

DCP Midstream Partners, LP
Form 10-K
March 01, 2011
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: December 31, 2010

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: 001-32678

DCP MIDSTREAM PARTNERS, LP

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction
of incorporation or organization)*

370 17th Street, Suite 2775

Denver, Colorado

(Address of principal executive offices)

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

03-0567133

*(I.R.S. Employer
Identification No.)*

80202

(Zip Code)

Securities registered pursuant to Section 12(b) of the Act:

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Title of Each Class: Common Units Representing Limited Partner Interests
Name of Each Exchange on Which Registered: New York Stock Exchange
Securities registered pursuant to Section 12(g) of the Act:

NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Exchange Act of 1934, or the Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of common units held by non-affiliates of the registrant on June 30, 2010, was approximately \$724,943,000. The aggregate market value was computed by reference to the last sale price of the registrant's common units on the New York Stock Exchange on June 30, 2010.

As of February 25, 2011, there were outstanding 40,486,782 common units.

DOCUMENTS INCORPORATED BY REFERENCE:

None.

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GLOSSARY OF TERMS

The following is a list of certain industry terms used throughout this report:

Bbl	barrel
Bbls/d	barrels per day
BBtu/d	one billion Btus per day
Bcf	one billion cubic feet
Bcf/d	one billion cubic feet per day
Btu	British thermal unit, a measurement of energy
Fractionation	the process by which natural gas liquids are separated into individual components
Frac spread	price differences, measured in energy units, between equivalent amounts of natural gas and NGLs
MBbls	one thousand barrels
MMBbls	one million barrels
MBbls/d	one thousand barrels per day
MMBtu	one million Btus
MMBtu/d	one million Btus per day
MMcf	one million cubic feet
MMcf/d	one million cubic feet per day
MMscf	one million standard cubic feet
NGLs	natural gas liquids
Tcf	one trillion cubic feet
Throughput	the volume of product transported or passing through a pipeline or other facility

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CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

Our reports, filings and other public announcements may from time to time contain statements that do not directly or exclusively relate to historical facts. Such statements are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. You can typically identify forward-looking statements by the use of forward-looking words, such as may, could, project, believe, anticipate, expect, estimate, potential, plan, forecast and other similar words.

All statements that are not statements of historical facts, including statements regarding our future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward-looking statements.

These forward-looking statements reflect our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which are outside our control. Important factors that could cause actual results to differ materially from the expectations expressed or implied in the forward-looking statements include known and unknown risks. Known risks and uncertainties include, but are not limited to, the risks set forth in Item 1A. Risk Factors as well as the following risks and uncertainties:

the extent of changes in commodity prices, our ability to effectively limit a portion of the adverse impact of potential changes in prices through derivative financial instruments, and the potential impact of price and producers' access to capital on natural gas drilling, demand for our services, and the volume of NGLs and condensate extracted;

general economic, market and business conditions;

the level and success of natural gas drilling around our assets, the level and quality of gas production volumes around our assets and our ability to connect supplies to our gathering and processing systems in light of competition;

our ability to grow through acquisitions, contributions from affiliates, or organic growth projects, and the successful integration and future performance of such assets;

our ability to access the debt and equity markets and the resulting cost of capital, which will depend on general market conditions, our financial and operating results, inflation rates, interest rates and our ability to effectively limit a portion of the adverse effects of potential changes in interest rates by entering into derivative financial instruments, our ability to comply with the covenants to our credit agreement and our debt securities, as well as our ability to maintain our credit ratings;

our ability to purchase propane from our principal suppliers and make associated profitable sales transactions for our wholesale propane logistics business;

our ability to construct facilities in a timely fashion, which is partially dependent on obtaining required construction, environmental and other permits issued by federal, state and municipal governments, or agencies thereof, the availability of specialized contractors and laborers, and the price of and demand for supplies;

the creditworthiness of counterparties to our transactions;

weather and other natural phenomena, including their potential impact on demand for the commodities we sell and the operation of company-owned and third-party-owned infrastructure;

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new, additions to and changes in laws and regulations, particularly with regard to taxes, safety and protection of the environment, including climate change legislation, or the increased regulation of our industry;

our ability to obtain insurance on commercially reasonable terms, if at all, as well as the adequacy of the insurance to cover our losses;

industry changes, including the impact of consolidations, increased delivery of liquefied natural gas to the United States, alternative energy sources, technological advances and changes in competition; and

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the amount of collateral we may be required to post from time to time in our transactions, including changes resulting from the Dodd-Frank Wall Street Reform and Consumer Protection Act.

In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than we have described. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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Item 1. *Business* OUR PARTNERSHIP

DCP Midstream Partners, LP along with its consolidated subsidiaries, or we, us, our, or the partnership, is a Delaware limited partnership formed in August 2005 by DCP Midstream, LLC to own, operate, acquire and develop a diversified portfolio of complementary midstream energy assets. We completed our initial public offering on December 7, 2005. We are currently engaged in the business of gathering, compressing, treating, processing, transporting, storing and selling natural gas; transporting, storing and selling propane in wholesale markets; and producing, fractionating, transporting, storing and selling NGLs and condensate. Supported by our relationship with DCP Midstream, LLC and its parents, Spectra Energy Corp, or Spectra Energy, and ConocoPhillips, we have a management team dedicated to executing our growth strategy by acquiring and constructing additional assets.

Our operations are organized into three business segments, Natural Gas Services, Wholesale Propane Logistics and NGL Logistics. A map representing the geographic location and type of our assets for all segments is set forth below. Additional maps detailing the individual assets can be found on our website at www.dcppartners.com. Our website and the information contained on that site, or connected to that site, are not incorporated by reference into this report. For more information on our segments, see the *Our Operating Segments* discussion below.

OVERVIEW AND STRATEGIES

Our Business Strategies

Our primary business objectives are to have sustained company profitability, a strong balance sheet and profitable growth thereby increasing our cash distribution per unit over time. We intend to accomplish these objectives by executing the following business strategies:

Acquire: pursue strategic and accretive acquisitions. We pursue strategic and accretive acquisition opportunities within the midstream energy industry, both in new and existing lines of business, and geographic areas of operation. We believe there will continue to be acquisition opportunities as energy companies continue to divest their midstream assets. We intend to pursue acquisition opportunities both independently and jointly with DCP Midstream, LLC and its parents, Spectra Energy and ConocoPhillips, and we may also acquire assets directly from them, which we believe will provide us with a broader array of growth opportunities than those available to many of our competitors. We plan to execute and fund our growth partially through co-investing with DCP Midstream, LLC, including the pursuit of acquisitions

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with or from DCP Midstream, LLC and through formation of additional joint ventures with it. In partnering with DCP Midstream, LLC in this manner, we aim to accomplish our individual growth initiatives while expanding the reach of both entities.

Build: capitalize on organic expansion opportunities. We continually evaluate economically attractive organic expansion opportunities to construct midstream systems in new or existing operating areas. For example, we believe there are opportunities to expand several of our gas gathering systems to attach increased volumes of natural gas produced in the areas of our operations. We believe there are opportunities to expand our NGL Logistics business via the expansion of NGL pipelines and storage. We also believe that we can continue to expand our wholesale propane logistics business via the construction of new propane terminals.

Optimize: maximize the profitability of existing assets. We intend to optimize the profitability of our existing assets by maintaining existing volumes and adding new volumes to enhance utilization, improve operating efficiencies and capture marketing opportunities when available. Our facilities, terminals and pipelines have excess capacity, which allows us to connect or contract for new supplies of natural gas and NGLs at minimal incremental cost. Our wholesale propane logistics business has diversified supply options that allow us to capture lower cost supply to lock in our margin, while providing reliable supplies to our customers.

Our Competitive Strengths

We believe that we are well positioned to execute our business strategies and achieve one of our primary business objectives of increasing our cash distribution per unit because of the following competitive strengths:

Affiliation with DCP Midstream, LLC and its parents. Our relationship with DCP Midstream, LLC and its parents, Spectra Energy and ConocoPhillips, should continue to provide us with significant business opportunities. DCP Midstream, LLC is one of the largest gatherers of natural gas (based on wellhead volume), and one of the largest producers and marketers of NGLs in North America. This relationship also provides us with access to a significant pool of management talent. We believe our strong relationships throughout the energy industry, including with major producers of natural gas and NGLs in the United States, will help facilitate the implementation of our strategies. Additionally, we believe DCP Midstream, LLC, which operates most of our assets on our behalf, has established a reputation in the midstream business as a reliable and cost-effective supplier of services to our customers, and has a track record of safe, efficient and environmentally responsible operation of our facilities.

We believe we are an important growth vehicle and a key source of funding for DCP Midstream, LLC to pursue the acquisition, expansion, and organic construction of midstream natural gas, wholesale propane, NGL and other complementary energy businesses and assets. DCP Midstream, LLC has also provided us with growth opportunities through acquisitions directly from it or joint ventures with it. We believe we will have future opportunities to make additional acquisitions with or directly from DCP Midstream, LLC as well as form joint ventures with it; however, we cannot say with any certainty which, if any, of these opportunities may be made available to us, or if we will choose to pursue any such opportunity. In addition, through our relationship with DCP Midstream, LLC and its parents, we believe we have strong commercial relationships throughout the energy industry and access to DCP Midstream, LLC's broad operational, commercial, technical, risk management and administrative infrastructure.

DCP Midstream, LLC has a significant interest in us through its approximately 1% general partner interest in us, its ownership of our incentive distribution rights and an approximately 29% limited partner interest in us. We have entered into an omnibus agreement, or the Omnibus Agreement, with DCP Midstream, LLC and some of its affiliates that governs our relationship with them regarding the operation of most of our assets, as well as certain reimbursement and other matters.

Strategically located assets. Each of our business segments has assets that are strategically located in areas with the potential for increasing each of our business segments' volume throughput and cash flow generation. Our Natural Gas Services segment has a strategic presence in several active natural gas producing areas including Colorado, Louisiana, Michigan, Oklahoma, Texas, Wyoming and the Gulf of

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Mexico. These natural gas gathering systems provide a variety of services to our customers including natural gas gathering, compression, treating, processing, fractionation, storage and transportation services. The strategic location of our assets, coupled with their geographic diversity, presents us continuing opportunities to provide competitive natural gas services to our customers and opportunities to attract new natural gas production. Our NGL Logistics segment has strategically located NGL transportation pipelines in Colorado, Kansas, Louisiana and Texas, which are major NGL producing regions, and an NGL storage facility in Michigan. Our NGL pipelines connect to various natural gas processing plants and transport the NGLs to large fractionation facilities, a petrochemical plant or an underground NGL storage facility along the Gulf Coast. Our NGL storage facility is strategically adjacent to the Sarnia refinery and petrochemical corridor. Our Wholesale Propane Logistics Segment has terminals in the mid-atlantic, northeastern and upper midwestern states that are strategically located to receive and deliver propane to some of the largest demand areas for propane in the United States.

Stable cash flows. Our operations consist of a favorable mix of fee-based and commodity-based services, which together with our derivative activities, generate relatively stable cash flows. While certain of our gathering and processing contracts subject us to commodity price risk, we have mitigated a portion of our currently anticipated natural gas, NGL and condensate commodity price risk associated with the equity volumes from our gathering and processing operations through 2015 with fixed price commodity swaps and collar arrangements.

Integrated package of midstream services. We provide an integrated package of services to natural gas producers, including gathering, compressing, treating, processing, transporting, storing and selling natural gas, as well as producing, fractionating, transporting, storing and selling NGLs and condensate. We believe our ability to provide all of these services gives us an advantage in competing for new supplies of natural gas because we can provide substantially all services that producers, marketers and others require to move natural gas and NGLs from wellhead to market on a cost-effective basis.

Comprehensive propane logistics systems. We have multiple propane supply sources and terminal locations for wholesale propane delivery. We believe our diversity of supply source and logistics capabilities along with our propane storage assets and services allow us to provide our customers with reliable supplies of propane during periods of tight supply. These capabilities also allow us to moderate the effects of commodity price volatility and reduce significant fluctuations in our sales volumes.

Experienced management team. Our senior management team and board of directors include some of the most senior officers of DCP Midstream, LLC and former senior officers from other energy companies who have extensive experience in the midstream industry. We believe our management team has a proven track record of enhancing value through the acquisition, optimization and integration of midstream assets.

Midstream Natural Gas Industry Overview

General

The midstream natural gas industry is the link between exploration and production of natural gas and the delivery of its components to end-use markets, and consists of the gathering, compression, treating, processing, transporting, storing and selling of natural gas, and the production, fractionating, transporting, storing and selling of NGLs.

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Once natural gas is produced from wells, producers then seek to deliver the natural gas and its components to end-use markets. The following diagram illustrates the natural gas gathering, processing, fractionation, storage and transportation process, which ultimately results in natural gas and its components being delivered to end-users.

Natural Gas Gathering

The natural gas gathering process begins with the drilling of wells into gas-bearing rock formations. Once the well is completed, the well is connected to a gathering system. Onshore gathering systems generally consist of a network of small diameter pipelines that collect natural gas from points near producing wells and transport it to larger pipelines for further transmission.

Natural Gas Compression

Gathering systems are generally operated at design pressures that will maximize the total throughput from all connected wells. Since wells produce at progressively lower field pressures as they deplete, it becomes increasingly difficult to deliver the remaining lower pressure production from the well against the prevailing gathering system pressures. Natural gas compression is a mechanical process in which a volume of wellhead gas is compressed to a desired higher pressure, allowing gas to flow into a higher pressure downstream pipeline to be brought to market. Field compression is typically used to lower the pressure of a gathering system to operate at a lower pressure or provide sufficient pressure to deliver gas into a higher pressure downstream pipeline. If field compression is not installed, then the remaining natural gas in the ground will not be produced because it cannot overcome the higher gathering system pressure. In contrast, if field compression is installed, then a well can continue delivering production that otherwise would not be produced.

Natural Gas Processing

The principal component of natural gas is methane, but most natural gas produced at the wellhead also contains varying amounts of NGLs including ethane, propane, normal butane, isobutane and natural gasoline. NGLs have economic value and are utilized as a feedstock in the petrochemical and oil refining industries or directly as heating, engine or industrial fuels. Long-haul natural gas pipelines have residue natural gas specifications as to the maximum NGL content of the gas to be shipped. In order to meet quality standards for long-haul pipeline transportation, natural gas collected at the wellhead through a gathering system may need to be processed to separate hydrocarbon liquids from the natural gas that can have higher values as NGLs. NGLs are typically recovered by cooling the natural gas until the NGLs become separated through condensation. Cryogenic recovery methods are processes where this is accomplished at temperatures lower than minus 150°F. These methods provide higher NGL recovery yields.

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In addition to NGLs, natural gas collected at the wellhead through a gathering system may also contain impurities, such as water, sulfur compounds, nitrogen or helium, which must also be removed to meet the quality standards for long-haul pipeline transportation. As a result, gathering systems and natural gas processing plants will typically provide ancillary services prior to processing such as dehydration, treating to remove impurities and condensate separation. Dehydration removes water from the natural gas stream, which can form ice when combined with natural gas and cause corrosion when combined with carbon dioxide or hydrogen sulfide. Natural gas with a carbon dioxide or hydrogen sulfide content higher than permitted by pipeline quality standards requires treatment with chemicals called amines at a separate treatment plant prior to processing. Condensate separation involves the removal of liquefied hydrocarbons from the natural gas stream. Once the condensate has been removed, it may be stabilized for transportation away from the processing plant via truck, rail or pipeline.

Natural Gas and NGL Transportation and Storage

After gas collected through a gathering system is processed to meet quality standards required for transportation and NGLs have been extracted from natural gas, the residue natural gas is shipped on long-haul pipelines. The NGLs are typically transported via NGL pipelines or trucks to a fractionator for separation of the NGLs into their individual component parts. Natural gas and NGLs can also be held in storage facilities to meet future seasonal and customer demands. Storage facilities can include marine, pipeline and rail terminals, and underground facilities consisting of salt caverns and aquifers, used for storage of natural gas and various liquefied petroleum gas products including propane, mixed butane, and normal butane. Rail, truck and pipeline connections provide varying ways of transporting natural gas and NGLs to and from storage facilities.

Wholesale Propane Logistics Overview

General

Wholesale propane logistics covers the receipt of propane from processing plants, fractionation facilities and crude oil refineries, the transportation of that propane by pipeline, rail or ship to terminals and storage facilities, the storage of propane and the delivery of propane to retail distributors.

Production of Propane

Propane is extracted from the natural gas stream at processing plants, separated from NGLs at fractionation facilities or separated from crude oil during the refining process. Most of the propane that is consumed in the United States is produced at processing plants, fractionation facilities and refineries located in the United States or in foreign locations, particularly Canada, the North Sea, East Africa and the Middle East. There are limited processing plants, fractionation facilities and propane production in the northeastern United States.

Propane Demand

Propane demand is typically highest in suburban and rural areas where natural gas is not readily available, such as the northeastern United States. Propane is supplied by wholesalers to retailers to be sold to residential and commercial consumers primarily for heating and industrial applications. Propane demand is typically highest in the winter heating season months of October through April.

Transportation and Storage

Due to the region's limited propane production and relatively high demand, the mid-atlantic and northeastern United States are importers of propane. These areas rely almost exclusively on pipeline, marine and rail sources for incoming supplies from both domestic and foreign locations. Independent terminal operators and wholesale distributors, own, lease or have access to propane storage facilities that receive supplies via pipeline, ship or rail. Generally, inventories in the propane storage facilities increase during the spring and summer months for delivery to customers during the fall and winter heating season when demand is typically at its peak.

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Delivery

Often, upon receipt of propane at marine, rail and pipeline terminals, product is delivered to customer trucks or is stored in tanks located at the terminals or in off-site bulk storage facilities for future delivery to customers. Most terminals and storage facilities have a tanker truck loading facility commonly referred to as a rack. Typically independent retailers will rely on independent trucking companies to pick up propane at the propane wholesalers rack and transport it to the retailer at its location.

OUR OPERATING SEGMENTS

Natural Gas Services Segment

General

Our Natural Gas Services segment consists of a geographically diverse complement of assets and ownership interests that provide a varying array of wellhead to market services for our producer customers. These services include gathering, compressing, treating, processing, fractionating, transporting and storing natural gas; however, we do not offer all services at every location. These assets are positioned in areas with active drilling programs and opportunities for both organic growth and readily integrated acquisitions. Our Natural Gas Services Segment operates in seven states in the continental United States: Arkansas, Colorado, Louisiana, Michigan, Oklahoma, Texas and Wyoming. The assets in these states include our Northern Louisiana system (including the Minden, Ada and Pelico systems), our Southern Oklahoma system (Lindsay system), our 40% equity interest in the Discovery system located off and onshore in Southern Louisiana, our 50.1% operating interest in the East Texas system, our 75% operating interest in our Colorado system (Collbran system), our Wyoming system (Douglas system), our Michigan system, and from January 2011, our 33.33% equity interest in the Southeast Texas system. The East Texas and Southeast Texas systems provide operating synergies and opportunities for growth in conjunction with DCP Midstream, LLC. This geographic diversity helps to mitigate our natural gas supply risk in that we are not tied to one natural gas resource type or producing area. We believe our current geographic mix of assets will be an important factor for maintaining overall volumes and cash flow for this segment.

Our Natural Gas Services segment consists of approximately 5,300 miles of pipe, seven processing plants, five treating plants, two natural gas storage facilities and two NGL fractionation facilities. The seven processing plants that service our natural gas gathering systems include six cryogenic facilities with approximately 873 MMcf/d of processing capacity and one refrigeration facility with approximately 45 MMcf/d of processing

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capacity. Further, our Minden and Discovery processing facilities both have ethane rejection capabilities that serve to optimize the value of the gas stream. The natural gas storage facilities include 850 MMcf of leased storage on our Pelico system, and our 33.33% interest in the Southeast Texas system's 9 Bcf salt dome storage facility.

During 2010, the volume throughput on our assets was in excess of 1.1 Bcf/d, originating from a diversified mix of natural gas producing companies. Our systems each have significant customer acreage dedications that will continue to provide opportunities for growth as those customers execute their drilling plans over time. Our gathering systems also attract new natural gas volumes through numerous smaller acreage dedications and also by contracting with undedicated producers who are operating in or around our gathering footprint. During 2010, the combined NGL production from our processing facilities was in excess of 33,500 Bbls/d and was delivered and sold into various NGL takeaway pipelines or transported by truck.

Our natural gas gathering systems have the ability to deliver gas into numerous downstream transportation pipelines and markets. Many of our outlets transport gas to premium markets in the eastern United States, further enhancing the competitiveness of our commercial efforts in and around our natural gas gathering systems.

Gathering and Transmission Systems, Plants, Fractionators and Storage Facilities

Following is operating data for our systems:

System	Approximate Gas Gathering and Transmission Systems (Miles)			Approximate Net Plant Capacity (MMcf/d)(a)	Approximate Natural Gas Storage Capacity(Bcf)	2010 Operating data	
	Plants	Fractionators				Natural Gas Throughput (MMcf/d)(a)	NGL Production (Bbls/d)(a)
Minden	725	1(c)		115		62	4,081
Ada	130	1(c)		45		41	184
Pelico	600					146	
Southern Oklahoma	225					17	1,995
Colorado	40	1(d)		84		63	2,961
Wyoming	1,300					21	2,002
Michigan	440	4(d)		455		358	
Discovery	300	1(c)(e)	1(e)	240		200	9,018
East Texas	900	1(c)	1	391		260	13,280
Southeast Texas	675	3(c)		127	3(b)	(f)	(f)
Total	5,335	12	2	1,457	3	1,168	33,521

(a) Represents total capacity or total volumes allocated to our proportionate ownership share for 2010 divided by 365 days.

(b) Represents total storage capacity allocated to our proportionate ownership share.

(c) Represents NGL extraction plants.

(d) Represents treating plants.

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(e) Represents a location operated by a third party.

(f) We acquired our interest in the Southeast Texas system on January 1, 2011.

Our Northern Louisiana system includes our Minden and Ada systems, which gather natural gas from producers and deliver it for processing to the processing plants. It also includes our Pelico system, which stores natural gas and transports it to markets. Through our Northern Louisiana system, we offer producers and customers wellhead-to-market services. Our Northern Louisiana system has numerous market outlets for the natural gas we gather, including several intrastate and interstate pipelines, major industrial end-users and major power plants. The system is strategically located to facilitate the transportation of natural gas from Texas and northern Louisiana to pipeline connections linking to markets in the eastern areas of the United States.

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Our Minden processing plant is a cryogenic natural gas processing and treating plant located in Webster Parish, Louisiana. This processing plant has amine treating and ethane recovery and rejection capabilities such that we can recover approximately 80% of the ethane contained in the natural gas stream. In addition the processing plant is able to reject the majority of the ethane when justified by market economics. This processing flexibility enables us to maximize the value of ethane for our customers. NGLs produced at the Minden processing plant are delivered to our Black Lake pipeline.

Our Ada gathering system is located in Bienville and Webster Parish in Louisiana and the Ada processing plant is a refrigeration natural gas processing plant located in Bienville Parish, Louisiana. This low pressure gathering system compresses and processes natural gas for our producing customers and delivers residue gas into our Pelico intrastate system. The NGLs produced at the Ada processing plant are transported by truck from the plant tailgate.

Our Pelico system is an intrastate natural gas gathering and transportation pipeline that gathers and transports natural gas that does not require processing from producers in the area. Additionally, the Pelico system transports processed gas from the Minden and Ada processing plants and natural gas supplied from third party interstate and intrastate natural gas pipelines. The Pelico system also receives natural gas produced in Texas through