FINAL TRANSCRIPT

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DPM - Q1 2008 DCP MIDSTREAM PARTNERS LP Earnings Conference Call

Event Date/Time: May. 08. 2008 / 11:00AM ET

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PRESENTATION

Operator

Hello, and welcome to the DCP Midstream Partners First Quarter 2008 Earnings Conference Call. All participants will be in listen only mode. There will be an opportunity for you to ask questions at the end of today's presentation.

(OPERATOR INSTRUCTIONS)

Please note this conference is being recorded. Now, I would like to turn the call over to Ms. Karen Taylor. Ms. Taylor?

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

Good morning, and welcome to the DCP Midstream Partners First Quarter 2008 Earnings Release Conference Call. As always, we want to thank you for your interest in the Partnership. Today, you will hear from Mark Borer, President and Chief Executive Officer.

Before turning it over to Mark, I'll mention a couple of items. First, all of the slides we'll be talking from today are available on our website at www.dcppartners.com in PDF format. You may access them by clicking on the investor page, and then the webcast icon.

Next, I'd like to remind you that our discussion today may contain forward-looking statements. Actual results may differ due to certain risk factors that affect our business. Please review the second slide in the deck that describes our use of forward-looking statements and lists some of the risk factors that may affect actual results.

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

In addition, during our discussion, we will use various non-GAAP measures, including distributable cash flow, EBITDA and gross margins. These measures are reconciled to the nearest GAAP measure in schedules at the end of the presentation, starting with slide 14. We ask that you read those slides as well.

And, finally, a note about the presentation of our earnings -- on July 1, 2007, we completed the acquisition of equity interests in East Texas and Discovery from DCP Midstream. Since this transaction was between entities under common control, the historical results prior to the Partnership's acquisition, including distributable cash flow, are included in the Partnership's results for the first quarter of 2007.

Results for these equity interests for periods prior to our ownership are allocated to predecessor operations to derive net income or loss attributable to limited partners. And, now, I'll turn it over to Mark Borer.

Mark Borer - *DCP Midstream Partners LP - President, CEO*

Thanks, Karen. Good morning, everyone, and thanks for joining us. I will provide a quick look at this quarter's business highlights, and then review the first-quarter numbers with you. I'll then conclude with a discussion of our financing and risk-management activities, and then we'll be happy to take questions.

I'll start with slide four. The first quarter was solid for the Partnership, driven largely by another strong quarter of operating performance in our natural-gas-services segment.

Our business grew significantly in 2007, as we diversified our operations through $625 million in acquisitions, plus organic spending. And we're pleased to say that the portfolio of acquired assets is performing well.

In this quarter, the two that stand out are East Texas and Discovery. At East Texas, where we own a 25% equity interest, process volumes in the first quarter were approximately 575 million cubic feet a day, up from approximately 550 million cubic feet the previous quarter. Well connects were consistent with the prior quarter.

Processing margins remain strong, with our 25% interest, generating a distribution to the Partnership of $7.8 million before [head] settlements. The East Texas joint venture, on a 100% basis, has approximately $50 million of ongoing capital projects, as we've initiated numerous projects for [line] looping, compression, liquids handling and plant modifications in order to lower line pressures and improve reliability and recoveries.

Additionally, we expect to invest more capital to capture new packages of gas, as drilling continues to be strong in this dynamic area. We announced yesterday in the earnings release that DCP Midstream plans to offer to sell the Partnership its remaining 75% interest in the East Texas joint venture in the second half of 2008.

This is a clear indication of our sponsor's continued support of the growth of the Partnership. East Texas is a dynamic area with growing infrastructure needs, and we're very excited about the opportunity to increase our investment in this business.

The transaction terms, including the price, which has not been determined at this time, will be subject to the approval of the boards of directors of DCP Midstream, LLC and the Partnership, as well as the Conflicts Committee of the Partnership.

At Discovery, where we own a 40% equity interest, we had another great quarter of operating results. The plant continues to be near capacity as we process off-system gas coming in from Texas Eastern and Tennessee, as well as our traditional on-system supplies.

With recent new dedications, and with Tahiti projected to start up in the third quarter of 2009, we expect our offshore supplies to increase over the coming year. With volumes and processing margins remaining very strong, Discovery generated a first-quarter distribution of $10.4 million that we received in April.

Moving on to North Louisiana, well-connect activity has been very steady, with gathered and processed volumes up slightly from the first quarter of last year. As we mentioned last quarter, our transport volumes on [Pelico] are down, compared to last year, primarily due to lower receipts at our [Bernan] Field Interconnect.

At our Collbran System in the Piceance Basin of Western Colorado, volumes averaged 80 million cubic feet a day for the quarter. As of May 1, we completed the expansion of our processing facility to increase capacity to 120 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.

Now, turning to slide five, we'll shift gears to our recent 3.5% distribution increase, announced on April 24th and payable on May 15th. Our new rate of $0.59 per unit, or $2.36 annually, represents a 27% increase over the first-quarter distribution a year ago.

Our distributable cash flow for the first quarter of 2008 was $32.1 million, or 1.6 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 do not reduce our distributable cash flow. We're very pleased that the favorable operating results from our expanding asset base have allowed us to increase distributions for eight consecutive quarters, for a two-year compounded annual growth rate of nearly 30%.

Let's move on to the review of the numbers for the quarter. I'll start off with the quarterly results, and then move on to a brief discussion of financing and risk management. I'll start on slide number seven.

As Karen mentioned, in accordance with accounting rules, we've included the results from our equity interests in East Texas and Discovery, which we acquired in July of 2007, pooled into our historical results as if we always owned them. So these results -- so excuse me -- so those results are in our first quarter 2007 earnings.

The distributable cash flow indicated on the slides includes the results of operations for all periods for these assets, even for periods prior to the Partnership's actual ownership. Net income is presented on a pooled basis, but the portion allocable to periods prior to ownership, what we call predecessor operations, is subtracted prior to calculating net income per LP unit.

As we go through the numbers, please note that our first quarter 2008 operating results include non-cash losses associated with the mark-to-market of our commodity-derivative instruments in the amount of $28.3 million, as compared to non-cash losses of $3 million for the corresponding period in 2007. Our hedging program was put in place to add stability to our cash flows that are subject to commodity-price fluctuations, primarily within our natural-gas-service segment.

So, all that said, our net loss for the quarter was $6.5 million, as compared to net income of $15.8 million in the first quarter of last year. Increases in gross margin from our Lindsay and Momentum acquisitions, as well as significant increases in equity earnings from the East Texas and Discovery assets were partially offset by $28.3 million of non-cash-commodity mark-to-market losses.

Operating and maintenance expense increased $4 million, and depreciation-and- amortization expense increased $5.1 million for the first quarter of 2008, as compared to the same period in 2007, primarily to the -- due to the Lindsay and Momentum acquisitions, and organic growth.

Net interest expense increased $4.4 million for the first quarter of 2008, as compared to the same period in 2007, due to the increased debt balances associated with the acquisition.

It's important to note that the equity earnings for East Texas and Discovery are included in the first quarter of 2007 results. But since we didn't own them this time last year, there were no associated debt balances and, therefore, no interest expense.

Let's move on to the other segments. Looking at slide eight, our natural-gas-services-segment gross margin for the first quarter 2008 was a loss of $2.5 million, compared to gross margin of $14.2 million for the same period on 2007.

We realized increases in margin, primarily from the Lindsay and Momentum acquisitions, that were more than offset by the non-cash mark-to-market losses of $31 million. In the first quarter of 2007, the non-cash mark-to-market loss was $2.9 million.

The equity earnings for our 25% interest in East Texas and 40% interest in Discovery more than doubled to $16.8 million for the first quarter of 2008, as compared to $6.2 million for the first quarter of 2007. East Texas earnings benefited from the increased processing margins due to higher commodity prices, higher volumes and associated fee revenue.

Discovery's earnings benefited primarily from sharply increased per-unit margins on high NGL sales volumes. Also contributing to the increase was a shipper settlement on fuel and loss from prior years, and the application of new FERC approved shipper rates.

The commodity hedges associated with our equity interests in East Texas and Discovery are included in the gross margin of our natural-gas-services segment and, therefore, are not included in the earnings from "Equity Method Investments" line of the income statement. The cash settlements associated with the hedges on these two assets totaled $2.8 million for the first quarter of 2008. We did not have hedge settlements in the first quarter of '07.

On slide nine, you'll see our wholesale propane-logistics segment gross margin was $8.6 million for the first quarter of 2008, as compared to $10.8 million for the first quarter of 2007. The results for the first quarter of 2008 contain a non-cash mark-to-market gain of $2.7 million, as compared to insignificant non-cash losses in 2007.

Period over period, we saw a decrease in unit margins, as well as sales volumes. The decrease in unit margins in 2008, compared to 2007, is driven by factors on both sides of the equation.

First, unit margins in 2007 were higher than typical from the recovery of over $1 million of margin associated with non-cash-inventory write-downs taken at the end of '06. We also realized higher margins on fixed-price sales in the first quarter of '07.

In the first quarter of '08, unit margins and volumes were down due to supply disruptions, milder weather in some of our markets and conservation from high propane prices. As we've indicated to you previously, this business is seasonal, with the majority of margin recognized in the first and fourth quarters of the year.

When you look at the business on a contract-year basis, from May 1 to April 30, the operating results have surpassed our expectations and the original guidance we gave to the Street. We continue to be very pleased to have this business in our portfolio.

For the NGL Logistics segment, on slide 10, gross margin increased $600,000 for the first quarter of '08, as compared to the same period in '07, due to higher volumes. Equity earnings for Black Lake increased $200,000 for the quarter, as compared to the same period in the prior year, also due to higher volumes. This segment generates fee-based revenues, so there are no commodity hedges.

Let's move on to discuss our finance and risk-management activities, on slide 11. We completed an equity offering in March to create [dry] powder for the continued execution of our growth strategy. With the successful completion of the offering, we can execute on $300 million to $400 million of growth, without returning to the equity markets.

Before I go into details of this offering, I'd like to emphasize a couple points. First, with regard to the timing of the offering, it's no secret that the capital markets have been turbulent this year. With no indication that they would materially improve any time soon, and knowing we fully intend to continue to grow, we have decided to proceed with an equity offering.

By completing the financing ahead of the transaction and having available capacity under our debt facility, we have a known cost-to-capital, as we execute on our growth plans. It's also no secret that the turmoil in the capital markets led to institutions de-leveraging, and some force redemptions at hedge funds, both resulting in selling pressure on MLPs.

Our units were not immune to this, as our equity offering created considerable trading liquidity in our units, which resulted in some downward pressure on our unit price. While we're disappointed with current unit price levels, it's important to emphasize that our fundamentals remain very strong.

This has been demonstrated through the execution of our growth strategy that has more than doubled the size of the company since the IPO, through the strength in our distributable cash flow, and our record of distribution growth per unit. We are committed to continuing to deliver growth to our unit holders, as evidenced by our announcement on East Texas yesterday.

Now, let's move on to some of the details of our financing activities. We issued 4.25 million units in the equity offering. The proceeds of approximately $132 million were effectively used to pay down the revolver portion of our credit facility. At the end of the quarter, we have $435 million outstanding under the revolver and $220 million outstanding on the term loan, under our $850 million credit facility.

Given the term loan is fully collateralized, we have available capacity under our credit facility of over $400 million. As a result of the equity offering, our leverage ratio is now at the lower end of our long-term target of approximately three to four times, consistent with our goal of achieving an investment-grade rating. Our weighted-average cost of debt under the revolver at March 31st was approximately 5.3%, and the negative carry under the term loan averages 25 basis points.

And now for an update on our commodity sensitivity and hedging activity, on slide 12. As we've indicated previously, we estimate 55% of our business is commodity-sensitive and 45% is fee-based.

Of the commodity-sensitive piece, our hedge positions for 2008 cover approximately 70% of our exposure, leaving approximately 15% to 20% of our overall business exposed to commodity-price fluctuations.

Because of our contract structure within our commodity-sensitive assets, we are long on natural gas, natural-gas liquids and [condensate] and, thus, are positively correlated with price increases.

Our annualized commodity price sensitivities, excluding the impact from the mark-to-market on our commodity derivatives are as follows. A $1 per-MMBtu change in natural-gas prices impacts our cash flow by approximately $900,000. A $0.10 per-gallon change in NGL prices impacts cash flows by approximately $2.9 million, and a $5 per-barrel change in crude prices impacts our cash flow by approximately $300,000. These sensitivities reflect the cash or settled net impact of changes in commodity prices, given our current contract mix and the hedges we have in place.

Our weighted-average fixed price under our swaps for natural gas in 2008 is approximately $8.40. Our swap price for crude is approximately $67.50. As we've done in the past, we will expect to continue to periodically layer on hedges in the outer years.

And finally, we announced last month that Tom Long had resigned as the Partnership's CFO, effective the end of April. We wish him all the best in his new pursuits. We immediately commenced the search for a new CFO, but have nothing to announce at this time. We have well-established controls and procedures in place within our accounting organization, under the supervision of our principal accounting officer, Scott Delmoro.

In addition, with the equity offering completed in March and the available capacity under our credit facility, we are well positioned to continue executing our growth strategy. That's the conclusion of prepared remarks. And we'd be glad to open up for questions.

QUESTIONS AND ANSWERS

Operator

(OPERATOR INSTRUCTIONS). Our first question comes from Gabe Moreen of Merrill Lynch.

Gabe Moreen - *Merrill Lynch - Analyst*

Hey, good morning, Mark. How are you?

Mark Borer - *DCP Midstream Partners LP - President, CEO*

Good. Good -- good morning, Gabe.

Gabe Moreen - *Merrill Lynch - Analyst*

Good morning. A quick couple questions on this East Texas asset -- just in terms of -- do you have a ballpark breakdown in terms of the revenues there -- in terms of what portion is fee-based, versus commodity-based, revenues?

Mark Borer - *DCP Midstream Partners LP - President, CEO*

Our -- when we completed the last dropdown of the original 25% interest, it was about 75% commodity and about 25% fee. That mix may have changed some given the -- it's -- for the un-hedged part of it, obviously, that's probably changed some given the increase in commodity prices that have been experienced. But that's probably a pretty good ballpark number.

Gabe Moreen - *Merrill Lynch - Analyst*

Okay. And in terms of, I guess, the hedges at that asset right now, or plans to kind of hedge out the commodity-price exposure -- I mean, A, are there hedges on the asset right now? And, B, I would assume you just would hedge with your current policy, in terms of just leaving yourself 15%, sort of exposed commodity, price-wise?

Mark Borer - *DCP Midstream Partners LP - President, CEO*

Relative to your first part of your question, the asset is today -- the remaining 75% -- DCP Midstream does not carry hedges on that asset. We have, of course, hedged our original contribution that we had received from them at that time.

As far as going forward, we would expect to have hedges in place on the front-end part of the curve, probably, in the 70% to 80% of the commodity, which would result in the overall asset being, probably, a little bit over 80% hedged.

And further out the curve, those hedges wouldn't be as quite -- wouldn't be as high a percentage. We just want to make sure that we've got appropriately -- appropriate coverage, long term.

Gabe Moreen - *Merrill Lynch - Analyst*

Okay, great. Thanks.

Mark Borer - *DCP Midstream Partners LP - President, CEO*

Thank you.

Operator

Our next question comes from Michael Blum from Wachovia.

Michael Blum - *Wachovia - Analyst*

Hi. Good morning.

Mark Borer - *DCP Midstream Partners LP - President, CEO*

Good morning, Michael.

Michael Blum - *Wachovia - Analyst*

Maybe just follow-up on that -- the last question. So it -- assuming -- I guess, assuming you'll be able to hedge at -- significantly higher prices than what you're currently hedged on that asset -- so you should have -- you should be able to lock in a higher sort of run rate of earnings off that asset, I would imagine. Am I thinking about that the right way?

Mark Borer - *DCP Midstream Partners LP - President, CEO*

Well, clearly, there's a lot of moving parts out there, but, in an absolute sense, commodity prices at a higher level would cause an increased valuation.

But each time we go through a dropdown like this, we've got a fiduciary responsible -- responsibility to be very thoughtful. And we'll thoroughly evaluate the asset as we complete the work on behalf of the Partnership later this year.

Michael Blum - *Wachovia - Analyst*

Okay. And then the other question was just on the propane business. Clearly, from your original guidance, the asset has since outperformed. But now it seems like it's maybe come back to Earth a little bit. Would you say the current run rate is a good sort of run rate going forward, or do you expect a higher level going forward?

Mark Borer - *DCP Midstream Partners LP - President, CEO*

We don't provide, really, a forward forecast going forward. But, clearly, this asset has exceeded expectations. And we continue to feel very good about the asset.

I think it's important to note what I've mentioned earlier on the call. We look at this on, really, a contract-year basis. There could be some things that overlap or move around at the end of the quarter, when you're looking at the fourth quarter versus first quarter.

And if you go back and look at the numbers, you'll see that we exceeded the original guidance pretty handily in the last 12 months. We, obviously, got -- we're not quite done with the contract year yet. That really runs May 1. But we continue to feel good about the business and its prospects going forward.

Michael Blum - *Wachovia - Analyst*

Okay. Last question -- can you just comment on what you're seeing in the third-party-acquisition market? Do you think it's possible that anything could happen this year on that front? And if not, would -- should we just expect this dropdown to be the one transaction for the rest of the year?

Mark Borer - *DCP Midstream Partners LP - President, CEO*

Well, as you know, we've had a multi-pronged capacity -- or excuse me -- multi-pronged strategy -- as we've grown the Partnership. And I think, if you look in the rear-view mirror, we've had about half our deals be third party and about half have been dropdowns from the sponsor.

We will continue to evaluate third-party opportunities. I wouldn't say there is a plethora or a lot of them out there right now, but there are some things that we will look at. So -- I mean, I -- and as you know, growth can be lumpy. It's a dynamic market. And I would -- I would be -- continue -- if we're doing the right job for the Partnership, we're going to continue to be vigilant on those fronts as well.

Michael Blum - *Wachovia - Analyst*

Thank you.

Mark Borer - *DCP Midstream Partners LP - President, CEO*

Thank you.

Operator

Our next question comes from John Tysseland at Citi.

John Tysseland - *Citigroup - Analyst*

Hi. Good morning.

Quick question on the distributions -- you had mentioned you got $10.4 million in distributions from the Discovery equity interest that you had. What were your -- do you know what your distributions were that you received outside of Discovery, such as East Texas?

Mark Borer - *DCP Midstream Partners LP - President, CEO*

I'll need to look up that number. We had -- we put it in the script on an aggregate. I think on East Texas, outside of Discover, was about $7.8 million for the quarter.

John Tysseland - *Citigroup - Analyst*

$7.8 million -- and what was the total number for distributions from equity interests?

Mark Borer - *DCP Midstream Partners LP - President, CEO*

Let me just look here a second. Do you have that number handy? It should be --

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

[$7.8 million] (inaudible) --

Mark Borer - *DCP Midstream Partners LP - President, CEO*

It should be about $18 million, $19 million -- just right at $19 million, John.

John Tysseland - *Citigroup - Analyst*

Okay, fair enough.

Mark Borer - *DCP Midstream Partners LP - President, CEO*

Thank you.

John Tysseland - *Citigroup - Analyst*

And then the -- you mentioned that Discovery was -- I believe you mentioned that Discovery was realizing a higher tariff as a result of the new FERC-approved rate. I just want to make sure I heard that correctly.

Is Discovery benefiting from this rate currently? It's my understanding that, I think, Exxon is protesting this, and protesting an increase. And I just didn't know if that rate was effective or not.

Mark Borer - *DCP Midstream Partners LP - President, CEO*

That -- Exxon may have originally protested, but the rate is now in place and effective.

John Tysseland - *Citigroup - Analyst*

Okay. And then, also, on Discovery, the [Techto] agreement was extended through May of 2008. And that was for, I think, 170 Btu per day, or 1 billion Btu per day. That's -- that comes off -- I guess rolls off at -- in May. Do you expect volumes to come down after that agreement comes off, or what's your expectation there?

Mark Borer - *DCP Midstream Partners LP - President, CEO*

Well, I think, at that absolute moment, that the volumes will, clearly, come down. We do see offsets to the volumes with the other developments going on in the area. We've been -- we've signed some new contracts recently. We, clearly, have Tahiti coming on in '09, but there's been pretty good activity.

As we mentioned last quarter, there are some producer lines being laid over the system from, like, the Telemark hub and some of the ATP blocks. So we think, clearly, on day one there will be some drop, but we think that we still have a pretty positive volume outlook for the area.

John Tysseland - *Citigroup - Analyst*

And then, last question -- sequentially, if you look at NGL gross production on your natural-gas-services segment, it kind of came down a little bit while your natural-gas-throughput volumes were actually up.

I guess, during the quarter, I would have expected those volumes to go up as well. Could you kind of explain what happened there? I mean, they're relatively the same. It's was just [$25.2 million] versus a little over [$25.2 million] in the fourth quarter.

Mark Borer - *DCP Midstream Partners LP - President, CEO*

Yes. We were essentially flat on NGL gross production. We had some pretty good growth at Collbran quarter over quarter. We don't capture -- we have a refrigerated propane there, so we don't capture, necessarily, a lot of liquids.

We had a couple of operating disruptions. We had one on Douglas that probably impacted the barrels somewhat. I mean it's a little bit variable. But, no -- you're right in that. And I'd say the -- the other thing I would say is that I think we were up about 1% on throughput overall, from the fourth quarter. And some of that could be transport volumes related to Pelico, perhaps.

But all in all, I think a lot of it's probably -- a little bit of a disruption and some pretty good growth -- at least 10% -- in Collbran volumes quarter over quarter.

John Tysseland - *Citigroup - Analyst*

All right, great. Thank you.

Mark Borer - *DCP Midstream Partners LP - President, CEO*

Thank you.

Operator

Your next question comes from Becca Followill from Tudor, Pickering.

Becca Followill - *Tudor, Pickering, Holt & Co. Securities - Analyst*

Good morning.

On these East Texas assets, before you're going to pick up the other 75%, can you tell us a little bit more about who has acreage dedicated to that? There's a heck of a lot of activity going on from a petroleum standpoint. What kind of potential do you see for growth with that asset, given the activity?

Mark Borer - *DCP Midstream Partners LP - President, CEO*

We -- good morning, Becca. We've got a number of termed contracts out there. Some of the big players are Devon and Anadarko. We also have a pretty significant connection with Momentum for a gathering area they have. There's a lot of small independents that are also associated with the Anadarko gas, where we gather and process their gas as well.

Devon, in particular, has had very good overall success in the area. They've been doing quite a bit of horizontal drilling. They continue to kind of extend out. The -- that's kind of a nutshell there, at this point, Becca.

Becca Followill - *Tudor, Pickering, Holt & Co. Securities - Analyst*

How fully utilized are those facilities, and would you just get volume pickup based on better utilization of the facilities, or is there an opportunity for an expansion?

Mark Borer - *DCP Midstream Partners LP - President, CEO*

Well, we think we have considerable -- we have some under-utilized processing capacity. And we're probably running about 75% to 80% capacity. The total processing capacity in East Texas is about 780 million cubic feet a day. We're probably in the 75% to 80% range.

That varies somewhat. That's been trending up some. So we've got some good opportunities to utilize processing capacity that's available. And I believe you'll see us, over time, continue to expand our gathering footprint.

Becca Followill - *Tudor, Pickering, Holt & Co. Securities - Analyst*

Thank you.

Mark Borer - *DCP Midstream Partners LP - President, CEO*

Thanks, Becca.

Operator

Our next question comes from [Yves Siegel] at [Aryoyo Capital].

Yves Siegel - *Aroyo Capital - Analyst*

Thanks. Good morning.

Mark Borer - *DCP Midstream Partners LP - President, CEO*

Good morning.

Yves Siegel - *Aroyo Capital - Analyst*

If we could just stay with East Texas for a moment -- did you -- could you tell us how many well connects you actually realized in the quarter, and sort of what your expectations are, perhaps, to keep going forward?

Mark Borer - *DCP Midstream Partners LP - President, CEO*

Sure. The well-connect number there is kind of a -- it's kind of an interesting one to track. We had about 15 well connects for the quarter. But one of the big things that happens out there, Yves, is that we have a lot of connections that are going on behind central delivery points. We have a number of producers -- small producers -- that have small gathering systems, where we connect with central delivery points.

We can -- probably another way to look at it, Yves, is that we see very good well-permit activity in the area, I think, from a -- I'm trying to think -- just a second, here. I'm going to look at the statistic we've -- we track.

But the new-well permits were -- for the first quarter were -- that were filed -- was over 500 in the three-county area. If you look at Harrison, Panola and Rusk -- obviously, we're the biggest in Panola County from that viewpoint. But there's still very good overall drilling activity, and we're also seeing just very good growth behind the CDPs.

Yves Siegel - *Aroyo Capital - Analyst*

Could you also just remind me -- in terms of hedging, specifically as it relates to this facility -- are there hedges in place beyond just the 25% that you own at the sponsor level? How will that look going forward, if you could --

Mark Borer - *DCP Midstream Partners LP - President, CEO*

Well, I think, as I mentioned earlier -- and maybe I wasn't clear -- we had hedges on the original 25%. And on the 75% interest that we are beginning discussions with Midstream on -- do not have any hedges. So we will develop an appropriate hedging strategy for that transaction. And, clearly, we'll put hedges in place as part of that transaction.

Yves Siegel - *Aroyo Capital - Analyst*

Well, I apologize. I'm sure you were clear. I was probably --

Mark Borer - *DCP Midstream Partners LP - President, CEO*

No problem. No problem. It gets a little confusing when we're moving partial interests around, so not a problem.

Yves Siegel - *Aroyo Capital - Analyst*

And then in terms of the hedges that you have in place, what sort of duration?

Mark Borer - *DCP Midstream Partners LP - President, CEO*

We have hedges in place that run out to as far as 2013. I would tell you that -- and we disclosed this in our K and Q -- but we're -- the larger-percent hedged is really in the -- about the first four years -- four to five years -- and then it drops off some in '13. But we're hedged, as I mentioned, kind of in the 70%, 80%, range in '08. And that will track down to roughly 50% by 2012.

Yves Siegel - *Aroyo Capital - Analyst*

And my last question -- thanks for letting me ask questions. My last question is, when you think about a transaction such as this, or any transaction, that has commodity exposure, how do you sort of think about it from trying to come up with a reasonable acquisition multiple, given the fact that, perhaps, we're in an environment where the margins may not be sustainable.

Mark Borer - *DCP Midstream Partners LP - President, CEO*

No, that's a good question. And that's one of the reasons these things take a little bit longer. As I -- we've got to be very thoughtful and thorough each time. We need to take a long-term view of the earnings power of the asset. And that will include a longer-term view of contracting, on commodity prices.

We know -- it's an area that we know a lot about. But we'll have to take into account a longer-term view of pricing. We need to be able to enter into a transaction which provides us sufficient accretion and sustainability for the long term. And I think we'll -- we have the benefit of having a close working relationship with Midstream to develop that view.

Yves Siegel - *Aroyo Capital - Analyst*

Is the acquisition pipeline beyond -- is the acquisition pipeline pretty active right now, beyond just this acquisition to East Texas.

Mark Borer - *DCP Midstream Partners LP - President, CEO*

Are you -- just to make sure I understand, are you saying, "Is East Texas a particular active acquisition?"

Yves Siegel - *Aroyo Capital - Analyst*

No, no, no. I'm sorry (inaudible).

Mark Borer - *DCP Midstream Partners LP - President, CEO*

Or are you saying "more broadly?"

Yves Siegel - *Aroyo Capital - Analyst*

Just, more broadly, are there other acquisition opportunities out there that you're looking at or that are in the market that could be appealing?

Mark Borer - *DCP Midstream Partners LP - President, CEO*

I'd say that we don't see just a huge amount of activity at this point in time. I would say it's somewhat less active than last year. But, as you know, acquisitions and transactions can be somewhat lumpy as far as when they occur.

But as far as -- I mean, last year, as an example, we clearly had Anadarko -- that was in the market as part of their restructuring, as a result of the Kerr-McGee and Western acquisitions. So it's less active overall, but we continue to evaluate and try to be opportunistic in the area.

Yves Siegel - *Aroyo Capital - Analyst*

Thank you so much.

Mark Borer - *DCP Midstream Partners LP - President, CEO*

Thank you.

Operator

Our next question comes from [Carlos Mata] of [Sanco].

Carlos Mata - *Sanco - Analyst*

Good morning, Mike. Good morning, Karen.

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

Good morning.

Carlos Mata - *Sanco - Analyst*

Here's a couple questions about the East Texas asset again -- who -- you mentioned you connected 15 wells this quarter. Can you give us a sense of who pays for those connections? Is here an agreement which, probably, the producer pays? Or you pay for every well connected?

Mark Borer - *DCP Midstream Partners LP - President, CEO*

I'd say, generally, it's producer-paid. There will be times where we'll fund the well connect. And just to kind of come back to the number of well connects for the quarter, that's probably not a real good indicator of activity out there, given the number of CDPs where wells are being connected behind he CDP by the producer.

Carlos Mata - *Sanco - Analyst*

Okay.

Mark Borer - *DCP Midstream Partners LP - President, CEO*

The CDP is the central delivery point.

Carlos Mata - *Sanco - Analyst*

Right. Okay.

Mark Borer - *DCP Midstream Partners LP - President, CEO*

Thank you.

Carlos Mata - *Sanco - Analyst*

And here is the other question -- according to your 10-K, the East Texas joint venture spent $24.5 million last year. You mentioned you have a $50 million ongoing CapEx budget right now. How much of this $50 million is included in that $24 million that you spent in '07? And how much of those dollars are going to start contributing in '08 or '09?

Mark Borer - *DCP Midstream Partners LP - President, CEO*

Well, some of the -- it would be over and above what's been spent already. I think that the -- so those are really separate spending activities. And the $50 million can spill over some into '09.

These are projects that -- I mean, I don't think they're -- they're not three-year projects, but we do have some projects that could definitely overlap into '09.

Carlos Mata - *Sanco - Analyst*

Okay. And then this is the last question -- if you think about the MOP acquisition, Mark, in the last couple years -- I mean, multiples being paid were kind of pretty high.

What is your expectation as CEO of multiples for a typical transaction in the Midstream space right now -- and would you respect those multiples, say, in '09, into '10, considering all these -- current situation and high prices, lowering economy -- all those factors?

Mark Borer - *DCP Midstream Partners LP - President, CEO*

Well, I would say that, clearly -- that multiples will come down for -- I mean, if -- just take asset-X, and whatever asset-X, in your mind, looks like -- multiples will likely come down because of the overall yield in the space or the cost of equity going up some. And there's been, obviously, some up-tick on debt.

Some people are better situated than others on that. We, clearly, have a very competitive cost-to-debt and a very good facility in place. As far as going forward, I think it -- it's going to be dynamic. It's going to be a function of the earnings power of the asset.

Does it have quite a bit of opportunity for growth? Is it more of a flat asset? Do you have synergies with the asset? How much maintenance capital? There's just a number of factors.

So we -- while the marketplace and the investment bankers use multiples a lot, we really focus a lot on the free-cash flow that it can generate. But trying to equate it to multiples -- I would expect multiples to come down one to two turns at this point in time. And we'll see how that plays out in the capital markets as we go forward.

Carlos Mata - *Sanco - Analyst*

Okay. Hey, just last -- how much of these $24.5 million is -- you think is [mentions] CapEx for the East Texas (inaudible)?

Mark Borer - *DCP Midstream Partners LP - President, CEO*

It would be - let me just look here. But it would be a pretty small portion of it. I'm sensing less than -- well, if that number -- I'm trying to think it that number is in -- 100% for the Partnership -- that's 100% Partnership number. And I would think it would have been less than $5 million.

Carlos Mata - *Sanco - Analyst*

Do you expect that to be about the same, going forward, or do you see those numbers going up?

Mark Borer - *DCP Midstream Partners LP - President, CEO*

I would think that it would be lower on a run-rate basis going forward, overall.

Carlos Mata - *Sanco - Analyst*

Okay. Thank you.

Mark Borer - *DCP Midstream Partners LP - President, CEO*

Thank you.

Operator

At this time, we show no further questions. Would you like to make any additional remarks?

Mark Borer - *DCP Midstream Partners LP - President, CEO*

No, I think that's good. Karen might finish up here.

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

Yes. We just want to thank everyone for your interest in the Partnership again. And if you have further questions, please don't hesitate to give me a call.

As a reminder, you can access a replay of this webcast, as well as a transcript via our website at www.dcppartners.com. Thanks, everyone.

Operator

That does conclude today's conference. Thank you for attending. You may now disconnect.