of Partnership income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Regulations sections 1.704-2(i)(4) and 1.704-2(j)(2)(ii), or any successor provisions. For purposes of this Section 4.1, such Partner's Adjusted Capital Account balance shall be determined and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 4.1, other than Sections 4.1(d), (h) and (i), with respect to such taxable period.

(f) Qualified Income Offset. If any Partner unexpectedly receives adjustments, allocations or distributions described in Regulations section 1.704-1(b)(2)(ii)(d)(4) through (6) (or any successor provisions), items of Partnership income and gain shall be specifically allocated to such Partner in an amount and manner sufficient to eliminate, to the extent required by the Regulations promulgated under section 704(b) of the Code, the deficit balance, if any, in its Adjusted Capital Account created by such adjustments, allocations or distributions as quickly as possible unless such deficit balance is otherwise eliminated pursuant to Section 4.1(d) or 4.1(e).

(g) Gross Income Offset. If any Partner has a deficit balance in its Adjusted Capital Account at the end of any Partnership taxable period which is in excess of the sum of (i) the amount such Partner is obligated to restore pursuant to any provisions of this Agreement and (ii) the amount such Partner is deemed obligated to restore pursuant to the penultimate sentences of Regulations sections 1.704-2(g)(1) and 1.704-2(i)(5), such Partner shall be specifically allocated items of Partnership gross income and gain in the amount of such excess as quickly as possible; provided that an allocation pursuant to this Section 4.1(g) shall be made only if and to the extent that such Partner would have a deficit balance in its Adjusted Capital Account after all other allocations provided in this Section 4.1 have been tentatively made as if this Section 4.1(g) was not in the Agreement.

(h) Nonrecourse Deductions. Nonrecourse Deductions for any taxable year shall be allocated to the Partners in accordance with their respective Percentage Interests. If the Partnership determines in its good faith discretion that the Partnership's Nonrecourse Deductions must be allocated in a different ratio to satisfy the safe harbor requirements of the Regulations promulgated under section 704(b) of the Code, the Partnership is authorized, upon notice to the Partners, to revise the prescribed ratio to the numerically closest ratio which does satisfy the requirements.

(i) Partner Nonrecourse Deductions. Partner Nonrecourse Deductions for any taxable year shall be allocated 100% to the Partner that bears the Economic Risk of Loss for such Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable in accordance with Regulations section 1.704-2(i) (or any successor provision). If more than one Partner bears the Economic Risk of Loss with respect to a Partner Nonrecourse Debt, such Partner Nonrecourse Deductions attributable thereto shall be allocated among such Partners ratably in proportion to their respective shares of such Economic Risk of Loss.

(j) Code Section 754 Adjustments. To the extent an adjustment tax basis of any Partnership asset pursuant to section 734(b) or 743(b) of the Code is required, pursuant to Regulations section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustments to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such item gain or loss shall be specially allocated to the Partners in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such section of the Regulations.

4.2 Allocations for Tax Purposes. The Partners agree as follows:

(a) Allocations of Gain, Loss, etc. Except as otherwise provided herein, for federal income tax purposes, each item of income, gain loss and deduction which is recognized by the Partnership for federal income tax purposes shall be allocated among the Partners in the same manner as its correlative item of “book” income, gain, loss or deduction is allocated pursuant to Section 4.1 hereof.

(b) Book-Tax Disparities. In an attempt to eliminate Book-Tax Disparities attributable to a Contributed Property or Adjusted Property, items of income, gain, loss depreciation, amortization and cost recovery deductions shall be allocated for federal income tax purposes among the Partners as follows:

(i) In the case of Contributed Property, (A) such items of income, gain, loss, depreciation, amortization and cost recovery deductions attributable thereto shall be allocated among the Partners in the manner provided under section 704(c) of the Code and section 1.704-3(d) of the Regulations (i.e. the “remedial method”) that takes into account the variation between the Agreed Value of such property and its adjusted basis at the time of contribution;

and (B) any item of Residual Gain or Residual Loss attributable thereto shall be allocated among the Partners in the same manner as its correlative of "book" gain or loss is allocated pursuant to Section 4.1.

(ii) In the case of an Adjusted Property, (A) such items of income, gain, loss, depreciation, amortization and cost recovery deductions attributable thereto shall be allocated among the Partners in a manner consistent with the principles of section 704(c) of the Code and section 1.704-3(d) of the Regulations (i.e. the "remedial method") to take into account the Unrealized Gain or Unrealized Loss attributable to such property and the allocations thereof pursuant to Section 3.4(d) or (e), unless such property was originally a Contributed Property, in which case such items shall be allocated among the Partners in a manner consistent with Section 4.2(b)(i); and (B) any item of Residual Gain or Residual Loss attributable to an Adjusted Property shall be allocated among the Partners in the same manner as its correlative item "book" gain or loss is allocated pursuant to Section 4.1.

(c) Conventions/Allocations. For the proper administration of the Partnership, the Partnership shall (i) adopt such conventions as it deems appropriate in determining the amount of depreciation, amortization and cost recovery deductions; and (ii) amend the provisions of this Agreement as appropriate to reflect the proposal or promulgation of Regulations under section 704(b) or section 704(c) of the Code. The Partnership may adopt such conventions, make such allocations and make such amendments to this Agreement as provided in this Section 4.2(c) only if such conventions, allocations or amendments are consistent with section 704 of the Code.

(d) Section 743(b). The Partnership may determine to depreciate the portion of an adjustment under section 743(b) of the Code attributable to unrealized appreciation in any Adjusted Property (to the extent of the unamortized Book-Tax Disparity) using a predetermined rate derived from the depreciation method and useful life applied to the Partnership's common basis of such property, despite the inconsistency of such method with Regulations section 1.167(c)-1(a)(6), or any successor provisions. If the Partnership determines that such reporting position cannot reasonably be taken, the Partnership may adopt any reasonable depreciation convention that would not have a material adverse effect on the Partners.

(e) Recapture Income. Any gain allocated to the Partners upon the sale or other taxable disposition of any Partnership asset shall, to the extent possible, after taking into account other required allocations of gain pursuant to this Section 4.2 be characterized as Recapture Income in the same proportions and the same extent as such Partners (or their predecessors in interest) have been allocated any deductions directly or indirectly giving rise to the treatment of such gains as Recapture Income.

(f) Section 754. All items of income, gain, loss, deduction and credit recognized by the Partnership for federal income tax purposes and allocated by the Partners in accordance with the provisions hereof shall be determined without regard to any election under section 754 of the Code which may be made by the Partnership; provided, however, that such allocations, once made, shall be adjusted as necessary or appropriate to take into account those adjustments permitted or required by sections 734 and 743 of the Code.

4.3 Distributions.

(a) Distributions Generally. Until either the Midstream Partner or the MLP Partner has delivered an Allocation Notice, within 30 days following the end of each Distribution Period, an amount equal to 100% of Available Cash with respect to such Distribution Period shall, subject to section 15-309 of the Delaware Act, be distributed in accordance with this Article 4 by the Partnership to the Partners as follows:

(i) Available Cash derived from or attributable to the Storage Business shall be distributed as follows:

a. First, an amount equal to the cumulative Net Monthly Storage Revenue calculated as to the Distribution Period, if any, as of the date of such distribution will be distributed to the MLP Partner;

b. Second, to Midstream Partner and GSRH the remainder of all Available Cash derived from or attributable to the Storage Business in accordance with their respective Percentage Interest; and

(ii) All remaining Available Cash shall be distributed to the Partners in accordance with their respective Percentage Interest.

If the Partnership has insufficient Available Cash to make all or any portion of the distribution to the MLP Partner pursuant to Section 4.3(a)(i)a., the Midstream Partner shall, at its sole option, either (A) assign unto the MLP Partner so much of the distribution as the Midstream Partner is entitled to under Sections 4.3(a)(ii) to pay the portion of any distribution deficiency in the Net Monthly Storage Revenue owing to MLP Partner or (B) make a capital contribution to the Partnership, the sole use of which shall be to pay the portion of any distribution deficiency in the Net Monthly Storage Revenue owing to the MLP Partner. The Midstream Partner may use a combination of A and B above to satisfy its distribution deficiency funding obligation.

(b) Distributions Following Allocation Notice. Within 30 days following the end of each Distribution Period after the delivery of an Allocation Notice, an amount equal to 100% of Available Cash with respect to such Distribution Period shall, subject to section 15-309 of the Delaware Act, be distributed in accordance with this Article 4 by the Partnership to the Partners in accordance with their respective Percentage Interests.

ARTICLE 5
MANAGEMENT

5.1 The Management Committee. The business and affairs of the Partnership shall be managed by or under the direction of the Partners acting through the Management Committee, subject to the delegation of powers and duties to officers of the Partnership and other Persons as provided for by resolution of the Management Committee.

5.2 Composition; Removal and Replacement of Representative. The Management Committee shall be comprised of one representative designated by each Partner. Each Partner shall designate by written notice to the other Partners its representatives to serve on the Management Committee and alternates to serve in such representatives' absences; *provided* that the representative designated by the Midstream Partner shall be deemed to have been designated by GSRH and shall represent GSRH and GSRH shall be bound by any votes or decisions made by the Midstream Partner. Each representative and alternate shall serve at the pleasure of the Partner who appointed such representative and shall represent and bind such Partner with respect to any matter. Alternates may attend all Management Committee meetings but shall have no vote at such meetings except in the absence of the representative for whom he is the alternate. Upon the death, resignation or removal for any reason of any representative or alternate of a Partner, the appointing Partner shall promptly appoint a successor. If at any time any Partner ceases to be a Partner, then the representative of the Management Committee previously designated by such Partner shall be deemed to be removed automatically, without any further action on the part of such Partner or the Partnership, on the date such Partner ceases to be a Partner.

5.3 Officers. The Management Committee may appoint employees of Partners or their Affiliates to serve as officers of the Partnership, and such officers may include but not be limited to a president, one or more vice presidents, a treasurer and a secretary.

5.4 Voting. All decisions, approvals and other actions of any Partner under this Agreement shall be effected by vote of its representative on the Management Committee. The Management Committee representative of each Partner shall have one vote equal to the Percentage Interest of the Partner appointing such representative and shall exercise such vote on behalf of such appointing Partner in connection with all matters under this Agreement.

(a) All decisions and actions with respect to the Partnership and its business shall be made and taken by the affirmative vote of the Partner or Partners holding a Majority acting through their representative on the Management Committee, except as provided in clauses (b) and (c) of this Section 5.4.

(b) In the case of those matters set forth on Schedule 5.4, any decision or action with respect to such matters shall be made and taken by unanimous affirmative vote of Partners acting through their representatives on the Management Committee; *provided*, that the approval of any such matter set forth on Schedule 5.4 by the MLP Partner shall not require, and shall not be inferred to require, that such matter be referred to, considered or approved by the conflicts committee of the board of directors of the general partner of the MLP Partner, it being understood that conflicts of interest, if any, shall be addressed in the manner provided in the MLP Partnership Agreement.

(c) Notwithstanding clauses (a) and (b) of this Section 5.4, if (i) a material breach or default under a material agreement of the Partnership, (ii) a default or failure to make payment of an obligation of the Partnership or a failure to take other action is likely to result in the imposition of a lien upon or a seizure or other collection action against a material asset or assets of the Partnership or (iii) a failure to comply with an order of a Governmental Body having jurisdiction directed to the Partnership, in each case, would be reasonably likely to have a material adverse effect on the business, operations or financial condition of the Partnership, any Partner may require all of the Partners to make a Capital Contribution pursuant to Section 3.2 hereof to cure such default, pay such obligation, comply with such order or take other action in connection therewith by delivering written notice of the other Partner of its intent to require a Capital Contribution pursuant to this Section 5.4(c); *provided*, the aggregate amount of such required Capital Contribution may be no more than the minimum amount necessary to prevent a default, seizure or noncompliance of the type described in clauses (i), (ii) and (iii) of this paragraph.

5.5 Meetings of Management Committee. The Partners agree as follows:

(a) Scheduling. Meetings of the Management Committee shall occur when called by any representatives on the Management Committee. The Partner calling the meeting shall provide notice of and an agenda for the Management Committee meeting to all representatives at least 10 Business Days prior to the date of such meeting, provided that the business matters to be acted upon at any such meeting shall not be limited to the matters included on such agenda.

(b) Conduct of Business. The Management Committee shall conduct its meetings in accordance with such rules as it may from time to time establish and the secretary shall keep minutes of its meetings and issue resolutions evidencing the actions taken by it. Upon the request of any Partner, the secretary shall provide such Partner with copies of such minutes and resolutions.

Management Committee representatives may attend meetings and vote either in person or through duly authorized written proxies. Unless otherwise agreed, all meetings of the Management Committee shall be held at the principal office of the Partnership or by conference telephone or similar means of communication by which all representatives can participate in the meeting. Any action of the Management Committee may be taken without a meeting by unanimous written consent of the representatives.

(c) Quorum. At meetings of the Management Committee representatives of (i) Partners holding a Majority present in person, by conference telephone or by written proxy and entitled to vote, shall constitute a quorum for the transaction of business for purposes for considering matters under Section 5.4(a) and (ii) all of the Partners present in person, by conference telephone or by written proxy and entitled to vote, shall constitute a quorum for the transaction of business for purposes of considering matters under Section 5.4(b).

5.6 Remuneration. The Management Committee representative and alternate employed by each Partner shall receive no compensation from the Partnership for performing services in such capacity. Each Partner shall be responsible for the payment of the salaries, benefits, retirement allowances and travel and lodging expenses for its Management Committee representatives or alternates.

5.7 Individual Action by Partners. Subject to the express provisions of this Agreement, each Partner agrees that it will not exercise its authority under the Delaware Act to bind or commit the Partnership to agreements, transactions or other arrangements, or to hold itself out as an agent of the Partnership without the express authorization of the Management Committee. Except as specifically set forth in this Agreement or as provided by the Delaware Act, no Partner shall have any voting rights with respect to its Partnership Interest or any power to direct or cause the direction of management or policies of the Partnership. No Partner shall have any fiduciary or quasi-fiduciary duty to the Partnership or any other Partner pursuant to this Agreement and any standard of care or duty otherwise imposed on any Partner by this Agreement or under the Act or any Law shall be eliminated to the fullest extent permitted by Law and each Partner may vote or not vote, or grant or withhold approval, in such Partner's sole discretion, with respect to any action on which it is entitled to vote or grant approval.

ARTICLE 6
INDEMNIFICATION; LIMITATIONS ON LIABILITY

6.1 Indemnification by the Partnership.

(a) The Partnership shall indemnify and hold harmless each Partner, the Management Committee representatives and alternates of each Partner and the officers of the Partnership (each individually, a "Partnership Indemnitee") from and against any and all losses, claims, demands, costs, damages, liabilities, expenses of any nature (including reasonable attorneys' fees and disbursements), judgments, fines, settlements, and other amounts actually and reasonably incurred by such Partnership Indemnitee and arising from any threatened, pending or completed claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative or other, including any appeals to which a Partnership Indemnitee was or is a party or is threatened to be made a party (collectively, "Liabilities"), arising out of or incidental to the business of the Partnership or such Partnership Indemnitee's status as a Partner, Management Committee representative or alternate of a Partner or an officer of the Partnership; provided, however, that the Partnership shall not indemnify and hold harmless any Partnership Indemnitee for any Liabilities which are due to actual fraud or willful misconduct of such Partnership Indemnitee.

(b) Rights of Partnership Indemnitee. Reasonable expenses incurred by a Partnership Indemnitee in defending any claim, demand, action, suit or proceeding subject to this Section 6.1 shall, from time to time, be advanced by the Partnership prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Partnership of an undertaking by the Partner by or on behalf of such Partnership Indemnitee to repay such amounts if ultimately determined that such Partnership Indemnitee is not entitled to be indemnified as authorized in this Section 6.1. The indemnification provided by this Section 6.1 shall inure solely to the benefit of the Partnership Indemnitee and his heirs, successors, assigns and administrators and shall not be deemed to create any rights for the benefit of any other Persons.

6.2 Indemnification by the Partners. Each Partner shall indemnify and hold harmless the Partnership, the other Partners and their respective Management Committee representatives and alternates and the officers of the Partnership (each individually, a "Partner Indemnitee") for any and all Liabilities that result solely from the actual fraud or willful misconduct of such Partner, its Management Committee representatives and alternates or any officer of the Partnership employed by such Partner or its Affiliates.

6.3 Defense of Action. Promptly after receipt by a Partnership Indemnitee or a Partner Indemnitee (either an "Indemnified Party") of a notice of any pending or threatened claim, demand action, suit, proceeding or investigation made or instituted by a Person other than another Indemnified Party (a "Third Party Action"), such Indemnified Party shall, if a claim in respect thereof is to be made by such Indemnified Party against a Person providing indemnification pursuant to Sections 6.1 or 6.2 ("Indemnifying Party"), give notice thereof to the Indemnifying Party. The Indemnifying Party, at its own expense may elect to assume the defense of any such Third Party Action through its own counsel on behalf of the Indemnified Party (with full right of subrogation to the Indemnified Party's rights and defenses). The Indemnified Party may employ separate counsel in any such Third Party Action and participate in the defense thereof; but the fees and expenses of such counsel shall be at the expense of the Indemnified Party unless the Indemnified Party shall have been advised by its counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the Indemnifying Party (in which case the Indemnifying Party shall not have the right to assume the defense of such Third Party Action on behalf of the Indemnified Party), it being understood, however, that the Indemnifying Party shall not, in connection with any one action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) for the Indemnified Parties, and such fees shall be designated in writing by the Indemnified Parties. All fees and expenses for any such separate counsel shall be paid periodically as incurred. The Indemnifying Party shall not be liable for any settlement of any such Third Party Action effected without its consent unless the Indemnifying Party shall elect in writing not to assume the defense thereof or fails to prosecute diligently such defense and fails after written notice from the Indemnified Party to promptly remedy the same, in which case, the Indemnified Party, without waiving any rights to indemnification hereunder, may defend such Third Party Action and enter into any good faith settlement thereof without prior written consent from the Indemnifying Party. The Indemnifying Party shall not, without the prior written consent of the Indemnified Party, effect any settlement of any such Third Party Action unless such settlement includes an unconditional release of the Indemnified Party from all Liabilities that are the subject of such Third Party Action. The Partners agree to cooperate in any defense or settlement of any such Third Party Action and to give each other reasonable access to all information relevant thereto. The Partners will similarly cooperate in the prosecution of any claim or lawsuit against any third party. If, after the Indemnifying Party elects to assume the defense of a Third Party Action, it is determined pursuant to the procedures described in Section 12.11 that the Indemnified Party is not entitled to indemnification with respect thereto, the Indemnifying Party shall discontinue the defense thereof, and if any fees or expenses for separate counsel to represent the Indemnified Party were paid by the Indemnifying Party, the Indemnified Party shall promptly reimburse the Indemnifying Party for the full amount thereof.

ARTICLE 7
OPERATION OF PARTNERSHIP

7.1 Operator. Subject to this Article 7, the Partners agree to appoint the Midstream Partner as the initial operator of the Partnership (the "Operator") and the Midstream Partner accepts such appointment and agrees to act in such capacity. From time to time, the Management Committee may appoint a successor operator of the Partnership. The Operator shall be responsible for the day-to-day operation, maintenance and repair of the Partnership Assets and the managerial and administrative duties relating thereto. Subject to Section 5.4 and item 10 on Schedule 5.4, the Operator, in its sole discretion, may subcontract with another Person, including an Affiliate, to perform the activities required to comply with the responsibilities as Operator hereunder; *provided* any such subcontract shall not relieve the Operator of such responsibilities.

7.2 Expenses. The Operator shall be reimbursed on a monthly basis, or such other basis as the Operator may determine, for (a) all direct and indirect costs and expenses it incurs or payments it makes on behalf of the Partnership (including salary, bonus, incentive compensation and other amounts paid to any Person including Affiliates of the Operator to perform services for the Partnership or for the Operator in the discharge of its duties in such capacity), and (b) all other costs and expenses allocable to the Partnership or otherwise incurred by the Operator in connection with operating the Partnership's business (including the Partnership's allocable share of general and administrative costs and expenses borne by the Operator and its Affiliates). The Operator shall maintain or cause to be maintained accurate records of such costs and expenses, and upon written request, the Operator shall permit any Partner to inspect, or shall provide such requesting Partner with a copy of such records. The amount for which the Operator shall be entitled to reimbursement from the Partnership for general and administrative expenses (including for the Storage Business) shall be as follows: (a) for calendar year 2011, $10,000,000, and (b) for periods after calendar year 2011, an amount mutually agreed upon by the Partnership and the Operator (each of (a) and (b), the "G&A Expenses"). If the Partnership makes any acquisitions of assets or businesses or the business of the Partnership otherwise expands prior to December 31, 2011, then G&A Expenses shall be reasonably increased in order to account for adjustments in the nature and extent of the general and administrative services provided by the Operator to the Partnership, which increase shall be made in a manner consistent with the Partnership's past practices. Reimbursements pursuant to this Section 7.2 shall be in addition to any reimbursement due the Operator as a result of indemnification pursuant to Section 6.1.

7.3 Reimbursement for Insurance. The Partnership shall reimburse the Operator for all expenses it incurs or payment it makes on behalf of the Partnership for insurance, including (a) insurance coverage with respect to the Partnership; (b) insurance coverage with respect to claims related to fiduciary obligations of officers, directors, and control persons of the Partnership as and if applicable; and (c) insurance coverage with respect to claims under federal and state securities laws.

7.4 Accounts. The Management Committee shall establish and maintain one or more separate bank and investment accounts and arrangements for Partnership funds in the Partnership's name with such financial institutions and firms it may determine. The Partnership may not commingle the Partnership's funds with the funds of any other Person. All such accounts shall be and remain the property of the Partnership and all funds shall be received, held and disbursed for the purposes specified in this Agreement.

ARTICLE 8
TRANSFER OF INTERESTS

8.1 Restrictions on Transfer. The Partners agree as follows:

(a) Consent. Subject to Sections 8.1(b) and 8.1(c) and except as provided in Section 8.3(c), no Partner may at any time sell, assign, transfer, convey, merge, consolidate, reorganize or otherwise dispose of all or any part of such Partner's Interest without the express written consent of the other Partners, which consent may be granted or withheld by any such other Partners in its absolute discretion; *provided*, *however*, that subject to Sections 8.1(b) and 8.1(c), and upon notice to the other Partners, any Partner may transfer (an “Internal Transfer”) its respective Interest to (i) one or more Persons wholly owned directly or indirectly by the ultimate parent of such Partner or (ii) any of the other Partners (each, an “Internal Transferee”), in each case without the consent of the other Partners, and such Internal Transferee shall be admitted as a Partner.

(b) Certain Prohibited Transfers. No Partner shall transfer all or any part of its Interest if such transfer (i) (either considered alone or in the aggregate with prior transfers by the same Partner or any other Partners) would result in the termination of the Partnership for federal income tax purposes; (ii) would result in violation of the Delaware Act or any other applicable Laws; or (iii) would result in a default under or termination of an existing financial agreement to which the Partnership is a party or acceleration of debt thereunder.

(c) Defaulting Partners. No Defaulting Partner may transfer its Interest except (i) as expressly provided under Article 8, and (ii) with the consent of the Nondefaulting Partners.

(d) Effect of Prohibited Transfers. Any offer or purported transfer of a Partner’s Interest in violation of the terms of this Agreement shall be void.

8.2 Possible Additional Restrictions on Transfer. Notwithstanding anything to the contrary contained in this Agreement, in the event of (i) the enactment (or imminent enactment) of any legislation, (ii) the publication of any temporary or final Regulations, (iii) any ruling by the Internal Revenue Service or (iv) any judicial decision that in any such case, in the opinion of counsel, would result in the taxation of the Partnership for federal income tax purposes as a corporation or would otherwise subject the Partnership to being taxed as an entity other than a partnership for federal income tax purposes, this Agreement shall be deemed to impose such restrictions on the transfer of a Partner’s Interest as may be required, in the opinion of counsel to the Partnership, to prevent the Partnership from being taxed as a corporation or otherwise being taxed as an entity other than a partnership for federal income tax purposes, and the Partners thereafter shall amend this Agreement as necessary or appropriate to impose such restrictions.

8.3 Right of First Offer. The Partners agree as follows:

(a) Initial Offer to Partners. If a Partner (the “Selling Partner”) desires to sell or otherwise transfer all or a portion of its Interest (the “Marketed Interest”) other than pursuant to an Internal Transfer, such Selling Partner shall submit to each of the other Partners (the “Non-Selling Partners”) a good faith offer (a “Sale Offer”), which Sale Offer shall include a form of acquisition agreement that specifies the form and amount of consideration to be received and the other material terms on which the Selling Partner proposes to sell the Marketed Interest. Upon receipt of a Sale Offer, a Non-Selling Partner interested in purchasing all of such Marketed Interest shall deliver written notice (a “Purchase Notice”) to the Selling Partner within 20 days of receipt of such Sale Offer (the “Notice Period”).

Upon the expiration of such Notice Period, the Selling Partner and any Non-Selling Partners that have timely delivered a Purchase Notice to the Selling Partner shall have 45 days (the "Negotiation Period") to negotiate and enter into a definitive agreement pursuant to which such Non-Selling Partner(s) will acquire the Marketed Interest. If the parties enter into a definitive agreement within such Negotiation Period, the Non-Selling Partner shall acquire the Marketed Interest pursuant to the terms of such definitive agreement. The closing under any such definitive agreement may occur after the expiration of such Negotiation Period. If more than one Non-Selling Partner delivers a Purchase Notice to the Selling Partner, each such Non-Selling Partner shall be entitled to acquire a pro rata portion of the Marketed Interest determined by dividing such Non-Selling Partner's Percentage Interest by the aggregate Percentage Interests of all of the Non-Selling Partners that delivered a Purchase Notice.

(b) Negotiation with Third Party. If (i) no Non-Selling Partner delivers a Purchase Notice to the Selling Partner prior to the expiration of the Notice Period, (ii) the Non-Selling Partner(s) and the Selling Partner are unable to enter into a definitive agreement prior to the expiration of the Negotiation Period, or (iii) a definitive agreement is timely entered into but is subsequently terminated prior to closing, then the Selling Partner shall have 120 days to market, offer, negotiate and consummate the sale of the Marketed Interest to a third party; *provided*, *however*, the Selling Partner may not consummate any such sale to a third party unless (i) the acquisition consideration to be paid by such third party is at least equal in value to the consideration set forth in the Sale Offer and (ii) the other terms and provisions of such sale are not materially more favorable to such third party than the terms and provisions contained in the Sale Offer. If the Selling Partner is unable to consummate the sale of the Marketed Interest to a third party within in the 120-day period referred to in the immediately preceding sentence, such Selling Partner must make another Sale Offer to each of the Non-Selling Partners, as provided in Section 8.3(a), and otherwise comply with the provisions of this Section 8.3 in order to sell such Marketed Interest.

(c) Applicability of Transfer Restrictions. All transfers pursuant to this Section 8.3 must comply with the restrictions on transfers set forth in Sections 8.1 and 8.2, except that a transfer to a third party after compliance with this Section 8.3 shall not require the consent of the Non-Selling Partners.

8.4 Substituted Partners. As of the effectiveness of any transfer of an Interest permitted under this Agreement, (i) any transferee acquiring the Interest of a Partner shall be deemed admitted as a substituted Partner with respect to the Interest transferred, and (ii) such substituted Partner shall be entitled to the rights and powers and subject to the restrictions and liabilities of the transferring Partner with respect to the Interest so acquired. No purported transfer of an Interest in violation of the terms of this Agreement (including any transfer occurring by operation of Law) shall vest the purported transferee with any rights, powers or privileges hereunder, and no such purported transferee shall be deemed a Partner hereunder for any purposes or have any right to vote or consent with respect to Partnership matters, to inspect Partnership records, to maintain derivative proceedings, to maintain any action for an accounting or to exercise any other rights of a Partner hereunder or under the Delaware Act.

8.5 Documentation; Validity of Transfer. No purported transfer of a Partner's Interest shall be effective as to the Partnership or the other Partners unless and until the applicable provisions of Sections 8.1, 8.2 and 8.3 have been satisfied and such other Partners have received a document in a form acceptable to such other Partners executed by both the transferring Partner (or its legal representative) and the transferee. Such document shall include: (i) the notice address of the transferee and such transferee's express agreement to be bound by all the terms and conditions of this Agreement with respect to the Interest being transferred; (ii) the Interests of the transferring Partner and the transferee after the transfer; and (iii) representations and warranties from both the transferring Partner and the transferee that the transfer was made in accordance with all applicable Laws and the terms and conditions of this Agreement. Each transfer shall be effective against the Partnership and the other Partners as of the first Business Day of the calendar month immediately succeeding the Partnership's receipt of the document required by this Section 8.5, and the applicable requirements of Section 8.1, 8.2 and 8.3 have been met.

ARTICLE 9
DEFAULT AND WITHDRAWAL

9.1 Events of Default. If any of the following events occur:

(a) the Bankruptcy, insolvency, dissolution, liquidation, death, retirement, resignation, termination, expulsion of a Partner or the occurrence of any other event under the Delaware Act which terminates the continued status as a partner of a Partner in the Partnership;

(b) all or any part of the Interest of Partner is seized by a creditor of such Partner, and the same is not released from seizure or bonded out within 30 days from the date of the notice of seizure;

(c) a Partner (i) fails to provide any Capital Contribution requested by a Partner pursuant to Section 5.4(c) or as otherwise required by Article 3, (ii) fails to indemnify or reimburse the other Partners for the liabilities and obligations as set forth in this Agreement, or (iii) fails to perform or fulfill when due any other material financial or monetary obligation imposed on such Partner in this Agreement and, in each case, such failure continues for 15 days or such shorter period as may be specified for a Default under such agreement relating to borrowed money (each of the foregoing, a "Monetary Default");

(d) a Partner Defaults or otherwise fails to perform or fulfill any material covenant, provision or obligation (other than financial or monetary obligations, which are covered in Section 9.1(c)) under this Agreement or any agreement relating to borrowed money to which the Partnership is a party and such failure continues for 30 days or such shorter period as may be specified for a Default under such agreement relating to borrowed money; or

(e) a Partner transfers or attempts to transfer all or any portion of its Interest in the Partnership other than in accordance with the terms of this Agreement;

then a "Default" hereunder shall be deemed to have occurred. The Partner with respect to which one or more events of Default has occurred shall be referred to as the "Defaulting Partner", and the other Partners shall be referred to as the "Nondefaulting Partners."

9.2 Consequence of a Default. The Partners agree that upon the occurrence of a Default, the rights of the Nondefaulting Partners and Defaulting Partner shall be as follows:

(a) Suspension of Certain Rights Upon Monetary Default. Notwithstanding anything in this Agreement to the contrary, no distribution shall be made to any Defaulting Partner who is in Monetary Default, and the voting rights under this Agreement of any Defaulting Partner who is in Monetary Default shall be transferred to the Nondefaulting Partners. So long as any Monetary Default is continuing, the Defaulting Partner assigns to the Nondefaulting Partners (i) its rights to receive any and all distributions under this Agreement, and such distributions shall be payable to the Nondefaulting Partners as reimbursements for losses, damages, costs and expense resulting directly or indirectly from such Monetary Default and (ii) its voting rights under this Agreement. If the Defaulting Partner shall dispute whether an event of Default has occurred, or the amount of the loss, damage, cost or expense incurred by the Nondefaulting Partner as a consequence of a Monetary Default, the matter shall be submitted promptly to the dispute resolution procedure provided for in Section 12.11 hereof.

(b) Options of Nondefaulting Partners Upon Any Event of Default. The Nondefaulting Partners may, but are not obligated to, take one or more of the following actions upon the occurrence of a Default:

(i) cure the Default (including, if applicable, by making a cover payment) and cause the cost of such cure to be charged against a special loan account established for the Defaulting Partner until the entire amount of such costs plus interest on the unpaid balance in accordance with Section 3.2(a) shall have been paid or reimbursed to the Nondefaulting Partners from any subsequent distributions made pursuant to this Agreement to which the Defaulting Partner would otherwise have been entitled, which amounts shall be paid first as interest and then principal, until the cost is paid in full; or

(ii) exercise any other rights and remedies available at law or in equity, subject to Section 12.11.

9.3 No Voluntary Withdrawal. A notice by a Partner that it has Withdrawn from the Partnership shall be in breach of this agreement and shall be deemed to effect a wrongful Withdrawal.

9.4 Deemed Withdrawal. A Partner shall be deemed to have Withdrawn from the Partnership immediately, without any further action on the part of such Partner or the Partnership, only on the occurrence of any event (i) that makes it unlawful for the Partner to continue to be a Partner in the Partnership, (ii) that makes it unlawful for the Partnership to carry on the business of the Partnership with that Partner or (iii) specified in Section 15-601(6) of the Delaware Act. A Partner shall not be deemed to have Withdrawn from the Partnership for any events not specified in Section 9.3 or this Section 9.4.

9.5 Effect of Withdrawal. If a Partner Withdraws as contemplated in Section 9.3. or is deemed to have Withdrawn under Section 9.4 (a "Withdrawn Partner"), then the following provisions shall apply in connection with such Withdrawal, notwithstanding the provisions of the Delaware Act:

(a) The Withdrawn Partner shall cease to be a Partner for all purposes immediately upon the occurrence of the applicable Withdrawal event.

(b) The Withdrawn Partner shall not be entitled to receive any distributions from the Partnership except as set forth in Section 9.5(f), and the Withdrawn Partner shall not be entitled to exercise any voting or consent rights with respect to Partnership matters or to receive any further information from the Partnership.

(c) The Withdrawn Partner must pay to the Partnership all amounts it owes to the Partnership.

(d) The Withdrawn Partner shall remain obligated for all liabilities it may have under this Agreement with respect to the Partnership that accrue with respect to the period prior to the Withdrawal.

(e) Upon the occurrence of the applicable Withdrawal event or deemed Withdrawal, (i) all of the Partnership Interest held by such Withdrawn Partner (the "Forfeited Interest") shall automatically, without any further action on the part of the Withdrawn Partner or the Partnership, be redeemed, forfeited, surrendered and transferred to the Partnership for no consideration (except as otherwise provided in Section 9.5(f)), (ii) such Withdrawn Partner shall not be entitled to any rights with respect to the Forfeited Interest, and (iii) any representative of the Management Committee previously designated by such Withdrawn Partner shall be deemed to be removed. If a Partner Withdraws as contemplated in Section 9.3, then such Withdrawn Partner's Capital Account shall be allocated among the remaining Partners in the proportion that each Partner's Percentage Interest (at the time of such allocation) bears to the total Percentage Interest of all remaining Partners, or in such other proportion as the remaining Partners may unanimously agree.

(f) If a Partner is deemed to be a Withdrawn Partner pursuant to Section 9.4, then the former Capital Account balance of the Withdrawn Partner shall be recorded as a contingent obligation of the Partnership, and not as a Capital Account, and such former Capital Account balance shall be paid by the Partnership to such Withdrawn Partner solely out of 25% of the future distributions (if any) that would have been made by the Partnership to the Withdrawn Partner if the Forfeited Interest remained outstanding after the date of such Withdrawal; *provided*, that any amounts owed to the Partnership by such Withdrawn Partner may be deducted from any such distributions. The rights of a Withdrawn Partner under this Section 9.5(f) shall (i) be subordinate to the rights of any other creditor of the Partnership, (ii) not include any right on the part of the Withdrawn Partner to receive any interest or other amounts with respect thereto; (iii) not require the Partnership to make any distribution (the Withdrawing Partner's rights under this Section 9.5(f) being limited to receiving such portion of distributions as the Management Committee may, in its sole discretion, decide to cause the Partnership to make); (iv) not require any Partner to make a Capital Contribution or a loan to permit the Partnership to make a distribution or otherwise to pay the Withdrawing Partner; and (v) not be treated as a liability of the Partnership for purposes of Section 10.2. Any portion of such Withdrawn Partner's former Capital Account in excess of amounts paid to it under this Section 9.5(f) shall be allocated among the remaining Partners in proportion to each Partner's Percentage Interest or as the remaining Partners otherwise unanimously agree.

ARTICLE 10
DISSOLUTION AND LIQUIDATION

10.1 Dissolution. The Partnership shall be dissolved upon the earliest to occur of the following:

(a) all or substantially all of the Partnership's assets and properties have been sold and reduced to cash;

(b) the written consent of each Partner;

(c) entry of a decree of judicial dissolution of the Partnership under Section 15-801 of the Delaware Act; or

(d) an event that makes it unlawful for all or substantially all of the business or affairs of the Partnership to be carried on.

The Partners expressly recognize the right of the Partnership to continue in existence upon the occurrence of a Default specified in Section 9.1(a) unless the Nondefaulting Partners elect to dissolve the Partnership pursuant to this Section 10.1. Each Partner irrevocably waives any right it may have to maintain any action for dissolution of the Partnership or for partition of the property of the Partnership.

10.2 Liquidation. The Partners agree as follows:

(a) Procedures. Upon dissolution of the Partnership, the Management Committee, or if there are no remaining Management Committee representatives, such Person as is designated by the Partners (the remaining Management Committee or such Person being herein refereed to as the "Liquidator") shall proceed to wind up the business and affairs of the Partnership in accordance with the terms hereof and the requirements of the Delaware Act. A reasonable amount of time shall be allowed for the period of winding up in light of prevailing market conditions and so as to avoid undue loss in connection with any sale of Partnership Assets. This Agreement shall remain in full force and effect during the period of winding up.

(b) Distributions. In connection with the winding up of the Partnership, the Partnership Assets or proceeds thereof shall be distributed as follows:

(i) To creditors, including Partners who are creditors, to the extent otherwise permitted by Law, in satisfaction of the liabilities of the Partnership (whether by payment or the making of reasonable provision for the payment thereof); and

(ii) all remaining Partnership Assets shall be distributed to the Partners as follows:

(A) the Liquidator may sell any or all Partnership Assets to any Person, including to one or more Partners (other than any Partner in Default at the time of dissolution), and any resulting gain or loss from each sale shall be computed and allocated to the Capital Accounts of the Partners in accordance with Article 4;

(B) with respect to all Partnership Assets that have not been sold, the fair market value of such Partnership Assets (as determined by the Liquidator using any method of valuation as it, using its best judgment, deems reasonable) shall be determined and the Capital Accounts of the Partners shall be adjusted in accordance with Article 4 to reflect the manner in which the unrealized income, gain, loss, and deduction inherent in such Partnership Assets that have not been reflected in the Capital Accounts previously would be allocated among the Partners if there were a taxable disposition of such Partnership Assets for their fair market value on the date of distribution;

(C) Partnership Assets shall be distributed among the Partners ratably in proportion to each Partner's positive Capital Account balances, as determined after taking into account all Capital Account adjustments for the taxable year of the Partnership during which the liquidation of the Partnership occurs (other than those made by reason of this clause (C)); and in each case, those distributions shall be made by the end of the taxable year of the Partnership during which the liquidation of the Partnership occurs (or, if later, 90 days after the date of the liquidation); and

(D) All distributions in kind to the Partners shall be made subject to the liability of each distributee for costs, expenses and liabilities theretofore incurred or for which the Partnership has committed prior to the date of termination and those costs, expenses and liabilities shall be allocated to the distributee pursuant to this Section 10.2(b)(ii). This distribution of Partnership Assets to a Partner in accordance with the provisions of this Section 10.2(b)(ii) constitutes a complete return to the Partner of its Capital Contributions and a complete distribution to the Partner of its Interest in and to all the Partnership Assets.

(c) Capital Account Deficits; Termination. To the extent that any Partner has a deficit in its Capital Account, upon dissolution of the Partnership, such deficit shall not be an asset of the Partnership and such Partners shall not be obligated to contribute any amounts to the Partnership to bring the balance of such Partner's Capital Account to zero. Following the completion of the winding up of the affairs of the Partnership and the distribution of Partnership Assets, the Partnership shall be deemed terminated and the Liquidator shall file a statement of dissolution in the Office of the Secretary of State of Delaware as required by the Delaware Act.

(d) It is intended that the amount to be distributed to each Partner pursuant to Section 10.2(b) (the "Liquidating Distribution") would equal the amount such Partner would receive if liquidation proceeds were instead distributed in accordance with the provisions set forth in Section 4.3 (the "Targeted Distribution Amounts"). Notwithstanding any provision of this Agreement to the contrary, if any Partner's ending Capital Account balance immediately prior to the Liquidating Distribution otherwise would be less than the balance required to ensure that such Partner receives its Targeted Distribution Amount, then, for such Fiscal Year of liquidation and dissolution, such Partner shall be specially allocated items of Income or gain for such current year, and items of Loss or deduction for such current years shall be specially allocated to the other Partners, until such Partner's Liquidating Distribution would be equal (or, if not equal to, be as close as possible) to the Targeted Distribution Amount for such Partner.

ARTICLE 11
FINANCIAL MATTERS

11.1 Books and Records. The Partnership shall maintain or cause to be maintained accurate and complete books and records, on the accrual basis, in accordance with GAAP (which, having been adopted, shall not be changed without the prior written consent of the Partners), showing all costs, expenditures, sales, receipts, assets, liabilities, profits and losses and all other records necessary, convenient or incidental to recording the Partnership's business and affairs; *provided*, *however,* that the Partner's Capital Accounts shall be maintained in accordance with Article 3, and the books and records will include sufficient information to identify capital expenditures split between growth and maintenance capital (maintenance capital defined as cash expenditures which add to or improve capital assets owned or acquired or construct new capital assets if such expenditures are made to maintain, including over the long term, the operating capacity or revenues). All of such books and records of the Partnership shall be open to inspection by each Partner or its designated representative at the inspecting Partner's expense at a reasonable time during business hours and shall be audited every year by a joint audit team consisting of representatives from each Partner. Each Partner shall be responsible for all costs incurred by or associated with its respective representatives on such joint audit team.

11.2 Financial Reports; Budget.

(a) No later than 25 days following the last day of each month, the Partnership shall cause each Partner to be furnished with an unaudited balance sheet and income statement as of the end of such month, prepared in accordance with normal month-end closing procedures. No later than 25 days following the last day of each calendar quarter, the Partnership shall cause each Partner to be furnished with a balance sheet, an income statement and a statement of cash flows for, or as of the end of such calendar quarter. The Management Committee shall cause each Partner to be furnished with audited financial statements no later than 60 days following the last day of each fiscal year, including a balance sheet, an income statement, a statement of cash flows, and a statement of changes in each Partner's GAAP Capital Account as of the end of the immediately preceding Fiscal Year. The Management Committee also may cause to be prepared or delivered such other reports as it may deem in its sole judgment, appropriate. The Partnership shall bear the costs of the preparation of the reports and financial statements referred to in this Section 11.2(a).

(b) Upon request of a Partner, the Partnership will prepare and deliver to any such Partner or its Parent all of such additional financial statements, notes thereto and additional financial information not prepared pursuant to Section 11.2(a) above as may be required in order for such Partner or Parent to comply with its reporting requirements under (i) the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder, (ii) the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder and (iii) any national securities exchange or automated quotation system, in each case, on a timely basis. All of such financial statements must be prepared in accordance with GAAP and, upon the request of a Partner, be audited or reviewed by independent public accountants. The requesting Partner shall bear the incremental costs of the preparation of the reports and financial statements for and by the independent public accountants.

(c) Prior to the beginning of each fiscal year, the Partnership shall prepare and submit to the Management Committee for approval by unanimous vote a business plan for the upcoming fiscal year, including capital and operating expense budgets and operating income projections; *provided*, that the unanimous vote of the Management Committee shall not be required for the Partnership with respect to items not covered by such business plan unless otherwise required by Schedule 5.4.

11.3 Accounts. The Partnership shall establish and maintain one or more separate bank and investment accounts and arrangements for Partnership funds in the Partnership's name with such financial institutions and firms as the Management Committee may determine. The Partnership may not commingle the Partnership's funds with the funds of any other Person. All such accounts shall be and remain the property of the Partnership and all funds received, held and disbursed for the purposes specified in this Agreement.

11.4 Tax Matters. The Partners agree as follows:

(a) Tax Matters Partner. The Midstream Partner shall be designated as the "Tax Matters Partner" pursuant to section 6231(a)(7) of the Code and the Regulations promulgated thereunder. The Tax Matters Partner shall be responsible for all tax compliance and audit functions related to federal, state and local tax returns of the Partnership. The Tax Matters Partner is specifically directed and authorized to take whatever steps such Partner, in its discretion, deems necessary or desirable to perfect such designation, including filing any forms or documents with the Internal Revenue Service and taking such other action as may be from time to time required. The Tax Matters Partner shall not be liable to the Partnership or the Partners for act or omission taken or suffered by it in its capacity as Tax Matters Partner in good faith in the belief that such act or omission is in accordance with the directions of the Management Committee; provided that such act or omission is not in willful violation of this Agreement and does not constitute fraud or a willful violation of any Laws.

(b) Tax Information. Upon written request of the Tax Matters Partner, the Partnership and each Partner shall furnish to the Tax Matters Partner, all pertinent information in its possession relating to the Partnership operations that is necessary to enable the Tax Matters Partner to file all federal, state and local tax returns of the Partnership in a manner to meet all applicable tax filing deadlines.

(c) Tax Elections. The Partnership shall make the following elections on the appropriate tax returns:

(i) to adopt the accrual method of accounting;

(ii) an election pursuant to section 754 of the Code; and

(iii) any other election that a Majority may deem appropriate.

It is the expressed intention of the Partners hereunder to be treated as a partnership for federal and state tax purposes. Neither the Partnership nor any Partner may make an election for the Partnership to be excluded from the application of the provisions of subchapter K of chapter 1 of the subtitle A of the Code or any similar provisions of applicable state law, and no provision of this Agreement shall be construed to sanction or approve such an election.

(d) Notices. The Tax Matters Partner shall take such action as may be necessary to cause each Partner to become a “notice partner” within the meaning of section 6223 of the Code and shall inform each Partner of all significant matters that may come to its attention in its capacity as Tax Matters Partner by giving notice thereof on or before the tenth Business Day after becoming aware thereof and, within that time, shall forward to each Partner copies of all significant written communications it may receive in that capacity. The Tax Matters Partner may not take any action contemplated by sections 6222 and 6232 of the Code without the consent of a Majority.

(e) Filing of Returns. The Tax Matters Partner shall file all tax returns in a timely manner, provide all Partners, upon request, access to accounting and tax information and schedules as shall be necessary for the preparation of such Partner of its income tax returns and such Partner’s tax information reporting requirements, provide all Partners with a draft of the return for their review and comment and provide all Partners with a final return for the preparation for their federal and state returns in a manner to meet all applicable tax filing deadlines.

ARTICLE 12
MISCELLANEOUS

12.1 Notices. All notices, consents, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given or delivered on the date of receipt if (a) delivered personally; (b) telecopied or telexed with transmission confirmation; (c) mailed by registered or certified mail return receipt request; or (d) delivered by a recognized commercial courier to the Partner as follows (or such other address as any Partner shall have last designated by written notice to the other Partners):

If to the Partnership, notices shall be made to the Midstream Partner so long as it remains the Operator (and then to the successor Operator):

DCP Southeast Texas, LLC
370 17th Street, Suite 2500
Denver, Colorado 80202
Fax: 303-605-2226
Phone: 303-595-1730
Attention: Group Vice President, General Counsel and Corporate Secretary

If to the Midstream Partner:

DCP Southeast Texas, LLC
370 17th Street, Suite 2500
Denver, Colorado 80202
Fax: 303-605-2226
Phone: 303-595-1730
Attention: Group Vice President, General Counsel and Corporate Secretary

If to GSRH:

Gas Supply Resource Holdings, Inc.
370 17th Street, Suite 2500
Denver, Colorado 80202
Fax: 303-605-2226
Phone: 303-595-1730
Attention: Group Vice President, General Counsel and Corporate Secretary

If to the MLP Partner:

DCP Partners SE Texas LLC
370 17th Street, Suite 2775
Denver, Colorado 80202
Telephone: (303) 633-2900
Facsimile: (303) 633-2921
Attention: President; and with a copy to General Counsel

12.2 Amendment. This Agreement, including this Section 12.2 and the Schedules hereto, shall not be amended or modified except by an instrument in writing signed by or on behalf of all of the Partners.

12.3 Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the Laws of the State of Delaware as applied to contracts made and performed within the State of Delaware, without regard to principles of conflict of Laws.

12.4 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Partners and their respective successors and permitted assigns.

12.5 No Third Party Rights. Nothing in this Agreement shall create or be deemed to create any third party beneficiary rights in any Person or entity not party to this Agreement, except (i) the Partnership Indemnitees and Partner Indemnitees are third party beneficiaries to Article 6 of this Agreement and their rights are subject to the terms of such Article 6 and (ii) as provided in Section 11.2(b).

12.6 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

12.7 Invalidity. If any of the provisions of this Agreement, including the Schedules, is held invalid or unenforceable, such invalidity or unenforceability shall not affect in any way the validity or enforceability of any other provision of this Agreement. If any provision of this Agreement is held invalid or unenforceable, the Partners shall attempt to agree on a valid or enforceable provision which shall be a reasonable substitute for such invalid or unenforceable provision in light of the tenor of this Agreement and, on so agreeing, shall incorporate such substitute provision in this Agreement.

12.8 Entire Agreement. This Agreement, including the Schedules, contains the entire agreement among the Partners hereto with respect to the subject matter hereof and all prior or contemporaneous understandings and agreements shall merge herein. There are no additional terms, whether consistent or inconsistent, oral or written, which are intended to be part of the Partners' understandings that have not been incorporated into this Agreement or the Schedules.

12.9 Expenses. Except as the Partners may otherwise agree or as otherwise provided herein, each Partner shall bear its respective fees, costs and expenses in connection with this Agreement and the transactions contemplated hereby.

12.10 Waiver. No waiver by any Partner, whether express or implied, of any right under any provision of this Agreement shall constitute a waiver of such Partner's right at any other time or a waiver of such Partner's rights under any other provision of this Agreement unless it is made in writing and signed by the President or a Vice President of the Partner waiving the condition. No failure by any Partner hereto to take any action with respect to any breach of this Agreement or Default by another Partner shall constitute a waiver for the former Partner's right to enforce any provision of this Agreement or to take action with respect to such breach or Default or any subsequent breach or Default by such later Partner.

12.11 Dispute Resolution and Arbitration.

(a) Negotiation. In the event of any Arbitral Dispute, the Partners shall promptly seek to resolve any such Arbitral Dispute by negotiations between senior executives of the Partners who have authority to settle the Arbitral Dispute. When a Partner believes there is an Arbitral Dispute under this Agreement that Partner will give the other Partners written notice of the Arbitral Dispute. Within 15 days after receipt of such notice, the receiving Partner shall submit a written response. Both the notice and response shall include (i) a statement of each Partner's position and a summary of the evidence and arguments supporting such position, and (ii) the name, title, fax number, and telephone number of the executive or executives who will represent that Partner. If the Arbitral Dispute involves a claim arising out of the actions of any Person not a Partner or an Affiliate, or an employee or agent of a Partner or an Affiliate for purposes of this Agreement, the receiving Partner shall have such additional time as necessary, not to exceed an additional 30 days, to investigate the Arbitral Dispute before submitting a written response. The executives shall meet at a mutually acceptable time and place within 15 days after the date of the response and thereafter as often as they reasonably deem necessary to exchange relevant information and to attempt to resolve the Arbitral Dispute. If one of the executives intends to be accompanied at a meeting by an attorney, the other executives shall be given at least 5 Business Days' notice of such intention and may also be accompanied by an attorney.

(b) Failure to Resolve. If the Arbitral Dispute has not been resolved within 60 days after the date of the response given pursuant to Section 12.11(a) above, or such additional time, if any, that the Partners mutually agree to in writing, or if a Partner receiving such notice denies the applicability of the provisions of Section 12.11(a) or otherwise refuses to participate under the provisions of Section 12.11(a), either Partner may initiate binding arbitration pursuant to the provisions of Section 12.11(c) below.

(c) Arbitration. Any Arbitral Disputes not settled pursuant to the foregoing provisions shall be resolved through the use of binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("Arbitration Rules"), as supplemented to the extent necessary to determine any procedural appeal questions by the Federal Arbitration Act (Title 9 of the United States Code) and in accordance with the following provisions:

(i) If there is any inconsistency between this Section 12.11(c) and the Arbitration Rules or the Federal Arbitration Act, the terms of this Section 12.11(c) will control the rights and obligations of the Partners.

(ii) Arbitration shall be initiated by a Partner serving written notice, via certified mail, on the other Partner(s) that the first Partner elects to refer the Arbitral Dispute to binding arbitration before a neutral panel of 3 arbitrators having expertise in the matters in controversy, along with a statement of the matter in controversy. Within 15 days after receipt of such demand for arbitration, the receiving Partner(s) shall submit its response to the other Partner along with a statement of any further matters in controversy. The Partners will then have 15 days to submit responses concerning any additional matters in controversy identified by the receiving Partner(s). If the Partners are not able to agree on three arbitrators within 30 days of such 15 day period, any of the Partners involved in the Arbitral Dispute may request the Chief U.S. District Court Judge for the District of Colorado, or such other person designated by such judge, to select one or more arbitrators as soon as possible. If the Judge declines to appoint an arbitrator, appointment shall be made, upon application of any Partner involved in the Arbitral Dispute, pursuant to the Arbitration Rules. If any arbitrator refuses or fails to fulfill his or her duties hereunder, such arbitrator shall be replaced through the foregoing procedures.

(iii) The Partners each agree to submit to the arbitrators its respective desired outcome and request for award, together with any supporting data that was used in developing its outcome and request, no later than 30 days following the selection of the arbitrators. The arbitrators shall be required to select one Partner's desired outcome and requested award and the arbitrators shall have no right or authority to alter the desired outcome and requested award selected.

(iv) The hearing will be conducted in Denver, Colorado, no later than 30 days after the Partners have submitted their desired outcomes and requests for award to the arbitrators. At the hearing the Partners shall present such evidence and witnesses as they may choose, with or without counsel. The Partners and the arbitrators should proceed diligently and in good faith in order that the award may be made as promptly as possible.

(v) Except as provided in the Federal Arbitration Act, the decision of the arbitrators will be binding on and non-appealable by the Partners. Any such decision may be filed in any court of competent jurisdiction and may be enforced by any Partner as a final judgment in such court.

(vi) The arbitrators shall have no right or authority to grant or award exemplary, punitive, remote, speculative, consequential, special or incidental damages.

(vii) Pre-hearing discovery shall be limited to a reasonable exchange of documents between the Partners, within the maximum number of documents specified by the arbitrators, and shall not include depositions of any Person nor the use of subpoenas to compel testimony. The arbitrators may take a Partner's cooperation or lack of cooperation in furnishing information to the arbitrators and the other Partner into account in reaching their decision. Except as provided within this subsection, the Federal Rules of Civil Procedure, as modified or supplemented by the local rules of civil procedure for the U.S. District Court of Colorado, shall apply in the arbitration.

(viii) Adherence to formal rules of evidence shall not be required. The arbitrators shall consider any evidence and testimony that they determine to be relevant.

(ix) The Partners hereby request that the arbitrators render their decision within 15 days following conclusion of the hearing.

(x) The defenses of statute of limitations and laches shall be tolled from and after the date a Partner gives the other Partner written notice of an Arbitral Dispute as provided in Section 12.11(a) above until such time as the Arbitral Dispute has been resolved pursuant to Section 12.11(a), or an arbitration award has been entered pursuant to this Section 12.11(c).

(d) Recovery of Costs and Attorneys' Fees. If arbitration arising out of this Agreement is initiated by either Partner, the decision of the arbitrators may include the award of court costs, fees and expenses of such arbitration (including reasonable attorneys' fees).

(e) Choice of Forum. If, despite the Partners' agreement to submit any Arbitral Disputes to binding arbitration, there are any court proceedings arising out of or relating to this Agreement or the transactions contemplated hereby, such proceedings shall be brought and tried in, and the Partners hereby consent to the jurisdiction of, the federal or state courts situated in the City and County of Denver, State of Colorado.

(f) Jury Waivers. THE PARTIES HEREBY WAIVE ANY AND ALL RIGHTS TO DEMAND A TRIAL BY JURY.

(g) Settlement Proceedings. All aspects of any settlement proceedings, including discovery, testimony and other evidence, negotiations and communications pursuant to this Section 12.11, briefs and the award shall be held confidential by each Partner and the arbitrators, and shall be treated as compromise and settlement negotiations for the purposes of the Federal and State Rules of Evidence.

12.12 Disclosure. Each Partner is acquiring its Interest in the Partnership based upon its own independent investigation, and the exercise by such Partner of its rights and the performance of its obligations under this Agreement are based upon its own investigation, analysis and expertise. Each Partner's acquisition of its Interest in the Partnership is being made for its own account for investment, and not with a view to the sale or distribution thereof. Each Partner understands and acknowledges that its Partnership Interest is not a security and the sale of such Partnership Interest has not been registered under any state or federal securities laws. In addition, each Partner understands that its Partnership Interest is subject to restrictions on transferability in this Agreement that will make it difficult for such Partner to transfer its Partnership Interests.

12.13 Brokers and Finder. All negotiations relating to this Agreement and the transactions contemplated hereby have been carried on without the intervention of any Person acting on behalf of any Partner in such manner as to give rise to any valid claim against any Partner for any brokerage or finder's commission, fee or similar compensation.

12.14 Further Assurances. The Partners shall provide to each other such information with respect to the transactions contemplated hereby as may be reasonably requested and shall execute and deliver to each other such further documents and take such further action as may be reasonably contemplated herein.

12.15 Section Headings. The section headings in this Agreement are for convenience of reference only and shall not be deemed to alter or affect the interpretation of any provision hereof.

12.16 Waiver of Certain Damages. Each of the Partners (individually, and on behalf of the Partnership) waives any right to recover any damages, including consequential or punitive damages, in excess of actual damages from any other Partner or the Partnership in connection with a Default under this Agreement.

IN WITNESS WHEREOF, the Partners hereto have executed this Agreement to be effective as of the date first written herein.

DCP SOUTHEAST TEXAS, LLC
By DCP Midstream, LLC
Its Sole Member

By: /s/ Wouter T. van Kempen
Name: Wouter T. van Kempen
Title: President, Midcontinent Business Unit and Chief Development Officer

GAS SUPPLY RESOURCES HOLDINGS, INC.

By: /s/ Wouter T. van Kempen
Name: Wouter T. van Kempen
Title: President, Midcontinent Business Unit and Chief Development Officer

DCP PARTNERS SE TEXAS LLC

By: /s/ Donald A. Baldridge
Name: Donald A. Baldridge
Title: Vice President, Business Development

SCHEDULE 3.1
to that
AMENDED AND RESTATED
GENERAL PARTNERSHIP AGREEMENT
OF DCP SOUTHEAST TEXAS HOLDINGS, GP
DATED JANUARY 1, 2011
BETWEEN
DCP SOUTHEAST TEXAS LLC,
GAS SUPPLY RESOURCES HOLDINGS, INC.
AND
DCP PARTNERS SE TEXAS LLC

Partner	Percentage Interest
DCP Southeast Texas, LLC	66.66%
Gas Supply Resources Holdings, Inc.	0.01%
DCP Partners SE Texas LLC	33.33%

SCHEDULE 5.4
to that
AMENDED AND RESTATED
GENERAL PARTNERSHIP AGREEMENT
OF DCP SOUTHEAST TEXAS HOLDINGS, GP
DATED JANUARY 1, 2011
BETWEEN
DCP SOUTHEAST TEXAS LLC,
GAS SUPPLY RESOURCES HOLDINGS, INC.
AND
DCP PARTNERS SE TEXAS LLC

Pursuant to Section 5.4(b), the following is a list of matters requiring unanimous vote of the Management Committee for approval:

1. The sale, assignment, transfer, lease or other disposition of all or any portion of the Partnership Assets for consideration in excess of $20,000,000 in the aggregate.
2. The purchase or other acquisition of any asset or business of, any equity interest in, or any investment in, any Person for consideration in excess of $20,000,000 in the aggregate.
3. The Partnership canceling, compromising, waiving, releasing or settling of any right, claim or lawsuit for an amount in excess of $20,000,000.
4. The undertaking by the Partnership of any capital project in excess of $20,000,000, other than (a) reasonable capital expenditures in connection with any emergency or force majeure events or (b) as contemplated by the capital budget prepared and approved in accordance with the provisions of Section 11.2.
5. The issuance, incurrence, guarantee or assumption of any indebtedness or letter of credit by the Partnership except guaranties and letters of credit of ordinary course of business contracts, and indebtedness and letters of credit necessary for the day-to-day operation, maintenance and repair of the Partnership Assets.
6. The issuance or sale of any equity interest of the Partnership or any option, warrant or other security convertible into or exercisable for any equity interests of the Partnership.
7. The redemption, repurchase or other acquisition of any equity interest of the Partnership.
8. The Partnership making any distributions (whether in cash or otherwise) with respect to the Partnership Interests (except as provided in Section 4.3).

9. The Partnership entering into, amending, terminated, canceling or renewing any material contracts outside the ordinary course of business.

10. The Partnership engaging in any transaction with an Affiliate of the Partnership; *provided,* that the foregoing shall not apply to transactions or contracts in effect on the date of this Agreement, or ordinary course of business transactions on commercially reasonable terms for the provision of natural gas or natural gas liquids gathering, processing, treating, compressing, storing, transporting, terminaling, trading or marketing services or for the purchase of power, natural gas or natural gas liquids for fuel or system requirements.

11. The Partnership merging or consolidating with another Person.

12. The Partnership making any loan to any Person (other than extensions of credit to customers in the ordinary course of business and inter-Partnership loans under DCP Midstream, LLC's cash management system).

13. A call for capital contributions by the Partners, except as provided in the Agreement or as required by the Delaware Act.

14. Any amendment to this Agreement.

15. Any liquidation, dissolution, recapitalization or other winding up of the Partnership.

16. The Partnership making any material change in any method of accounting or accounting principles, practices or policies, other than those required by GAAP or applicable law.

17. The Partnership making, amending or revoking any material election with respect to taxes.

18. Acquiring, commencing or conducting any activity or business that may generate income for federal income tax purposes that may not be "qualifying income" (as such term is defined pursuant to section 7704 of the Code.)

Exhibit 99.1

THE SOUTHEAST TEXAS MIDSTREAM BUSINESS

COMBINED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2010 (UNAUDITED) AND DECEMBER 31, 2009 AND 2008

AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 (UNAUDITED) AND 2009 (UNAUDITED) AND THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

Deloitte & Touche LLP
Suite 3600
555 Seventeenth Street
Denver, CO 80202-3942
USA

Tel: +1 303 292 5400
Fax: +1 303 312 4000
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members of
DCP Midstream, LLC
Denver, CO

We have audited the accompanying combined balance sheets of the Southeast Texas Midstream Business (the "Business"), which consists of assets which are under common ownership and common management, as of December 31, 2009 and 2008, and the related combined statements of operations, comprehensive income, changes in net parent equity, and cash flows for each of the three years in the period ended December 31, 2009. These combined financial statements are the responsibility of the Business' management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Business' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such combined financial statements present fairly, in all material respects, the combined financial position of the Business at December 31, 2009 and 2008, and the combined results of its operations and its combined cash flows for each of the three years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

The accompanying combined financial statements have been prepared from the separate records maintained by DCP Midstream, LLC and may not necessarily be indicative of the conditions that would have existed or the results of operations if the Business had been operated as an unaffiliated entity. Portions of certain expenses represent allocations made from, and are applicable to, DCP Midstream, LLC as a whole.

/s/ Deloitte & Touche LLP

November 3, 2010
(November 8, 2010 as to note 13)

Member of
Deloitte Touche Tohmatsu

THE SOUTHEAST TEXAS MIDSTREAM BUSINESS
COMBINED BALANCE SHEETS

	September 30, 2010	December 31, 2009	December 31, 2008
	(Unaudited)	(Millions)	
ASSETS			
Current assets:			
Accounts receivable:			
Trade	$ 29.9	$ 37.3	$ 30.5
Affiliates	5.5	1.5	10.8
Inventories	24.9	19.5	5.7
Unrealized gains on derivative instruments	35.0	35.4	53.1
Total current assets	95.3	93.7	100.1
Property, plant and equipment, net	261.6	225.2	223.4
Goodwill, net	11.8	—	—
Intangibles, net	34.3	—	—
Unrealized gains on derivative instruments	1.0	4.7	1.4
Other long-term assets	0.5	0.5	0.5
Total assets	$ 404.5	$ 324.1	$ 325.4
LIABILITIES AND NET PARENT EQUITY			
Current liabilities:			
Accounts payable:			
Trade	$ 58.5	$ 66.7	$ 45.9
Affiliates	—	—	1.0
Unrealized losses on derivative instruments	29.4	31.9	47.5
Other	8.0	4.3	7.5
Total current liabilities	95.9	102.9	101.9
Unrealized losses on derivative instruments	1.4	4.5	1.2
Other long-term liabilities	4.0	4.4	4.7
Total liabilities	101.3	111.8	107.8
Commitments and contingent liabilities			
Equity:			
Parent equity	305.9	215.0	218.3
Accumulated other comprehensive loss	(2.7)	(2.7)	(0.7)
Total net parent equity	303.2	212.3	217.6
Total liabilities and net parent equity	$ 404.5	$ 324.1	$ 325.4

See accompanying notes to combined financial statements.

THE SOUTHEAST TEXAS MIDSTREAM BUSINESS
COMBINED STATEMENTS OF OPERATIONS

	Nine Months Ended September 30,		Year Ended December 31,		
	2010	2009	2009	2008	2007
	(Unaudited)		(Millions)		
Operating revenues:					
Sales of natural gas, NGLs and condensate	$310.1	$192.7	$274.4	$ 707.9	$533.4
Sales of natural gas, NGLs and condensate to affiliates	276.9	152.5	241.9	410.5	364.6
Transportation, processing and other	8.6	6.7	9.7	10.8	10.0
Transportation, processing and other to affiliates	—	—	—	—	1.4
Gains from commodity derivative activity, net	9.4	6.4	8.9	12.8	3.9
(Losses) gains from commodity derivative activity, net — affiliates	(0.7)	0.4	0.6	0.1	4.0
Total operating revenues	604.3	358.7	535.5	1,142.1	917.3
Operating costs and expenses:					
Purchases of natural gas and NGLs	545.6	316.1	471.5	1,049.2	844.1
Purchases of natural gas and NGLs from affiliates	0.6	0.6	0.6	16.2	1.8
Operating and maintenance expense	13.3	12.4	14.5	17.6	14.2
Depreciation and amortization expense	10.2	9.0	12.0	11.8	11.0
General and administrative expense — affiliates	8.4	7.6	10.8	10.6	12.3
Other income	(1.0)	—	—	—	—
Loss on sale of assets	—	0.5	0.5	1.8	—
Total operating costs and expenses	577.1	346.2	509.9	1,107.2	883.4
Operating income	27.2	12.5	25.6	34.9	33.9
Income tax expense	(0.5)	(0.4)	(0.4)	(0.7)	(0.7)
Net income	$ 26.7	$ 12.1	$ 25.2	$ 34.2	$ 33.2

See accompanying notes to combined financial statements.

THE SOUTHEAST TEXAS MIDSTREAM BUSINESS
COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Nine Months Ended September 30,		Year Ended December 31,		
	2010	2009	2009	2008	2007
	(Unaudited)				
			(Millions)		
Net income	$26.7	$12.1	$25.2	$34.2	$33.2
Other comprehensive loss:					
Net unrealized losses on cash flow hedges	—	(1.4)	(2.0)	(0.7)	—
Total other comprehensive loss	—	(1.4)	(2.0)	(0.7)	—
Total comprehensive income	$26.7	$10.7	$23.2	$33.5	$33.2

See accompanying notes to combined financial statements.

THE SOUTHEAST TEXAS MIDSTREAM BUSINESS
COMBINED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009	Year Ended December 31, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
	(Unaudited)				
			(Millions)		
OPERATING ACTIVITIES:					
Net income	$ 26.7	$ 12.1	$ 25.2	$ 34.2	$ 33.2
Adjustments to reconcile net income to net cash provided by operating activities:					
Loss on sale of assets	—	0.5	0.5	1.8	—
Depreciation and amortization expense	10.2	9.0	12.0	11.8	11.0
Other, net	(1.0)	—	0.1	(0.1)	0.1
Change in operating assets and liabilities, which (used) provided cash:					
Accounts receivable	7.0	22.1	2.1	23.5	(15.9)
Inventories	(5.4)	(1.0)	(13.8)	32.8	(7.6)
Net unrealized (gains) losses on derivative instruments	(1.5)	1.4	—	(1.4)	8.4
Accounts payable	(11.3)	(9.7)	19.8	(45.8)	30.5
Other current assets and liabilities	0.7	(0.3)	(0.7)	0.9	2.6
Other long-term assets and liabilities	(0.4)	(0.3)	(0.4)	(0.2)	(0.5)
Net cash provided by operating activities	25.0	33.8	44.8	57.5	61.8
INVESTING ACTIVITIES:					
Capital expenditures	(10.4)	(11.3)	(17.4)	(14.1)	(22.1)
Purchase of Ceritas	(78.8)	—	—	—	—
Proceeds from sale of assets	—	1.1	1.1	5.7	—
Net cash used in investing activities	(89.2)	(10.2)	(16.3)	(8.4)	(22.1)
FINANCING ACTIVITIES:					
Net change in parent advances	64.2	(23.6)	(28.5)	(49.1)	(39.7)
Net cash provided by (used in) financing activities	64.2	(23.6)	(28.5)	(49.1)	(39.7)
Net change in cash and cash equivalents	—	—	—	—	—
Cash and cash equivalents, beginning of period	—	—	—	—	—
Cash and cash equivalents, end of period	$ —	$ —	$ —	$ —	$ —

See accompanying notes to combined financial statements.

THE SOUTHEAST TEXAS MIDSTREAM BUSINESS
COMBINED STATEMENTS OF CHANGES IN NET PARENT EQUITY

	Parent Equity	Accumulated Other Comprehensive Loss	Net Parent Equity
		(Millions)	
Balance, January 1, 2007	$239.7	$ —	$ 239.7
Net change in parent advances	(39.7)	—	(39.7)
Comprehensive income:			
Net income	33.2	—	33.2
Total comprehensive income	33.2	—	33.2
Balance, December 31, 2007	233.2	—	233.2
Net change in parent advances	(49.1)	—	(49.1)
Comprehensive income (loss):			
Net income	34.2	—	34.2
Net unrealized losses on cash flow hedges	—	(0.7)	(0.7)
Total comprehensive income (loss)	34.2	(0.7)	33.5
Balance, December 31, 2008	218.3	(0.7)	217.6
Net change in parent advances	(28.5)	—	(28.5)
Comprehensive income (loss):			
Net income	25.2	—	25.2
Net unrealized losses on cash flow hedges	—	(2.0)	(2.0)
Total comprehensive income (loss)	25.2	(2.0)	23.2
Balance, December 31, 2009	215.0	(2.7)	212.3
Net change in parent advances (Unaudited)	64.2	—	64.2
Comprehensive income:			
Net income (Unaudited)	26.7	—	26.7
Total comprehensive income (Unaudited)	26.7	—	26.7
Balance, September 30, 2010 (Unaudited)	$305.9	$ (2.7)	$ 303.2

See accompanying notes to combined financial statements.

1. Description of Business and Basis of Presentation

The Southeast Texas Midstream Business, or the Business, we, our, or us, is engaged in the business of gathering, transporting, treating, compressing and processing natural gas and natural gas liquids, or NGL's. The operations, located in Southeast, Texas, include 3 natural gas processing facilities with a total capacity of approximately 350 million cubic feet per day. The facilities are connected to our Liberty 36-mile gathering system and to our CIPCO system, which includes in excess of 600 miles of gathering and transmission lines, as well as our 3 salt dome natural gas storage caverns at Spindletop with a total working gas capacity of 9 billion cubic feet.

These combined financial statements and related notes present the financial position, results of operations, cash flows, and changes in net parent equity of the Business held by DCP Midstream, LLC and its subsidiaries, or Midstream. Midstream is owned 50% by Spectra Energy Corp, or Spectra Energy, and 50% by ConocoPhillips. As of January 1, 2011, Midstream owned an approximately 30% interest, including a 1% general partner interest, in DCP Midstream Partners, LP, or Partners. The Business was contributed to DCP Southeast Texas Holdings GP, and on January 1, 2011, Partners acquired from Midstream a 33.33% interest in DCP Southeast Texas Holdings, GP, or the transaction. As part of the closing of the transaction, the assets, liabilities and operations of the Business, with the exception of any financial derivative instruments and certain working capital and other liabilities now reside in DCP Southeast Texas Holdings, GP. Subsequent to the transaction, Midstream still directs our business operations. The Business does not currently and is not expected to have any employees. Midstream and its affiliates' employees are responsible for conducting our business and operating our assets.

The combined financial statements include the accounts of the Business and have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP. The combined financial statements of the Business have been prepared from the separate records maintained by Midstream and may not necessarily be indicative of the conditions that would have existed, or the results of operations, if the Business had been operated as an unaffiliated entity. Because a direct ownership relationship did not exist among all the various assets comprising the Business, Midstream's net investment in the Business is shown as net parent equity, in lieu of owner's equity, in the combined financial statements. All intercompany balances and transactions have been eliminated. Transactions between us and other Midstream operations have been identified in the combined financial statements as transactions between affiliates. In the opinion of management, all adjustments have been reflected that are necessary for a fair presentation of the combined financial statements.

The combined financial statements of operations and cash flows for the nine months ended September 30, 2010 and 2009, the combined statements of comprehensive income for the nine months ended September 30, 2010 and 2009, the combined statements of changes in net parent equity for the nine months ended September 30, 2010, and the combined balance sheet as of September 30, 2010, are unaudited. These unaudited interim combined financial statements have been prepared in accordance with GAAP. In the opinion of management, the unaudited interim combined financial statements have been prepared on the same basis as the audited combined financial statements, and reflect all normal recurring adjustments that are necessary to present fairly the financial position, and the results of operations and cash flows, for the respective interim periods.

Results of operations for the nine months ended September 30, 2010, are not necessarily indicative of the results that may be expected for the year ending December 31, 2010.

2. Summary of Significant Accounting Policies

Use of Estimates — Conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the combined 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.

Inventories — Inventories consist primarily of natural gas held in storage for transportation and sales commitments. Inventories are valued at the lower of weighted average cost or market. Transportation costs are included in inventory on the combined balance sheets.

Property, Plant and Equipment — Property, plant and equipment are recorded at historical cost. The cost of maintenance and repairs, which are not significant improvements, are expensed when incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Asset retirement obligations associated with tangible long-lived assets are recorded at fair value in the period in which they are incurred, if a reasonable estimate of fair value can be made, and added to the carrying amount of the associated asset. This additional carrying amount is then depreciated over the life of the asset. The liability is determined using a risk free interest rate, and increases due to the passage of time based on the time value of money until the obligation is settled.

Intangible Assets and Goodwill — Intangible assets consist primarily of customer contracts. These intangible assets will be amortized on a straight-line basis over the term of the contract or anticipated relationship, of approximately 15 years. Intangible assets are removed from the gross carrying amount and the total of accumulated amortization in the period in which they become fully amortized.

Goodwill is the cost of an acquisition less the fair value of the net assets of the acquired business. We evaluate goodwill for impairment annually in the third quarter, and when we believe events or changes in circumstances indicate we may not be able to recover the carrying value of the reporting unit. Impairment testing of goodwill consists of a two-step process. The first step involves comparing the fair value of the reporting unit, to which goodwill has been allocated, with its carrying amount. If the carrying amount of the reporting unit exceeds its fair value, the second step of the process involves comparing the fair value and carrying value of the goodwill of that reporting unit. If the carrying value of the goodwill of a reporting unit exceeds the fair value of that goodwill, the excess of the carrying value over the fair value is recognized as an impairment loss.

Long-Lived Assets — We periodically evaluate whether the carrying value of long-lived assets has been impaired when circumstances indicate the carrying value of those assets may not be recoverable. This evaluation is based on undiscounted cash flow projections. The carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. We consider various factors when determining if these assets should be evaluated for impairment, including but not limited to:

- significant adverse change in legal factors or business climate;
- a current-period operating or cash flow loss combined with a history of operating or cash flow losses, or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset;
- an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset;
- significant adverse changes in the extent or manner in which an asset is used, or in its physical condition;
- a significant adverse change in the market value of an asset; or
- a current expectation that, more likely than not, an asset will be sold or otherwise disposed of before the end of its estimated useful life.

If the carrying value is not recoverable, the impairment loss is measured as the excess of the asset’s carrying value over its fair value. We assess the fair value of long-lived assets using commonly accepted techniques, and may use more than one method, including, but not limited to, recent third party comparable sales and discounted cash flow models. Significant changes in market conditions resulting from events such as the condition of an asset or a change in management’s intent to utilize the asset would generally require management to reassess the cash flows related to the long-lived assets.

Accounting for Risk Management Activities and Financial Instruments — We designate each energy commodity derivative as either trading or non-trading. Certain non-trading derivatives are further designated as either a hedge of a forecasted transaction or future cash flow (cash flow hedge) or normal purchases or normal sales. The remaining non-trading derivatives, which are related to assets-based activities for which the normal purchases or normal sale exception are not elected, are recorded at fair value in the combined balance sheets as unrealized gains or unrealized losses in derivative instruments, with changes in the fair value recognized in the combined statements of operations. For each derivative, the accounting method and presentation of gains and losses or revenue and expense in the combined statements of operations are as follows:

Classification of Contract	Accounting Method	Presentation of Gains & Losses or Revenue & Expense
Non-Trading Derivative Activity	Mark-to-market method (a)	Net basis in gains and losses from commodity derivative activity
Cash Flow Hedge	Hedge method (b)	Gross basis in the same combined statements of operations category as the related hedged item

(a) Mark-to-market — An accounting method whereby the change in the fair value of the asset or liability is recognized in the combined statements of operations in gains and losses from commodity derivative activity during the current period.

(b) Hedge method — An accounting method whereby the change in the fair value of the asset or liability is recorded in the combined balance sheets as unrealized gains or unrealized losses on derivative instruments. For cash flow hedges, there is no recognition in the combined statements of operations for the effective portion until the service is provided or the associated delivery period impacts earnings.

Cash Flow Hedges — For derivatives designated as a cash flow hedge, we maintain formal documentation of the hedge. In addition, we formally assess both at the inception of the hedging relationship and on an ongoing basis, whether the hedge contract is highly effective in offsetting changes in cash flows of hedged items. All components of each derivative gain or loss are included in the assessment of hedge effectiveness, unless otherwise noted.

The fair value of a derivative designated as a cash flow hedge is recorded in the combined balance sheets as unrealized gains or unrealized losses on derivative instruments. The effective portion of the change in fair value of a derivative designated as a cash flow hedge is recorded in net parents' equity as AOCI, and the ineffective portion is recorded in the combined statements of operations. During the period in which the hedged transaction impacts earnings, amounts in AOCI associated with the hedged transaction are reclassified to the combined statements of operations in the same accounts as the item being hedged. Hedge accounting is discontinued prospectively when it is determined that the derivative no longer qualifies as an effective hedge, or when it is probable that the hedged transaction will not occur. When hedge accounting is discontinued because the derivative no longer qualifies as an effective hedge, the derivative is subject to the mark-to-market accounting method prospectively. The derivative continues to be carried on the combined balance sheets at its fair value; however, subsequent changes in its fair value are recognized in current period earnings. Gains and losses related to discontinued hedges that were previously accumulated in AOCI will remain in AOCI until the hedged transaction impacts earnings, unless it is probable that the hedged transaction will not occur, in which case, the gains and losses that were previously deferred in AOCI will be immediately recognized in current period earnings.

Valuation — When available, quoted market prices or prices obtained through external sources are used to determine a contract's fair value. For contracts with a delivery location or duration for which quoted market prices are not available, fair value is determined based on pricing models developed primarily from historical relationships with quoted market prices and the expected relationship with quoted market prices.

Values are adjusted to reflect the credit risk inherent in the transaction as well as the potential impact of liquidating open positions in an orderly manner over a reasonable time period under current conditions. Changes in market prices and management estimates directly affect the estimated fair value of these contracts. Accordingly, it is reasonably possible that such estimates may change in the near term.

Revenue Recognition — We generate the majority of our revenues from gathering, processing, compressing and transporting natural gas and NGLs, and from trading and marketing of natural gas. We realize revenues either by selling the residue natural gas and NGLs, or by receiving fees from the producers.

We obtain access to commodities and provide our midstream services principally under contracts that contain a combination of one or more of the following arrangements:

- *Fee-based arrangements* — Under fee-based arrangements, we receive a fee or fees for one or more of the following services: gathering, compressing, treating, processing or transporting natural gas; and transporting NGLs. Our fee-based arrangements include natural gas purchase arrangements pursuant to which we purchase natural gas at the wellhead or other receipt points, at an index related price at the delivery point less a specified amount, generally the same as the transportation fees we would otherwise charge for transportation of natural gas from the wellhead location to the delivery point. The revenues we earn are directly related to the volume of natural gas or NGLs that flows through our systems and are not directly dependent on commodity prices. However, to the extent a sustained decline in commodity prices results in a decline in volumes, our revenues from these arrangements would be reduced.

- *Percent-of-proceeds arrangements* — Under percent-of-proceeds arrangements, we generally purchase natural gas from producers at the wellhead, or other receipt points, gather the wellhead natural gas through our gathering system, treat and process the natural gas, and then sell the resulting residue natural gas and NGLs based on index prices from published index market prices. We remit to the producers either an agreed-upon percentage of the actual proceeds that we receive from our sales of the residue natural gas and NGLs, or an agreed-upon percentage of the proceeds based on index related prices for the natural gas and the NGLs, regardless of the actual amount of the sales proceeds we receive. Certain of these arrangements may also result in our returning all or a portion of the residue natural gas and/or the NGLs to the producer, in lieu of returning sales proceeds. Our revenues under percent-of-proceeds arrangements relate directly with the price of natural gas and/or NGLs.

Our marketing of natural gas consists of physical purchases and sales, as well as positions in derivative instruments.

We recognize revenues for sales and services under the four revenue recognition criteria, as follows:

- *Persuasive evidence of an arrangement exists* — Our customary practice is to enter into a written contract.
- *Delivery* — Delivery is deemed to have occurred at the time custody is transferred, or in the case of fee-based arrangements, when the services are rendered. To the extent we retain product as inventory, delivery occurs when the inventory is subsequently sold and custody is transferred to the third party purchaser.
- *The fee is fixed or determinable* — We negotiate the fee for our services at the outset of our fee-based arrangements. In these arrangements, the fees are nonrefundable. For other arrangements, the amount of revenue, based on contractual terms, is determinable when the sale of the applicable product has been completed upon delivery and transfer of custody.
- *Collectability is reasonably assured* — Collectability is evaluated on a customer-by-customer basis. New and existing customers are subject to a credit review process, which evaluates the customers' financial position (for example, credit metrics, liquidity and credit rating) and their ability to pay. If collectability is not considered reasonably assured at the outset of an arrangement in accordance with our credit review process, revenue is not recognized until the cash is collected.

We generally report revenues gross in the combined statements of operations, as we typically act as the principal in these transactions, take custody to the product, and incur the risks and rewards of ownership. New or amended contracts for certain sales and purchases of inventory with the same counterparty, when entered into in contemplation of one another, are reported net as one transaction. We recognize revenues for non-trading commodity derivative activity net in the combined statements of operations as gains and losses from commodity derivative activity. These activities include mark-to-market gains and losses on energy trading contracts and the settlement of financial or physical energy trading contracts.

Quantities of natural gas or NGLs over-delivered or under-delivered related to imbalance agreements with customers, producers or pipelines are recorded monthly as accounts receivable or accounts payable using current market prices or the weighted-average prices of natural gas or NGLs at the plant or system. These balances are settled with deliveries of natural gas or NGLs, or with cash. Included in the combined balance sheets as accounts receivable—trade and accounts receivable—affiliates as of September 30, 2010, December 31, 2009 and December 31, 2008, were imbalances of $0 (unaudited), $0.1 million and $0.1 million, respectively. Included in the combined balance sheets as accounts payable—trade as of September 30, 2010, December 31, 2009 and December 31, 2008, were imbalances of $0.1 million (unaudited), $0.2 million and less than $0.1 million, respectively.

Environmental Expenditures — Environmental expenditures are expensed or capitalized as appropriate, depending upon the future economic benefit. Expenditures that relate to an existing condition caused by past operations and that do not generate current or future revenue are expensed. Liabilities for these expenditures are recorded on an undiscounted basis when environmental assessments and/or clean-ups are probable and the costs can be reasonably estimated. As of September 30, 2010 (unaudited), December 31, 2009 and December 31, 2008, we had no environmental liabilities in our combined balance sheets.

Allowance for Doubtful Accounts — Management estimates the amount of required allowances for the potential non-collectability of accounts receivable generally based upon the number of days past due, past collection experience and consideration of other relevant factors. However, past experience may not be indicative of future collections and therefore additional charges could be incurred in the future to reflect differences between estimated and actual collections.

Income Taxes — We are treated as a pass-through entity for federal income tax purposes, as such we do not directly pay federal income taxes. We are subject to the Texas margin tax, which is treated as an income tax. We follow the asset and liability method of accounting for income taxes. Under this method, deferred income taxes are recognized for the tax consequences of temporary differences between the financial statement carrying amounts and the tax basis of the assets and liabilities. The Business is a member of a group. We have calculated current and deferred income taxes as if we were a separate tax payer.

3. Recent Accounting Pronouncements

On July 1, 2009, the Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, became the source for authoritative GAAP. During the second half of 2009, the FASB issued several ASUs. The following outlines the ASUs that are applicable to us and may have an impact on our combined financial statements and related disclosures:

***FASB ASU 2010-06 "Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements,"* or ASU 2010-06** — In January 2010, the FASB issued Accounting Standards Update, or ASU, 2010-06 which amended ASC Topic 820-10 "Fair Value Measurement and Disclosures—Overall." ASU 2010-06 requires new disclosures regarding transfers in and out of assets and liabilities measured at fair value classified within the valuation hierarchy as either Level 1 or Level 2 and information about sales, issuances and settlements on a gross basis for assets and liabilities classified as Level 3. ASU 2010-06 clarifies existing disclosures on the level of disaggregation required and inputs and valuation techniques. The provisions of ASU 2010-06 became effective for us on January 1, 2010, except for disclosure of information about sales, issuances and settlements on a gross basis for assets and liabilities classified as Level 3, which is effective for us on January 1, 2011. The provisions of ASU 2010-06 impact only disclosures and we have disclosed information in accordance with the revised provisions of ASU 2010-06 within our combined financial statements.

***ASU 2009-17 "Consolidation (Topic 810): Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities,"* or ASU 2009-17** — In December 2009, the FASB issued ASU 2009-17 which amended ASC Topic 810 "Consolidation." ASU 2009-17 requires entities to perform additional analysis of their variable interest entities and consolidation methods. This ASU became effective for us on January 1, 2010 and upon adoption we did not change our conclusions on which entities we consolidate in our combined financial statements.

***ASU 2009-13 "Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements,"* or ASU 2009-13** — In October 2009, the FASB issued ASU 2009-13 which amended ASC Topic 605 "Revenue Recognition." The ASU addresses the accounting for multiple-deliverable arrangements, to enable vendors to account for products or services separately rather than as a combined unit. ASU 2009-13 is effective for us on January 1, 2011 and we are in the process of assessing the impact of ASU 2009-13 on our combined results of operations, cash flows and financial position as a result of adoption.

***ASU 2009-05 "Fair Value Measurements and Disclosures (Topic 820): Measuring Liabilities at Fair Value,"* or ASU 2009-05** — In August 2009, the FASB issued ASU 2009-05 which amended ASC Topic 820-10 "Fair Value Measurements and Disclosures—Overall" for the fair value measurement of liabilities. The amended provisions in this update are designed to reduce potential ambiguity in financial reporting when measuring the fair value of liabilities, helping to improve the consistency in the application of Topic 820 "Fair Value Measurements and Disclosures." ASU 2009-05 became effective on October 1, 2009 and there was no impact on our combined results of operations, cash flows or financial position as a result of adoption.

***ASC 350 "Intangibles—Goodwill and Other,"* or ASC 350, *ASC 275 "Risks and Uncertainties,"* or ASC 275** — In April 2008, the FASB amended guidance relating to intangible assets and risks and uncertainties, for factors that should be considered in developing renewal or extension assumptions used to determine the useful life of an intangible asset. We adopted these amended provisions on January 1, 2009. As a result of acquisitions, we have intangible assets for customer contracts and related relationships in our combined balance sheets. Generally, costs to renew or extend such contracts are not significant, and are expensed to the combined statements of operations as incurred. During the nine months ended September 30, 2010 and for the year ended December 31, 2009, there were no contracts that were recognized as intangible assets that were renewed or extended.

***ASC 805 "Business Combinations,"* or ASC 805** — In April 2009, the FASB amended guidance relating to business combinations, providing additional guidance on the valuation of assets and liabilities assumed in a business combination that arise from contingencies, which would otherwise be subject to the provisions of other applicable GAAP. This amendment emphasizes that assets and liabilities assumed in a business combination that have an estimated fair value should be recorded at the time of acquisition. Assets and liabilities where the fair value may not be determinable during the measurement period will continue to be recognized pursuant to other applicable GAAP. This amendment was effective for us for business combinations with closing dates subsequent to January 1, 2009. We have accounted for business combinations with closing dates subsequent to the effective date in accordance with this new guidance.

In December 2007, the FASB amended guidance relating to business combinations, which requires the acquiring entity in a business combination subsequent to January 1, 2009 to recognize all (and only) the assets acquired and liabilities assumed in the transaction; establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose to investors and other users all of the information they need to evaluate and understand the nature and financial effect of the business combination. We adopted these amended provisions effective January 1, 2009, and have accounted for all transactions with closing dates subsequent to adoption in accordance with the revised provisions of this standard.

***ASC 815 "Derivatives and Hedging,"* or ASC 815** — In March 2008, the FASB amended guidance relating to derivatives and hedging to require disclosures of how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for and how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. We adopted these amended provisions effective January 1, 2009, and have included all required disclosures in these financial statements. The amended provisions impact only disclosures, so there was no effect on our combined results of operations, cash flows or financial position as a result of adoption.

***ASC 820 "Fair Value Measurements and Disclosures,"* or ASC 820** — In April 2009, the FASB amended guidance relating to fair value measurements and disclosures, which provides additional guidance on the valuation of assets or liabilities that are held in markets that have seen a significant decline in activity. While this amendment does not change the overall objective of determining fair value, it emphasizes that in markets with significantly decreased activity and the appearance of non-orderly transactions, an entity may employ multiple valuation techniques, to which significant adjustments may be required, to determine the most appropriate fair value. During 2009, certain of the markets in which we transact saw a decrease in overall volume; however, we believe that these markets continue to provide sufficient liquidity such that transactions are executed in an orderly manner at fair value. We adopted these amended provisions effective June 30, 2009 and there was no impact on our combined results of operations, cash flows or financial position.

On January 1, 2008 we adopted the fair value measurement and disclosure requirements of ASC 820 for all financial assets and liabilities. Effective January 1, 2009, we adopted the fair value measurement and disclosure requirements for all nonfinancial assets and liabilities. There was no effect on our combined results of operations, cash flows, or financial position, and we have included all required disclosures as a result of the adoption of these requirements relative to nonfinancial assets and liabilities.

***ASC 855 "Subsequent Events,"* or ASC 855** — In May 2009, the FASB amended guidance relating to subsequent events, which sets forth the recognition and disclosure requirements for events that occur after the balance sheet date, but before financial statements are issued or are available to be issued. We adopted these amended provisions effective June 30, 2009, and there was no effect on our combined results of operations, cash flows or financial position as a result of adoption. All appropriate disclosure of subsequent events is made within the footnotes.

4. Acquisitions

On June 29, 2010, we acquired the Raywood processing plant and Liberty gathering system, which are located in Liberty County, Texas, from Ceritas Holdings, LP, or Ceritas, for $78.8 million (unaudited), subject to customary purchase price adjustments. We may pay up to an additional $6.0 million (unaudited) to Ceritas based upon recovery of certain currently non-producing wells over a period of approximately one year. We initially recorded a liability of $3.1 million (unaudited), which represented the initial fair value of the contingent consideration. As of September 30, 2010, we reassessed the fair value of the contingent consideration and adjusted the fair value of the liability to $2.1 million. This liability is recorded in other current liabilities within the combined balance sheet as of September 30, 2010. Accordingly, we have recognized a gain of $1.0 million for the nine months ended September 30, 2010, within other operating income in the combined results of operations. The acquired system will connect with our existing southeast Texas assets.

The purchase price allocation is preliminary and is based on initial estimates of fair values at the date of the acquisition. We will continue to evaluate the initial purchase price allocation, which may be adjusted as additional information relative to the fair value of working capital becomes available. The preliminary purchase price allocation is as follows:

	(Unaudited) (Millions)
Aggregate consideration	$ 78.8
The preliminary purchase price was allocated as follows:	
Property, plant and equipment	$ 34.6
Intangible assets	34.9
Goodwill	11.8
Other assets	3.5
Other liabilities	(2.9)
Contingent consideration	(3.1)
Total preliminary purchase price allocation	$ 78.8

Combined Financial Information

The following table presents unaudited pro forma information for the combined statements of operations for the nine months ended September 30, 2010 and 2009, as if the acquisition of the Raywood processing plant and Liberty gathering system had occurred at the beginning of each period presented. For the nine months ended September 30, 2010, revenues of $15.0 (unaudited) and net income of $1.9 (unaudited) associated with the acquired assets, from the date of acquisition through September 30, 2010 have been included in the combined statements of operations.

	Nine Months Ended September 30, 2010			Nine Months Ended September 30, 2009		
	The South East Texas Midstream Business	Acquisition of the Raywood Processing Plant and the Liberty Gathering System	The South East Texas Midstream Business Pro Forma	The South East Texas Midstream Business	Acquisition of the Raywood Processing Plant and the Liberty Gathering System	The South East Texas Midstream Business Pro Forma
	(Unaudited) (Millions)					
Total operating revenues	$ 604.3	$ 22.6	$ 626.9	$ 358.7	$ 30.3	$ 389.0
Net income	$ 26.7	$ 2.0	$ 28.7	$ 12.1	$ 2.1	$ 14.2

5. Agreements and Transactions with Affiliates

DCP Midstream, LLC

The employees supporting our operations are employees of Midstream. Costs incurred by Midstream on our behalf for salaries and benefits of operating personnel, as well as capital expenditures, maintenance and repair costs, and taxes have been directly allocated to us. Midstream also provides centralized corporate functions on our behalf, including legal, accounting, cash management, insurance administration and claims processing, risk management, health, safety and environmental, information technology, human resources, credit, payroll, internal audit, taxes and engineering. Midstream records the accrued liabilities and prepaid expenses for general and administrative expenses in its financial statements, including liabilities related to payroll, short and long-term incentive plans, employee retirement and medical plans, paid time off, audit, tax, insurance and other service fees. Our share of those costs has been allocated based on Midstream’s proportionate investment (consisting of property, plant and equipment, intangibles, and investments in unconsolidated affiliates) compared to our investment. In management’s estimation, the allocation methodologies used are reasonable and result in an allocation to us of our costs of doing business borne by Midstream.

Midstream has issued parental guarantees in favor of certain counterparties. A portion of these parental guarantees relate to assets included in these combined financial statements.

We participate in Midstream's cash management program. As a result, we have no cash balances on the combined balance sheets and all of our cash management activity was performed by Midstream on our behalf, including collection of receivables, payment of payables, and the settlement of sales and purchases transactions with Midstream, which were recorded as parent advances and are included in net parent equity on the accompanying combined balance sheets.

We currently, and anticipate to continue to, purchase and sell to Midstream in the ordinary course of business. Midstream was a significant customer during the nine months ended September 30, 2010 and 2009 (unaudited), and for the years ended December 31, 2009, 2008 and 2007.

ConocoPhillips

We currently, and anticipate to continue to, sell to ConocoPhillips in the ordinary course of business. ConocoPhillips was a significant customer during the nine months ended September 30, 2010 and 2009 (unaudited), and for the years ended December 31, 2009, 2008 and 2007.

Summary of Transactions with Affiliates

The following table summarizes transactions with affiliates:

	Nine Months Ended September 30,		Year Ended December 31,		
	2010	2009	2009	2008	2007
	(Unaudited)				
			(Millions)		
DCP Midstream, LLC:					
Sales of natural gas, NGLs and condensate	$254.1	$127.9	$216.5	$313.6	$305.7
Purchases of natural gas and NGLs	$ 0.6	$ 0.4	$ 0.4	$ 9.7	$ 0.2
Losses from commodity derivative activity, net	$ (0.8)	$ (0.1)	$ (0.1)	$ (0.2)	$ —
General and administrative expense	$ 8.4	$ 7.6	$ 10.8	$ 10.6	$ 12.3
ConocoPhillips:					
Sales of natural gas, NGLs and condensate	$ 22.8	$ 24.3	$ 25.1	$ 96.9	$ 58.9
Purchases of natural gas and NGLs	$ —	$ 0.1	$ 0.1	$ 5.8	$ 1.2
Gains on derivative activity, net	$ 0.1	$ 0.5	$ 0.7	$ 0.3	$ 4.0
Spectra Energy:					
Sales of natural gas, NGLs and condensate	$ —	$ 0.3	$ 0.3	$ —	$ —
Transportation, processing and other	$ —	$ —	$ —	$ —	$ 1.4
Purchases of natural gas and NGLs	$ —	$ 0.1	$ 0.1	$ 0.4	$ 0.4
Operating and maintenance expense	$ —	$ —	$ 0.2	$ —	$ —
Other:					
Purchases of natural gas and NGLs	$ —	$ —	$ —	$ 0.3	$ —
Operating and maintenance expense (a)	$ —	$ —	$ (0.2)	$ —	$ —

(a) Balance for the year ended December 31, 2009 includes hurricane insurance recovery receivables, which were treated as a reduction to operating expense in the accompanying combined statements of operations.

We had balances with affiliates as follows:

	September 30, 2010 (Unaudited)	December 31, 2009	December 31, 2008
		(Millions)	
DCP Midstream, LLC:			
Unrealized losses on derivative instruments — current	$ —	$ —	$ —
ConocoPhillips:			
Accounts receivable	$ 5.5	$ 1.5	$ 10.6
Accounts payable	$ —	$ —	$ (0.1)
Unrealized gains on derivative instruments — current	$ —	$ 0.4	$ —
Unrealized gains on derivative instruments — long-term	$ —	$ —	$ 0.1
Spectra Energy:			
Accounts receivable	$ —	$ —	$ 0.2
Accounts payable	$ —	$ —	$ (0.9)

6. Property, Plant and Equipment

A summary of property, plant and equipment by classification is as follows:

	Depreciable Life	September 30, 2010 (Unaudited)	December 31, 2009	December 31, 2008
			(Millions)	
Gathering systems	15 — 30 Years	$ 73.0	$ 59.6	$ 56.7
Underground storage	0 — 50 Years	122.1	98.5	99.8
Processing plants	25 — 30 Years	90.5	70.1	68.5
Transportation	25 — 30 Years	106.6	103.2	103.1
General plant	3 — 5 Years	1.7	1.6	1.5
Land	Non-Depreciable	1.3	1.2	0.5
Construction work in progress		5.0	20.0	10.3
Property, plant and equipment		400.2	354.2	340.4
Accumulated depreciation		(138.6)	(129.0)	(117.0)
Property, plant and equipment, net		$ 261.6	$ 225.2	$ 223.4

The above amounts include accrued capital expenditures of $1.1 million (unaudited) for the nine months ended September 30, 2010, and $0.3 million and $2.8 million for the years ended December 31, 2009 and 2008, respectively. There was no interest capitalized on construction projects for the nine months ended September 30, 2010 and 2009 or for the years ended December 31, 2009, 2008 and 2007.

Depreciation expense was $9.6 million (unaudited) and $9.0 million (unaudited) for the nine months ended September 30, 2010 and 2009, respectively, and $12.0 million, $11.8 million and $11.0 million for the years ended December 31, 2009, 2008 and 2007, respectively.

Asset Retirement Obligations — Our asset retirement obligations relate primarily to the retirement of various gathering pipelines and processing facilities, obligations related to right-of-way easement agreements, and contractual leases for land use. We adjust our asset retirement obligation for any liabilities incurred or settled during the period, accretion expense and any revisions made to the estimated cash flows. The asset retirement obligations, included in other long-term liabilities in the combined balance sheets, are $0.9 million (unaudited) at September 30, 2010, $0.8 million at December 31, 2009 and $0.7 million at December 31, 2008. Accretion expense for the nine months ended September 30, 2010 and 2009 was less than $0.1 million (unaudited), for both periods. Accretion expense for the years ended December 31, 2009 and 2007 was $0.1 million for both periods. During the year ended December 31, 2008, we purchased a parcel of land which was previously leased. This transaction resulted in relieving the associated ARO and recognizing a $0.1 million benefit to accretion expense.

We identified various assets as having an indeterminate life, for which there is no requirement to establish a fair value for future retirement obligations associated with such assets. These assets include certain pipelines, gathering systems and processing facilities. A liability for these asset retirement obligations will be recorded only if and when a future retirement obligation with a determinable life is identified. These assets have an indeterminate life because they are owned and will operate for an indeterminate future period when properly maintained. Additionally, if the portion of an owned plant containing asbestos were to be modified or dismantled, we would be legally required to remove the asbestos. We currently have no plans to take actions that would require the removal of the asbestos in these assets. Accordingly, the fair value of the asset retirement obligation related to this asbestos cannot be estimated and no obligation has been recorded.

7. Goodwill and Intangible Assets

At September 30, 2010, we had goodwill of $11.8 million (unaudited) as a result of the amount that we recognized in connection with our acquisition of the Raywood processing plant and Liberty gathering system from Ceritas on June 29, 2010.

Intangible assets consist primarily of customer contracts, and are as a result of our acquisition of the Raywood processing plant and Liberty gathering system from Ceritas on June 29, 2010. The gross carrying amount and accumulated amortization of these intangible assets are included in the accompanying consolidated balance sheets as intangible assets, net, and are as follows:

	September 30, 2010 (Millions)
Gross carrying amount	$ 34.9
Amortization charge	(0.6)
Intangible assets, net	$ 34.3

Estimated amortization for these intangibles is as follows as of September 30, 2010:

Estimated Amortization (Unaudited) (Millions)	
2010 (remainder)	$ 0.6
2011	2.3
2012	2.3
2013	2.3
2014	2.3
Thereafter	24.5
Total	$34.3

As of September 30, 2010, the remaining amortization period was 14.75 years.

8. Fair Value Measurement

Determination of Fair Value

Below is a general description of our valuation methodologies for derivative financial assets and liabilities, which are measured at fair value. Fair values are generally based upon quoted market prices, 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 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 9 Risk Management and Hedging Activities.

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 over the counter, or OTC, instruments, such as natural gas contracts.

We typically use OTC derivative contracts in order to mitigate a portion of our exposure to natural gas price changes. We also may enter into natural gas derivatives to lock in margin around our storage and transportation assets. These instruments are generally classified as Level 2. Depending upon market conditions and our strategy, we may enter into OTC derivative positions with a significant time horizon to maturity, and market prices for these OTC derivatives 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 that it is available; however, in the event that readily observable market data is not available, we may interpolate or extrapolate based upon observable data. In instances where we utilize an interpolated or extrapolated value, and it is considered significant to the valuation of the contract as a whole, we would classify the instrument within Level 3.

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.

Nonfinancial Assets and Liabilities

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

We utilize fair value on a recurring basis to measure our contingent consideration that is a result of certain acquisitions. The inputs used to determine such fair value are primarily based upon internally developed cash flow models and are classified within Level 3.

The following tables present the financial instruments carried at fair value as of September 30, 2010 (unaudited), December 31, 2009 and 2008, by combined balance sheet caption and by valuation hierarchy as described above:

	September 30, 2010			
	Level 1	Level 2	Level 3	Total Carrying Value
		(Unaudited) (Millions)		
Current assets:				
Commodity derivatives (a)	$ —	$ 35.0	$ —	$ 35.0
Long-term assets:				
Commodity derivatives (b)	$ —	$ 1.0	$ —	$ 1.0
Current liabilities :				
Commodity derivatives (c)	$ —	$(29.4)	$ —	$ (29.4)
Acquisition related contingent consideration (d)	$ —	$ —	$ (2.1)	$ (2.1)
Long-term liabilities (e):				
Commodity derivatives	$ —	$ (1.4)	$ —	$ (1.4)

	December 31, 2009				December 31, 2008			
	Level 1	Level 2	Level 3	Total Carrying Value	Level 1	Level 2	Level 3	Total Carrying Value
	(Millions)							
Current assets:								
Commodity derivatives (a)	$ —	$ 34.6	$ 0.8	$ 35.4	$ —	$ 52.9	$ 0.2	$ 53.1
Long-term assets:								
Commodity derivatives (b)	$ —	$ 4.2	$ 0.5	$ 4.7	$ —	$ 1.4	$ —	$ 1.4
Current liabilities :								
Commodity derivatives (c)	$ —	$(31.1)	$ (0.8)	$ (31.9)	$ —	$(47.5)	$ —	$ (47.5)
Long-term liabilities (e):								
Commodity derivatives	$ —	$ (4.2)	$ (0.3)	$ (4.5)	$ —	$ (1.2)	$ —	$ (1.2)

(a) Included in current unrealized gains on derivative instruments in our combined balance sheets.
(b) Included in long-term unrealized gains on derivative instruments in our combined balance sheets.
(c) Included in current unrealized losses on derivative instruments in our combined balance sheets.
(d) Included in other current liabilities in our combined balance sheets.
(e) Included in long-term unrealized losses on derivative instruments in our combined balance sheets.

Changes in Level 3 Fair Value Measurements

The tables below illustrate a rollforward of the amounts included in our combined 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 were movements to/from the classification of an instrument as Level 3, we would reflect 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 rollforward below, the gains or losses in the table do not reflect the effect of our total risk management activities.

	Commodity Derivative Instruments			
	Current Assets	Long-Term Assets	Current Liabilities	Long-Term Liabilities
	(Unaudited) (Millions)			
Nine months ended September 30, 2010:				
Beginning balance	$ 0.8	$ 0.5	$ (0.8)	$ (0.3)
Net realized and unrealized gains (losses) included in earnings	0.2	(0.5)	0.2	0.3
Transfers into Level 3 (a)	—	—	—	—
Transfers out of Level 3 (a)	(1.0)	—	0.6	—
Purchases, issuances and settlements, net	—	—	—	—
Ending balance	$ —	$ —	$ —	$ —
Net unrealized gains (losses) still held included in earnings (b)	$ —	$ —	$ —	$ —
Nine months ended September 30, 2009:				
Beginning balance	$ 0.2	$ —	$ —	$ —
Net realized and unrealized gains (losses) included in earnings	0.2	0.7	(0.4)	(0.4)
Net transfers (out) of/into Level 3 (c)	(0.1)	—	0.1	—
Purchases, issuances and settlements, net	—	—	—	—
Ending balance	$ 0.3	$ 0.7	$ (0.3)	$ (0.4)
Net unrealized gains (losses) still held included in earnings (b)	$ 0.3	$ 0.7	$ (0.3)	$ (0.4)

(a) Amounts transferred in and amounts transferred out are reflected at fair value as of the end of the period.

(b) Represents the amount of total gains or losses for the period, included in gains or losses from commodity derivative activity, net, attributable to change in unrealized gains or losses relating to assets and liabilities classified as Level 3 that are still held as of September 30, 2010 and 2009.

(c) Amounts transferred in are reflected at the fair value as of the beginning of the period and amounts transferred out are reflected at fair value at the end of the period.

	Commodity Derivative Instruments			
	Current Assets	Long-Term Assets	Current Liabilities	Long-Term Liabilities
	(Millions)			
Year ended December 31, 2009:				
Beginning balance	$ 0.2	$ —	$ —	$ —
Net realized and unrealized gains (losses) included in earnings	1.0	0.5	(0.8)	(0.3)
Net transfers in (out) of Level 3 (a)	—	—	—	—
Purchases, issuances and settlements, net	(0.4)	—	—	—
Ending balance	$ 0.8	$ 0.5	$ (0.8)	$ (0.3)
Net unrealized gains (losses) still held included in earnings (b)	$ 0.9	$ 0.5	$ (0.8)	$ (0.3)
Year ended December 31, 2008:				
Beginning balance	$ —	$ —	$ —	$ —
Net realized and unrealized gains included in earnings	0.2	—	—	—
Net transfers in (out) of Level 3 (a)	—	—	—	—
Purchases, issuances and settlements, net	—	—	—	—
Ending balance	$ 0.2	$ —	$ —	$ —
Net unrealized gains still held included in earnings (b)	$ 0.2	$ —	$ —	$ —

(a) Amounts transferred in are reflected at the fair value as of the beginning of the period and amounts transferred out are reflected at fair value at the end of the period.

(b) Represents the amount of total gains or losses for the period, included in gains or losses from commodity derivative activity, net, attributable to change in unrealized gains or losses relating to assets and liabilities classified as Level 3 that are still held as of December 31, 2009 and 2008.

As of June 30, 2010, we recognized the fair value of our contingent consideration, which is classified as Level 3, in relation to our acquisition of the Raywood processing plant and Liberty gathering system, of approximately $3.1 million (unaudited), which we recorded to other current liabilities in our combined balance sheets. As of September 30, 2010, we reassessed the fair value of the contingent consideration and adjusted the fair value of the liability to $2.1 million. Accordingly we recognized $1.0 million (unaudited) in other income in our combined statements of operations for the nine months ended September 30, 2010.

During the nine months ended September 30, 2010 (unaudited), we had the following transfers into and out of Levels 1, 2 and 3. 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.

	Nine Months Ended September 30, 2010			
	Transfers from Level 1 to Level 2	Transfers from Level 2 to Level 1	Transfers from Level 2 to Level 3	Transfers from Level 3 to Level 2 (a)
	(Unaudited) (Millions)			
Current assets	$ —	$ —	$ —	$ 1.0
Current liabilities	$ —	$ —	$ —	$ (0.6)

(a) Financial instruments have moved into a lower level due to the passage of time. The inputs now 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.

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 and accounts payable are not materially different from their carrying amounts because of the short term nature of these instruments. Unrealized gains and unrealized losses on derivative instruments are carried at fair value.

9. Risk Management and Hedging Activities

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 and the creditworthiness of each of our counterparties. We manage certain of these exposures with both physical and financial transactions. All of our derivative activities are conducted under the governance of Midstream’s internal Risk Management Committee that establishes 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 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 natural gas storage and pipeline assets by engaging in natural gas asset based trading and marketing. The commercial activities related to our natural gas asset based trading and marketing primarily consist of time spreads and basis spreads.

We may execute a time spread transaction when the difference between the current price of natural gas (cash or futures) and the futures market price for natural gas exceeds our cost of storing physical gas in our owned and/or leased storage facilities. The time spread transaction allows us to lock in a margin when this market condition exists. A time spread transaction is executed by establishing a long gas position at one point in time and establishing a corresponding short gas position at a future 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 combined statement of operations. While gas held in our storage location is recorded at the lower of average cost or market, the derivative instruments that are used to manage our storage facility is recorded at fair value and any changes in fair value are currently recorded in our combined 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 combined 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 facility to remain operational, we maintain a minimum level of base gas in our storage cavern, which is capitalized on our combined balance sheets as a component of property, plant and equipment, net. In the fourth quarter of 2008 we commenced a capacity expansion project for our storage cavern, which required us to sell all of the base gas within the cavern. During 2009, the expansion project was completed and base gas was repurchased to restore our storage cavern to operation. To mitigate the risk associated with the forecasted re-purchase of base gas, we executed a series of derivative financial instruments, which were designated as cash flow hedges. The cash paid upon settlement of these hedges economically offsets the cash paid to purchase the base gas. A deferred loss of $2.7 million was recognized and will remain in AOCI until such time that our cavern is emptied and the base gas is sold.

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 Midstream was to be downgraded below investment grade by at least one of the major credit rating agencies, certain of our ISDA counterparties may have the right to reduce our collateral threshold to zero, potentially requiring us to fully collateralize any commodity contracts in a net liability position.
- Additionally, in some cases, our ISDA contracts contain cross-default provisions that could constitute a credit-risk related contingent feature. These provisions apply if we default in making timely payments under those agreements and the amount of the default is above certain predefined thresholds, which are significantly high. As of September 30, 2010, we are not a party to any agreements that would be subject to these provisions.

Our commodity derivative contracts that are not governed by ISDA contracts do not have any credit-risk related contingent features.

Depending upon the movement of commodity prices, each of our individual contracts with counterparties to our commodity derivative instruments are in either a net asset or net liability position. As of September 30, 2010 and December 31, 2009 we had $2.1 million (unaudited) and $5.7 million, respectively, 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, 2010 and December 31, 2009, 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, 2010 and December 31, 2009, 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 $2.0 million (unaudited) and $4.9 million, as of September 30, 2010 and December 31, 2009, respectively.

Summarized Derivative Information

The following summarizes the balance within AOCI relative to our commodity cash flow hedges:

	September 30, 2010 (Unaudited)	December 31, 2009	December 31, 2008
		(Millions)	
Commodity cash flow hedges:			
Net deferred losses in AOCI	$ (2.7)	$ (2.7)	$ (0.7)
Total AOCI	$ (2.7)	$ (2.7)	$ (0.7)

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

Balance Sheet Line Item	September 30, 2010 (Unaudited)	December 31, 2009	December 31, 2008	Balance Sheet Line Item	September 30, 2010 (Unaudited)	December 31, 2009	December 31, 2008
		(Millions)				(Millions)	
Derivative Assets Designated as Hedging Instruments:				**Derivative Liabilities Designated as Hedging Instruments:**			
Commodity derivatives:				**Commodity derivatives:**			
Unrealized gains on derivative instruments – current	$ —	$ 0.6	$ —	Unrealized losses on derivative instruments – current	$ —	$ (3.1)	$ —
Unrealized gains on derivative instruments – long-term	—	—	—	Unrealized losses on derivative instruments – long-term	—	—	(0.7)
	$ —	$ 0.6	$ —		$ —	$ (3.1)	$ (0.7)
Derivative Assets Not Designated as Hedging Instruments:				**Derivative Liabilities Not Designated as Hedging Instruments:**			
Commodity derivatives:				**Commodity derivatives:**			
Unrealized gains on derivative instruments – current	$ 35.0	$ 34.8	$ 53.1	Unrealized losses on derivative instruments – current	$ (29.4)	$ (28.8)	$ (47.5)
Unrealized gains on derivative instruments – long-term	1.0	4.7	1.4	Unrealized losses on derivative instruments – long-term	(1.4)	(4.5)	(0.5)
	$ 36.0	$ 39.5	$ 54.5		$ (30.8)	$ (33.3)	$ (48.0)

The following tables summarize the impact on our combined balance sheet and combined statements of operations of our derivative instruments that are accounted for using the cash flow hedge method of accounting.

	Gain (Loss) Recognized in AOCI on Derivatives — 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 12 Months Ended September 30, 2011
	Nine Months Ended September 30,				
	2010	2009	2010	2009	
	(Unaudited)				
	(Millions)		(Millions)		(Millions)
Commodity derivatives	$ —	$ (1.4)	$ —	$ — (a)	$ —

(a) For the nine months ended September 30, 2010 and 2009, 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.

	Loss Recognized in AOCI on Derivatives — 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 12 Months Ended December 31, 2010
	Year Ended December 31,				
	2009	2008	2009	2008	
	(Millions)		(Millions)		(Millions)
Commodity derivatives	$ (2.0)	$ (0.7)	$ —	$ — (a)	$ —

(a) For the years ended December 31, 2009 and 2008, 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.

Changes 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 combined statements of operations. The following summarizes these amounts and the location within the combined statements of operations that such amounts are reflected:

Commodity Derivatives: Statements of Operations Line Item	Nine Months Ended September 30,		Year Ended December 31,		
	2010	2009	2009	2008	2007
	(Unaudited)				
	(Millions)				
Third party:					
Realized	$ 9.9	$ 8.3	$ 9.5	$11.8	$ 16.9
Unrealized	(0.5)	(1.9)	(0.6)	1.0	(13.0)
Gains from commodity derivative activity, net	$ 9.4	$ 6.4	$ 8.9	$12.8	$ 3.9
Affiliates:					
Realized	$(0.2)	$(0.1)	$ 0.2	$ (0.3)	$ (0.6)
Unrealized	(0.5)	0.5	0.4	0.4	4.6
(Losses) gains from commodity derivative activity, net — affiliates	$(0.7)	$ 0.4	$ 0.6	$ 0.1	$ 4.0

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

The following table represents, by commodity type, our net long or short positions that are expected to partially or entirely settle in each respective year. To the extent that we have long dated derivative positions that span multiple calendar years, the contract will appear in more than one line item in the table below. This table also presents our net long or short natural gas basis swap positions separately from our net long or short natural gas positions.

	September 30, 2010	
	Natural Gas	Natural Gas Basis Swaps
Year of Expiration	Net Long (Short) Position (MMBtu)	Net Long (Short) Position (MMBtu)
	(Unaudited)	
2010	(13,932,500)	5,092,500
2011	(3,650,000)	16,245,000
2012	—	13,700,000

	December 31, 2009	
	Natural Gas	Natural Gas Basis Swaps
Year of Expiration	Net Long (Short) Position (MMBtu)	Net Long (Short) Position (MMBtu)
2010	(16,552,500)	(8,670,000)
2011	(3,650,000)	1,460,000

10. Income Taxes

The State of Texas imposes a margin tax that is assessed at 1% of taxable margin apportioned to Texas. Accordingly, we have recorded current tax expense for the Texas margin tax beginning in 2007.

Income tax expense consists of the following:

	Nine Months Ended September 30,		Year Ended December 31,		
	2010	2009	2009	2008	2007
	(Unaudited)				
			(Millions)		
Current:					
State	$(0.5)	$(0.4)	$(0.5)	$(0.6)	$(0.6)
Deferred:					
State	—	—	0.1	(0.1)	(0.1)
Total income tax expense	$(0.5)	$(0.4)	$(0.4)	$(0.7)	$(0.7)

We had net long-term deferred tax liabilities of $2.0 million (unaudited), $2.0 million, and $2.1 million as of September 30, 2010, December 31, 2009 and 2008, respectively. The net long-term deferred tax liabilities are included in other long-term liabilities on the combined balance sheets and are primarily associated with depreciation and amortization related to property.

Our effective tax rate differs from statutory rates primarily due to us being treated as a pass-through entity for United States income tax purposes, while being treated as a taxable entity in Texas.

11. Commitments and Contingent Liabilities

Litigation — We are not party to any significant legal proceedings, but are a party to various administrative and regulatory proceedings and commercial disputes that have arisen in the ordinary course of our business. Management currently believes that the ultimate resolution of the foregoing matters, taken as a whole, and after consideration of amounts accrued, insurance coverage or other indemnification arrangements, will not have a material adverse effect on our combined results of operations, financial position, or cash flows.

Insurance — Midstream's insurance coverage is carried with an affiliate of ConocoPhillips, an affiliate of Spectra Energy and third-party insurers. Midstream's 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/extra expense; and (6) directors and officers insurance covering Midstream's directors and officers for acts related to Midstream's 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.

A portion of the insurance costs described above are allocated by Midstream to us through the allocation methodology described in Note 5.

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 became effective in January 2010. The cost of planning, designing, constructing and operating pipelines, plants, and other facilities must incorporate compliance with environmental laws and regulations and safety standards. Failure to comply with these laws and regulations may trigger a variety of administrative, civil and potentially criminal enforcement measures, including citizen suits, which can include the assessment of monetary penalties, the imposition of remedial requirements, the issuance of injunctions or restrictions on operations. Management believes that, based on currently known information, compliance with these laws and regulations will not have a material adverse effect on our combined results of operations, financial position or cash flows.

12. Supplemental Cash Flow Information

	Nine Months Ended September 30,		Year Ended December 31,		
	2010	2009	2009	2008	2007
	(Unaudited)				
			(Millions)		
Non-cash investing and financing activities:					
Other non-cash additions of property, plant and equipment	$1.3	$1.1	$0.3	$2.8	$0.3

13. Subsequent Events

We have evaluated subsequent events occurring through November 8, 2010.

On November 4, 2010, Midstream entered into agreements with DCP Midstream Partners, LP, or Partners, a master limited partnership of which Midstream acts as general partner, to sell a 33.33% interest in us for $150 million. The terms of our joint venture agreement provide that distributions to Partners from us for the first seven years related to the storage business and transportation margins 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 owners' respective interests in us. This transaction is expected to close in January 2011, resulting in our ownership as 66.67% by Midstream and 33.33% by Partners.

14. Subsequent Events (Unaudited)

We have evaluated subsequent events occurring through January 6, 2011, the date that the combined financial statements were issued.

On January 1, 2011 Partners acquired a 33.33% interest in us from Midstream. As part of the closing of the contribution, the assets, liabilities and operations of the Business now reside in a new legal entity DCP Southeast Texas Holdings, GP, with the exception of any financial derivative instruments and certain working capital and other liabilities.

Exhibit 99.2

CERITAS Holdings, LP

Consolidated Financial Statements as of March 31, 2010 (Unaudited) and December 31, 2009 and 2008, and for the Years Ended December 31, 2009, 2008 and 2007, and for the Three Month Periods Ended March 31, 2010 and 2009 (Unaudited) and Independent Auditors’ Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
CERITAS Holdings, LP:

We have audited the accompanying consolidated balance sheets of CERITAS Holdings, LP and subsidiaries (the "Partnership") as of December 31, 2009 and 2008, and the related consolidated statements of operations, partners' equity, and cash flows for each of the three years in the period ended December 31, 2009. These consolidated financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Partnership as of December 31, 2009 and 2008, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Partnership will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Partnership's negative working capital, which is attributable to the July 2010 termination of the Partnership's line of credit, raises substantial doubt about its ability to continue as a going concern. Management's plans concerning this matter is also discussed in Note 1 to the consolidated financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 8 to the consolidated financial statements, the accompanying consolidated financial statements have been retrospectively adjusted for discontinued operations.

/s/ Deloitte & Touche LLP

April 30, 2010, except for the retrospective adjustment for discontinued operations discussed in Note 8, as to which the date is June 24, 2010.

Member of
Deloitte Touche Tohmatsu

CERITAS HOLDINGS, LP

CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2010 (UNAUDITED) AND DECEMBER 31, 2009 AND 2008

	March 31, 2010 (Unaudited)	December 31, 2009	December 31, 2008
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$ 444,787	$ 508,000	$ 546,550
Accounts receivable	814,830	434,279	1,263,867
Prepayments and other current assets	120,723	122,593	146,613
Current assets held for sale	5,825,585	6,376,215	7,809,481
Total current assets	7,205,925	7,441,087	9,766,511
PROPERTY, PLANT, AND EQUIPMENT:			
Oil and gas properties — at cost (successful efforts method):			
Proved properties	3,269,254	3,216,435	3,159,779
Accumulated depletion	(2,719,117)	(2,664,135)	(2,046,181)
Total oil and gas properties — net	550,137	552,300	1,113,598
Office furniture and equipment	308,815	308,815	289,434
Accumulated depreciation	(187,313)	(171,877)	(110,883)
Total office furniture and equipment — net	121,502	136,938	178,551
DEFERRED CHARGES — Net	263,799	467,822	693,485
OTHER ASSETS	129,393	129,393	206,097
OTHER ASSETS HELD FOR SALE	112,396,372	113,721,827	123,264,212
TOTAL	$120,667,128	$122,449,367	$135,222,454
LIABILITIES AND PARTNERS' EQUITY			
CURRENT LIABILITIES:			
Current portion of debt	$ 78,098,594	$ 78,196,827	$ —
Accounts payable	464,050	462,128	2,936,997
Accrued liabilities	178,418	776,693	2,801
Other liabilities	99,000	99,000	99,000
Current liabilities held for sale	3,978,208	4,639,932	19,751,068
Total current liabilities	82,818,270	84,174,580	22,789,866
LONG-TERM DEBT			67,100,000
ASSET RETIREMENT OBLIGATION	49,680	48,827	45,393
ASSET RETIREMENT OBLIGATION HELD FOR SALE	1,330,334	1,307,488	1,215,537
PARTNERS' EQUITY	36,468,844	36,918,472	44,071,658
TOTAL	$120,667,128	$122,449,367	$135,222,454

See notes to consolidated financial statements.

CERITAS HOLDINGS, LP

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2010 AND 2009 (UNAUDITED) AND
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

	For the Three-Months Ended March 31, 2010 (Unaudited)	For the Three-Months Ended March 31, 2009 (Unaudited)	For the Year Ended December 31, 2009	For the Year Ended December 31, 2008	For the Year Ended December 31, 2007
REVENUES:					
Oil and gas production revenue	$ 632,354	$ 549,323	$ 2,096,121	$6,222,767	$ 4,017,822
COST AND EXPENSES:					
Lease operating expenses	154,028	151,877	708,266	1,315,429	805,469
Depreciation, depletion and amortization	70,418	117,993	678,944	1,038,172	750,262
General and administrative	427,419	534,436	2,020,824	3,765,057	4,003,397
Total cost and expenses	651,865	804,306	3,408,034	6,118,658	5,559,128
OPERATING (LOSS) INCOME	(19,511)	(254,983)	(1,311,913)	104,109	(1,541,306)
INTEREST AND OTHER INCOME	—	6,216	6,757	79,663	1,179
(LOSS) INCOME FROM CONTINUING OPERATIONS	(19,511)	(248,767)	(1,305,156)	183,772	(1,540,127)
(LOSS) INCOME FROM DISCONTINUED OPERATIONS — Net of income tax	(430,117)	(1,086,173)	(5,848,030)	5,025,434	(1,962,220)
NET (LOSS) INCOME	$ (449,628)	$(1,334,940)	$(7,153,186)	$5,209,206	$(3,502,347)

See notes to consolidated financial statements.

CERITAS HOLDINGS, LP

CONSOLIDATED STATEMENTS OF PARTNERS' EQUITY
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2010 (UNAUDITED) AND
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

	General Partner	Limited Partners	Total Partners' Equity
BALANCE — January 1, 2007	$42,365	$42,322,434	$42,364,799
Net loss	(3,502)	(3,498,845)	(3,502,347)
BALANCE — December 31, 2007	38,863	38,823,589	38,862,452
Net income	5,209	5,203,997	5,209,206
BALANCE — December 31, 2008	44,072	44,027,586	44,071,658
Net income	(7,153)	(7,146,033)	(7,153,186)
BALANCE — December 31, 2009	36,919	36,881,553	36,918,472
Net income (unaudited)	(450)	(449,178)	(449,628)
BALANCE — March 31, 2010 (unaudited)	$36,469	$36,432,375	$36,468,844

See notes to consolidated financial statements.

CERITAS HOLDINGS, LP

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2010 AND 2009 (UNAUDITED) AND
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

	For the Three-Months Ended March 31, 2010 (Unaudited)	For the Three-Months Ended March 31, 2009 (Unaudited)	For the Year Ended December 31 2009	For the Year Ended December 31 2008	For the Year Ended December 31 2007
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income (loss)	$ (449,628)	$ (1,334,940)	$ (7,153,186)	$ 5,209,206	$ (3,502,347)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:					
Depreciation, depletion, and amortization	1,749,921	3,527,453	13,995,944	14,020,608	12,572,352
Debt issuance amortization	204,044	109,498	653,163	386,835	1,233,247
Deferred income tax	7,087	24,000	162,841	(14,833,289)	(1,233,600)
Accretion expense	23,699	23,700	95,388	94,798	87,238
Loss on sale of assets	—	449	3,168		41,199
Loss on abandonment	—	—	—	23,623	—
Effect of changes in current assets and liabilities:					
(Increase) decrease in accounts receivable and accrued oil and gas sales	152,081	2,672,091	2,200,782	(299,700)	(936,880)
(Increase) decrease in inventory and other current assets	19,868	10,695	86,092	(53,828)	19,501
Increase (decrease) in accounts payable and accrued expenses, and other	(1,250,294)	(15,067,119)	(16,773,142)	13,118,766	(5,788,840)
Net cash provided by (used in) operating activities	456,778	(10,034,173)	(6,728,950)	17,667,019	2,491,870
CASH FLOWS FROM INVESTING ACTIVITIES:					
Additions in gathering and processing facilities and transportation contracts	(341,467)	(3,724,131)	(3,863,125)	(28,023,635)	(11,650,667)
Proceeds from the sale of furniture and fixtures	—	7,779	18,779	—	15,000
Additions to oil and gas properties	(52,819)		(56,656)	(52,587)	(50,630)
Additions to furniture and fixtures	(27,472)	(17,574)	(77,925)	(327,356)	(347,115)
Net cash used in investing activities	(421,758)	(3,733,926)	(3,978,927)	(28,403,578)	(12,033,412)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Debt issuance costs	—	—	(427,500)	(127,441)	(1,249,105)
Issuance of debt	—	14,000,000	14,000,000	22,000,000	72,700,000
Payment of debt	(98,233)	—	(2,903,173)	(12,000,000)	(63,250,000)
Net cash (used in) provided by financing activities	(98,233)	14,000,000	10,669,327	9,872,559	8,200,895
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(63,213)	231,901	(38,550)	(864,000)	(1,340,647)
CASH AND CASH EQUIVALENTS — Beginning of year	508,000	546,550	546,550	1,410,550	2,751,197
CASH AND CASH EQUIVALENTS — End of year	$ 444,787	$ 778,451	$ 508,000	$ 546,550	$ 1,410,550
INTEREST PAID	$ 1,402,575	$ 572,818	$ 3,664,223	$ 3,428,102	$ 4,946,176
INVESTMENTS IN PROPERTY, PLANT, AND EQUIPMENT FUNDED THROUGH ACCOUNTS PAYABLE	$ 29,926	$ 531,528	$ 37,730	$ 2,561,746	$ 130,313
CASH PAID FOR TAXES	$ —	$ 13,079,014	$ 13,365,508	$ 6,967	$ 38,404

See notes to consolidated financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business — CERITAS Holdings, LP ("the Partnership") was formed on March 28, 2005, as a Delaware limited partnership. Energy Spectrum Partners IV, LP owns an 88.11% limited interest in the Partnership, the CERITAS Group owns a 9.79%, WMJ Operations, LP owns a 2.00% limited interest in the Partnership, and CERITAS Energy, LLC owns 0.10% of the Partnership and is the general partner. The Partnership owns 100% of Optigas, LLC ("Optigas"), 100% of CERITAS Management, LLC, 99.9% of CERITAS Gathering Company, LP, which owns 99% of Liberty Gathering Company, LP ("Liberty"), and 100% of Liberty Pipeline, LLC, which owns 1% of Liberty. Liberty owns 100% of Raywood Gas Plant, LLC ("Raywood"). CERITAS Management, LLC owns 0.10% of CERITAS Gathering Company, LP. The accompanying financial statements are consolidated and include the accounts of CERITAS Holdings, LP, CERITAS Management, LLC, CERITAS Gathering Company, LP, Liberty Pipeline, LLC, Liberty, Raywood, and Optigas. All intercompany amounts and transactions have been eliminated in consolidation. CERITAS Holdings, LP and its subsidiaries are referred to herein as the "Partnership."

Liberty owns and operates high- and low-pressure gathering assets in Liberty County, Texas. The gathering assets were purchased in April 2005. The system is supplied with wellhead gas purchased by Liberty from multiple producers at several pipeline interconnects, transported, and then sold by Liberty to the Enterprise Products Channel intrastate pipeline at two interconnects and/or the Kinder Morgan Tejas intrastate pipeline.

Raywood was formed on July 18, 2006, as a Texas limited liability company and is wholly owned by Liberty. Raywood owns and operates a natural gas processing plant. The plant was constructed on Liberty's pipeline system in Liberty County, Texas and began operations in November 2006.

On March 21, 2006, the Partnership acquired Optigas. Optigas is engaged in the midstream energy business with gas gathering and compression assets located in the Powder River Basin in Wyoming. Optigas provides natural gas gathering, and related services, which include compression, for natural gas producers. Optigas also owns working interests in coal bed methane gas acreage in the Powder River Basin.

Basis of Presentation — The accompanying financial statements of the Partnership were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Subsequent events have been evaluated through November 8, 2010, the date these financial statements were available to be issued.

The unaudited consolidated financial statements as of March 31, 2010 and for the three month periods March 31, 2010 and 2009 are unaudited and reflect all normal recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the statement of financial condition and results of operation for the periods covered by such statements. The interim results are not necessarily indicative of the results of the full year.

Going Concern — The accompanying financial statements have been prepared assuming that the Partnership will continue as a going concern. At December 31, 2009, the Partnership's negative working capital is attributable to the July 2010 termination of the Partnership's line of credit. Management has undertaken a process to sell substantially all of the Partnership's assets and believes sufficient assets can be sold prior to termination of the Partnership's line of credit; however, no assurance can be provided that such sales will occur. Absent the timely sale of sufficient assets to pay off the line of credit, management intends to seek a forbearance which will allow them to complete the sale of the Partnership's assets. The financial statements do not include any adjustment that might result from this uncertainty.

Use of Estimates in the Preparation of Financial Statements — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition — The Partnership's revenue is derived from producing, gathering, transporting, processing, and marketing natural gas. Marketing revenues are recognized based on actual volumes of natural gas sold to purchasers. The Partnership's gathering and transportation revenue is recognized based upon actual volumes delivered. Oil and gas production revenue is recognized as title passes under the sales method. Under this method, the Partnership recognizes revenue on production as it is taken and delivered to its purchasers. For processing services, the Partnership either receives fees or commodities from natural gas producers under percentage-of-proceeds contracts. The Partnership is paid for its services by keeping a percentage of the natural gas liquids produced. Commodities received are in turn sold and recognized as revenue.

Cash and Cash Equivalents — Cash and cash equivalents include all cash balances and highly liquid investments with original maturities of less than three months.

Concentrations of Credit Risk — The Partnership regularly has cash in a single financial institution, which exceeds depository insurance limits. The Partnership places such deposits with high credit quality institutions and has not experienced any credit losses. Substantially all of the Partnership's accounts receivable at March 31, 2010 and December 31, 2009 and 2008, result from the sale, transportation, or processing of natural gas. This concentration of customers may impact the Partnership's overall credit risk, either positively or negatively, in that these entities may be similarly impacted by industry-wide changes in economic or other conditions. Such receivables are generally not collateralized. However, the Partnership performs credit evaluations on all customers to minimize exposure to credit risk.

During 2009, the Partnership sold 98% of its natural gas and natural gas liquids to two customers. At December 31, 2009, 96% of accounts receivable were due from one customer. During 2008, the Partnership sold 67% of its natural gas and natural gas liquids to two customers. At December 31, 2008, 69% of accounts receivable were due from three customers. During 2007, the Partnership sold 74% of its natural gas and natural gas liquids to two customers. During both of the unaudited three month periods ended March 31, 2010 and 2009, the Partnership sold 99% of its natural gas and natural gas liquids to 2 customers. At March 31, 2010 (unaudited), 96% of accounts receivable were from one customer.

Fair Value of Financial Instruments — The Partnership's financial instruments consist of cash and cash equivalents, trade receivables, trade payables, accrued liabilities, and long-term debt. The carrying value of cash and cash equivalents, trade receivables, trade payables, accrued liabilities and long-term debt are considered to be representative of their fair market value, due to the short maturity of these instruments.

Imbalances — In the course of transporting natural gas and natural gas liquids for others, the Partnership may receive for redelivery different quantities of natural gas or natural gas liquids than the quantities actually delivered. These transactions result in transportation and exchange imbalance receivables or payables that are recovered or repaid through the receipt or delivery of natural gas or natural gas liquids in future periods, if not subject to cash-out provisions. Imbalance receivables are included in accounts receivable and imbalance payables are included in accounts payable on the consolidated balance sheets and are recorded at the market price. At March 31, 2010 (unaudited) and December 31, 2009 and 2008, the Partnership had imbalance receivables of $90,014, $92,502 and $0, respectively.

Allowance for Doubtful Accounts — Management of the Partnership monitors the accounts receivable from its customers for any collectability issues. An allowance for doubtful accounts is established based on reviews of individual customer accounts, recent loss experience, current economic conditions, and other pertinent factors. Accounts deemed uncollectible are charged to the allowance. The Partnership had no allowance at March 31, 2010 (unaudited) and December 31, 2009 and 2008.

Property, Plant, and Equipment — Property, plant, and equipment are recorded at cost, less accumulated depreciation and impairment losses. Maintenance and repairs are charged to expense as incurred. Expenditures that extend the useful lives of an asset are capitalized. When assets are retired or otherwise disposed of, the cost of the assets and related accumulated depreciation are removed from the accounts. Any gain or loss on retirements or dispositions is charged to income in the year in which the asset is disposed. Depreciation is provided on a straight-line basis over the following estimated useful lives:

	Years
Office furniture, equipment, and other	3–7
Equipment and easements	15
Gas plant facility	15
Gathering systems and processing facilities	7–15

The cost of assets constructed or otherwise produced for the Partnership's own use includes the cost of interest incurred during the period of time necessary to bring them to the condition and location of their intended use. The interest capitalization period ends when the assets are substantially complete and ready for their intended use. For the year ended December 31, 2009 and 2008 and the unaudited three-months ended March 31, 2010, the Partnership capitalized no interest. For the year ended December 31, 2007, the Partnership capitalized interest of $188,881.

Oil and Gas Properties — The Partnership follows the successful efforts method of accounting for oil and gas properties. The use of this method results in the capitalization of those costs associated with the acquisition, exploration, and development of properties that produce revenue or are anticipated to produce future revenue. The Partnership does not capitalize general and administrative expenses directly identifiable with such activities. Costs of unsuccessful exploration efforts are expensed in the period it is determined that such costs are not recoverable through future revenues. Geological and geophysical costs and delay rentals are expensed as incurred. The cost of development wells are capitalized whether productive or nonproductive. The Partnership uses the units-of-production method to amortize its oil and gas properties. Changes in reserve quantities will cause corresponding changes in depletion expense in periods subsequent to the quantity revision. Upon the sale of proved properties, the cost and accumulated depletion are removed from the accounts and any gain or loss is charged to income.

Unproved properties are assessed periodically on a project-by-project basis to determine whether impairment has occurred. Management's assessment of the results of exploration activities, commodity price outlooks, planned future sales, or the cessation of all or a portion of such projects impact the amount and timing of impairment provisions. Factors leading to recording unproved property impairments include lease expirations and an assessment of the lack of exploration opportunities existing on a lease. Future changes in any of the above-referenced factors could result in the Partnership's recording unproved property impairment charges in future periods. Sales proceeds from unproved oil and natural gas properties are credited to related costs of the prospect sold until such costs are recovered and then to net gain or loss on sales of unproved oil and natural gas properties. The Partnership has no unproved properties.

Proved properties are assessed when an impairment indicator exists to determine whether impairment has occurred. Management's assessment of future operating expenses and capital requirements for proved reserves impacts the determination and amount of impairment. Product valuation, using future pricing, also affects the determination and amount of impairment. Actual impairment charges are recorded using an estimate of discounted future cash flows. Impairment charges for the year ended December 31, 2009 and 2008 and the unaudited three-months ended March 31, 2010 and 2009 were $55,428, $0, $0 and $0, respectively.

Intangibles — As part of the purchase of the gathering assets of Liberty in April 2005 and the acquisition of Optigas in March 2006, the Partnership acquired the transportation and purchase contracts for the gathering systems. From the purchase price allocation, the contracts were recorded at their estimated fair value. Because these contracts have finite lives, they are being amortized over the life of the contract. Contracts amortization for the year ended December 31, 2009, 2008 and 2007 and the unaudited three-months ended March 31, 2010 and 2009 was $4,154,154, $4,895,747, $5,601,592, $1,012,717, and $1,165,898 respectively. Estimated aggregate amortization expense for each of the five succeeding years as of December 31, 2009 is as follows:

December 31	
2010	$3,468,173
2011	3,273,940
2012	3,273,940
2013	818,488
2014	—

Asset Retirement Obligation — The Partnership records the fair value of a liability for an asset retirement obligation (ARO) in the period in which it is incurred and retirement activity in which the times and/or method of settlement are conditional upon a future event that may or may not be within our control. When the liability is initially recorded, an entity increases the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. Activities related to the Partnership's ARO for reclamation costs it expect to incur to its coal methane producing properties and gathering systems during each of the three years in the period ended December 31, 2009 and the unaudited three-months ended March 31, 2010, are as follows:

Balance of ARO — December 31, 2007	$ 1,166,132
Accretion expense	94,798
Balance of ARO — December 31, 2008	1,260,930
Accretion expense	95,385
Balance of ARO — December 31, 2009	1,356,315
Accretion expense (unaudited)	23,699
Balance of ARO — March 31, 2010 (unaudited)	$ 1,380,014

Impairment of Long-Lived Assets — The carrying value of long-lived assets, principally property and equipment, is reviewed for potential impairment when events or changes in circumstances indicate the carrying amount of such assets may not be recoverable. For property and equipment, the determination of recoverability is made based upon the estimated undiscounted future net cash flows of the related asset or group of assets being evaluated. Actual impairment charges are recorded using an estimate of discounted future cash flows. There were no impairment charges of non-oil and gas properties for the year ended December 31, 2009, 2008 and 2007 and for the unaudited three month periods ended March 31, 2010 and 2009.

Income Taxes — The Partnership is a limited partnership and is not subject to federal income tax. As such, the ultimate owners of the Partnership are taxed on their proportionate share of net income.

The liability for deferred federal taxes included within current liabilities of discontinued operation (see note 8) in the Partnership's consolidated financial statements at December 31, 2008, are those of its subsidiary, Optigas, which was converted to a LLC on July 1, 2008.

Prior to the conversion, Optigas operations were subject to corporate income tax. During those periods, income taxes were calculated on the basis of separate company income and deductions related to Optigas in accordance with established practices. Deferred income taxes were provided for temporary differences between the accounting principles generally accepted in the United States of America and tax carrying amounts of assets and liabilities. These differences create taxable or tax deductible amounts for future periods.

The Partnership continues to be subject to Texas income (margin) tax.

Uncertain Tax Positions — On January 1, 2009, the Partnership adopted a GAAP pronouncement that clarified the accounting for uncertainty in income taxes recognized in the financial statements. The pronouncement provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Income tax position not meeting the more likely than not threshold must be recognized as a liability on the financial statements. This pronouncement also provides guidance on measurement, de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The open tax years are 2006-2009. The Partnership believes there are no material uncertain tax positions.

Deferred Charges — Financing fees are deferred and amortized over the life of the applicable debt instrument. Unamortized deferred financing fees at December 31, 2009 and 2008 and March 31, 2010 (unaudited), were $467,822, $693,485 and $263,799, respectively. Financing fees at December 31, 2009 and 2008 and March 31, 2010 (unaudited), relate to the revolving line of credit obtained in 2007, increased in 2008, and modified in 2009. Financing fees amortized for the years ended December 31, 2009, 2008 and 2007 and for the unaudited three month periods ended March 31, 2010 and 2009, were $653,163, $386,835, $1,233,247, $204,023 and $109,498, respectively.

Derivatives — The Partnership recognizes all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The Partnership's forward natural gas and crude oil purchase and sales contracts are designated as normal purchases and sales. During 2009, 2008 and 2007, the Partnership used derivatives to mitigate the risks to cash flows resulting from changes in commodity prices. The Partnership realized a loss of $5,871 in 2009, a gain of $1,354,756 in 2008 and a loss of $415,096 in 2007, included in (loss) income from discontinued operation in the consolidated statements of operations related to these instruments.

2. OPTIGAS/CERITAS MERGER

On March 21, 2006, the Partnership acquired Optigas, a Delaware corporation, in an agreement and plan of merger. As a result of the merger transaction, all outstanding shares of the Optigas common stock were converted into the right to receive an aggregate amount of $85,000,000 in cash plus the amount of working capital. $5,000,000 of the merger consideration was placed in escrow. At December 31, 2007, $5,000,000 was on the Partnership's consolidated balance sheet as restricted cash and was accounted for as contingent consideration; therefore, it was not included in the purchase price or purchase price allocation, and no liability was recorded. On March 22, 2008, the escrow balance of $5,000,000 was transferred directly to the former shareholders of Optigas and was recorded on the Partnership's balance sheet as an addition to goodwill.

3. GOODWILL

Goodwill, which is included in other assets held for sale, is tested for impairment at least annually at the reporting unit level using a two-step impairment test. The Partnership recorded goodwill of $404,735 when the gathering assets were purchased by the Partnership in April 2005. During 2006, a purchase price adjustment related to the Liberty acquisition increased goodwill by $266,440. In 2008, goodwill in the amount of $5,000,000 was added by the transfer of restricted cash to the previous owners of Optigas. During 2009 and 2008, the Partnership tested goodwill for impairment and determined no impairment had occurred.

4. DEBT

The Partnership obtained a revolving line of credit (RLOC) from Merrill Lynch Capital and a three-bank syndicate of $75,000,000 on July 26, 2007, with a maturity date of July 26, 2010. During 2008, Merrill Lynch Capital assigned their interest in the RLOC to its administrative agent, General Electric Capital Corporation. This assignment did not change the terms of the loan or the covenants. The facility bears interest at London InterBank Offered Rate (LIBOR) plus a margin determined based on the debt to earnings before interest, taxes, depreciation and amortization (EBITDA) ratio as defined in the agreement. The facility was used to consolidate all Partnership bank financings. The facility is secured by all material assets and is guaranteed by all subsidiaries of the Partnership.

On July 1, 2008, the RLOC was increased to $100,000,000 by amendment. On August 4, 2009, the RLOC was decreased, by amendment, to $85,500,000 and decreases each subsequent quarter by the amount of excess cash flow. On March 9, 2010, the agreement was amended to change certain covenant requirements and to waive compliance with these covenants at December 31, 2009 and to reset the financial covenants as of March 31, and June 30, 2010.

At March 31, 2010 (unaudited) and December 31, 2009 and 2008, the outstanding amount of the RLOC was $78,098,594, $78,196,827 and $67,100,000. The Partnership was in compliance with all terms and conditions as amended as of March 31, 2010 and December 31, 2009.

5. COMMITMENTS AND CONTINGENCIES

Lease Commitments — The Partnership leases office space under noncancelable operating leases through October 2011. The Partnership also leases various compressors under noncancelable operating leases over various lease periods. The total lease expense for the year ended December 31, 2009, 2008 and 2007 and the unaudited three-months ended March 31, 2010 and 2009, was $1,322,490, $4,113,422, $5,464,206, $199,850 and $359,267, respectively. Future payments under these leases as of December 31, 2009 are as follows:

Years Ending December 31	
2010	$566,340
2011	351,687
2012	25,200
Total	$943,227

Legal Proceedings — The Partnership is from time to time involved in various legal proceedings characterized as incidental to the business. Management does not believe that the outcome of current legal proceedings will have a materially adverse impact on the Partnership's consolidated financial position, results of operations, or cash flows.

6. INCOME TAXES

Income taxes on Optigas operations prior to the July 1, 2008, limited liability company conversion were calculated on the basis of their separate company income and deductions in accordance with established practices. The Partnership used the asset and liability method of accounting for deferred taxes to record the tax effects on Optigas. Deferred tax assets and liabilities were determined based on the difference between the consolidated financial statements and tax bases of assets and liabilities as measured by the enacted tax rates which will be in effect when these differences reverse. Deferred tax expense is the result of changes in deferred tax assets and liabilities.

The components of the provision (benefit) for income taxes included in discontinued operations are as follows:

	For the Three-Months Ended March 31, 2010 (unaudited)	For the Three-Months Ended March 31, 2009 (unaudited)	For the Year Ended December 31, 2009	For the Year Ended December 31, 2008	For the Year Ended December 31, 2007
Current federal	$ —	$ —	$ —	$ 13,079,014	$ 38,408
Deferred federal	—	—	—	(14,833,289)	(1,233,600)
Current state	—	—	—	326,676	—
Deferred state	7,087	24,000	162,841	(361,284)	—
Net provision (benefit)	$ 7,087	$ 24,000	$ 162,841	$ (1,788,883)	$(1,195,192)

In conjunction with the conversion to a limited liability company, $1,754,275 of federal income tax liabilities outstanding at June 30, 2008, were eliminated and recorded in (loss) income from discontinued operations as a benefit to income tax expense (benefit) on the consolidated statements of operations. The balance of federal income tax liabilities were reclassified on the Partnership's consolidated balance sheets to current federal income taxes payable (a component of total liabilities of discontinued operations) for the year ended December 31, 2008.

The Partnership is subject to Texas Franchise Tax based on taxable margin (TMT). The first annual taxable period began January 1, 2007, and the first returns were due in 2008. The Partnership uses the liability method of accounting for TMT. Deferred income taxes are recognized for the future tax effects of temporary differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities using the enacted statutory tax rates in effect at the end of the period. A valuation allowance for deferred tax assets is recorded when it is more likely than not that the benefit from the deferred tax asset will not be realized. The deferred tax provisions presented on the accompanying consolidated balance sheets relate to the effect of temporary book/tax timing differences associated with depreciation and depletion.

Significant components of the Partnership's total net deferred tax assets and liabilities included in other assets held for sale are as follows:

	March 31, 2010 (Unaudited)	December 31, 2009	December 31, 2008
Deferred tax assets — other	$ 277,870	$ 288,161	$ 361,284
Deferred tax liability — PP&E	(86,514)	(89,718)	—
Net deferred tax asset	$ 191,356	$ 198,443	$ 361,284

After the July 1, 2008, conversion of Optigas, there are no longer federal or state net operating loss carryforwards. The Partnership is not subject to federal income tax, but rather the taxable income or loss of these entities is reported on the income tax returns of the respective members.

7. RELATED-PARTY TRANSACTIONS AND BALANCES

WMJ Operations, LP (WMJO) owns a 2% interest in the Partnership. An affiliate of WMJO, WMJ Investments, Corp. (WMJI) receives gas from Liberty. Prior to 2008, WMJI delivered gas to, and received gas from, Liberty. These transactions are accounted for as purchases and sales, respectively. At month-end, a statement is prepared and presented to WMJI that summarizes the purchases and sales for the month. A netting agreement is in place that allows the net amount to be paid to, or received from, WMJI. Under this arrangement in 2009, Liberty sold gas valued at $40,673. In 2008, Liberty sold gas valued at $368,235. In 2007, Liberty sold gas valued at $592,405 and purchased gas valued at $20,193. During the unaudited three month periods ended March 31, 2010 and March 31, 2009, Liberty sold gas valued at $14,121 and $12,336 respectively. At March 31, 2010 (unaudited), WMJI owed Liberty $18,027. At December 31, 2009, WMJI owed Liberty $3,906. At December 31, 2008, Liberty owed WMJI $14,165.

Other liabilities of $99,000 represent a payable to an affiliate.

The Partnership provides management, accounting, and administrative services to Ceritas Holdings II, LLC (CHII). CHII is an unconsolidated affiliate of the Partnership. In April 2008, the Partnership entered into an agreement with CHII that provides compensation for these services. Under this agreement, the Partnership invoices CHII a percentage of the general and administrative expenses that benefit both entities. The percentage for 2010 and 2009 and 2008 was 50%, 50%, and 40% respectively. The Partnership accounts for this re-bill on the consolidated operating statement as a reduction of general and administrative expenses. For the year ended December 31, 2009 and 2008, the amounts invoiced for these services totaled $2,233,088 and $1,031,790 respectively. For the unaudited three-months ended March 31, 2010 and March 31, 2009, the amounts invoiced for these services totaled $396,808 and $612,340 respectively.

CHII holds an equity interest in Ute Energy, LLC (UE). In June and August 2009, the partnership entered into commodity transactions with J.P. Morgan Ventures Energy Corporation (JPM) on behalf of, and for the benefit of UE. UE reimbursed the partnership for their payments to JPM and receipts from JPM were forwarded to UE. No fees or commissions were charged or received by the partnership. All commodity positions were settled by December 31, 2009 and there were no outstanding receivables or payables between any of the parties related to these transactions.

8. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

During the unaudited three month period ended March 31, 2010, the Partnership undertook an active process to market its Raywood, Liberty and Optigas midstream businesses. The Partnership engaged a third party advisor in connection with these plans. The accompanying financial statements have been retrospectively adjusted to present these businesses as discontinued operations. Management of the Partnership expects the Raywood and Liberty businesses to be sold in June 2010 and the Optigas midstream business to be sold by the end of 2010. The Partnership classified these businesses as held for sale and ceased depreciating and amortizing these assets in mid-February 2010.

The Partnership's remaining operations not classified as held for sale at March 31, 2010 include the Partnership's working interests in coal bed methane gas acreage in the Powder River Basin.

The following table summarizes the results classified as Discontinued Operations, net of tax, in the consolidated statements of operations.

Discontinued Operations

	March 31, 2010 (Unaudited)			March 31, 2009 (Unaudited)		
	Optigas	Raywood Liberty	Total	Optigas	Raywood Liberty	Total
REVENUES:						
Natural gas sales	$ —	$ 4,151,221	$ 4,151,221	$ —	$ 6,226,857	$ 6,226,857
Gathering fees	2,690,916	—	2,690,916	3,900,865	—	3,900,865
Natural gas liquids and condensate sales	—	8,244,125	8,244,125	—	5,199,517	5,199,517
Risk management activity	—	—	—	—	(5,871)	(5,871)
Total revenues	2,690,916	12,395,346	15,086,262	3,900,865	11,420,503	15,321,368
COST AND EXPENSES:						
Cost of natural gas and natural gas liquids	—	10,148,068	10,148,068	—	9,510,965	9,510,965
Operating, transporting, and compression costs	1,107,458	372,895	1,480,353	1,535,850	573,497	2,109,347
Depreciation and amortization	1,332,808	346,694	1,679,502	2,596,787	812,671	3,409,458
Accretion expense	21,870	1,830	23,700	21,870	1,830	23,700
General and administrative	481,333	122,968	604,301	560,186	125,108	685,294
Loss on sale of property	—	—	—	449	—	449
Total cost and expenses	2,943,469	10,992,455	13,935,924	4,715,142	11,024,071	15,739,213
OPERATING (LOSS) INCOME	(252,553)	1,402,891	1,150,338	(814,277)	396,432	(417,845)
INTEREST EXPENSE	(1,573,368)	—	(1,573,368)	(644,084)	—	(644,084)
INTEREST AND OTHER INCOME	—	—	—	—	(244)	(244)
(LOSS) INCOME BEFORE INCOME TAX	(1,825,921)	1,402,891	(423,030)	(1,458,361)	396,188	(1,062,173)
INCOME TAX (EXPENSE) BENEFIT	—	(7,087)	(7,087)	—	(24,000)	(24,000)
(LOSS) INCOME FROM DISCONTINUED OPERATIONS	$(1,825,921)	$ 1,395,804	$ (430,117)	$(1,458,361)	$ 372,188	$ (1,086,173)

	December 31, 2009			December 31, 2008			December 31, 2007		
	Optigas	Raywood Liberty	Total	Optigas	Raywood Liberty	Total	Optigas	Raywood Liberty	Total
REVENUES:									
Natural gas sales	$ —	$17,336,209	$17,336,209	$ —	$39,706,852	$ 39,706,852	$ —	$23,444,669	$23,444,669
Gathering fees	13,848,899	—	13,848,899	15,638,592	—	15,638,592	15,862,751	—	15,862,751
Natural gas liquids and condensate sales	—	23,200,822	23,200,822	—	47,232,607	47,232,607	—	31,333,161	31,333,161
Risk management activity	(5,871)	—	(5,871)	—	1,379,456	1,379,456	—	(415,096)	(415,096)
Total revenues	13,843,028	40,537,031	54,380,059	15,638,592	88,318,915	103,957,507	15,862,751	54,362,734	70,225,485
COST AND EXPENSES:									
Cost of natural gas and natural gas liquids	—	32,686,379	32,686,379	—	72,241,740	72,241,740	—	43,576,802	43,576,802
Operating, transporting, and compression costs	5,275,546	1,527,547	6,803,093	7,762,898	1,355,297	9,118,195	7,414,953	1,468,530	8,883,483
Depreciation and amortization	10,516,618	2,800,378	13,316,996	9,728,874	3,253,560	12,982,434	8,540,897	3,368,430	11,909,327
Accretion expense	87,480	7,909	95,389	87,480	7,320	94,800			
General and administrative	2,370,239	479,841	2,850,080	2,234,730	495,365	2,730,095	2,170,854	611,127	2,781,981
Loss on sale of property	3,168	—	3,168	—	—	—	—	41,199	41,199
Total cost and expenses	18,253,051	37,502,054	55,755,105	19,813,982	77,353,282	97,167,264	18,126,704	49,066,088	67,192,792
OPERATING (LOSS) INCOME	(4,410,023)	3,034,977	(1,375,046)	(4,175,390)	10,965,633	6,790,243	(2,263,953)	5,296,646	3,032,693
INTEREST EXPENSE	(4,317,385)	—	(4,317,385)	(3,606,708)	—	(3,606,708)	(6,030,279)	(264,830)	(6,295,109)
INTEREST AND OTHER INCOME	733	6,509	7,242	22,234	30,782	53,016	28,208	76,792	105,000
(LOSS) INCOME BEFORE INCOME TAX	(8,726,675)	3,041,486	(5,685,189)	(7,759,864)	10,996,415	3,236,551	(8,266,024)	5,108,608	(3,157,416)
INCOME TAX (EXPENSE) BENEFIT	—	(162,841)	(162,841)	1,754,275	34,608	1,788,883	1,195,196	—	1,195,196
(LOSS) INCOME FROM DISCONTINUED OPERATIONS	$(8,726,675)	$ 2,878,645	$(5,848,030)	$(6,005,589)	$11,031,023	$ 5,025,434	$(7,070,828)	$ 5,108,608	$(1,962,220)

Summarized Balance Sheet Information for Assets and Associated Liabilities Held for Sale

	March 31, 2010 (Unaudited)			December 31, 2009			December 31, 2008		
	Optigas	Raywood Liberty	Total	Optigas	Raywood Liberty	Total	Optigas	Raywood Liberty	Total
ASSETS									
CURRENT ASSETS:									
Accounts receivable	$ 1,598,578	$ 3,985,393	$ 5,583,971	$ 2,016,193	$ 4,100,410	$ 6,116,603	$ 2,011,829	$ 5,475,968	$ 7,487,797
Inventory	—	18,405	18,405	—	18,405	18,405	—	7,157	7,157
Prepayments and other current assets	127,763	95,446	223,209	146,925	94,282	241,207	258,689	55,838	314,527
Total current assets of discontinued operations	$ 1,726,341	$ 4,099,244	$ 5,825,585	$ 2,163,118	$ 4,213,097	$ 6,376,215	$ 2,270,518	$ 5,538,963	$ 7,809,481
PROPERTY, PLANT, AND EQUIPMENT:									
Property easements	$ —	$ 4,349,530	$ 4,349,530$	$ —	$ 4,349,530	$ 4,349,530	$ —	$ 4,275,728	$ 4,275,728
Gathering assets and equipment	—	10,949,625	10,949,625	—	10,892,393	10,892,393	—	10,448,172	10,448,172
Gas processing facility	—	18,284,925	18,284,925	—	18,291,990	18,291,990	—	16,927,443	16,927,443
Gathering and processing facilities	90,516,805	—	90,516,805	90,233,309	—	90,233,309	88,215,026	—	88,215,026
Accumulated depreciation	(23,160,595)	(5,152,500)	(28,313,095)	(22,253,866)	(4,902,923)	(27,156,789)	(15,142,904)	(2,982,758)	(18,125,662)
Total gathering and processing facilities — net	67,356,210	28,431,580	95,787,790	67,979,443	28,630,990	96,610,433	73,072,122	28,668,585	101,740,707
Office furniture and equipment	693,605	—	693,605	666,133	—	666,133	737,095	—	737,095
Accumulated depreciation	(312,235)	—	(312,235)	(295,398)	—	(295,398)	(271,242)	—	(271,242)
Total office furniture and equipment — net	381,370	—	381,370	370,735	—	370,735	465,853	—	465,853
INTANGIBLES — Contracts — net	10,231,065	97,116	10,328,181	10,640,308	194,233	10,834,541	13,914,248	1,074,445	14,988,693
GOODWILL	5,000,000	671,175	5,671,175	5,000,000	671,175	5,671,175	5,000,000	671,175	5,671,175
DEFERRED TAX ASSET	—	191,356	191,356	—	198,443	198,443	—	361,284	361,284
OTHER ASSETS	36,200	300	36,500	36,200	300	36,500	36,200	300	36,500
Total non-current assets of discontinued operations	$ 83,004,845	$29,391,527	$112,396,372	$ 84,026,686	$29,695,141	$113,721,827	$ 92,488,423	$30,775,789	$123,264,212
LIABILITIES									
CURRENT LIABILITIES:									
Accounts payable and accrued liabilities	$ 686,218	$ 3,291,990	$ 3,978,208	$ 917,043	$ 3,722,889	4,639,932	$ 1,041,351	$ 5,630,703	$ 6,672,054
Federal income taxes payable	—	—	—	—	—	—	13,079,014	—	13,079,014
Total current liabilities of discontinued operations	$ 686,218	$ 3,291,990	$ 3,978,208	$ 917,043	$ 3,722,889	$ 4,639,932	$ 14,120,365	$ 5,630,703	$ 19,751,068
Total asset retirement obligation of discontinued operations	$ 1,222,009	$ 108,325	$ 1,330,334	$ 1,200,992	$ 106,496	$ 1,307,488	$ 1,116,947	$ 98,590	$ 1,215,537

9. SUBSEQUENT EVENTS (UNAUDITED)

On June 4, 2010, the company executed a purchase and sale agreement to sell its consolidated subsidiary, CERITAS Gathering Company, LP (CGATH), to a third party. CGATH holds the assets and liabilities for the Raywood and Liberty operations. The transaction was completed on June 29, 2010, and the proceeds were used to pay down the Partnerships line of credit.

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UNAUDITED DCP MIDSTREAM PARTNERS, LP PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

References to we, us or our, refer to DCP Midstream Partners, LP and its consolidated subsidiaries (the "Partnership"). On January 1, 2011, we acquired from DCP Midstream, LLC ("Midstream") a 33.33% interest in DCP Southeast Texas Holdings, GP (the "Joint Venture") for $150 million in cash financed with borrowings under our revolving credit facility. Midstream is the owner of the Partnership's general partner. We refer to this acquisition herein as the "Transaction". In November 2010, we issued 2,875,000 units for net proceeds of $96.4 million to fund a portion of this acquisition. Pending the closing of this acquisition the net proceeds from the issuance of the 2,875,000 units were used to repay funds under our revolving credit facility. The Joint Venture includes the "Southeast Texas Midstream Business" and "Ceritas"; Ceritas represents the Liberty Gathering Company, LP and Raywood Gas Plant, LLC purchased from Ceritas Holdings, LP by the Southeast Texas Midstream Business on June 29, 2010. The Joint Venture is a fully integrated midstream business which includes: 675 miles of natural gas pipelines; three natural gas processing plants totaling 350 MMcf/d of processing capacity; natural gas storage assets with 9 Bcf of existing storage capacity; and NGL market deliveries direct to Exxon Mobil and to Mont Belvieu via our Black Lake NGL pipeline.

We own a 33.33% interest and Midstream owns a 66.67% interest in the Joint Venture. Midstream will continue to direct the Joint Venture's operations. As part of the closing of the Transaction, the assets, liabilities and operations of the Southeast Texas Midstream Business, except for any financial derivative instruments and certain working capital and other liabilities, of the Southeast Texas Midstream Business were acquired by the Joint Venture. The Joint Venture is governed by the Amended and Restated General Partnership Agreement of DCP Southeast Texas Holdings, GP (the "GP Agreement"). The Joint Venture does not currently and is not expected to have any employees. Midstream and its affiliates' employees are responsible for conducting the Joint Venture's business and operating its assets.

Distributions to us will generally approximate our share of earnings from the Joint Venture plus depreciation and amortization expense and other non-cash charges of the Joint Venture. The terms of the GP Agreement provide that distributions to us from the Joint Venture for the first seven years related to storage and transportation gross margin will be pursuant to a fee-based agreement, 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 Midstream's respective ownership interests.

The unaudited pro forma condensed consolidated financial statements present the impact on our financial position and results of operations of our acquisition of a 33.33% interest in the Joint Venture. The unaudited pro forma condensed consolidated financial statements as of September 30, 2010, and for the nine months ended September 30, 2010 have been prepared based on certain pro forma adjustments to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, and for the years ended December 31, 2009, 2008 and 2007, have been prepared based on certain pro forma adjustments to our historical consolidated financial statements set forth in our Current Report on Form 8-K, filed on May 26, 2010 with the Securities and Exchange Commission, and are qualified in their entirety by reference to such historical consolidated financial statements and related notes contained therein. The unaudited pro forma condensed consolidated financial statements should be read in conjunction with the accompanying notes and with the historical consolidated financial statements and related notes thereto.

The unaudited pro forma condensed consolidated balance sheet as of September 30, 2010 has been prepared as if the Transaction occurred on that date. The unaudited pro forma condensed consolidated statements of operations for the nine months ended September 30, 2010, and the years ended December 31, 2009, 2008 and 2007, have been prepared as if the Southeast Texas Midstream Business transaction occurred on January 1, 2007 and the Ceritas transaction occurred on January 1, 2009. Since this is a transaction between entities under common control, the unaudited pro forma condensed consolidated financial statements are combined on an "as if" pooling basis. Accordingly, the historic impact of the acquired assets and liabilities are carried forward.

The pro forma adjustments are based upon currently available information and certain estimates and assumptions; therefore, actual adjustments will differ from the pro forma adjustments. Management believes, however, that the assumptions provide a reasonable basis for presenting the significant effects of the Transaction as contemplated, and that the pro forma adjustments give appropriate effect to those assumptions and are properly applied in the unaudited pro forma condensed consolidated financial statements.

The unaudited pro forma condensed consolidated financial statements may not be indicative of the results that actually would have occurred if we had owned an interest in the Joint Venture during the periods presented.

Exhibit 99.3

DCP MIDSTREAM PARTNERS, LP
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2010
($ in millions)

	DCP Midstream Partners, LP	The Southeast Texas Midstream Business	Pro Forma Adjustments - Elimination (b)	Pro Forma Adjustments - Other		DCP Midstream Partners, LP Pro Forma
ASSETS						
Current assets:						
Cash and cash equivalents	$ 11.8	$ —	$ —	$ 96.4	**(c)**	11.8
				53.6	**(d)**	
				(150.0)	**(e)**	
Accounts receivable	103.1	35.4	(35.4)	—		103.1
Other	43.5	59.9	(59.9)	—		43.5
Total current assets	158.4	95.3	(95.3)	—		158.4
Property, plant and equipment, net	1,042.5	261.6	(261.6)	—		1,042.5
Goodwill and intangible assets, net	187.3	46.1	(46.1)	—		187.3
Investments in unconsolidated affiliates	103.6	—	—	100.0	**(e)**	203.6
Other non-current assets	7.4	1.5	(1.5)	—		7.4
Total assets	$ 1,499.2	$ 404.5	$ (404.5)	$ 100.0		$ 1,599.2
LIABILITIES AND EQUITY						
Current liabilities:						
Accounts payable	$ 85.4	$ 58.5	$ (58.5)	$ —		$ 85.4
Other	74.4	37.4	(37.4)	—		74.4
Total current liabilities	159.8	95.9	(95.9)	—		159.8
Long-term debt	612.8	—	—	53.6	**(d)**	666.4
Other long-term liabilities	62.4	5.4	(5.4)	—		62.4
Total liabilities	835.0	101.3	(101.3)	53.6		888.6
Commitments and contingent liabilities						
Equity:						
Predecessor equity	—	303.2	(303.2)	—		—
Common unitholders	482.5	—	—	96.4	**(c)**	528.9
				(50.0)	**(e)**	
General partner unitholders	(6.1)	—	—	—		(6.1)
Accumulated other comprehensive income	(33.2)	—	—	—		(33.2)
Total partners' equity	443.2	303.2	(303.2)	46.4		489.6
Noncontrolling interests	221.0	—	—	—		221.0
Total equity	664.2	303.2	(303.2)	46.4		710.6
Total liabilities and equity	$ 1,499.2	$ 404.5	$ (404.5)	$ 100.0		$ 1,599.2

See accompanying notes to unaudited pro forma condensed consolidated financial statements.

DCP MIDSTREAM PARTNERS, LP
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
NINE MONTHS ENDED SEPTEMBER 30, 2010
($ in millions, except per unit amounts)

	DCP Midstream Partners, LP	The Southeast Texas Midstream Business	Ceritas Holdings, LP (a)	Pro Forma Adjustments - Elimination (b)	Pro Forma Adjustments - Other		DCP Midstream Partners, LP Pro Forma
Total operating revenues	$ 921.1	$ 604.3	$ 1.3	$ (605.6)	$ —		$ 921.1
Operating costs and expenses:							
Purchases of natural gas, propane and NGLs	738.7	546.2	—	(546.2)	—		738.7
Operating and maintenance expense	58.8	13.3	0.3	(13.6)	—		58.8
Depreciation and amortization expense	55.7	10.2	0.1	(10.3)	—		55.7
General and administrative expense	25.0	8.4	0.9	(9.3)	—		25.0
Step acquisition - equity interest re-measurement gain	(9.1)	—	—	—	—		(9.1)
Other	(4.0)	(1.0)	—	1.0	—		(4.0)
Total operating costs and expenses	865.1	577.1	1.3	(578.4)	—		865.1
Operating income	56.0	27.2	—	(27.2)	—		56.0
Interest expense, net	(22.0)	—	—	—	(2.0)	**(f)**	(24.0)
Earnings from unconsolidated affiliates	18.6	—	—	—	10.8	**(g)**	29.7
					0.7	**(h)**	
					(0.4)	**(i)**	
Income before income taxes	52.6	27.2	—	(27.2)	9.1		61.7
Income tax expense	(0.5)	(0.5)	—	0.5	—		(0.5)
Net income from continuing operations	52.1	26.7	—	(26.7)	9.1		61.2
Net (loss) income from discontinued operations, net of taxes	—	—	(0.9)	0.9	—		—
Net income attributable to noncontrolling interests	(4.4)	—	—	—	—		(4.4)
Net income attributable to partners	$ 47.7	$ 26.7	$ (0.9)	$ (25.8)	$ 9.1		$ 56.8
Less:							
General partner interest in net income	(12.1)						(13.1)
Net income allocable to limited partners	$ 35.6						$ 43.7
Net income per limited partner unit — basic and diluted	$ 1.01						$ 1.15
Weighted-average limited partner units outstanding — basic and diluted	35.1						38.0

See accompanying notes to unaudited pro forma condensed consolidated financial statements.

DCP MIDSTREAM PARTNERS, LP
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2009
($ in millions, except per unit amounts)

	DCP Midstream Partners, LP	The Southeast Texas Midstream Business	Ceritas Holdings, LP (a)	Pro Forma Adjustments - Elimination (b)	Pro Forma Adjustments - Other		DCP Midstream Partners, LP Pro Forma
Total operating revenues	$ 942.4	$ 535.5	$ 2.1	$ (537.6)	$ —		$ 942.4
Operating costs and expenses:							
Purchases of natural gas, propane and NGLs	776.2	472.1	—	(472.1)	—		776.2
Operating and maintenance expense	69.7	14.5	0.7	(15.2)	—		69.7
Depreciation and amortization expense	64.9	12.0	0.7	(12.7)	—		64.9
General and administrative expense	32.3	10.8	2.0	(12.8)	—		32.3
Other, net	—	0.5	—	(0.5)	—		—
Total operating costs and expenses	943.1	509.9	3.4	(513.3)	—		943.1
Operating (loss) income	(0.7)	25.6	(1.3)	(24.3)	—		(0.7)
Interest expense, net	(28.0)	—	—	—	(2.4)	**(f)**	(30.4)
Earnings from unconsolidated affiliates	18.5	—	—	—	6.0	**(g)**	24.8
					1.0	**(h)**	
					(0.7)	**(i)**	
(Loss) income before income taxes	(10.2)	25.6	(1.3)	(24.3)	3.9		(6.3)
Income tax expense	(0.6)	(0.4)	—	0.4	—		(0.6)
Net (loss) income from continuing operations	(10.8)	25.2	(1.3)	(23.9)	3.9		(6.9)
Net (loss) income from discontinued operations, net of taxes	—	—	(5.8)	5.8	—		—
Net income attributable to noncontrolling interests	(8.3)	—	—	—	—		(8.3)
Net (loss) income attributable to partners	$ (19.1)	$ 25.2	$ (7.1)	$ (18.1)	$ 3.9		$ (15.2)
Less:							
Net loss attributable to predecessor operations	1.0						1.0
General partner interest in net income	(12.7)						(14.4)
Net loss allocable to limited partners	$ (30.8)						$ (28.6)
Net loss per limited partner unit — basic and diluted	$ (0.99)						$ (0.84)
Weighted-average limited partner units outstanding — basic and diluted	31.2						34.1

See accompanying notes to unaudited pro forma condensed consolidated financial statements.

DCP MIDSTREAM PARTNERS, LP
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2008
($ in millions, except per unit amounts)

	DCP Midstream Partners, LP	The Southeast Texas Midstream Business	Pro Forma Adjustments - Elimination (b)	Pro Forma Adjustments - Other		DCP Midstream Partners, LP Pro Forma
Total operating revenues	$ 1,830.5	$ 1,142.1	$ (1,142.1)	$ —		$ 1,830.5
Operating costs and expenses:						
Purchases of natural gas, propane and NGLs	1,481.0	1,065.4	(1,065.4)	—		1,481.0
Operating and maintenance expense	77.4	17.6	(17.6)	—		77.4
Depreciation and amortization expense	53.2	11.8	(11.8)	—		53.2
General and administrative expense	33.3	10.6	(10.6)	—		33.3
Other, net	(1.5)	1.8	(1.8)	—		(1.5)
Total operating costs and expenses	1,643.4	1,107.2	(1,107.2)	—		1,643.4
Operating income	187.1	34.9	(34.9)	—		187.1
Interest expense, net	(26.7)	—	—	(2.4)	**(f)**	(29.1)
Earnings from unconsolidated affiliates	18.2	—	—	7.0	**(g)**	25.2
Income before income taxes	178.6	34.9	(34.9)	4.6		183.2
Income tax expense	(0.6)	(0.7)	0.7	—		(0.6)
Net income from continuing operations	178.0	34.2	(34.2)	4.6		182.6
Net loss attributable to noncontrolling interests	(36.1)	—	—	—		(36.1)
Net income attributable to partners	$ 141.9	$ 34.2	$ (34.2)	$ 4.6		$ 146.5
Less:						
Net income attributable to predecessor operations	(16.2)					(16.2)
General partner interest in net income	(13.0)					(14.0)
Net income allocable to limited partners	$ 112.7					$ 116.3
Net income per limited partner unit — basic and diluted	$ 4.11					$ 3.84
Weighted-average limited partner units outstanding — basic and diluted	27.4					30.3

See accompanying notes to unaudited pro forma condensed consolidated financial statements.

DCP MIDSTREAM PARTNERS, LP
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2007
($ in millions, except per unit amounts)

	DCP Midstream Partners, LP	The Southeast Texas Midstream Business	Pro Forma Adjustments - Elimination (b)	Pro Forma Adjustments - Other		DCP Midstream Partners, LP Pro Forma
Total operating revenues	$ 1,346.2	$ 917.3	$ (917.3)	$ —		$ 1,346.2
Operating costs and expenses:						
Purchases of natural gas, propane and NGLs	1,185.6	845.9	(845.9)	—		1,185.6
Operating and maintenance expense	59.3	14.2	(14.2)	—		59.3
Depreciation and amortization expense	40.2	11.0	(11.0)	—		40.2
General and administrative expense	36.2	12.3	(12.3)	—		36.2
Total operating costs and expenses	1,321.3	883.4	(883.4)	—		1,321.3
Operating income	24.9	33.9	(33.9)	—		24.9
Interest expense, net	(20.1)	—	—	(2.9)	**(f)**	(23.0)
Earnings from unconsolidated affiliates	24.7	—	—	8.5	**(g)**	33.2
Income before income taxes	29.5	33.9	(33.9)	5.6		35.1
Income tax expense	(0.8)	(0.7)	0.7	—		(0.8)
Net income from continuing operations	28.7	33.2	(33.2)	5.6		34.3
Net income attributable to noncontrolling interests	(29.8)	—	—	—		(29.8)
Net (loss) income attributable to partners	$ (1.1)	$ 33.2	$ (33.2)	$ 5.6		$ 4.5
Less:						
Net income attributable to predecessor operations	(18.3)					(18.3)
General partner interest in net income	(3.9)					(4.5)
Net loss allocable to limited partners	$ (23.3)					$ (18.3)
Net loss per limited partner unit — basic and diluted	$ (1.14)					$ (0.78)
Weighted-average limited partner units outstanding — basic and diluted	20.5					23.4

See accompanying notes to unaudited pro forma condensed consolidated financial statements.

NOTES TO UNAUDITED DCP MIDSTREAM PARTNERS, LP
PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Basis of Presentation

The unaudited pro forma condensed consolidated financial statements present the impact on our financial position and results of operations of our acquisition from Midstream of a 33.33% interest in DCP Southeast Texas Holdings, GP, comprised of the Southeast Texas Midstream Business, including Ceritas which was acquired by the Southeast Texas Midstream Business from Ceritas Holdings, LP on June 29, 2010. The pro forma financial statements as of September 30, 2010, and for the nine months ended September 30, 2010 have been prepared based on certain pro forma adjustments to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, and for the years ended December 31, 2009, 2008 and 2007, have been prepared based on certain pro forma adjustments to our audited consolidated financial statements set forth in our Current Report on Form 8-K filed on May 26, 2010 with the Securities and Exchange Commission, and are qualified in their entirety by reference to such historical consolidated financial statements and related notes contained in those reports. The unaudited pro forma condensed consolidated financial statements should be read in conjunction with the accompanying notes and with the historical consolidated financial statements and related notes thereto.

The unaudited pro forma condensed consolidated balance sheet as of September 30, 2010, has been prepared as if the Transactions occurred on the balance sheet date. Since the Transaction is a transaction among entities under common control, the pro forma financial statements are combined on an “as if” pooling basis. Accordingly, the historic impact of the acquired assets and liabilities are carried forward. The Southeast Texas Midstream Business was under common control for the nine months ended September 30, 2010, and the years ended December 31, 2009, 2008 and 2007, while Ceritas was only under common control since June 29, 2010. Therefore, the unaudited pro forma condensed consolidated statements of operations for the nine months ended September 30, 2010, and the years ended December 31, 2009, 2008 and 2007 have been prepared as if the Southeast Texas Midstream Business transaction had occurred on January 1, 2007 and the Ceritas transaction occurred on January 1, 2009.

The pro forma adjustments are based upon currently available information and certain estimates and assumptions; therefore, actual adjustments will differ from the pro forma adjustments. Management believes, however, that the assumptions provide a reasonable basis for presenting the significant effects of the Transaction as contemplated, and that the pro forma adjustments give appropriate effect to those assumptions and are properly applied in the unaudited pro forma condensed consolidated financial statements.

The unaudited pro forma condensed consolidated financial statements may not be indicative of the results that actually would have occurred if we had owned an interest in the Joint Venture during the periods presented.

The pro forma condensed consolidated financial statements reflect the Transaction as follows:

- the borrowing of $53.6 million under our existing credit facility to finance the acquisition;
- the issuance in November 2010, of 2,875,000 common limited partner units, for net proceeds of $96.4 million to finance the acquisition;
- the acquisition of a 33.33% interest in the Joint Venture;
- the retention by Midstream of any financial derivative instruments and certain working capital and other liabilities; and
- the aggregate consideration paid to Midstream, consisting of $150.0 million in cash.

Note 2. Pro Forma Adjustments and Assumptions

(a) Reflects adjustments to account for Ceritas Holdings, LP activity. The adjustment for the nine months ended September 30, 2010, reflects Ceritas Holdings, LP for the period January 1, 2010 to June 28, 2010. For the period subsequent to June 28, 2010, Ceritas Holdings, LP amounts are included within the Southeast Texas Midstream Business. The Ceritas Holdings, LP amounts for the period January 1, 2010 through June 29, 2010 are derived based upon the unaudited historical consolidated statement of operations of Ceritas Holdings, LP for the three months ended March 31, 2010 as attached in Exhibit 99.2. For the year ended December 31, 2009, the Ceritas Holdings, LP amounts are reflective of the audited historical consolidated statement of operations of Ceritas Holdings, LP for the year ended December 31, 2009 as attached in Exhibit 99.2.

(b) Reflects adjustments to eliminate the Joint Venture's activity and operating assets and liabilities, including elimination of the activity and operating assets of Ceritas Holdings, LP not purchased by the Southeast Texas Midstream Business, as our 33.33% in the Joint Venture interest will be accounted for under the equity method of accounting.

(c) Reflects net proceeds to us of $96.4 million from the sale of 2,875,000 of our common units in November 2010 to finance the acquisition.

(d) Reflects proceeds to us from borrowings under our revolving credit facility of $53.6 million to finance the acquisition.

(e) Reflects the Transaction, along with the related distributions to Midstream of the aggregate consideration. This acquisition will be recorded at Midstream's cost as it is considered to be a transaction among entities under common control. The consideration was allocated as follows ($ in millions):

		September 30, 2010
Consideration		$150.0
The historical cost of the Southeast Texas Midstream Business	303.2	
Less: The Southeast Texas Business financial derivative instruments	5.2	
Less: Contingent Consideration Liability for Ceritas retained by Midstream	(2.1)	
The historical cost of the Joint Venture	300.1	
Less: Our 33.33% interest in the Joint Venture		100.0
Adjustment to net parent equity for excess consideration		$ 50.0

The adjustment to net parent equity was allocated to the common units.

(f) Reflects the increase in interest expense associated with the incremental debt for the Transaction. The following presents the weighted average interest rates used to calculate the increase in interest expense for the respective periods:

	Weighted Average Interest Rate
Nine months ended September 30, 2010	5.09%
Year ended December 31, 2009	4.41%
Year ended December 31, 2008	4.48%
Year ended December 31, 2007	5.34%

The effect of a 0.125% variance in interest rates on pro forma interest expense would have been approximately $0.1 million annually.

(g) Reflects the increase in earnings from unconsolidated affiliates associated with the acquisition of a 33.33% interest in the Southeast Texas Midstream Business.

For the first seven years following the closing of the Transaction, our portion of the earnings and cash attributable to the Southeast Texas Midstream Business' storage and transportation gross margin will be pursuant to a fee-based arrangement, based on storage capacity and tailgate volumes. Earnings related to the gathering and processing business, along with reductions for all expenditures, will be pursuant to our and Midstream's respective ownership interests.

The following table reflects the historical net income of the Southeast Texas Midstream Business, the removal of the historical storage and transportation gross margin, the replacement with the storage and transportation gross margin adjusted for this fee-based arrangement applied to our historical storage capacity and tailgate volumes, the contingent consideration fair value adjustment associated with the contingent consideration liability for Ceritas retained by Midstream, and our resulting adjustment to earnings from unconsolidated affiliates:

	Nine Months Ended September 30, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
		(Millions)		
The historical Southeast Texas Midstream Business net income	$ 26.7	$ 25.2	$ 34.2	$ 33.2
The historical Southeast Texas Midstream Business storage and transportation gross margin	(7.6)	(24.1)	(30.0)	(24.6)
The Southeast Texas Midstream Business storage and transportation gross margin under the fee-based arrangement	14.2	16.8	16.7	16.8
Contingent Consideration Fair Value Adjustment	(1.0)	—	—	—
The adjusted Southeast Texas Midstream Business net income	$ 32.3	$ 17.9	$ 20.9	$ 25.4
Our 33.33% interest in the adjusted Southeast Texas Midstream Business net income (earnings from unconsolidated affiliates)	$ 10.8	$ 6.0	$ 7.0	$ 8.5

(h) Reflects the increase in earnings from unconsolidated affiliates associated with the acquisition of a 33.33% interest in Ceritas.

The following table reflects the historical net income of Ceritas, and our resulting adjustment to earnings from unconsolidated affiliates:

	Nine Months Ended September 30, 2010 (a)	Year Ended December 31, 2009
	(Millions)	
The historical Ceritas net income	$ 2.0	$ 2.9
Our 33.33% interest in the historical Ceritas net income (earnings from unconsolidated affiliates)	$ 0.7	$ 1.0

(a) On June 29, 2010, the Southeast Texas Midstream Business acquired Ceritas. The adjustment for the nine months ended September 30, 2010, reflects the Ceritas net income for the period January 1, 2010 to June 28, 2010. For the period subsequent to June 28, 2010, Ceritas net income is included within the Southeast Texas Midstream Business net income.

(i) Reflects the adjustment for depreciation and amortization of fixed assets and intangibles recognized on the acquisition of Ceritas, acquired by the Southeast Texas Midstream Business from Ceritas Holdings, LP on June 29, 2010. The change in expense represents the difference between historical carrying value and the fair value of the tangible and intangible assets acquired, as well as an adjustment to the assets' lives. The acquisition of Ceritas was accounted for by the Southeast Texas Midstream Business under the purchase method of accounting. The following table reflects the calculation of the depreciation and amortization expense adjustment:

	Nine Months Ended September 30, 2010 (a)	Year Ended December 31, 2009
	(Millions)	
The historical Ceritas depreciation and amortization expense	$ 1.2	$ 2.8
The adjusted Ceritas depreciation and amortization expense	2.3	5.0
The depreciation and amortization expense adjustment	$ (1.1)	$ (2.2)
Our 33.33% interest in depreciation and amortization expense adjustment (earnings from unconsolidated affiliates)	$ (0.4)	$ (0.7)

(a) For the nine months ended September 30, 2010, reflects the historical Ceritas depreciation and amortization expense for the period January 1, 2010 to June 28, 2010, and the adjustment to the Ceritas depreciation and amortization expense for the purchase price allocation. For the period subsequent to June 28, 2010, the adjusted Ceritas depreciation and amortization expense is included within the Southeast Texas Midstream Business net income.

Note 3. Pro Forma Net Income Per Limited Partner Unit

Our net income or loss is allocated to the general partner and the limited partners, including the holders of the subordinated units, through the date of subordinated conversion, in accordance with their respective ownership percentages, after allocating Available Cash generated during the period in accordance with our partnership agreement.

Securities that meet the definition of a participating security are required to be considered for inclusion in the computation of basic earnings per unit using the two-class method. Under the two-class method, earnings per unit is calculated as if all of the earnings for the period were distributed under the terms of the partnership agreement, regardless of whether the general partner has discretion over the amount of distributions to be made in any particular period, whether those earnings would actually be distributed during a particular period from an economic or practical perspective, or whether the general partner has other legal or contractual limitations on its ability to pay distributions that would prevent it from distributing all of the earnings for a particular period.

These required disclosures do not impact our overall net income or loss or other financial results; however, in periods in which aggregate net income exceeds our Available Cash it will have the impact of reducing net income per limited partner unit, or LPU.

Basic and diluted net income or loss per LPU is calculated by dividing limited partners' interest in net income or loss, by the weighted-average number of outstanding LPUs during the period, assuming the 2,875,000 common limited partner units issued in November 2010, in connection with the Transaction, were issued on January 1, 2007.

Exhibit 99.4

January 4, 2011	MEDIA AND INVESTOR RELATIONS CONTACT:	Roz Elliott
	Phone:	303/605-1707
	24-Hour:	303/882-1703

DCP MIDSTREAM PARTNERS AND DCP MIDSTREAM, LLC PROVIDE UPDATE ON APPALACHIAN NGL JOINT VENTURE

DENVER – DCP Midstream Partners, LP (NYSE: DPM) and its sponsor, DCP Midstream, LLC (together, DCP), announced today that they are no longer pursuing a joint venture or alternative transaction structures with EQT Corporation (EQT) (NYSE: EQT) related to EQT's processing needs in the Marcellus and Huron shale areas of the Appalachian basin.

"We will continue to actively pursue economically attractive business opportunities in the Marcellus," said Tom O'Connor, chairman of DCP Midstream Partners, LP and chairman, president and chief executive officer of DCP Midstream, LLC. "We are very pleased with DCP's portfolio of growth opportunities, including our Marysville NGL storage acquisition announced yesterday."

DCP Midstream Partners, LP (NYSE: DPM) is a midstream master limited partnership that gathers, treats, processes, transports and markets natural gas, transports and markets natural gas liquids, and is a leading wholesale distributor of propane. DCP Midstream Partners, LP is managed by its general partner, DCP Midstream GP, LLC, which is wholly owned by DCP Midstream, LLC, a joint venture between Spectra Energy and ConocoPhillips.

DCP Midstream, LLC, headquartered in Denver, Colorado, leads the midstream segment as one of the nation's top three largest natural gas gatherers and processors, and one of the largest natural gas liquids producer and marketers in the U.S. DCP Midstream operates in 17 states across producing regions. DCP

Midstream is a 50:50 joint venture between Spectra Energy and ConocoPhillips. The Company owns the General Partner of DCP Midstream Partners, LP, a master limited partnership, and provides operational and administrative support to the partnership.

This press release contains forward-looking statements as defined under the federal securities laws regarding DCP Midstream Partners, LP, including projections, estimates, forecasts, plans and objectives. Although management believes that expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to be correct. In addition, these statements are subject to certain risks, uncertainties and other assumptions that are difficult to predict and may be beyond our control. If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, the Partnership's actual results may vary materially from what management anticipated, estimated, projected or expected.

Investors are encouraged to closely consider the disclosures and risk factors contained in the Partnership's annual and quarterly reports filed from time to time with the Securities and Exchange Commission. The Partnership undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Information contained in this press release is unaudited, and is subject to change.

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