FINAL TRANSCRIPT

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DPM - Q3 2007 DCP MIDSTREAM PARTNERS LP Earnings Conference Call

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CORPORATE PARTICIPANTS

Karen Taylor
DCP Midstream Partners - Director, IR

Mark Borer
DCP Midstream Partners - President & CEO

Tom Long
DCP Midstream Partners - VP & CFO

PRESENTATION

Operator

Greetings and welcome to the DCP Midstream Partners third quarter 2007 earnings conference call and webcast. (OPERATOR INSTRUCTIONS). It is now my pleasure to introduce your host, Karen Taylor, Director of Investor Relations for DCP Midstream Partners. Thank you. Ms. Taylor, you may begin.

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

Thanks. Good morning and welcome to the DCP Midstream Partners third-quarter 2007 earnings release conference call. As always, we want to thank you for your interest in the partnership.

Today you will hear from Mark Borer, President and Chief Executive Officer, and Tom Long, Vice President and Chief Financial Officer. Before turning it over to Mark, I will mention a couple of items.

First, all of the slides we will be talking from today are available on our website at www.dcppartners.com in PDF format. You may access them by clicking on the investor page and then the webcast icon. Next, I would like to remind you that our discussion today may contain forward-looking statements. Actual results made differ due to certain risk factors that affect our business. Please review the second slide in the deck that describes our use of forward-looking statements and lists some of the risk factors that may affect actual results. For a complete listing of the risk factors that may impact our business results, please review our Form 10-K for the year ended December 31, 2006 as filed with the SEC on March 14, 2007 as updated through subsequent quarterly filings.

In addition, during our discussion, we will use various non-GAAP measures, including EBITDA, gross margin and distributable cash flow. These measures are reconciled to the nearest GAAP measure and scheduled at the end of the presentation, starting with slide number 18. We ask that you read those slides as well.

And finally, a note about the presentation of our earnings. The partnership completed the acquisition of Gas Supply Resources or GSR from DCP Midstream, the owner of our general partner on November 1, 2006. On July 1, 2007, we completed the acquisition of equity interests in East Texas and Discovery from DCP Midstream. Since these transactions were between entities under common control, the historical results prior to the partnership's acquisition are included in the partnership's results for all periods presented. Results for these assets and equity interest for periods prior to our ownership are allocated predecessor operations.

And now I will turn it over to Mark Borer.

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

Thanks, Karen, and good morning, everyone, and thanks for joining us. I will provide a recap of yet another busy and productive quarter spent successfully executing our growth strategy, the impact this is having on our unitholders, and finally, a review of our business and growth opportunities as we move forward with our expanded operating footprint.

Tom Long will follow with a detailed review of the second-quarter numbers, including our financing and risk management activities, and then we will be happy to take your questions. I will start with slide four.

We have now closed and assimilated previously announced acquisitions totaling $625 million this year. Effective July 1 we closed the $270 million drop-down from our general partner of the equity interest in East Texas and Discovery. On August 29 we closed the $165 million acquisition of certain subsidiaries of Momentum Energy Group located in the Piceance and Powder River Basins in conjunction with our general partner. We are very pleased to include these assets in our business because they will provide solid cash flows with opportunities for growth. We are also pleased to have arranged attractive financing for these transactions in the second quarter.

Moving on to slide five, we announced a distribution increase on October 24 of 3.8% to $0.55 per unit or $2.20 annually payable on November 14. This represents a 35% plus increase over the third-quarter distribution a year ago. The favorable operating results from our expanding asset base has allowed us to increase distributions for six consecutive quarters. Our primary objective remains to provide our unitholders with stable and increasing cash flow per unit.

Now let's move onto a discussion of our assets and where we see growth opportunities. We will start with our natural gas services segment on slide six. In our North Louisiana business, third-quarter volumes in total were pretty much flat year on year. Well connects remained steady this quarter with ConocoPhillips and others drilling near our assets. Year-to-date we have made about 30 well connects in North Louisiana. Our Minden area volumes are up with the addition of the Ivan system we purchased from Laser Midstream in April of this year.

We continue to see healthy drilling permit activity around our North Louisiana assets. Our view of the opportunities for us and North Louisiana are to continue to capture volumes from ConocoPhillips and others to maintain system volumes. Book and execute on step-outs and consolidation opportunities such as we did with the Ivan acquisition. Find opportunities to provide additional services to our producers such as additional compression for low-pressure gathering. And finally, we will continue to optimize West to East transportation and marketing opportunities.

Moving onto our Lindsay system in Southern Oklahoma, volumes in the third quarter were negatively impacted when flooding near the asset in late August exposed the third-party NGL sales line moving Lindsay and other third-party volumes to market. While repairs have been made, Lindsay volumes were curtailed by approximately 50% for about three weeks. As a result, volumes for the quarter averaged about 16 million cubic feet a day. The line is now repaired, and we are back up to volumes of about 20 million cubic feet a day. EXCO currently has one rig drilling in the Lindsay area, and we would anticipate them adding another rig in 2008. Merit Energy also has a rig in the area.

Our growth opportunity at Lindsay is twofold. First is to increase the utilization of existing pipeline as we connect future EXCO, Merit and other drilling in the area. Second, in early 2009 we will be integrating our gathering system with DCP Midstream owned plants or processing plants, which will allow us to realize operating synergies and improved processing margins.

Moving onto East Texas, third-quarter process volumes averaged 530 million cubic feet a day, up slightly from the second quarter. Drilling activity remains high throughout East Texas. Producers are continuing to infill drill and are testing horizontal drilling in the Cotton Valley with initial success. Devon, in particular, has had good success with horizontal drilling in the Carthage area.

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We see opportunities to expand our gathering footprint and service to our producers. As an example, the joint venture is investing approximately $5 million to lower line pressures to support both curtailed production and new drilling in East Texas.

Now moving on to Discovery. Third-quarter plant volumes averaged about 530 million cubic feet a day approaching plant capacity. The plant is near full due to gas attracted from other pipeline systems and from ongoing development of new offshore volumes such as Energy Partners South Timbalier Block 46 that began flowing in mid-May.

We continue to pick up volumes off Tennessee as shippers are looking for new markets after the flood of gas coming in from the Independence Hub. We find that Discovery provides value through attractive processing margins and/or higher sales prices through our extensive downstream market options.

Regarding the Tahiti project, you may have seen Chevron's press release that they expect production to be delayed until the third quarter of 2009 as they address the metallurgical problems they found on the shackles in the facility's mooring system. Our piece of the project, the pipeline portion, is almost complete. All we lack is the hydrotesting and commissioning and then just the installation of a small jumper, a subsea valve near the frontrunner platform. If there is a silver lining in the Tahiti delay, it is that it allows Discovery to continue to benefit from processing third-party volumes from other pipelines, volumes we expect to see well into 2008.

For growth opportunities aside from those already mentioned, Discovery is pursuing potential new business with ATP, from Gomez, Mirage, [Norgas] and Oasis, which are projects expected to be gathered to the current delivery point at Mississippi Canyon Block 711, something we are very excited about.

We also have prospects to the South in the Lower Tertiary play in the Pony and Knotty Head prospects that lay along the Tahiti line. We remain very excited about the opportunities with Discovery.

At our Douglas Gathering System in Wyoming, which we purchased on August 29, our first month of volumes averaged approximately 30 million cubic feet a day, in line with our expectations. We see opportunities for step-outs to capture drilling in the area to increase our capacity utilization. While historically this system has been predominately gather casing head gas from steady Powder River Basin oil drilling, we are working to attract producers with conventional gas plays to the system.

At our Collbran system in Western Colorado, also purchased in August, our first month of volumes averaged just over 60 million cubic feet a day. Volumes are expected to continue to ramp up with increased drilling by our partners in the system, Plains Exploration and Delta Petroleum. We completed a temporary expansion to increase processing capacity to 100 million cubic feet a day in late September, and a permanent plant expansion to a capacity of 120 million cubic feet a day is on track for completion by the end of the first quarter of 2008.

The project budget is approximately $22 million gross with our share at 70%, in line with our ownership interest. At completion, the plant and gathering system are expected to operate close to capacity. Given this, we also have $1 million scoping AFE with our partners to review opportunities to significantly expand the Collbran system to accommodate future drilling. Our two partners have a combined total of nine rigs drilling around our Collbran asset. So they are obviously bullish on the area, and we believe there will be ample opportunity to grow this asset.

Now moving on to Wholesale Propane Logistics segment on slide seven. Volumes are up slightly for the quarter over last year. As we head into the winter months, we're in a good position from a supply perspective at all terminals. This is very much a logistics business, and we are always looking for ways to improve the efficiency of our operations.

At the Providence Marine import terminal where we have a long-term lease, our lessor just completed a project that will allow for considerably faster ship unloading times. This makes that terminal location even more competitive.

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We are also seeing efficiency gains from our railcar management. We did some summer subletting that reduced our costs during our lowest sales periods and on the flip side will afford us access to more cars during the winter months. From a growth perspective, we continue to evaluate opportunities to expand our terminal footprint to other locations, but we have nothing specific to announce at this time.

But now moving on to our NGL Logistics segment on slide eight, volumes in this segment are up 20% to about 31,000 barrels per day in the third quarter compared to a year ago. The primary reason is the addition of our Wilbreeze line in December 2006 that delivers NGLs from a DCP Midstream owned processing plant to our Seabreeze line. Our Seabreeze volumes are down a bit from a year ago, but Black Lake volumes are higher. They have been ramping up all year from increased throughput at the connected plants. For this segment our opportunity for growth has continued to serve the plants that we are connected to, as well as connect new sources of NGL supply to our pipelines.

To conclude, you have seen us significantly expand the partnership footprint this year for 625 million of growth acquisitions. I have given you a current snapshot of our business and where we see opportunities for future growth. Altogether we believe our existing assets should afford an opportunity to invest approximately $50 million per year of organic growth capital. We are excited about the opportunities that lie ahead for the partnership, and with that, I will turn it over to Tom for a look at the numbers.

Tom Long - *DCP Midstream Partners - VP & CFO*

Alright. Thanks, Mark, and good morning, everyone. I will start off with the quarterly and year-to-date results and then move on to a brief discussion on the financing and risk management. I will start on slide number 10.

As Karen mentioned earlier, in accordance with accounting rules, we have got the results from our Wholesale Propane Logistics business we acquired in November of 2006 and our recent $270 million acquisition of equity interest in East Texas and Discovery pooled into our historical results that you see right now. And this was, of course, prior to us owning these. We provided the net income numbers on a gross basis, but as you will see in our operating results, the per unit metrics for periods prior to the third quarter of '07 are calculated net of earnings allocated to the predecessor operations to account for the time prior to our ownership of these assets.

So, as we go through the numbers, also please note that our third-quarter and year-to-date 2007 operating results include non-cash losses associated with the mark-to-market of our commodity derivative instruments in the amount of $4.9 million loss for the quarter and $19.9 million year-to-date as compared to a non-cash gain of $700,000 and a loss of $200,000 for the corresponding periods in 2006.

You know, as Mark was mentioning, our business continued to generate strong operating results this quarter. Our net income for the quarter was $7.5 million as compared to the $14.3 million in the third quarter of last year. Year-to-date through September 30 we reported net income of $24.1 million as compared to $46.3 million for the same period last year.

Two primary reasons for the decrease to net income for the quarter and year-to-date is the impact of course of the non-cash mark-to-market losses, as well as the higher depreciation expense and interest expense associated with the $625 million of acquisitions we have completed this year.

It is important to note that the earnings results for the Wholesale Propane East Texas and Discovery acquisitions are included in all periods presented. But since we did not own them this time last year, there was no debt balances associated with them and, therefore, no interest expense.

Our EBITDA for the third quarter 2007 was $22.3 million compared to $18.7 million for the third quarter of 2006. Increases in margin from our Ivan, Lindsay and Momentum acquisitions, higher condensate volumes, as well as increases in equity earnings

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from East Texas and Discovery assets were partially offset by the non-cash mark-to-market losses and with our higher operating and maintenance expense in our Natural Gas Services segment. All of our acquisitions this year are included in our Natural Gas Services segment, so that is why you are seeing an increase in the O&M expenses.

For the nine months, EBITDA was $52.7 million as compared to $59.3 million for the same period in 2006. Again, the mark-to-market was the biggest driver of the decrease, along with the higher O&M and G&A expense. These decreases were partially offset by the strength in our wholesale propane business in early 2007, higher condensate volumes and higher margins from our asset acquisitions.

O&M expense increased $2.3 million for the quarter and $3.7 million year-to-date as compared to the same periods in '06. For the quarter-on-quarter and year-to-date comparison, the increase in expense in 2007 is primarily due to the Lindsay and Momentum acquisitions. G&A expense decreased $0.9 million for the quarter and increased $1.5 million year-to-date in 2007 as compared to the same periods in 2006.

For the quarter the decrease in 2007 is associated with acquisition costs incurred in 2006 with our purchase of the wholesale propane logistics business. The increase for the nine months ended September 30, '07 is associated with the costs incurred earlier this year in connection with the $625 million in acquisitions that we've closed.

Depreciation and amortization expense increased $4.7 million for the quarter and $6.2 million year-to-date over the same period in 2006, primarily due to once again the assets acquisitions along with organic growth projects. And finally, the interest expense increased $5.7 million for the quarter and $9.4 million year-to-date over the 2006 due to the increased debt balances associated with the acquisition.

Let's go ahead and turn to slide number 11 and look at the segments. Starting with our Natural Gas Services segment, we had a third-quarter 2007 gross margin of $22 million and year-to-date gross margin of $47.3 million as compared to $20.7 million and $55.9 million for the corresponding periods in 2006.

For the quarter we realized increases in margin from the Ivan, Lindsay and Momentum acquisitions and increased condensate volumes that were partially offset by the non-cash mark-to-market losses. Year-to-date increases from these acquisitions and increased condensate volumes were more than offset by the combination of the non-cash mark-to-market losses, as well as the absence this year of the marketing activity across PELICO that we enjoyed in early 2006 that resulted in what we consider those atypical margins that we have referred to in the past.

Our equity earnings for East Texas and Discovery were $10.3 million for the third-quarter 2007 as compared to $8.2 million for the third quarter of '06. The increase for the quarter is due to higher processing margins at East Texas, as well as the higher NGL volumes at Discovery. Equity earnings for the nine months ended September 30, '07 were $22.6 million as compared to $23.9 million for the same period in '06. The decrease here is primarily due to the lower volumes and increased expenses at the East Texas joint venture.

Looking at slide number 12, you will see that for the Wholesale Propane Logistics segment gross margin is $1.9 million for the third quarter of '07. This compares to $0.7 million for the third quarter of '06. Year-to-date gross margin increased to $16.5 million as compared to $9.1 million for the same period in '06. For both the quarter and year-to-date, the primary driver was the non-cash lower cost or market inventory adjustments that we had to take in 2006. We did not see those reoccur here in 2007. Strong volumes, coupled with higher unit margins as a result of changes in contract mix and our ability to capture some lower price supply sources, also contributed to the positive variance here.

For the NGL Logistics segment on slide number 13, gross margin increased $200,000 for the third quarter and $500,000 for the nine months ended September 30, '07 as compared to the same periods in '06. The primary driver is the addition of volumes from our Wilbreeze that Mark had mentioned earlier that became operational in December of 2006. Equity earnings in Black

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Lake pipeline increased $500,000 for the quarter and $900,000 for the nine months ended September 30, '07 as compared to the same periods in the prior year.

The primary reason for this increase is the additional volumes coming on from the Jasper pipeline, as well as from the Ceritas plant that was connected to Black Lake in late 2006. Mark mentioned the increase in our distribution for the quarter to $0.55 per unit or $2.20 on an annual basis. Our distributable cash flow for the three months ended September 30, 2007 was $17.3 million or 1.2 times the amount required to cover the distribution to both the general partner and limited partners. The non-cash mark-to-market losses associated with the accounting for our derivative instruments were excluded from our distributable cash flow. Bcf year-to-date is up 22% over the same period last year, so we are very pleased with the contributions of available cash from our expanding business.

Let me talk just a minute about the financing activity on slide number 14. Effective July 1, we did close on the $270 million acquisition of the East Texas and Discovery equity interest from DCP Midstream. That transaction was financed with approximately $28 million in units going to midstream and the balance we finance with debt.

We also closed on the previously announced $100 million equity offering with certain of the sellers in the Momentum transaction on August 29 in connection with the close of that $165 million acquisition.

So when all the dust settles on the financing for all these acquisitions, here is what we have got. Year-to-date we have issued 5.4 million common units through June and August equity issuance and about 900,000 units to DCP Midstream representing a total value of $269 million. Year-to-date in connection with the acquisitions on the financing front, we have had net borrowings $362 million on our revolver, leaving that balance at September 30 at $530 million. Over the long-term, we look to stay at a leverage ratio of approximately 3 to 4 times, which is consistent with our goal of achieving an investment-grade rating.

I would like to mention at our second-quarter earnings call we did look at a potential -- we did mention that we were looking at a potential equity offering at the end of this year. We view this as a means of obtaining dry powder for growth rather than a requirement under our credit facility. We are clearly within our covenants under our credit facility, and given the recent volatility, we don't currently have any plans to issue equity rather we will be probably more opportunistic in considering the timing of any possible equity offering.

Let's move to take a quick look at our contract mix after all these acquisitions. I am now on slide number 15. As you can see, the chart depicts our new contract mix after this year's acquisitions. We estimate approximately 55% of our business is commodity sensitive and about 45% is fee-based. Of that commodity sensitive piece, our hedge positions for 2008 cover approximately 75% of our exposure, leaving approximately 10 to 15% of our business exposed to commodity price fluctuations.

Because of our contract structure, we are low on natural gas, natural gas liquids and condensate. Our commodity price sensitivities on a cash flow basis are as follows. For a $1 per Mmbtu change in natural gas price, it impacts our net income by approximately $700,000. That is a direct movement. Up would be -- and the price would be upward move in our net income. A $0.10 per gallon change in our NGL price impacts net income by approximately $3 million, and a $5.00 per barrel change in our crude prices impacts net income by approximately $200,000. These sensitivities do reflect the cash or settled net impact of changes in commodity prices given our current contract mix and the commodity derivatives we have in place.

Given that we use mark-to-market accounting for our commodity derivatives, the non-cash impact of the forward changes in commodity prices can have a much more volatile impact on our net income than these sensitivities that I have given you on pure cash here.

Let's take a quick look at the interest rate management activities on slide number 16. As a result of the increased debt balance to fund these acquisitions, we have hedged an additional $200 million of this new debt, which effectively converts the floating-rate bank debt to a fixed-rate. These fixed-rates are locked through June of 2012, and when coupled with our previous interest rate

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hedges, we now have $325 million of our debt fixed at a composite rate of about 5.5% at September 30, '07. When you combine the unhedged revolver debt, our overall cost of debt at September 30 is likewise about 5.5%.

This is the conclusion of my prepared remarks. So now we are ready, we can open it up to questions.

QUESTIONS AND ANSWERS

Operator

(OPERATOR INSTRUCTIONS).

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

Brian, it does not seem like there are any questions, so we will just go ahead and thank everyone for their interest in the partnership. And if you do have any questions, don't hesitate to call me. As a reminder, you can access a replay of this webcast as well as a transcript via our website at www.dcppartners.com. Thanks and have a great day.

Operator

Ladies and gentlemen, this concludes today's teleconference. Thank you all for your participation.

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