

**UNITED STATES SECURITIES AND EXCHANGE  
COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended September 30, 2009

OR

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

Commission file number: 1-14569

**PLAINS ALL AMERICAN PIPELINE, L.P.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**76-0582150**

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

**333 Clay Street, Suite 1600, Houston, Texas**

(Address of principal executive offices)

**77002**

(Zip Code)

**(713) 646-4100**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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 website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer       Accelerated filer       Non-accelerated filer       Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

At November 5, 2009, there were outstanding 136,135,988 Common Units.

**PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES**

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**PART I. FINANCIAL INFORMATION**

**Item 1. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in millions, except units)

	September 30, 2009	December 31, 2008
	(unaudited)	
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 16	\$ 11
Trade accounts receivable and other receivables, net	1,641	1,525
Inventory	1,174	801
Other current assets	193	259
Total current assets	<u>3,024</u>	<u>2,596</u>
<b>PROPERTY AND EQUIPMENT</b>	7,037	5,727
Accumulated depreciation	(840)	(668)
	<u>6,197</u>	<u>5,059</u>
<b>OTHER ASSETS</b>		
Linefill and base gas	479	425
Long-term inventory	129	139
Investment in unconsolidated entities	68	257
Goodwill	1,270	1,210
Other, net	326	346
Total assets	<u>\$ 11,493</u>	<u>\$ 10,032</u>
<b>LIABILITIES AND PARTNERS' CAPITAL</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 1,827	\$ 1,507
Short-term debt (Note 6)	692	1,027
Other current liabilities	340	426
Total current liabilities	<u>2,859</u>	<u>2,960</u>
<b>LONG-TERM LIABILITIES</b>		
Long-term debt under credit facilities and other	7	40
Senior notes, net of unamortized net discount of \$15 and \$6, respectively	4,135	3,219
Other long-term liabilities and deferred credits	265	261
Total long-term liabilities	<u>4,407</u>	<u>3,520</u>
<b>COMMITMENTS AND CONTINGENCIES (NOTE 12)</b>		
<b>PARTNERS' CAPITAL</b>		
Common unitholders (136,135,988 and 122,911,645 units outstanding, respectively)	4,066	3,469
General partner	97	83
Total partners' capital excluding noncontrolling interest	4,163	3,552
Noncontrolling interest	64	—
Total partners' capital	<u>4,227</u>	<u>3,552</u>
Total liabilities and partners' capital	<u>\$ 11,493</u>	<u>\$ 10,032</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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**PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in millions, except per unit data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
	(unaudited)		(unaudited)	
<b>REVENUES</b>				
Sales and related revenues	\$ 4,645	\$ 8,676	\$ 11,876	\$ 24,593

Pipeline tariff activities, trucking and related revenues	147	147	401	416
Storage, terminalling, processing and related revenues	65	39	165	109
Total revenues	4,857	8,862	12,442	25,118
<b>COSTS AND EXPENSES</b>				
Purchases and related costs	4,417	8,369	11,036	23,929
Field operating costs	163	162	474	458
General and administrative expenses	52	39	153	130
Depreciation and amortization	59	49	173	150
Total costs and expenses	4,691	8,619	11,836	24,667
<b>OPERATING INCOME</b>	166	243	606	451
<b>OTHER INCOME/(EXPENSE)</b>				
Equity earnings in unconsolidated entities	5	4	13	11
Interest expense (net of capitalized interest of \$4, \$4, \$9 and \$14, respectively)	(59)	(52)	(165)	(143)
Other income/(expense), net	12	14	17	27
<b>INCOME BEFORE TAX</b>	124	209	471	346
Current income tax expense	(2)	(3)	(5)	(9)
Deferred income tax benefit	—	—	4	2
<b>NET INCOME</b>	122	206	470	339
Less: Net income attributable to noncontrolling interest	—	—	(1)	—
<b>NET INCOME ATTRIBUTABLE TO PLAINS</b>	\$ 122	\$ 206	\$ 469	\$ 339
<b>NET INCOME ATTRIBUTABLE TO PLAINS:</b>				
LIMITED PARTNERS	\$ 88	\$ 173	\$ 370	\$ 256
GENERAL PARTNER	\$ 34	\$ 33	\$ 99	\$ 83
<b>BASIC NET INCOME PER LIMITED PARTNER UNIT</b>	\$ 0.65	\$ 1.42	\$ 2.84	\$ 2.10
<b>DILUTED NET INCOME PER LIMITED PARTNER UNIT</b>	\$ 0.65	\$ 1.41	\$ 2.82	\$ 2.08
<b>BASIC WEIGHTED AVERAGE UNITS OUTSTANDING</b>	130	123	128	120
<b>DILUTED WEIGHTED AVERAGE UNITS OUTSTANDING</b>	131	124	129	121

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in millions)

	Nine Months Ended September 30,	
	2009	2008
	(unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 470	\$ 339
Reconciliation of net income to net cash provided by operating activities:		
Depreciation and amortization	173	150
Equity compensation charge	47	27
Inventory valuation adjustment	—	65
Gain on sale of investment assets	—	(12)
Net gain on purchase of remaining 50% interest in PNGS	(9)	—
Net cash paid for terminated interest rate and foreign currency hedging instruments	(9)	(2)
Equity earnings in unconsolidated entities, net of distributions	(6)	(4)
Other	(19)	(9)
Changes in assets and liabilities, net of acquisitions:		
Trade accounts receivable and other	52	(410)
Inventory	(349)	(521)
Accounts payable and other liabilities	(3)	616
Net cash provided by operating activities	347	239
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash paid in connection with acquisitions, net of cash acquired	(117)	(662)
Additions to property, equipment and other	(354)	(446)
Investment in unconsolidated entities	(4)	(35)
Cash received for sale of noncontrolling interest in a subsidiary	26	—
Net cash received/(paid) for linefill	8	(8)
Proceeds from the sale of assets and other	4	36
Net cash used in investing activities	(437)	(1,115)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net borrowings/(repayments) on revolving credit facility	(454)	259
Net borrowings/(repayments) on hedged inventory facility	(180)	111
Repayment of PNGS debt	(446)	—
Proceeds from the issuance of senior notes (Note 6)	1,346	597

Repayments of senior notes		(175)	—
Net proceeds from the issuance of common units (Note 8)		458	315
Distributions paid to common unitholders (Note 8)		(344)	(308)
Distributions paid to general partner (Note 8)		(98)	(84)
Other financing activities		(9)	(4)
Net cash provided by financing activities		<u>98</u>	<u>886</u>
Effect of translation adjustment on cash		(3)	3
Net increase in cash and cash equivalents		5	13
Cash and cash equivalents, beginning of period		<u>11</u>	<u>24</u>
Cash and cash equivalents, end of period		<u>\$ 16</u>	<u>\$ 37</u>
Cash paid for interest, net of amounts capitalized	\$	150	\$ 143
Cash paid for income taxes	\$	7	\$ 8

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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**PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL**  
(in millions)

	Common Units		General Partner	Partners' Capital Excluding Noncontrolling Interest	Noncontrolling Interest	Partners' Capital
	Units	Amount				
				(unaudited)		
Balance, December 31, 2008	123	\$ 3,469	\$ 83	\$ 3,552	\$ —	\$ 3,552
Sale of noncontrolling interest in a subsidiary	—	(36)	(1)	(37)	63	26
Net income	—	370	99	469	1	470
Issuance of common units	11	447	9	456	—	456
Issuance of common units in connection with the PNGS Acquisition	2	91	2	93	—	93
Issuance of common units under Long Term Incentive Plans ("LTIP")	—	12	—	12	—	12
Distributions	—	(344)	(98)	(442)	—	(442)
Class B Units of Plains AAP, L.P.	—	1	2	3	—	3
Other comprehensive income	—	56	1	57	—	57
Balance, September 30, 2009	<u>136</u>	<u>\$ 4,066</u>	<u>\$ 97</u>	<u>\$ 4,163</u>	<u>\$ 64</u>	<u>\$ 4,227</u>

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(in millions)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2009	2008	2009	2008
		(unaudited)		(unaudited)
Net income attributable to Plains	\$ 122	\$ 206	\$ 469	\$ 339
Other comprehensive income/(loss)	210	(4)	57	(50)
Comprehensive income	<u>\$ 332</u>	<u>\$ 202</u>	<u>\$ 526</u>	<u>\$ 289</u>

**CONDENSED CONSOLIDATED STATEMENT OF**  
**CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME**  
(in millions)

	Derivative Instruments	Translation Adjustments	Other	Total
			(unaudited)	
Balance, December 31, 2008	\$ 161	\$ (86)	\$ —	\$ 75
Reclassification adjustments	(19)	—	—	(19)
Changes in fair value of outstanding hedge positions	(61)	—	—	(61)
Deferred gains/(losses) on settled hedges, net	(27)	—	—	(27)
Currency translation adjustment	—	165	—	165
Proportionate share of our unconsolidated entities' other comprehensive loss	—	—	(1)	(1)
Total period activity	<u>(107)</u>	<u>165</u>	<u>(1)</u>	<u>57</u>
Balance, September 30, 2009	<u>\$ 54</u>	<u>\$ 79</u>	<u>\$ (1)</u>	<u>\$ 132</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

### Note 1—Organization and Basis of Presentation

As used in this Form 10-Q, the terms "Partnership," "Plains," "we," "us," "our," "ours" and similar terms refer to Plains All American Pipeline, L.P. and its subsidiaries, unless the context indicates otherwise. References to our "general partner," as the context requires, include any or all of PAA GP LLC, Plains AAP, L.P. and Plains All American GP LLC.

We are engaged in the transportation, storage, terminalling and marketing of crude oil, refined products and liquefied petroleum gas and other natural gas-related petroleum products. We refer to liquefied petroleum gas and other natural gas-related petroleum products collectively as "LPG." We are also engaged in the development and operation of natural gas storage facilities. We manage our operations through three operating segments:

(i) Transportation, (ii) Facilities and (iii) Marketing. See Note 13.

The accompanying condensed consolidated interim financial statements should be read in conjunction with our consolidated financial statements and notes thereto presented in our 2008 Annual Report on Form 10-K. The financial statements have been prepared in accordance with the instructions for interim reporting as prescribed by the Securities and Exchange Commission ("SEC"). All adjustments (consisting only of normal recurring adjustments) that in the opinion of management were necessary for a fair statement of the results for the interim periods have been reflected. All significant intercompany transactions have been eliminated. The condensed balance sheet data as of December 31, 2008 was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. The results of operations for the three and nine months ended September 30, 2009 should not be taken as indicative of the results to be expected for the full year.

Subsequent events have been evaluated through the financial statements issuance date of November 6, 2009 and have been included within the following footnotes where applicable.

### Note 2—Recent Accounting Pronouncements

#### **Standards Adopted as of July 1, 2009**

In June 2009, the Financial Accounting Standards Board ("FASB") issued the FASB Accounting Standards Codification (the "Codification") to establish a single source of authoritative nongovernmental U.S. generally accepted accounting principles ("U.S. GAAP"). The Codification is meant to (i) simplify user access by codifying all authoritative U.S. GAAP into one location, (ii) ensure that codified content accurately represents authoritative U.S. GAAP and (iii) create a better structure and research system for U.S. GAAP. The Codification was effective for interim or annual periods ending after September 15, 2009; therefore, we adopted this guidance as of July 1, 2009. Adoption did not have any material impact on our financial position, results of operations or cash flows.

#### **Standards Adopted as of April 1, 2009**

In May 2009, the FASB issued guidance that establishes general standards of accounting for and disclosure of subsequent events or events that occur after the balance sheet date but before financial statements are issued. This guidance sets forth (i) the period after the balance sheet date during which management shall evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (ii) the circumstances under which an entity shall recognize events or transactions occurring after the balance sheet date in its financial statements and (iii) the disclosures that an entity shall make about events or transactions that occurred after the balance sheet date. This guidance was effective for interim or annual periods ending after June 15, 2009; therefore, we adopted this guidance as of April 1, 2009. Adoption did not have any material impact on our financial position, results of operations or cash flows.

In April 2009, the FASB issued guidance that increases the frequency of fair value disclosures from annual to quarterly in an effort to provide financial statement users with more timely and transparent information about the effects of current market conditions on financial instruments. This is intended to address concerns raised by some financial statement users about the lack of comparability resulting from the use of different measurement attributes for financial instruments. These disclosures are also intended to stimulate more robust discussions about financial instrument valuations between users and reporting entities. We adopted this guidance as of April 1, 2009. Adoption did not have any material impact on our financial position, results of operations or cash flows.

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#### **Standards Adopted as of January 1, 2009**

In November 2008, the FASB issued guidance that addresses certain accounting considerations, including initial measurement, decreases in investment value, and changes in the level of ownership or degree of influence related to equity method investments. We adopted this guidance as of January 1, 2009. Adoption did not have any material impact on our financial position, results of operations or cash flows.

In April 2008, the FASB issued guidance that amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under previous guidance over goodwill and other intangible assets. The intent of this guidance is to improve the consistency between the useful life of a recognized intangible asset and the period of expected cash flows used to measure the fair value of the asset under U.S. GAAP. We adopted this guidance as of January 1, 2009. Adoption did not have any material impact on our financial position, results of operations or cash flows.

In March 2008, the FASB issued guidance that addresses the application of the two-class method in determining income per unit for master limited partnerships ("MLPs") having multiple classes of securities that may participate in partnership distributions. The two-class method is an earnings allocation formula that determines earnings per unit for each class of common units and participating securities according to participation rights in undistributed earnings. We adopted this guidance as of January 1, 2009. This guidance has been applied retrospectively for all financial statement periods presented. Adoption impacted the net income available to limited partners used in our computation of earnings per unit, but did not impact our net income, distributions to limited partners, financial position, results of operations or cash flows. See Note 7 for additional disclosure.

### Note 3—Trade Accounts Receivable

We review all outstanding accounts receivable balances on a monthly basis and record a reserve for amounts that we expect will not be fully recovered. Actual balances are not applied against the reserve until substantially all collection efforts have been exhausted. At September 30, 2009 and December 31, 2008, substantially all of our net accounts receivable were less than 30 days past their scheduled invoice date. Our allowance for doubtful accounts receivable totaled \$9 million and \$5 million at September 30, 2009 and December 31, 2008, respectively. Although we consider our allowance for doubtful trade accounts receivable to be adequate, actual amounts could vary significantly from estimated amounts.

At September 30, 2009 and December 31, 2008, we had received approximately \$153 million and \$66 million, respectively, of advance cash payments from third parties to mitigate credit and performance risk. In addition, we enter into netting arrangements with our counterparties. These arrangements cover a significant part of our transactions and also serve to mitigate credit and performance risk.

#### Note 4—Acquisitions

The following acquisitions were accounted for using the acquisition method of accounting and the purchase price was allocated in accordance with such method.

##### PNGS Acquisition

On September 3, 2009, we acquired the remaining 50% indirect interest in PAA Natural Gas Storage, LLC (“PNGS”) for an aggregate purchase price of \$215 million (“PNGS Acquisition”). As a result of the transaction, we now own 100% of PNGS’ natural gas storage business and related operating entities, which are accounted for on a consolidated basis beginning in September 2009. We historically accounted for our 50% indirect interest in PNGS under the equity method. We recorded a net gain of approximately \$9 million, recorded in other income, in connection with (i) adjusting our previously owned 50% investment in PNGS to fair value and (ii) terminating an agreement to supply natural gas to PNGS.

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PNGS owns and operates a total of approximately 40 billion cubic feet (“Bcf”) of natural gas storage capacity at its Bluewater facility in Michigan and Pine Prairie facility in Louisiana. The Bluewater facility is comprised of two separate Niagaran reef reservoirs with a capacity of approximately 26 Bcf. At the Pine Prairie facility, 14 Bcf of high-deliverability salt-cavern storage capacity has been placed in service and an additional 10 Bcf is under construction. Pine Prairie Energy Center, LLC has received approvals from the Federal Energy Regulatory Commission and the Louisiana Department of Natural Resources to increase the permitted capacity at Pine Prairie to 48 Bcf. The gas storage operations are reflected in our facilities segment.

The purchase price consisted of the following (in millions):

Cash	\$	90
PAA equity		91
Paid at closing		181
Fair value of contingent consideration <sup>(1)</sup>		34
<b>Total purchase price</b>	<b>\$</b>	<b>215</b>

<sup>(1)</sup> The deferred contingent cash consideration is payable in cash in two installments of \$20 million each upon the achievement of certain performance milestones and events expected to occur over the next several years. The fair value of the deferred contingent cash consideration was based on a discounted cash flow model utilizing a discount rate of approximately 9%.

The allocation of fair value to the assets and liabilities acquired in the PNGS Acquisition is preliminary and subject to change, pending finalization of the valuation of the assets and liabilities acquired. The preliminary fair value allocation is as follows (in millions):

Property, plant and equipment	\$	791
Base gas		28
Goodwill		26
Intangible assets		23
Working capital and other long-term assets and liabilities		8
Debt		(446)
<b>Total</b>	<b>\$</b>	<b>430</b>

##### Other Acquisitions

During the first nine months of 2009, we completed three other acquisitions for aggregate consideration of approximately \$66 million. These acquisitions included (i) a crude oil pipeline that is reflected in the our transportation segment, (ii) a natural gas processing business that is reflected in our facilities segment and (iii) a refined products terminal that is reflected in our facilities segment. In connection with these transactions, we allocated approximately \$9 million to goodwill.

In October 2009, we completed an acquisition for approximately \$40 million. The assets acquired include six crude oil storage tanks (with a total of approximately 400,000 barrels of storage capacity), three receiving pipelines, a manifold system and various other related assets in Tulsa, Oklahoma. In conjunction with this acquisition, the seller entered into a 15-year tank lease and minimum throughput agreement with us (with options to extend the lease and throughput agreement).

#### Note 5—Inventory, Linefill and Base Gas and Long-term Inventory

Inventory, linefill and base gas and long-term inventory consisted of the following (barrels in thousands and cubic feet in millions, and total value in millions):

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	September 30, 2009				December 31, 2008			
	Volumes	Unit of Measure	Total Value	Price/Unit <sup>(1)</sup>	Volumes	Unit of Measure	Total Value	Price/Unit <sup>(1)</sup>
<b>Inventory</b>								
Crude oil	12,418	barrels	\$ 822	\$ 66.19	9,986	barrels	\$ 421	\$ 42.16
LPG	9,252	barrels	340	\$ 36.75	7,748	barrels	370	\$ 47.75
Refined products	128	barrels	9	\$ 70.31	103	barrels	5	\$ 48.54
Natural gas <sup>(2)</sup>	244	cubic feet	1	\$ 3.74	—	cubic feet	—	N/A
Parts and supplies	N/A		2	N/A	N/A		5	N/A

Inventory subtotal				1,174				801
<b>Linefill and base gas</b>								
Crude oil	9,190	barrels	449	\$	48.86	9,148	barrels	422 \$ 46.13
Natural gas <sup>(2)(3)</sup>	9,194	cubic feet	28	\$	3.03	—	cubic feet	— N/A
LPG	58	barrels	2	\$	34.48	67	barrels	3 \$ 44.78
Linefill and base gas							425	
<b>Long-term inventory</b>								
Crude oil	1,651	barrels	113	\$	68.44	1,781	barrels	121 \$ 67.94
LPG	458	barrels	16	\$	34.93	363	barrels	18 \$ 49.59
Long-term inventory subtotal							139	
<b>Total</b>							<b>\$ 1,782</b>	<b>\$ 1,365</b>

(1) Price per unit represents a weighted average associated with various grades, qualities, and locations; accordingly, these prices may not be comparable to published benchmarks for such products.

(2) To account for the 6:1 mcf of natural gas to crude oil barrel ratio, the natural gas volumes can be converted to barrels by dividing by 6.

(3) Natural gas-base gas consists of natural gas necessary to operate our storage facilities and may fluctuate based on the utilization of the caverns and reservoirs.

#### Note 6—Debt

Debt consists of the following (in millions):

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	September 30, 2009	December 31, 2008
<b>Short-term debt:</b>		
Senior secured hedged inventory facility bearing interest at a rate of 2.0% and 2.3% as of September 30, 2009 and December 31, 2008, respectively	\$ 100	\$ 280
Senior unsecured revolving credit facility, bearing interest at a rate of 0.8% and 1.1% as of September 30, 2009 and December 31, 2008, respectively <sup>(1)</sup>	336	746
Senior notes, including unamortized premium <sup>(2)(3)</sup>	255	—
Other	1	1
Total short-term debt	692	1,027
<b>Long-term debt:</b>		
4.75% senior notes due August 2009 <sup>(4)</sup>	—	175
4.25% senior notes due September 2012 <sup>(5)</sup>	500	—
7.75% senior notes due October 2012	200	200
5.63% senior notes due December 2013	250	250
7.13 % senior notes due June 2014 <sup>(3)</sup>	—	250
5.25% senior notes due June 2015	150	150
6.25% senior notes due September 2015	175	175
5.88% senior notes due August 2016	175	175
6.13% senior notes due January 2017	400	400
6.50% senior notes due May 2018	600	600
8.75% senior notes due May 2019	350	—
5.75% senior notes due January 2020	500	—
6.70% senior notes due May 2036	250	250
6.65% senior notes due January 2037	600	600
Unamortized premium/(discount), net	(15)	(6)
Long-term debt under credit facilities and other <sup>(1)</sup>	7	40
Total long-term debt <sup>(1)(2)</sup>	4,142	3,259
Total debt	\$ 4,834	\$ 4,286

(1) As of September 30, 2009 and December 31, 2008, we have classified \$336 million and \$746 million, respectively, of borrowings under our senior unsecured revolving credit facility as short-term. These borrowings are designated as working capital borrowings, must be repaid within one year and are primarily for hedged LPG and crude oil inventory and New York Mercantile Exchange ("NYMEX") and Intercontinental Exchange ("ICE") margin deposits.

(2) Our fixed rate senior notes have a face value of approximately \$4.4 billion as of September 30, 2009. We estimate the aggregate fair value of these notes as of September 30, 2009 to be approximately \$4.7 billion. Our fixed-rate senior notes are traded among institutions, which trades are routinely published by a reporting service. Our determination of fair value is based on reported trading activity near quarter end.

(3) On September 4, 2009, we gave irrevocable notice to redeem all of our outstanding \$250 million 7.13% senior notes due 2014. After the 30-day notice period, the notes were redeemed on October 5, 2009. Therefore, these notes (including the unamortized premium) are classified as short-term debt on our balance sheet. In conjunction with the early redemption, we will recognize a loss of approximately \$4 million.

(4) We repaid our \$175 million 4.75% senior notes on August 15, 2009.

(5) These notes were issued in July 2009 and the proceeds are being used to supplement capital available from our hedged inventory facility. At September 30, 2009, approximately \$437 million had been used to fund hedged inventory and would be classified as short-term debt if funded on our credit facilities.

#### Senior Notes

In September 2009, we completed the issuance of \$500 million of 5.75% senior notes due January 15, 2020. The senior notes were sold at 99.523% of face value. Interest payments are due on January 15 and July 15 of each year, beginning on January 15, 2010. We used the net proceeds from this offering to repay outstanding borrowings under our credit facilities, a portion of which was used to fund the cash requirements of the PNGS Acquisition (which included repayment of all of PNGS's debt). See Note 4 for further discussion of the PNGS Acquisition.

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In July 2009, we completed the issuance of \$500 million of 4.25% senior notes due September 1, 2012. The senior notes were sold at 99.802% of face value. Interest payments are due on March 1 and September 1 of each year, beginning on March 1, 2010. We used the net proceeds from this offering to supplement the capital available under our existing hedged inventory facility to fund working capital needs associated with base levels of routine foreign crude oil import and for seasonal LPG inventory requirements. Concurrent with the issuance of these senior notes, we entered into interest rate swaps whereby we receive fixed payments at 4.25% and pay three-month LIBOR plus a spread on a notional principal amount of \$150 million maturing in two years and an additional \$150 million notional principal amount maturing in three years.

In April 2009, we completed the issuance of \$350 million of 8.75% senior notes due May 1, 2019. The senior notes were sold at 99.994% of face value. Interest payments are due on May 1 and November 1 of each year, beginning on November 1, 2009. We used the net proceeds from this offering to reduce outstanding borrowings under our credit facilities.

**Credit Facilities**

In October 2009, we renewed our 364-day committed hedged inventory credit facility, which matures in October 2010. The new committed facility replaced a similar \$525 million facility that was scheduled to mature on November 5, 2009. The new facility has a borrowing capacity of \$500 million, which may be increased to \$1.2 billion, subject to obtaining additional lender commitments. Borrowings under this facility will be used to finance the purchase of hedged crude oil inventory for storage activities as well as for foreign import activities.

**Letters of Credit**

In connection with our crude oil marketing, we provide certain suppliers with irrevocable standby letters of credit to secure our obligation for the purchase of crude oil. At September 30, 2009 and December 31, 2008, we had outstanding letters of credit of approximately \$66 million and \$51 million, respectively.

**Note 7—Net Income per Limited Partner Unit**

Basic and diluted net income per unit is determined by dividing our limited partners' interest in net income by the weighted average number of limited partner units outstanding during the period. Pursuant to guidance issued by the FASB on the application of the two-class method for MLPs, the limited partners' interest in net income is calculated by first reducing net income by the distribution pertaining to the current period's net income, which is to be paid in the subsequent quarter (including the incentive distribution interest in excess of the 2% general partner interest). Then, the remaining undistributed earnings or excess distributions over earnings, if any, are allocated to the general partner and limited partners in accordance with the contractual terms of the partnership agreement. The adoption of this guidance resulted in a change to our calculation of earnings per unit by using distributions applicable to the period rather than distributions paid in the period (applicable to the previous period). Also, in accordance with this guidance, earnings per unit for prior periods were recast to conform to this revised calculation.

The following table sets forth the computation of basic and diluted earnings per limited partner unit for the three and nine months ended September 30, 2009 and 2008 (amounts in millions, except per unit data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Numerator for basic and diluted earnings per limited partner unit:				
Net income	\$ 122	\$ 206	\$ 469	\$ 339
Less: General partner's incentive distribution paid <sup>(1)</sup>	(32)	(30)	(92)	(78)
Subtotal	90	176	377	261
Less: General partner 2% ownership <sup>(1)</sup>	(2)	(3)	(7)	(5)
Net income available to limited partners	88	173	370	256
Adjustment in accordance with application of the two-class method for MLPs <sup>(1)</sup>	(3)	2	(8)	(5)
Net income available to limited partners in accordance with the application of the two-class method for MLPs	\$ 85	\$ 175	\$ 362	\$ 251
Denominator:				
Basic weighted average number of limited partner units outstanding	130	123	128	120
Effect of dilutive securities:				
Weighted average LTIP units <sup>(2)</sup>	1	1	1	1
Diluted weighted average number of limited partner units outstanding	131	124	129	121
Basic net income per limited partner unit	\$ 0.65	\$ 1.42	\$ 2.84	\$ 2.10
Diluted net income per limited partner unit	\$ 0.65	\$ 1.41	\$ 2.82	\$ 2.08

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<sup>(1)</sup> We allocate net income to our general partner based on the distribution paid during the current quarter (including the incentive distribution interest in excess of the 2% general partner interest). Guidance issued by the FASB requires that the distribution pertaining to the current period's net income, which is to be paid in the subsequent quarter, be utilized in the earnings per unit calculation. We reflect the impact of this difference as the "Adjustment in accordance with application of the two-class method for MLPs."

<sup>(2)</sup> Our LTIP awards (described in Note 9) that contemplate the issuance of common units are considered dilutive unless (i) vesting occurs only upon the satisfaction of a performance condition and (ii) that performance condition has yet to be satisfied. LTIP awards that are deemed to be dilutive are



reduced by a hypothetical unit repurchase based on the remaining unamortized fair value, as prescribed by the treasury stock method in guidance issued by the FASB.

## Note 8—Partners' Capital and Distributions

### Equity Offerings

During the nine months ended September 30, 2009 and 2008, we completed the following equity offerings of our common units (in millions, except per unit data):

Period	Units Issued	Gross Unit Price	Proceeds from Sale	General Partner Contribution	Costs <sup>(1)</sup>	Net Proceeds
<b>2009</b>						
September 2009	5,290,000	\$ 46.70	\$ 247	\$ 5	\$ (6)	\$ 246
March 2009	5,750,000	\$ 36.90	212	4	(6)	210
	<b>11,040,000</b>		<b>\$ 459</b>	<b>\$ 9</b>	<b>\$ (12)</b>	<b>\$ 456</b>
<b>2008</b>						
April 2008	6,900,000	\$ 46.31	\$ 320	\$ 6	\$ (11)	\$ 315

(1) Costs include the gross spread paid to underwriters.

### PNGS Acquisition

In September 2009, we issued 1,907,305 common units valued at approximately \$91 million in order to satisfy a portion of the PNGS Acquisition purchase price. In conjunction with the issuance, we received a contribution from our general partner of approximately \$2 million. See Note 4 for further discussion.

### LTIP Vesting

In May 2009, in connection with the settlement of vested LTIP awards, we issued 277,038 common units at a price of \$41.23, for a fair value of approximately \$12 million.

### Distributions

The following table details the distributions pertaining to the first nine months of 2009 and 2008, net of reductions to the general partner's incentive distributions (in millions, except per unit amounts):

Date Declared	Date Paid or To Be Paid	Common Units Holders	Distributions Paid		Total	Distributions per limited partner unit
			Incentive	2%		
<b>2009</b>						
October 19, 2009	November 13, 2009 <sup>(1)</sup>	\$ 125	\$ 35	\$ 3	\$ 163	\$ 0.9200
July 15, 2009	August 14, 2009	\$ 117	\$ 32	\$ 2	\$ 151	\$ 0.9050
April 8, 2009	May 15, 2009	\$ 117	\$ 32	\$ 2	\$ 151	\$ 0.9050
January 14, 2009	February 13, 2009	\$ 110	\$ 28	\$ 2	\$ 140	\$ 0.8925
<b>2008</b>						
October 22, 2008	November 14, 2008	\$ 110	\$ 28	\$ 2	\$ 140	\$ 0.8925
July 14, 2008	August 14, 2008	\$ 109	\$ 30	\$ 2	\$ 141	\$ 0.8875
April 17, 2008	May 15, 2008	\$ 100	\$ 25	\$ 2	\$ 127	\$ 0.8650
January 16, 2008	February 14, 2008	\$ 99	\$ 23	\$ 2	\$ 124	\$ 0.8500

(1) Payable to unitholders of record on November 3, 2009, for the period July 1, 2009 through September 30, 2009.

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Upon closing of the Pacific acquisition in November 2006 and the Rainbow acquisition in May 2008, our general partner agreed to reduce the amounts due it as incentive distributions. Additionally, in order to enhance our distribution coverage ratio over the next 24 months in connection with the PNGS Acquisition, our general partner has agreed to further reduce its incentive distributions by an aggregate of \$8 million over the next two years - \$1.25 million per quarter for the first four quarters and \$0.75 million per quarter for the next four quarters. This incentive distribution reduction will become effective upon payment of our November 2009 quarterly distribution of \$0.9200 per limited partner unit. The total reduction in incentive distributions related to the Pacific, Rainbow and PNGS acquisitions is \$83 million. Following the distribution in November 2009, the aggregate incentive distribution reductions remaining will be approximately \$23 million.

## Note 9—Equity Compensation Plans

### Long-Term Incentive Plans

For discussion of our Long-Term Incentive Plan ("LTIP") awards, see Note 10 to our Consolidated Financial Statements included in our 2008 Annual Report on Form 10-K. At September 30, 2009, the following LTIP awards were outstanding (units in millions):

LTIP Units Outstanding	Vesting Distribution Amount	Estimated Unit Vesting Date				
		2009	2010	2011	2012	2013
0.6 <sup>(1)</sup>	\$3.20	—	0.6	—	—	—
1.5 <sup>(2)</sup>	\$3.50 - \$4.50	—	0.1	0.8	0.5	0.1
1.7 <sup>(3)</sup>	\$3.50 - \$4.25	—	0.8	0.3	0.4	0.2
3.8 <sup>(4) (5)</sup>		—	1.5	1.1	0.9	0.3

(1) Upon our February 2007 annualized distribution of \$3.20, these LTIP awards satisfied all distribution requirements and will vest upon completion of

the respective service period.

- (2) These LTIP awards have performance conditions requiring the attainment of an annualized distribution of between \$3.50 and \$4.50 and vest upon the later of a certain date or the attainment of such levels. If the performance conditions are not attained while the grantee remains employed by us, or the grantee does not meet the employment requirements, these awards will be forfeited. For purposes of this disclosure, the awards are presented above assuming that the distribution levels are attained, that all grantees remain employed by us through the vesting date, and that the awards will vest on the earliest date possible regardless of our current assessment of probability.
- (3) These LTIP awards have performance conditions requiring the attainment of an annualized distribution of between \$3.50 and \$4.25. For a majority of these LTIP awards, fifty percent will vest at specified dates regardless of whether the performance conditions are attained. For purposes of this disclosure, the awards are presented above assuming the distribution levels are attained and that the awards will vest on the earliest date possible regardless of our current assessment of probability.
- (4) Approximately 2 million of our approximately 3.8 million outstanding LTIP awards also include Distribution Equivalent Rights (“DERs”), of which 1 million are currently earned.
- (5) LTIP units outstanding do not include Class B units of Plains AAP, L.P. described below.

Our LTIP activity is summarized in the following table (in millions, except weighted average grant date fair values per unit):

	Units	Weighted Average Grant Date Fair Value per Unit
Outstanding, December 31, 2008	3.9	\$ 36.44
Granted	0.5	\$ 31.18
Vested	(0.6)	\$ 34.70
Cancelled or forfeited	(0.1)	\$ 38.55
Acquired <sup>(1)</sup>	0.1	\$ 26.24
Outstanding, September 30, 2009	<u>3.8</u>	<u>\$ 36.29</u>

- (1) As a result of the PNGS Acquisition, LTIP awards that were granted to PNGS employees in prior years are now included in our consolidated outstanding LTIP awards.

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Our accrued liability at September 30, 2009 related to all outstanding LTIP awards and DERs is approximately \$70 million, which includes an accrual associated with our assessment that an annualized distribution of \$3.90 is probable of occurring (at this time, we have not deemed a distribution of more than \$3.90 to be probable). At December 31, 2008, the accrued liability was approximately \$55 million.

### **Class B Units of Plains AAP, L.P.**

At September 30, 2009, 165,500 Class B units were outstanding, of which 38,500 units were earned. A total of 34,500 units were reserved for future grants. During the nine months ended September 30, 2009, 11,500 Class B units were issued to certain members of our senior management. These Class B units become earned in increments of 37.5%, 37.5% and 25% 180 days after us achieving annualized distribution levels of \$3.75, \$4.00 and \$4.50, respectively. The total grant date fair value of the 165,500 Class B units outstanding at September 30, 2009 was approximately \$36 million of which approximately \$1 million and \$3 million was recognized as expense during the three months and nine months ended September 30, 2009, respectively. For further discussion of the Class B units, see Note 10 to our Consolidated Financial Statements included in our 2008 Annual Report on Form 10-K.

### **Other Consolidated Equity Compensation Information**

We refer to our LTIP Plans and the Class B units collectively as “Equity compensation plans.” The table below summarizes the expense recognized and the value of vestings (settled both in units and cash) related to our equity compensation plans (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Equity compensation expense	\$ 16	\$ 3	\$ 47	\$ 27
LTIP unit vestings	\$ 1	\$ —	\$ 19	\$ 1
LTIP cash settled vestings	\$ —	\$ —	\$ 7	\$ 2
DER cash payments	\$ 1	\$ 1	\$ 3	\$ 3

Based on the September 30, 2009 fair value measurement and probability assessment regarding future distributions, we expect to recognize approximately \$53 million of additional expense over the life of our outstanding awards related to the remaining unrecognized fair value. This estimate is based on the closing market price of our units of \$46.29 at September 30, 2009. Actual amounts may differ materially as a result of a change in the market price of our units and/or probability assessment regarding future distributions. We estimate that the remaining fair value will be recognized in expense as shown below (in millions):

Year	Equity Compensation Plan Fair Value Amortization <sup>(1) (2)</sup>
2009 <sup>(3)</sup>	\$ 9
2010	26
2011	12
2012	5
2013	1
Total	<u>\$ 53</u>

- (1) Amounts do not include fair value associated with awards containing performance conditions that are not considered to be probable of occurring at September 30, 2009.

(2) Includes unamortized fair value associated with Class B units of Plains AAP, L.P.

(3) Includes equity compensation plan fair value amortization for the remaining three months of 2009.

#### Note 10—Derivatives and Risk Management Activities

We identify the risks that underlie our core business activities and utilize risk management strategies to mitigate those risks when we determine that there is value in doing so. We use various derivative instruments to (i) manage our exposure to commodity price risk as well as to optimize our profits, (ii) manage our exposure to interest rate risk and (iii) manage our exposure to currency exchange-rate risk. Our policy is to use derivative instruments only for risk management purposes. Our commodity risk management policies and procedures are designed to monitor NYMEX, ICE and over-the-counter positions, as well as physical volumes, grades, locations, delivery schedules and storage capacity to help ensure that our hedging activities address our risks. Our interest rate and foreign currency risk management policies and procedures are designed to monitor our positions and ensure that those positions are

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consistent with our objectives and approved strategies. Our policy is to formally document all relationships between hedging instruments and hedged items, as well as our risk management objectives and strategies for undertaking the hedge. This process includes specific identification of the hedging instrument and the hedged transaction, the nature of the risk being hedged and how the hedging instrument's effectiveness will be assessed. Both at the inception of the hedge and on an ongoing basis, we assess whether the derivatives used in a transaction are highly effective in offsetting changes in cash flows or the fair value of hedged items. A discussion of our derivative activities by risk category follows.

#### **Commodity Price Risk Hedging**

Our core business activities contain certain commodity price-related risks that we manage in various ways, including the use of derivative instruments. Our policy is generally (i) to purchase only product for which we have a market, (ii) to structure our sales contracts so that price fluctuations do not materially affect the segment profit we earn, and (iii) not to acquire and hold physical inventory, futures contracts or other derivative products for the purpose of speculating on outright commodity price changes. Although we seek to maintain a position that is substantially balanced within our marketing activities, we purchase crude oil, refined products and LPG from thousands of locations and may experience net unbalanced positions as a result of production, transportation and delivery variances, as well as logistical issues associated with inclement weather conditions and other uncontrollable events that occur within each month. In connection with our efforts to maintain a balanced position, our personnel are authorized to purchase or sell an aggregate limit of up to 810,000 barrels of crude oil, refined products and LPG relative to the volumes originally scheduled for such month, based on interim information. The purpose of these purchases and sales is to manage risk as opposed to establishing a risk position. When unscheduled physical inventory builds or draws do occur, they are monitored constantly and managed to a balanced position over a reasonable period of time.

The material commodity related risks inherent in our business activities can be summarized into the following general categories:

*Commodity Purchases and Sales* — In the normal course of our marketing operations, we purchase and sell crude oil, LPG, and refined products. We use derivatives to manage the associated risks and to optimize profits. As of September 30, 2009, material net derivative positions related to these activities included:

- An approximate 195,000 barrel per day net long position (total of 5.9 million barrels) associated with our crude oil activities, which was unwound ratably during October 2009 to match monthly average pricing.
- An approximate 31,000 barrel per day (total of 13 million barrels) net short spread position which hedge a portion of our anticipated crude oil lease gathering purchases through November 2010. These positions involve no outright price exposure, but instead represent potential offsetting purchases and sales between time periods (first month versus second month for example).
- A net short position averaging approximately 14,500 barrels per day (total of 6.1 million barrels) of calendar spread call options for the period November 2009 through December 2010. These positions involve no outright price exposure, but instead represent potential offsetting purchases and sales between time periods (first month versus second month for example).
- An average of approximately 3,100 barrels per day (total of 1.4 million barrels) of butane/WTI spread positions, which hedge specific butane sales contracts that are priced as a fixed percentage of WTI and continue through 2010.
- Approximately 17,100 barrels per day on average (total of 7.7 million barrels) of crude oil basis differential hedges, which run through 2010.

*Storage Capacity Utilization* — We own approximately 57 million barrels of crude oil, LPG and refined products storage capacity that is not used in our transportation operations. This storage may be leased to third parties or utilized in our own marketing activities, including for the storage of inventory in a contango market. For capacity allocated to our marketing operations we have utilization risk if the market structure is backwardated. As of September 30, 2009, we used derivatives to manage the risk of not utilizing approximately 3 million barrels per month of storage capacity through 2011. These positions are a combination of calendar spread options and NYMEX futures contracts. These positions involve no outright price exposure, but instead represent potential offsetting purchases and sales between time periods (first month versus second month for example).

*Inventory Storage* — At times, we elect to purchase and store crude oil, LPG and refined products inventory in conjunction with our marketing activities. These activities primarily relate to the seasonal storage of LPG inventories and contango market storage activities. When we purchase and store barrels, we enter into physical sales contracts or use derivatives to mitigate price risk associated with the inventory. As of September 30, 2009, we had approximately 9.5 million barrels of inventory hedged with derivatives.

We also purchase foreign cargoes of crude oil. Concurrent with the purchase of foreign cargo inventory, we enter into derivatives to mitigate the price risk associated with the foreign cargo inventory between the time the foreign cargo is purchased and the ultimate sale of the foreign cargo. As of September 30, 2009, we had approximately 4 million barrels of foreign cargo inventory hedged with

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derivatives.

*Pipeline Loss Allowance Oil* — As is common in the pipeline transportation industry, our tariffs incorporate a loss allowance factor that is intended to,

among other things, offset losses due to evaporation, measurement and other losses in transit. We utilize derivative instruments to hedge a portion of the anticipated sales of the allowance oil that is to be collected under our tariffs. As of September 30, 2009, we had entered into a net short position consisting of crude oil futures and swaps to manage the risk associated with the anticipated sale of an average of approximately 2,300 barrels per day (total of 1.9 million barrels) from October 2009 through December 2011. In addition, we had a long put option position of approximately 1 million barrels through December 2012 and a net long call option position of approximately 2 million barrels through December 2011, which provide upside price participation.

**Diluent Purchases** — We use diluent in our Canadian crude oil pipeline operations and have used derivative instruments to hedge the anticipated forward purchases of diluent and diluent inventory. As of September 30, 2009, we had an average of 4,700 barrels per day of natural gasoline/WTI spread positions (approximately 3 million barrels) that run through mid-2011 and an average of 4,400 barrels per day of short crude oil futures (approximately 0.8 million barrels) to hedge condensate through the first quarter of 2010.

**Natural Gas Purchases** — Our gas storage facilities require minimum levels of natural gas ("base gas") to operate. For our natural gas storage facilities that are under construction, we anticipate purchasing base gas in future periods as construction is completed. We use derivatives to hedge anticipated purchases of natural gas. As of September 30, 2009, we have a net long position of approximately 3 Bcf consisting of natural gas futures contracts through August 2010.

The derivative instruments we use consist primarily of futures, options and swaps traded on the NYMEX, ICE and in over-the-counter transactions. Over-the-counter transactions include commodity swap and option contracts entered into with financial institutions and other energy companies. All of our commodity derivatives that qualify for hedge accounting are designated as cash flow hedges. Therefore, the corresponding changes in fair value for the effective portion of the hedges are deferred into AOCI and recognized in revenues or purchases and related costs in the periods during which the underlying physical transactions occur. We have determined that substantially all of our physical purchase and sale agreements qualify for the normal purchase and normal sale ("NPNS") exclusion and thus are not subject to the accounting treatment for derivative instruments and hedging activities as set forth in FASB guidance. Physical commodity contracts that meet the definition of a derivative but are ineligible, or not designated, for the NPNS scope exception are recorded on the balance sheet as assets or liabilities at their fair value, with the changes in fair value recorded net in revenues.

### **Interest Rate Risk Hedging**

We use interest rate derivatives to hedge interest rate risk associated with anticipated debt issuances and in certain cases, outstanding debt instruments. The derivative instruments we use consist primarily of interest rate swaps and treasury locks. As of September 30, 2009, AOCI includes deferred losses that relate to terminated interest rate swaps and treasury locks that were designated for hedge accounting. These terminated interest rate derivatives were cash settled in connection with the issuance and refinancing of debt agreements over the previous five years. The deferred loss related to these instruments is being amortized to interest expense over the original terms of the forecasted debt instruments.

As of September 30, 2009, we had four outstanding interest rate swaps by which we receive fixed interest payments and pay floating-rate interest payments based on three-month LIBOR plus an aggregate spread of 2.42% on a semi-annual basis. The swaps have an aggregate notional amount of \$300 million with fixed rates of 4.25%. Two of the swaps terminate in 2011 and two of the swaps terminate in 2012.

### **Currency Exchange Rate Risk Hedging**

We use foreign currency derivatives to hedge foreign currency risk associated with our exposure to fluctuations in the U.S. Dollar ("USD")-to-Canadian Dollar ("CAD") exchange rate. Because a significant portion of our Canadian business is conducted in CAD and, at times, a portion of our debt is denominated in CAD, we use certain financial instruments to minimize the risks of unfavorable changes in exchange rates. These instruments primarily include forward exchange contracts and foreign currency forwards and options. As of September 30, 2009, AOCI includes deferred gains that relate to open and settled forward exchange contracts that were designated for hedge accounting. These forward exchange contracts hedge the cash flow variability associated with CAD-denominated interest payments on a CAD-denominated intercompany note as a result of changes in the foreign exchange rate.

As of September 30, 2009, our outstanding foreign currency derivatives also include derivatives used to hedge CAD-denominated crude oil purchases and sales. We may from time to time hedge the commodity price risk associated with a CAD-denominated commodity transaction with a USD-denominated commodity derivative. In conjunction with entering into the commodity derivative we enter into a foreign currency derivative to hedge the resulting foreign currency risk. These foreign currency derivatives are generally short-term in nature and are not designated for hedge accounting.

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At September 30, 2009, our open foreign exchange derivatives consisted of forward exchange contracts that exchange CAD for USD on a net basis as follows (in millions):

	CAD		USD		Average Exchange Rate
2009	\$	18	\$	15	CAD \$1.15 to US \$1.00
2010	\$	43	\$	39	CAD \$1.14 to US \$1.00
2011	\$	15	\$	15	CAD \$1.01 to US \$1.00
2012	\$	15	\$	15	CAD \$1.01 to US \$1.00
2013	\$	9	\$	9	CAD \$1.00 to US \$1.00

These financial instruments are placed with large, highly rated financial institutions.

### **Summary of Financial Impact**

The majority of our derivative activity relates to our commodity price risk hedging activities. All of our commodity derivatives that qualify for hedge accounting are designated as cash flow hedges. Therefore, the corresponding changes in fair value for the effective portion of the hedges are deferred to AOCI and recognized in earnings in the periods during which the underlying physical transactions occur. Derivatives that do not qualify for hedge accounting and the portion of cash flow hedges that is not highly effective in offsetting changes in cash flows of the hedged items, are recognized in earnings each period. Cash settlements associated with our derivative activities are reflected as operating cash flows in our consolidated statements of cash flows.

A summary of the impact of our derivative activities recognized in earnings for the three and nine months ended September 30, 2009 is as follows (in millions, losses designated in parentheses):

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**DERIVATIVES IN CASH FLOW HEDGING RELATIONSHIPS:**
**Three Months Ended September 30, 2009:**

	Location of gain/(loss)	Derivatives in Cash Flow Hedging Relationships		Derivatives Not Designated as a Hedge <sup>(3)</sup>	Total
		AOCI Reclass <sup>(1)</sup>	Ineffective Portion <sup>(2)</sup>		
Commodity contracts	Sales and related revenues	\$ (159)	\$ 2	\$ 11	\$ (146)
	Purchases and related costs	60	—	4	64
Interest Rate Contracts	Interest expense	—	—	1	1
Foreign Exchange Contracts	Sales and related revenues	—	—	4	4
	Purchases and related costs	—	—	2	2
	Other income/(expense), net	—	—	(1)	(1)
<b>Total Gain/(Loss) Recognized in Income from Derivatives</b>		<b>\$ (99)</b>	<b>\$ 2</b>	<b>\$ 21</b>	<b>\$ (76)</b>

<sup>(1)</sup> Amounts represent derivative gains and (losses) that were reclassified from AOCI to earnings during the period to coincide with earnings impact of the respective hedged transaction

<sup>(2)</sup> Amounts represent the ineffective portion of the fair value of our unrealized cash flow hedges that was recognized in earnings during the period.

<sup>(3)</sup> Amounts include the mark-to-market earnings impact for unrealized derivatives not designated for hedge accounting during the period.

**Nine Months Ended September 30, 2009:**

	Location of gain/(loss)	Derivatives in Cash Flow Hedging Relationships		Derivatives Not Designated as a Hedge <sup>(3)</sup>	Total
		AOCI Reclass <sup>(1)</sup>	Ineffective Portion <sup>(2)</sup>		
Commodity contracts	Sales and related revenues	\$ (14)	\$ (6)	\$ 17	\$ (3)
	Purchases and related costs	29	—	119	148
Interest Rate Contracts	Other income/(expense), net	—	—	(1)	(1)
	Interest expense	(1)	—	1	—
Foreign Exchange Contracts	Sales and related revenues	—	—	9	9
	Purchases and related costs	—	—	(1)	(1)
	Other income/(expense), net	5	—	(3)	2
<b>Total Gain/(Loss) Recognized in Income from Derivatives</b>		<b>\$ 19</b>	<b>\$ (6)</b>	<b>\$ 141</b>	<b>\$ 154</b>

<sup>(1)</sup> Amounts represent derivative gains and (losses) that were reclassified from AOCI to earnings during the period to coincide with earnings impact of the respective hedged transaction

<sup>(2)</sup> Amounts represent the ineffective portion of the fair value of our unrealized cash flow hedges that was recognized in earnings during the period.

<sup>(3)</sup> Amounts include the mark-to-market earnings impact for unrealized derivatives not designated for hedge accounting during the period.

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The following table summarizes the derivative assets and liabilities on our consolidated balance sheet as of September 30, 2009 (in millions):

	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
<b>Derivatives designated as hedging instruments:</b>				
Commodity contracts	Other current assets	\$ 77	Other current liabilities	\$ (97)
	Other long-term assets	48	Other long-term liabilities	(3)
Interest rate contracts	Other current assets	—	Other current liabilities	—
	Other long-term assets	—	Other long-term liabilities	—
Foreign exchange contracts	Other current assets	1	Other current liabilities	(2)
	Other long-term assets	2	Other long-term liabilities	(1)
Total derivatives designated as hedging instruments		<u>\$ 128</u>		<u>\$ (103)</u>
<b>Derivatives not designated as hedging instruments:</b>				
Commodity contracts	Other current assets	\$ 80	Other current liabilities	\$ (58)
	Other long-term assets	46	Other long-term liabilities	(39)
Interest rate contracts	Other current assets	1	Other current liabilities	—
	Other long-term assets	1	Other long-term liabilities	—

Foreign exchange contracts	Other current assets	3	Other current liabilities	(1)
	Other long-term assets	—	Other long-term liabilities	—
Total derivatives not designated as hedging instruments		\$ 131		\$ (98)
Total derivatives		\$ 259		\$ (201)

As of September 30, 2009, there was a net gain of \$54 million deferred in AOCI. The total amount of deferred net gain recorded in AOCI is expected to be reclassified to future earnings contemporaneously with (i) the related physical purchase or delivery of the underlying commodity, (ii) interest expense accruals associated with underlying debt instruments or (iii) the recognition of a foreign currency gain or loss upon the remeasurement of certain CAD-denominated intercompany interest receivables. Of the total net gain deferred in AOCI at September 30, 2009, a net gain of approximately \$1 million is expected to be reclassified to earnings in the next twelve months. Of the remaining deferred gain in AOCI, approximately 74% is expected to be reclassified to earnings prior to 2012 with the remaining deferred gain being reclassified to earnings through 2019. Because a portion of these amounts is based on market prices at the current period end, actual amounts to be reclassified will differ and could vary materially as a result of changes in market conditions.

During the three months ended September 30, 2009 and 2008, no amounts were reclassified from AOCI to earnings as a result of forecasted transactions no longer considered to be probable of occurring. During the nine months ended September 30, 2009, we reclassified a deferred gain of approximately \$6 million from AOCI to other income as a result of anticipated hedge transactions that are no longer considered to be probable of occurring. During the nine months ended September 30, 2008, no amounts were reclassified from AOCI as a result of anticipated hedge transactions that were no longer considered to be probable of occurring.

Amounts of gain/(loss) recognized in AOCI on derivatives (effective portion) during the three and nine months ended September 30, 2009 are as follows (in millions):

	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2009
Commodity contracts	\$ 4	\$ (79)
Foreign exchange contracts	(5)	(7)
Interest rate contracts	(2)	(2)
Total	\$ (3)	\$ (88)

We do not enter into master netting agreements with our over-the-counter derivative counterparties, nor do we offset the assets and liabilities associated with the fair value of our derivatives with amounts we have recognized related to our right to receive or our obligation to pay cash collateral. When we deposit cash collateral with our brokers, we recognize a broker receivable, which is a component of our accounts receivable. The account equity in our brokerage accounts is a combination of our cash balance and the fair value of our open derivatives within our brokerage account. When our account equity is less than our initial margin requirement we are required to post

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margin. We did not have a broker receivable as of September 30, 2009. Our broker receivable was approximately \$81 million as of December 31, 2008. At September 30, 2009 and December 31, 2008, none of our outstanding derivatives contained credit-risk related contingent features that would result in a material adverse impact to us upon any change in our credit ratings.

The following table sets forth by level within the fair value hierarchy our financial assets and liabilities that were accounted for at fair value on a recurring basis as of September 30, 2009. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement of assets and liabilities within the fair value hierarchy levels.

Recurring Fair Value Measures	Fair Value as of September 30, 2009 (in millions)				Fair Value as of December 31, 2008 (in millions)			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets:</b>								
Commodity derivatives	\$ 230	\$ —	\$ 21	\$ 251	\$ 235	\$ 9	\$ 112	\$ 356
Interest rate derivatives	—	—	2	2	—	—	5	5
Foreign currency derivatives	—	—	6	6	—	—	18	18
Total assets at fair value	\$ 230	\$ —	\$ 29	\$ 259	\$ 235	\$ 9	\$ 135	\$ 379
<b>Liabilities:</b>								
Commodity derivatives	\$ (159)	\$ —	\$ (38)	\$ (197)	\$ (330)	\$ —	\$ (56)	\$ (386)
Foreign currency derivatives	—	—	(4)	(4)	—	—	(5)	(5)
Total liabilities at fair value	\$ (159)	\$ —	\$ (42)	\$ (201)	\$ (330)	\$ —	\$ (61)	\$ (391)
Net asset/(liability) at fair value	\$ 71	\$ —	\$ (13)	\$ 58	\$ (95)	\$ 9	\$ 74	\$ (12)

The determination of the fair values above include not only the credit standing of the counterparties involved and the impact of credit enhancements (such as cash deposits and letters of credit) but also the impact of our nonperformance risk on our liabilities. The fair value of our commodity derivatives, interest-rate derivatives and foreign currency derivatives includes adjustments for credit risk. We measure credit risk by deriving a probability of default from market observed credit default swap spreads as of the measurement date. The probability of default is applied to the net credit exposure of each of our counterparties and includes a recovery rate adjustment. The recovery rate is an estimate of what would ultimately be recovered through a bankruptcy proceeding in the event of default. There were no changes to any of our valuation techniques during the period.

### Level 1

Included within level 1 of the fair value hierarchy are exchange-traded commodity derivatives such as futures, options and swaps. The fair value of exchange-traded commodity derivatives is based on unadjusted quoted prices in active markets and is therefore classified within level 1 of the fair value hierarchy.

### Level 2

Included within level 2 of the fair value hierarchy as of December 31, 2008 is a physical commodity supply contract that meets the definition of a derivative, but is not excluded under the NPNS scope exception. The fair value of this commodity derivative is measured with level 1 inputs for similar but

not identical instruments and therefore must be included in level 2 of the fair value hierarchy.

### Level 3

Included within level 3 of the fair value hierarchy are the following derivatives:

- Commodity Derivatives: Level 3 commodity derivatives include over-the-counter commodity derivatives such as forwards, swaps and options and certain physical commodity contracts. The fair value of our level 3 commodity derivatives is based on either an indicative broker or dealer price quotation or a valuation model. Our valuation models utilize inputs such as price, volatility and correlation and do not involve significant management judgments.
- Interest Rate Derivatives: Level 3 interest rate derivatives include interest rate swaps. The fair value of our interest rate derivatives is based on indicative broker or dealer price quotations. Broker or dealer price quotations are corroborated with objective inputs including forward LIBOR curves and forward Treasury yields that are obtained from pricing services.

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- Foreign Currency Derivatives: Level 3 foreign currency derivatives include foreign currency swaps, forward exchange contracts and options. The fair value of our foreign currency derivatives is based on indicative broker or dealer price quotations. Broker or dealer price quotations are corroborated with objective inputs including forward CAD/USD forward exchange rates that are obtained from pricing services.

The majority of our level 3 derivatives are classified as such because the broker or dealer price quotations used to measure fair value and the pricing services used to corroborate the quotations are indicative quotations rather than quotations whereby the broker or dealer is ready and willing to transact. However, the fair value of these level 3 derivatives is not based upon significant management assumptions or subjective inputs.

### Rollforward of Level 3 Net Liability

The following table provides a reconciliation of changes in fair value of the beginning and ending balances for our level 3 derivatives (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Beginning Balance	\$ (5)	\$ (56)	\$ 74	\$ (21)
Realized and unrealized gains/(losses):				
Included in earnings	3	36	57	(45)
Included in other comprehensive income	(10)	7	(32)	5
Purchases, issuances, sales and settlements	(1)	26	(112)	74
Transfers into or (out of) level 3	—	—	—	—
Ending Balance	\$ (13)	\$ 13	\$ (13)	\$ 13
Change in unrealized gains/(losses) included in earnings relating to level 3 derivatives still held at the end of the periods	\$ —	\$ 62	\$ (8)	\$ 34

We believe that a proper analysis of our level 3 gains or losses must incorporate the understanding that these items are generally used to hedge our commodity price risk, interest rate risk and foreign currency exchange risk and are therefore offset by the underlying transactions.

### Note 11—Income Taxes

#### U.S. Federal and State Taxes

As an MLP, we are not subject to U.S. federal income taxes; rather, the tax effect of our operations is passed through to our unitholders. Although we are subject to state income taxes in some states, the impact is immaterial.

#### Canadian Federal and Provincial Taxes

Certain of our Canadian subsidiaries are corporations for Canadian tax purposes, thus their operations are subject to Canadian federal and provincial income taxes. The remainder of our Canadian operations is conducted through an operating limited partnership, which has historically been treated as a flow-through entity for tax purposes. This entity is subject to Canadian legislation passed in June 2007 that imposes entity-level taxes on certain types of flow-through entities. This legislation includes safe harbor guidelines that grandfather certain existing entities (which, we believe, would include us) and delay the effective date of such legislation until 2011 provided that such entities do not exceed the normal growth guidelines. Although we continuously review acquisition opportunities that, if consummated, could cause us to exceed the normal growth guidelines, we believe that we are currently within the normal growth guidelines. Additionally, in December 2008, the Fifth Protocol to the U.S./Canada Tax Treaty was ratified and contained language that increases the withholding tax on dividends and intercompany interest effective in 2010. As a result of these collective changes, we are evaluating a number of alternatives to restructure our Canadian subsidiaries to optimize both entity and equity owner level taxes. We anticipate effecting any structural changes in 2010 or early 2011.

### Note 12—Commitments and Contingencies

#### Litigation

*Pipeline Releases.* In January 2005 and December 2004, we experienced two unrelated releases of crude oil that reached rivers located near the sites where the releases originated. In early January 2005, an overflow from a temporary storage tank located in East Texas resulted in the release of approximately 1,200 barrels of crude oil, a portion of which reached the Sabine River. In late

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December 2004, one of our pipelines in West Texas experienced a rupture that resulted in the release of approximately 4,500 barrels of crude oil, a portion of which reached a remote location of the Pecos River. In both cases, emergency response personnel under the supervision of a unified command structure consisting of representatives of Plains, the Environmental Protection Agency (the "EPA"), the Texas Commission on Environmental Quality and the Texas Railroad Commission conducted clean-up operations at each site. Approximately 980 and 4,200 barrels were recovered from the

two respective sites. The unrecovered oil was removed or otherwise addressed by us in the course of site remediation. Aggregate costs associated with the releases, including estimated remediation costs, are estimated to be approximately \$5 million to \$6 million. In cooperation with the appropriate state and federal environmental authorities, we have completed our work with respect to site restoration, subject to some ongoing remediation at the Pecos River site. EPA has referred these two crude oil releases, as well as several other smaller releases, to the U.S. Department of Justice (the "DOJ") for further investigation in connection with a civil penalty enforcement action under the Federal Clean Water Act. We have cooperated in the investigation and are currently involved in settlement discussions with DOJ and EPA. Our assessment is that it is probable we will pay penalties related to the releases. We may also be subjected to injunctive remedies that would impose additional requirements, costs and constraints on our operations. We have accrued our current estimate of the likely penalties as a loss contingency, which is included in the estimated aggregate costs set forth above. We understand that the maximum permissible penalty, if any, that EPA could assess with respect to the subject releases under relevant statutes would be approximately \$6.8 million. Such statutes contemplate the potential for substantial reduction in penalties based on mitigating circumstances and factors. We believe that several of such circumstances and factors exist, and thus have been a primary focus in our discussions with the DOJ and EPA with respect to these matters.

*SemCrude L.P., et al — Debtors (U.S. Bankruptcy Court — Delaware)*. We will from time to time have claims relating to insolvent suppliers, customers or counterparties, such as the bankruptcy proceedings of SemCrude. As a result of our statutory protections and contractual rights of setoff, substantially all of our pre-petition claims against SemCrude should be satisfied. Certain creditors of SemCrude and its affiliates have challenged our contractual and statutory rights to setoff certain of our payables to the debtor against our receivables from the debtor. The aggregate amount subject to challenge is approximately \$23 million. Certain SemCrude creditors have also filed state court actions alleging a producer's lien on crude oil sold to SemCrude, and the continuation of such lien when SemCrude sold the oil to subsequent purchasers such as us. We intend to vigorously defend our contractual and statutory rights.

On November 15, 2006, we completed the Pacific merger. The following is a summary of the more significant matters that relate to Pacific, its assets or operations.

*United States of America v. Pacific Pipeline System, LLC ("PPS")*. In March 2005, a release of approximately 3,400 barrels of crude oil occurred on Line 63, subsequently acquired by us in the Pacific merger. The release occurred when the pipeline was severed as a result of a landslide caused by heavy rainfall in the Pyramid Lake area of Los Angeles County. Total projected emergency response, remediation and restoration costs are approximately \$26 million, substantially all of which have been incurred and recovered under a pre-existing PPS pollution liability insurance policy. In September 2008, the EPA filed a civil complaint against PPS, a subsidiary acquired in the Pacific merger, in connection with the Pyramid Lake release. The complaint, which was filed in the Federal District Court for the Central District of California, Civil Action No. CV08-5768DSF(SSX), seeks the maximum permissible penalty under the relevant statutes of approximately \$3.7 million. The Plaintiff filed a motion for summary judgment to determine that the Clean Water Act does not require Plaintiff to demonstrate that PPS was the proximate cause of the release of oil. The motion was granted. The court also affirmed that \$3.7 million was the statutory maximum permissible penalty for the release. The EPA and DOJ have discretion to reduce the fine, if any, after considering other mitigating factors. Because of the uncertainty associated with these factors, the final amount of the fine that will be assessed for the alleged offenses cannot be ascertained. We may also be subjected to injunctive remedies that would impose additional requirements, costs and constraints on our operations. We will defend against these charges. We believe that several defenses and mitigating circumstances and factors exist that could substantially reduce any penalty or fine imposed, and intend to pursue discussions with the EPA and DOJ regarding such defenses and mitigating circumstances and factors. Although we have established an estimated loss contingency for this matter, we are presently unable to determine whether the March 2005 spill incident may result in a loss in excess of our accrual for this matter. Discussions with the DOJ on behalf of the EPA to resolve this matter are underway.

*Exxon Mobil Corp. v. GATX Corp. (Superior Court of New Jersey — Gloucester County)*. This Pacific legacy matter involves the allocation of responsibility for remediation of MTBE (and other petroleum product) contamination at the Pacific Atlantic Terminals LLC ("PAT") facility at Paulsboro, New Jersey. The estimated maximum potential remediation cost ranges up to \$10 million. Both Exxon and GATX were prior owners of the terminal. We contend that Exxon and GATX are primarily responsible for the majority of the remediation costs. We are in dispute with Kinder Morgan (as successor in interest to GATX) regarding the indemnity by GATX in favor of Pacific in connection with Pacific's purchase of the facility. We are vigorously defending against any claim that PAT is directly or indirectly liable for damages or costs associated with the contamination.

*New Jersey Dep't of Environmental Protection v. ExxonMobil Corp. et al.* In a matter related to Exxon v. GATX, the New Jersey

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Department of Environmental Protection ("NJDEP") has brought suit against GATX and Exxon to recover natural resources damages associated with the contamination. Exxon and GATX have filed third-party demands against PAT, seeking indemnity and contribution. Discussions with the NJDEP have commenced.

*Other Pacific-Legacy Matters*. At the time of its merger with Plains, Pacific had completed a number of acquisitions that had not been fully integrated into its operations. Accordingly, we have and may become aware of various instances in which some of these operations may not have been fully compliant with applicable environmental and safety regulations. Although we have been working to bring all of these operations into compliance with applicable requirements, any past noncompliance could result in the imposition of fines, penalties or corrective action requirements by governmental entities. We have, for instance, recently learned that some of the fuel handling activities (pre- and post-merger) at two Pacific terminals in Colorado, which activities were performed at the request of customers, may not have been fully compliant with the EPA's interpretation of certain fuel reporting and record-keeping obligations imposed under the federal Clean Air Act. We have responded to information requests from the EPA regarding these practices and have been cooperating with EPA in its evaluation of this matter. Although we believe that our operations are presently in material compliance with applicable requirements, it is possible that EPA or other governmental entities may seek to impose fines, penalties or performance obligations on us, or on a portion of our operations, as a result of any past noncompliance that may have occurred.

*General*. We, in the ordinary course of business, are a claimant and/or a defendant in various legal proceedings. To the extent we are able to assess the likelihood of a negative outcome for these proceedings, our assessments of such likelihood range from remote to probable. If we determine that a negative outcome is probable and the amount of loss is reasonably estimable, we accrue the estimated amount. We do not believe that the outcome of these legal proceedings, individually or in the aggregate, will have a materially adverse effect on our financial condition, results of operations or cash flows.

## **Environmental**

We have in the past experienced and in the future likely will experience releases of crude oil into the environment from our pipeline and storage operations. We also may discover environmental impacts from past releases that were previously unidentified. Although we maintain an inspection program designed to help prevent releases, damages and liabilities incurred due to any such releases from our assets may substantially affect our business. As we expand our pipeline assets through acquisitions, we typically improve on (reduce) the releases from such assets (in terms of frequency or volume) as we implement our procedures, remove selected assets from service and spend capital to upgrade the assets. However, the inclusion of additional miles of pipe in our operations may result in an increase in the absolute number of releases company-wide compared to prior periods. We experienced such an increase in connection with the Pacific acquisition, which added approximately 5,000 miles of pipeline to our operations, and in connection with the purchase of assets from Link in April 2004, which added approximately 7,000 miles of pipeline to our operations. As a result, we have



also received an increased number of requests for information from governmental agencies with respect to such releases of crude oil (such as EPA requests under Clean Water Act Section 308), commensurate with the scale and scope of our pipeline operations, including a Section 308 request received in late October 2007 with respect to a 400-barrel release of crude oil, a portion of which reached a tributary of the Colorado River in a remote area of West Texas. See “—Pipeline Releases” above.

At September 30, 2009, our reserve for environmental liabilities totaled approximately \$48 million, of which approximately \$11 million is classified as short-term and \$37 million is classified as long-term. At September 30, 2009, we have recorded receivables totaling approximately \$3 million for amounts that are probable of recovery under insurance and from third parties under indemnification agreements.

In some cases, the actual cash expenditures may not occur for three to five years. Our estimates used in these reserves are based on facts known and believed to be relevant at the time and our assessment of the ultimate outcome. Among the many uncertainties that impact our estimates are the necessary regulatory approvals for, and potential modification of, our remediation plans, the limited amount of data available upon initial assessment of the impact of soil or water contamination, changes in costs associated with environmental remediation services and equipment and the possibility of existing legal claims giving rise to additional claims. Therefore, although we believe that the reserve is adequate, costs incurred in excess of this reserve may be higher and may potentially have a material adverse effect on our financial condition, results of operations, or cash flows.

### Insurance

A pipeline, terminal or other facility may experience damage as a result of an accident, natural disaster or terrorist activity. These hazards can cause personal injury and loss of life, severe damage to and destruction of property and equipment, pollution or environmental damage and suspension of operations. We maintain insurance of various types that we consider adequate to cover our operations and properties. The insurance covers our assets in amounts considered reasonable. The insurance policies are subject to deductibles that we consider reasonable and not excessive. Our insurance does not cover every potential risk associated with operating pipelines, terminals and other facilities, including the potential loss of significant revenues. The overall trend in the insurance industry appears to be a contraction in the breadth and depth of available coverage, while costs, deductibles and retention levels have increased.

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Absent a material favorable change in the insurance markets, this trend is expected to continue as we continue to grow and expand. As a result, we anticipate we will elect to self-insure more of our environmental and wind damage exposures, incorporate higher retention in our insurance arrangements, pay higher premiums or some combination of such actions.

The occurrence of a significant event not fully insured, indemnified or reserved against, or the failure of a party to meet its indemnification obligations, could materially and adversely affect our operations and financial condition. We believe we are adequately insured for public liability and property damage to others with respect to our operations. With respect to all of our coverage, we may not be able to maintain adequate insurance in the future at rates we consider reasonable. In addition, although we believe that we have established adequate reserves to the extent that such risks are not insured, costs incurred in excess of these reserves may be higher and may potentially have a material adverse effect on our financial conditions, results of operations or cash flows.

### Note 13—Operating Segments

We manage our operations through three operating segments: (i) Transportation, (ii) Facilities and (iii) Marketing. The following table reflects certain financial data for each segment for the periods indicated (in millions):

	Transportation	Facilities	Marketing	Total
<b>Three Months Ended September 30, 2009</b>				
Revenues:				
External Customers	\$ 147	\$ 65	\$ 4,645	\$ 4,857
Intersegment <sup>(1)</sup>	103	32	—	135
Total revenues of reportable segments	\$ 250	\$ 97	\$ 4,645	\$ 4,992
Equity earnings in unconsolidated entities	\$ 2	\$ 3	\$ —	\$ 5
Segment profit <sup>(2) (3) (4)</sup>	\$ 129	\$ 57	\$ 44	\$ 230
Maintenance capital	\$ 9	\$ 2	\$ 1	\$ 12
<b>Three Months Ended September 30, 2008</b>				
Revenues:				
External Customers	\$ 147	\$ 39	\$ 8,676	\$ 8,862
Intersegment <sup>(1)</sup>	95	30	—	125
Total revenues of reportable segments	\$ 242	\$ 69	\$ 8,676	\$ 8,987
Equity earnings in unconsolidated entities	\$ 1	\$ 3	\$ —	\$ 4
Segment profit <sup>(2) (3) (4)</sup>	\$ 119	\$ 39	\$ 138	\$ 296
Maintenance capital	\$ 13	\$ 5	\$ 1	\$ 19
<b>Nine Months Ended September 30, 2009</b>				
Revenues:				
External Customers	\$ 401	\$ 165	\$ 11,876	\$ 12,442
Intersegment <sup>(1)</sup>	313	94	1	408
Total revenues of reportable segments	\$ 714	\$ 259	\$ 11,877	\$ 12,850
Equity earnings in unconsolidated entities	\$ 5	\$ 8	\$ —	\$ 13
Segment profit <sup>(2) (3) (4)</sup>	\$ 355	\$ 155	\$ 282	\$ 792
Maintenance capital	\$ 40	\$ 11	\$ 5	\$ 56
<b>Nine Months Ended September 30, 2008</b>				
Revenues:				
External Customers	\$ 416	\$ 109	\$ 24,593	\$ 25,118
Intersegment <sup>(1)</sup>	264	85	1	350
Total revenues of reportable segments	\$ 680	\$ 194	\$ 24,594	\$ 25,468
Equity earnings in unconsolidated entities	\$ 4	\$ 7	\$ —	\$ 11
Segment profit <sup>(2) (3) (4)</sup>	\$ 315	\$ 107	\$ 190	\$ 612
Maintenance capital	\$ 38	\$ 15	\$ 3	\$ 56

(1) Intersegment sales are conducted at posted tariff rates, rates similar to those charged to third parties or rates that we believe

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approximate market rates. For further discussion, see "Analysis of Operating Segments" under Item 7 of our 2008 Annual Report on Form 10-K.

(2) Gains/losses from derivative activities are included in marketing revenues and impact segment profit.

(3) Marketing segment profit includes interest expense on contango inventory purchases of \$4 million and \$6 million for the three months ended September 30, 2009 and 2008, respectively, and \$8 million and \$15 million for the nine months ended September 30, 2009 and 2008, respectively.

(4) The following table reconciles segment profit to net income (in millions):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
Segment profit	\$ 230	\$ 296	\$ 792	\$ 612
Depreciation and amortization	(59)	(49)	(173)	(150)
Interest expense	(59)	(52)	(165)	(143)
Other income/(expense), net	12	14	17	27
Income tax expense	(2)	(3)	(1)	(7)
Net income	122	206	470	339
Less: Net (income) attributable to noncontrolling interest	—	—	(1)	—
Net income attributable to Plains	\$ 122	\$ 206	\$ 469	\$ 339

**Note 14 — Supplemental Condensed Consolidating Financial Information**

For purposes of this Note 14, Plains is referred to as "Parent." See Note 13 to our Consolidated Financial Statements included in Part IV of our 2008 Annual Report on Form 10-K for a list of subsidiaries classified as "Guarantor Subsidiaries" and subsidiaries classified as "Non-Guarantor Subsidiaries." As a result of the PNGS Acquisition, all PNGS subsidiaries are classified as "Non-Guarantor Subsidiaries." There have been no other material changes in the entities that constitute our guarantor and non-guarantor subsidiaries since December 31, 2008.

The following supplemental condensed consolidating financial information reflects the Parent's separate accounts, the combined accounts of the Guarantor Subsidiaries, the combined accounts of the Non-Guarantor Subsidiaries, the combined consolidating adjustments and eliminations and the Parent's consolidated accounts for the dates and periods indicated. For purposes of the following condensed consolidating information, the Parent's investments in its subsidiaries and the Guarantor Subsidiaries' investments in their subsidiaries are accounted for under the equity method of accounting (all amounts in millions):

**Condensed Consolidating Balance Sheet**

	As of September 30, 2009				
	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
<b>ASSETS</b>					
Total current assets	\$ 3,601	\$ 3,196	\$ 189	\$ (3,962)	\$ 3,024
Property, plant and equipment, net	—	4,486	1,711	—	6,197
Investment in unconsolidated entities	5,133	1,673	—	(6,738)	68
Other assets	30	2,208	391	(425)	2,204
Total assets	\$ 8,764	\$ 11,563	\$ 2,291	\$ (11,125)	\$ 11,493
<b>LIABILITIES AND PARTNERS' CAPITAL</b>					
Total current liabilities	\$ 401	\$ 6,160	\$ 260	\$ (3,962)	\$ 2,859
Long-term debt	4,136	6	425	(425)	4,142
Other long-term liabilities	—	263	2	—	265
Total liabilities	4,537	6,429	687	(4,387)	7,266
Partners' capital excluding noncontrolling interest	4,163	5,070	1,604	(6,674)	4,163
Noncontrolling interest	64	64	—	(64)	64
Total partners' capital	4,227	5,134	1,604	(6,738)	4,227
Total liabilities and partners' capital	\$ 8,764	\$ 11,563	\$ 2,291	\$ (11,125)	\$ 11,493

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**Condensed Consolidating Balance Sheet (continued)**

	As of December 31, 2008				
	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
<b>ASSETS</b>					
Total current assets	\$ 2,698	\$ 2,789	\$ 110	\$ (3,001)	\$ 2,596
Property, plant and equipment, net	—	4,410	649	—	5,059
Investment in unconsolidated entities	4,388	895	—	(5,026)	257
Other assets	27	1,777	316	—	2,120
Total assets	\$ 7,113	\$ 9,871	\$ 1,075	\$ (8,027)	\$ 10,032
<b>LIABILITIES AND PARTNERS' CAPITAL</b>					

Total current liabilities	\$ 304	\$ 5,411	\$ 246	\$ (3,001)	\$ 2,960
Long-term debt	3,257	2	—	—	3,259
Other long-term liabilities	—	260	1	—	261
Total liabilities	<u>3,561</u>	<u>5,673</u>	<u>247</u>	<u>(3,001)</u>	<u>6,480</u>
Partners' capital	<u>3,552</u>	<u>4,198</u>	<u>828</u>	<u>(5,026)</u>	<u>3,552</u>
Total liabilities and partners' capital	<u>\$ 7,113</u>	<u>\$ 9,871</u>	<u>\$ 1,075</u>	<u>\$ (8,027)</u>	<u>\$ 10,032</u>

### Condensed Consolidating Statements of Operations

Three Months Ended September 30, 2009					
Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated	
Net operating revenues <sup>(1)</sup>	\$ —	\$ 396	\$ 44	\$ —	\$ 440
Field operating costs	—	(150)	(13)	—	(163)
General and administrative expenses	—	(48)	(4)	—	(52)
Depreciation and amortization	(1)	(49)	(9)	—	(59)
Operating income/(loss)	(1)	149	18	—	166
Equity earnings in unconsolidated entities	184	19	—	(198)	5
Interest expense	(61)	3	(1)	—	(59)
Other income, net	—	12	—	—	12
Income tax expense	—	(2)	—	—	(2)
Net income	<u>\$ 122</u>	<u>\$ 181</u>	<u>\$ 17</u>	<u>\$ (198)</u>	<u>\$ 122</u>

Three Months Ended September 30, 2008					
Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated	
Net operating revenues <sup>(1)</sup>	\$ —	\$ 467	\$ 26	\$ —	\$ 493
Field operating costs	—	(151)	(11)	—	(162)
General and administrative expenses	—	(37)	(2)	—	(39)
Depreciation and amortization	—	(44)	(5)	—	(49)
Operating income	—	235	8	—	243
Equity earnings in unconsolidated entities	258	10	—	(264)	4
Interest expense	(52)	—	—	—	(52)
Other income, net	—	13	1	—	14
Income tax expense	—	(3)	—	—	(3)
Net income	<u>\$ 206</u>	<u>\$ 255</u>	<u>\$ 9</u>	<u>\$ (264)</u>	<u>\$ 206</u>

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### Condensed Consolidating Statements of Operations (continued)

Nine Months Ended September 30, 2009					
Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated	
Net operating revenues <sup>(1)</sup>	\$ —	\$ 1,296	\$ 110	\$ —	\$ 1,406
Field operating costs	—	(442)	(32)	—	(474)
General and administrative expenses	—	(144)	(9)	—	(153)
Depreciation and amortization	(3)	(148)	(22)	—	(173)
Operating income/(loss)	(3)	562	47	—	606
Equity earnings in unconsolidated entities	642	51	—	(680)	13
Interest expense	(170)	6	(1)	—	(165)
Other income, net	—	17	—	—	17
Income tax expense	—	(1)	—	—	(1)
Net income	\$ 469	\$ 635	\$ 46	\$ (680)	\$ 470
Less: Net income attributable to noncontrolling interest	—	(1)	—	—	(1)
Net income attributable to Plains	\$ 469	\$ 634	\$ 46	\$ (680)	\$ 469

Nine Months Ended September 30, 2008					
Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated	
Net operating revenues <sup>(1)</sup>	\$ —	\$ 1,103	\$ 86	\$ —	\$ 1,189
Field operating costs	—	(426)	(32)	—	(458)
General and administrative expenses	—	(121)	(9)	—	(130)
Depreciation and amortization	(2)	(133)	(15)	—	(150)
Operating income/(loss)	(2)	423	30	—	451
Equity earnings in unconsolidated entities	483	34	—	(506)	11
Interest expense	(143)	—	—	—	(143)

Other income, net	1	25	1	—	27
Income tax expense	—	(7)	—	—	(7)
Net income	<u>\$ 339</u>	<u>\$ 475</u>	<u>\$ 31</u>	<u>\$ (506)</u>	<u>\$ 339</u>

(1) Net operating revenues are calculated as "Total revenues" less "Purchases and related costs."

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**Condensed Consolidating Statements of Cash Flows**

	Nine Months Ended September 30, 2009				
	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net income	\$ 469	\$ 635	\$ 46	\$ (680)	\$ 470
Reconciliation of net income to net cash provided by operating activities:					
Depreciation and amortization	3	148	22	—	173
Equity compensation charge	—	46	1	—	47
Other	(638)	(85)	—	680	(43)
Changes in assets and liabilities, net of acquisitions	(826)	535	(9)	—	(300)
Net cash provided by (used in) operating activities	(992)	1,279	60	—	347
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Cash paid in connection with acquisitions, net of cash acquired	—	(117)	—	—	(117)
Additions to property, equipment and other	—	(301)	(53)	—	(354)
Investment in unconsolidated entities	(4)	—	—	—	(4)
Cash received for sale of noncontrolling interest in a subsidiary	—	26	—	—	26
Net cash received for linefill	—	8	—	—	8
Proceeds from the sale of assets and other	—	4	—	—	4
Net cash used in investing activities	(4)	(380)	(53)	—	(437)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Net repayments on revolving credit facility	(182)	(272)	—	—	(454)
Net repayments on hedged inventory facility	—	(180)	—	—	(180)
Repayment of PNGS debt	—	(446)	—	—	(446)
Proceeds from the issuance of senior notes	1,346	—	—	—	1,346
Repayments of senior notes	(175)	—	—	—	(175)
Proceeds from the issuance of common units	458	—	—	—	458
Distributions paid to common unitholders and general partner	(442)	—	—	—	(442)
Other financing activities	(9)	—	—	—	(9)
Net cash provided by (used in) financing activities	996	(898)	—	—	98
Effect of translation adjustment on cash	—	(3)	—	—	(3)
Net increase/(decrease) in cash and cash equivalents	—	(2)	7	—	5
Cash and cash equivalents, beginning of period	2	9	—	—	11
Cash and cash equivalents, end of period	<u>\$ 2</u>	<u>\$ 7</u>	<u>\$ 7</u>	<u>\$ —</u>	<u>\$ 16</u>

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**Condensed Consolidating Statements of Cash Flows (continued)**

	Nine Months Ended September 30, 2008				
	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net income	\$ 339	\$ 475	\$ 31	\$ (506)	\$ 339
Reconciliation of net income to net cash provided by operating activities:					
Depreciation and amortization	2	133	15	—	150
Equity compensation expense	—	27	—	—	27
Other	(478)	(62)	—	506	(34)
Changes in assets and liabilities, net of acquisitions	(307)	92	(28)	—	(243)
Net cash provided by operating activities	(444)	665	18	—	239
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Cash paid in connection with acquisitions, net of cash acquired	—	(662)	—	—	(662)
Additions to property, equipment and other	—	(428)	(18)	—	(446)
Investment in unconsolidated entities	(35)	—	—	—	(35)
Net cash paid for linefill	—	(8)	—	—	(8)
Proceeds from the sale of assets and other	—	36	—	—	36
Net cash used in investing activities	(35)	(1,062)	(18)	—	(1,115)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Net repayments on revolving credit facility	—	259	—	—	259

Net repayments on hedged inventory facility	—	111	—	—	111
Proceeds from the issuance of senior notes	597	—	—	—	597
Net proceeds from the issuance of common units	315	—	—	—	315
Distributions paid to common unitholders and general partner	(392)	—	—	—	(392)
Other financing activities	(4)	—	—	—	(4)
Net cash provided by financing activities	516	370	—	—	886
Effect of translation adjustment on cash	—	3	—	—	3
Net increase/(decrease) in cash and cash equivalents	37	(24)	—	—	13
Cash and cash equivalents, beginning of period	1	23	—	—	24
Cash and cash equivalents, end of period	\$ 38	\$ (1)	\$ —	\$ —	\$ 37

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**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

**Executive Summary**

The following discussion is intended to provide investors with an understanding of our financial condition and results of our operations and should be read in conjunction with our historical consolidated financial statements and accompanying notes and Management's Discussion and Analysis of Financial Condition and Results of Operations as presented in our 2008 Annual Report on Form 10-K. For more detailed information regarding the basis of presentation for the following financial information, see the "Notes to the Condensed Consolidated Financial Statements."

Our discussion and analysis includes the following:

- Overview of Operating Results, Capital Spending and Significant Activities
- Acquisitions and Internal Growth Projects
- Results of Operations
- Liquidity and Capital Resources
- Recent Accounting Pronouncements
- Critical Accounting Policies and Estimates
- Forward-Looking Statements and Associated Risks

**Overview of Operating Results, Capital Spending and Significant Activities**

During the first nine months of 2009, all three of our segments provided favorable operating results, particularly our marketing segment, which benefited from the favorable contango crude oil market structure early in the period and favorable LPG margins. Additional key items impacting the first nine months of 2009 include:

- Contributions to earnings from mid-year 2008 adjustments in pipeline tariff rates and the acquisition of Rainbow Pipe Line Company, Ltd. ("Rainbow") in May 2008, offset partially by the impact of tariff settlements in 2009.
- One months' contribution to earnings from the September 2009 acquisition of the remaining 50% indirect interest in PAA Natural Gas Storage, LLC ("PNGS") from Vulcan Gas Storage LLC ("Vulcan"), as well as increased earnings resulting from prior acquisitions and expansion projects included in our facilities segment.
- Equity compensation plan expense of approximately \$47 million for the nine months of 2009 compared to \$27 million for the corresponding prior year period. The increased expense primarily resulted from an increase in unit price for the first nine months of 2009 compared to a decrease in unit price for the first nine months of 2008.
- The issuance of 5,750,000 limited partner units at \$36.90 per unit for net proceeds of approximately \$210 million in March 2009, and the issuance of 5,290,000 limited partner units at \$46.70 per unit for net proceeds of approximately \$246 million in September 2009.
- In September 2009, we issued 1,907,305 common units valued at approximately \$91 million in order to satisfy a portion of the PNGS Acquisition purchase price. In conjunction with the issuance, we received a contribution from our general partner of approximately \$2 million. See Note 4 to the Condensed Consolidated Financial Statements for further discussion.
- The issuance and repayment of the following senior notes:
  - o Issuance of \$350 million of 8.75% senior notes for net proceeds of approximately \$347 million in April 2009.
  - o Issuance of \$500 million of 4.25% senior notes for net proceeds of approximately \$497 million in July 2009.
  - o Repayment of \$175 million of 4.75% senior notes in August 2009.
  - o Issuance of \$500 million of 5.75% senior notes for net proceeds of approximately \$494 million in September 2009.

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**Acquisitions and Internal Growth Projects**

The following table summarizes our capital expenditures for acquisitions, internal growth projects, maintenance capital and investments in unconsolidated entities for the periods indicated (in millions):

	<b>Nine Months Ended September 30,</b>
<b>2009</b>	<b>2008</b>

Acquisition capital	\$	281	\$	688
Internal growth projects		261		379
Maintenance capital		56		56
Investment in unconsolidated entities		4		35
Total	\$	602	\$	1,158

## Acquisitions

### PNGS Acquisition

On September 3, 2009, we acquired the remaining 50% interest in PNGS from Vulcan for an aggregate purchase price of \$215 million. The gas storage operations are reflected in our facilities segment. See Note 4 to our Condensed Consolidated Financial Statements for further discussion of the purchase price and related allocation.

### Other Acquisitions

During 2009, we completed three other acquisitions for aggregate consideration of approximately \$66 million. These acquisitions included (i) a crude oil pipeline that is reflected in the our transportation segment, (ii) a natural gas processing business that is reflected in our facilities segment, and (iii) a refined products terminal that is reflected in our facilities segment. In connection with these transactions, we allocated approximately \$9 million to goodwill.

In October 2009, we completed an acquisition for approximately \$40 million. The assets acquired include six crude oil storage tanks (with a total of approximately 400,000 barrels of storage capacity), three receiving pipelines, a manifold system and various other related assets in Tulsa, Oklahoma. In conjunction with this acquisition, the seller entered into a 15-year tank lease and minimum throughput agreement with us (with options to extend the lease and throughput agreement).

### Internal Growth Projects

Our internal growth projects primarily relate to the construction and expansion of pipeline systems and crude oil storage and terminal facilities. The following table summarizes our more notable projects undertaken in 2009 and the forecasted expenditures for the year (in millions):

Projects	2009
St. James—Phase III <sup>(1)</sup>	73
Rangeland tankage and connections	35
Kerrobert pumping project	34
Cushing—Phase VII	29
Patoka Phase II & III	20
Nipisi storage and truck terminal	20
Pier 400	18
Pine Prairie	15
Salt Lake City	14
Paulsboro tankage	12
Other projects, including acquisition related expansion projects <sup>(2)</sup>	110
Total	\$ 380

<sup>(1)</sup> Includes a dock and condensate tanks.

<sup>(2)</sup> Primarily pipeline connections and upgrades, truck stations, new tank construction and refurbishing, and carry-over of projects started in 2008.

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## Results of Operations

### Analysis of Operating Segments

We manage our operations through three operating segments: (i) Transportation, (ii) Facilities and (iii) Marketing. In order to evaluate segment performance, management focuses on a variety of measures including segment profit, segment volumes, segment profit per barrel and maintenance capital investment. See Note 15 to our Consolidated Financial Statements in our 2008 Annual Report on Form 10-K for further discussion on how we evaluate segment performance.

	Three Months Ended September 30,		Three Months Favorable/ (Unfavorable) Variance		Nine Months Ended September 30,		Nine Months Favorable/ (Unfavorable) Variance	
	2009	2008	\$	%	2009	2008	\$	%
Transportation segment profit	\$ 129	\$ 119	\$ 10	8%	\$ 355	\$ 315	\$ 40	13%
Facilities segment profit	57	39	18	46%	155	107	48	45%
Marketing segment profit	44	138	(94)	(68)%	282	190	92	49%
Total segment profit	230	296	(66)	(22)%	792	612	180	29%
Depreciation and amortization	(59)	(49)	(10)	(20)%	(173)	(150)	(23)	(15)%
Interest expense	(59)	(52)	(7)	(13)%	(165)	(143)	(22)	(15)%
Other income/(expense), net	12	14	(2)	(14)%	17	27	(10)	(37)%
Income tax expense	(2)	(3)	1	33%	(1)	(7)	6	86%
Net income	122	206	(84)	(41)%	470	339	131	39%
Less: Net (income) attributable to noncontrolling interest	—	—	—	—%	(1)	—	(1)	100%
Net income attributable to Plains	\$ 122	\$ 206	\$ (84)	(41)%	\$ 469	\$ 339	\$ 130	38%
Earnings per basic limited partner unit	\$ 0.65	\$ 1.42	\$ (0.77)	(54)%	\$ 2.84	\$ 2.10	\$ 0.74	35%
Earnings per diluted limited partner unit	\$ 0.65	\$ 1.41	\$ (0.76)	(54)%	\$ 2.82	\$ 2.08	\$ 0.74	36%

Basic weighted average units outstanding	130	123	7	6%	128	120	8	7%
Diluted weighted average units outstanding	131	124	7	6%	129	121	8	7%

### Transportation Segment

The following table sets forth the operating results from our transportation segment for the periods indicated:

Operating Results <sup>(1)</sup> (in millions, except per barrel amounts)	Three Months Ended September 30,		Three Months Favorable/ (Unfavorable) Variance		Nine Months Ended September 30,		Nine Months Favorable/ (Unfavorable) Variance	
	2009	2008	\$	%	2009	2008	\$	%
<b>Revenues</b>								
Tariff activities	\$ 228	\$ 209	\$ 19	9%	\$ 644	\$ 583	\$ 61	10%
Trucking	22	33	(11)	(33)%	70	97	(27)	(28)%
Total transportation revenues	250	242	8	3%	714	680	34	5%
<b>Costs and Expenses</b>								
Trucking costs	(15)	(23)	8	35%	(47)	(68)	21	31%
Field operating costs (excluding equity compensation (expense)/benefit	(86)	(86)	—	—%	(249)	(246)	(3)	(1)%
Equity compensation (expense)/benefit — operations <sup>(2)</sup>	(2)	1	(3)	300%	(6)	(1)	(5)	(500)%
Segment G&A expenses (excluding equity compensation expense)	(14)	(14)	—	—%	(45)	(42)	(3)	(7)%
Equity compensation expense - general and administrative <sup>(2)</sup>	(6)	(2)	(4)	(200)%	(17)	(12)	(5)	(42)%
Equity earnings in unconsolidated entities	2	1	1	100%	5	4	1	25%
Segment profit	\$ 129	\$ 119	\$ 10	8%	\$ 355	\$ 315	\$ 40	13%
Maintenance capital	\$ 9	\$ 13	\$ 4	31%	\$ 40	\$ 38	\$ (2)	(5)%
Segment profit per barrel	\$ 0.48	\$ 0.44	\$ 0.04	9%	\$ 0.44	\$ 0.39	\$ 0.05	13%

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Average Daily Volumes (in thousands of barrels per day) <sup>(3)</sup>	Three Months Ended September 30,		Three Months Favorable/ (Unfavorable) Variance		Nine Months Ended September 30,		Nine Months Favorable/ (Unfavorable) Variance	
	2009	2008	Volumes	%	2009	2008	Volumes	%
<b>Tariff activities</b>								
All American	43	44	(1)	(2)%	40	44	(4)	(9)%
Basin	335	375	(40)	(11)%	389	372	17	5%
Capline	205	216	(11)	(5)%	205	218	(13)	(6)%
Line 63/Line 2000	141	131	10	8%	136	151	(15)	(10)%
Salt Lake City Area Systems	152	90	62	69%	132	94	38	40%
West Texas/New Mexico Area Systems	355	370	(15)	(4)%	375	367	8	2%
Manito	62	68	(6)	(9)%	62	70	(8)	(11)%
Rainbow	176	191	(15)	(8)%	184	108	76	70%
Rangeland	51	54	(3)	(6)%	54	58	(4)	(7)%
Refined products	100	108	(8)	(7)%	96	110	(14)	(13)%
Other	1,219	1,234	(15)	(1)%	1,207	1,238	(31)	(3)%
Tariff activities total	2,839	2,881	(42)	(1)%	2,880	2,830	50	2%
Trucking	80	101	(21)	(21)%	84	96	(12)	(13)%
Transportation segment total	2,919	2,982	(63)	(2)%	2,964	2,926	38	1%

(1) Revenues and costs and expenses include intersegment amounts.

(2) Equity compensation expense related to our equity compensation plans.

(3) Volumes associated with acquisitions represent total volumes for the number of days we actually owned the assets divided by the number of days in the period.

Transportation segment profit and segment profit per barrel for the three and nine months ended September 30, 2009 were impacted by the following:

**Operating Revenues and Volumes.** As noted in the table above, our transportation segment revenues increased and volumes were relatively flat for both the three and nine months ended September 30, 2009 compared to the three and nine months ended September 30, 2008. The significant variances in revenues and average daily volumes between the comparative periods are discussed below:

- **Acquisitions** — The Rainbow acquisition was effective May 1, 2008 and contributed additional volumes of 76,000 barrels per day and approximately \$13 million of additional tariff revenues (net of the resolution of tariff disputes) during the nine months ended September 30, 2009 relative to the same period of 2008.
- **Expansion Activities** — In the fourth quarter of 2008, we completed construction of a 93-mile expansion of the Salt Lake City Core Area system from Wahsatch, Utah to Salt Lake City. This line expansion, which was placed into service during the first quarter of 2009, contributed additional revenues for the three and nine months ended September 30, 2009 of approximately \$4 million and \$9 million, respectively.
- **Loss Allowance Revenue** — As is common in the industry, our tariffs incorporate a loss allowance factor that is intended to, among other things, offset losses due to evaporation, measurement and other losses in transit. We value the variance of allowance volumes to actual losses at the estimated net realizable value (including the impact of gains and losses from derivative-related activities) at the time the variance occurred and the result is recorded as either an increase or decrease to tariff revenues. Loss allowance revenues increased by approximately \$5 million and

\$12 million for the three and nine months ended September 30, 2009 compared to the three and nine months ended September 30, 2008.

- Trucking — Revenues and volumes from trucking decreased for the three and nine months ended September 30, 2009 compared to the three and nine months ended September 30, 2008 primarily related to a decrease in demand.
- Rate increases — Rates increased on certain of our pipeline systems after the second quarter of 2008 and 2009 as a result of indexing by the Federal Energy Regulation Commission (“FERC”). In addition, we had similar type rate increases on non-FERC regulated pipelines

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resulted in increased revenues for the three and nine months ended September 30, 2009 compared to the three and nine months ended September 30, 2008.

*Equity Compensation Charges.* Equity compensation charges increased in 2009 compared to 2008 primarily as a result of an increase in unit price for the nine-month period ended September 30, 2009 compared to a decrease in unit price for the nine-month period ended September 30, 2008. See Note 9 to our Condensed Consolidated Financial Statements for additional information on our equity compensation plans.

**Facilities Segment**

The following table sets forth the operating results from our facilities segment for the periods indicated:

Operating Results <sup>(1)</sup> (in millions, except per barrel amounts)	Three Months Ended September 30,		Three Months Favorable/ (Unfavorable) Variance		Nine Months Ended September 30,		Nine Months Favorable/ (Unfavorable) Variance	
	2009	2008	\$	%	2009	2008	\$	%
	Storage and terminalling revenues <sup>(1)</sup>	\$ 97	\$ 69	\$ 28	41%	\$ 259	\$ 194	\$ 65
Purchases and related costs	(1)	—	(1)	N/A	(1)	—	(1)	N/A
Field operating costs	(32)	(27)	(5)	(19)%	(85)	(76)	(9)	(12)%
Segment G&A expenses (excluding equity compensation expense)	(7)	(5)	(2)	(40)%	(18)	(13)	(5)	(38)%
Equity compensation expense - general and administrative <sup>(2)</sup>	(3)	(1)	(2)	(200)%	(7)	(5)	(2)	(40)%
Equity earnings in unconsolidated entities	3	3	—	—%	8	7	1	14%
Segment profit	\$ 57	\$ 39	\$ 18	46%	\$ 156	\$ 107	\$ 49	46%
Maintenance capital	\$ 2	\$ 5	\$ 3	60%	\$ 11	\$ 15	\$ 4	27%
Segment profit per barrel	\$ 0.31	\$ 0.23	\$ 0.08	35%	\$ 0.29	\$ 0.21	\$ 0.08	38%

Volumes <sup>(3)(4)</sup>	Three Months Ended September 30,		Three Months Favorable/ (Unfavorable) Variance		Nine Months Ended September 30,		Nine Months Favorable/ (Unfavorable) Variance	
	2009	2008	Volumes	%	2009	2008	Volumes	%
	Crude oil, refined products and LPG storage (average monthly capacity in millions of barrels)	56	55	1	2%	56	54	2
Natural gas storage (average monthly capacity in billions of cubic feet (“bcf”)) <sup>(5)</sup>	27	14	13	93%	21	13	8	62%
LPG processing (average throughput in thousands of barrels per day)	17	17	—	—%	16	16	—	—%
<b>Facilities segment total (average monthly capacity in millions of barrels)</b>	<b>61</b>	<b>58</b>	<b>3</b>	<b>5%</b>	<b>60</b>	<b>57</b>	<b>3</b>	<b>5%</b>

(1) Revenues include intersegment amounts.

(2) Equity compensation expense related to our equity compensation plans.

(3) Volumes associated with acquisitions represent total volumes for the number of months we actually owned the assets divided by the number of months in the period.

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(4) Facilities total calculated as the sum of: (i) crude oil, refined products and LPG storage capacity; (ii) natural gas storage capacity divided by 6 to account for the 6:1 Mmcf of gas to crude oil barrel ratio; and (iii) LPG processing volumes multiplied by the number of days in the period and divided by the number of months in the period.

(5) In September 2009, we acquired the remaining 50% indirect interest in PNGS, which resulted in our 100% ownership of the natural gas storage business and related operating entities. Therefore, Natural gas storage volumes for 2008 and January through August 2009 are netted to our 50% interest in PNGS. September 2009 volumes represent our 100% interest in PNGS.

Facilities segment profit and segment profit per barrel for the three and nine months ended September 30, 2009 were impacted by the following:

*Operating Revenues and Volumes.* As noted in the table above, our facilities segment revenues and volumes increased for the three and nine months ended September 30, 2009 compared to the three and nine months ended September 30, 2008. The significant variances in revenues and average daily volumes between the comparative periods are discussed below:

- Expansion Projects – The Paulsboro, Patoka, St. James and Ft. Laramie expansion projects resulted in an aggregate increase in revenues of



approximately \$8 million and \$24 million for the three and nine months ended September 30, 2009 compared to the same periods of 2008.

Acquisitions – Revenues and volumes for the three and nine months ended September 30, 2009 were impacted by the PNGS Acquisition, which closed during the third quarter of 2009 and the acquisition of a natural gas processing business, which closed during the second quarter of 2009. Revenues and volumes for the three and nine months ended September 30, 2009 compared to the same periods during 2008 were also impacted by the San Pedro acquisition, which closed during the fourth quarter of 2008. Such acquisitions contributed approximately \$12 million and \$18 million in revenues for the three and nine months ended September 30, 2009 compared to the same periods of 2008, respectively.

Leased Tankage – Revenues for the three and nine months ended September 30, 2009 increased primarily as a result of general escalations on existing leases.

*Field Operating Costs.* Field operating costs (excluding equity compensation charges) have increased in several categories for the three and nine months ended September 30, 2009 in comparison to the three and nine months ended September 30, 2008 primarily related to the expansion projects and acquisitions discussed above. The 2009 increased cost categories included (i) payroll and benefits and (ii) property taxes, partially offset by a decrease in utilities costs.

*G&A Costs.* G&A costs (excluding equity compensation charges) have increased in most categories for the three and nine months ended September 30, 2009 in comparison to the three and nine months ended September 30, 2008 primarily related to the acquisitions discussed above. The 2009 increased cost categories included (i) payroll and benefits, (ii) legal fees and (iii) consulting and other fees related to our acquisition transactions.

*Equity Compensation Charges.* Equity compensation charges increased in 2009 compared to 2008 primarily as a result of an increase in unit price for the nine-month period ended September 30, 2009 compared to a decrease in unit price for the nine-month period ended September 30, 2008. See Note 9 to our Condensed Consolidated Financial Statements for additional information on our equity compensation plans.

## Marketing Segment

The following table sets forth the operating results from our marketing segment for the periods indicated:

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Operating Results <sup>(1)</sup> (in millions, except per barrel amounts)	Three Months Ended September 30,		Three Months Favorable/ (Unfavorable) Variance		Nine Months Ended September 30,		Nine Months Favorable/ (Unfavorable) Variance	
	2009	2008	\$	%	2009	2008	\$	%
Revenues <sup>(2)</sup>	\$ 4,645	\$ 8,676	\$ (4,031)	(46)%	\$ 11,877	\$ 24,594	\$ (12,717)	(52)%
Purchases and related costs <sup>(2) (3)</sup>	(4,534)	(8,471)	3,937	46%	(11,389)	(24,211)	12,822	53%
Field operating costs	(45)	(50)	5	10%	(139)	(135)	(4)	(3)%
Equity compensation expense - operations <sup>(4)</sup>	—	—	—	—%	(1)	—	(1)	—%
Segment G&A expenses (excluding equity compensation expense)	(17)	(16)	(1)	(6)%	(51)	(49)	(2)	(4)%
Equity compensation expense - general and administrative <sup>(4)</sup>	(5)	(1)	(4)	(400)%	(15)	(9)	(6)	(67)%
Segment profit/(loss) <sup>(2)</sup>	\$ 44	\$ 138	\$ (94)	68%	\$ 282	\$ 190	\$ 92	48%
Maintenance capital	\$ 1	\$ 1	\$ —	—	\$ 5	\$ 3	\$ (2)	(67)%
Segment profit per barrel <sup>(5)</sup>	\$ 0.65	\$ 1.86	\$ (1.21)	65%	\$ 1.30	\$ 0.81	\$ 0.49	60%

Average Daily Volumes <sup>(6)</sup> (in thousands of barrels per day)	Three Months Ended September 30,		Three Months Favorable/ (Unfavorable) Variance		Nine Months Ended September 30,		Nine Months Favorable/ (Unfavorable) Variance	
	2009	2008	Volumes	%	2009	2008	Volumes	%
Crude oil lease gathering purchases	602	638	(36)	(6)%	619	663	(44)	(7)%
Refined products sales	32	27	5	19%	34	24	10	42%
LPG sales	61	67	(6)	(9)%	88	85	3	4%
Waterborne foreign crude oil imported	46	77	(31)	(40)%	54	84	(30)	(36)%
<b>Marketing segment total</b>	<b>741</b>	<b>809</b>	<b>(68)</b>	<b>(8)%</b>	<b>795</b>	<b>856</b>	<b>(61)</b>	<b>(7)%</b>

(1) Revenues and costs include intersegment amounts.

(2) Includes net gains/(losses) related to inventory valuation adjustments and derivative activities.

(3) Purchases and related costs include interest expense (related to hedged inventory purchases) of approximately \$4 million and \$8 million for the three and nine months ended September 30, 2009, respectively, compared to \$6 million and \$15 million for the three and nine months ended September 30, 2008, respectively.

(4) Equity compensation expense related to our equity compensation plans.

(5) Calculated based on crude oil lease gathering purchased volumes, refined products volumes, LPG sales volumes and waterborne foreign crude oil imported volumes.

(6) Volumes associated with acquisitions represent total volumes for the number of days we actually owned the assets divided by the number of days in the period.

*Revenues and Purchases and Related Costs.* The absolute amount of our revenues and purchases decreased in the three and nine months ended September 30, 2009 as compared to the three and nine months ended September 30, 2008, primarily resulting from lower commodity prices in the 2009 period. The NYMEX benchmark price of crude oil ranged from \$59 to \$75 per barrel and \$91 to \$147 per barrel during the three months ended September 30, 2009 and 2008, respectively, and from \$34 to \$75 per barrel and \$86 to \$147 per barrel during the nine months ended September 30, 2009 and 2008, respectively. Because the commodities that we buy and sell are generally indexed to the same pricing indices for both the purchase and sale, revenues and costs related to purchases will fluctuate with market prices. However, the margins related to those purchases and sales will not necessarily have a corresponding increase or decrease. Generally, we expect a base level of earnings from our marketing segment that may be optimized and enhanced when there is a high level of volatility, favorable basis differentials or a steep contango or backwardated market structure.

The unfavorable variance between our net revenues and purchases for the three months ended September 30, 2009 as compared to the three months ended September 30, 2008, was primarily attributable to the following:

- *Mark-to-Market Gain and Inventory Valuation Adjustment* — Revenues for the third quarter of 2008 include a net mark-to-market gain of approximately \$163 million, a portion of which was offset by a lower of cost or market inventory valuation adjustment of approximately \$65 million. The comparable 2009 period included a net mark-to-market gain of approximately \$11 million. The \$87 million increase in revenues for the 2008 period as compared to the 2009 period was primarily the result of the significant decrease in crude oil and LPG prices that occurred during the third quarter of 2008 that impacted the financial derivatives we were utilizing in our risk management strategies.

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- *LPG Marketing*— Lower results from our LPG operations in the third quarter of 2009 as compared to the respective period in 2008. We captured higher sales margins in the first quarter of 2009 primarily as a result of higher fixed price sales satisfied by lower average cost inventory, which negatively impacted the third quarter of 2009.
- *Crude Oil and Refined Products Marketing* — Lower results from our gathering and marketing activities in the third quarter of 2009 as compared to the third quarter of 2008. The 2009 period was negatively impacted by tighter differentials and lower volumes of lease gathering crude oil purchases and waterborne foreign crude oil import barrels. The decrease in volumes was partially related to a change in methodology for reporting volumes and due to an ongoing effort to reduce low margin barrels.

These unfavorable variances were partially offset by the favorable impact of:

- *Contango Market Structure* — We benefited in the third quarter of 2009 from a stronger contango market structure compared to that in the third quarter of 2008. The market structure for the third quarter of 2009 and 2008 averaged approximately \$1.15 per barrel contango and approximately \$0.42 per barrel contango, respectively.

The favorable variance between our net revenues and purchases for the nine months ended September 30, 2009 as compared to the nine months ended September 30, 2008, was primarily attributable to the following:

- *Contango Market Structure* — The favorable impact of a strong contango market on earnings in the early part of 2009, while the corresponding market conditions during the first nine months of 2008 were slightly backwardated. The market structure for the first nine months of 2009 averaged approximately \$1.81 per barrel contango. The market structure averaged approximately \$0.18 per barrel backwardated for the first nine months of 2008.
- *LPG Marketing* — Higher results from our LPG operations in the first nine months of 2009 as compared to the respective period in 2008 primarily related to the timing of recognizing fixed price sales against an inventory based on average costs.

These favorable variances were partially offset by the unfavorable impact of the following:

- *Mark-to-Market Gain and Inventory Valuation Adjustment* — Revenues for the nine months of 2008 include a net mark-to-market gain of approximately \$72 million, a portion of which was offset by a lower of cost or market inventory valuation adjustment of approximately \$65 million. The comparable 2009 period included a net mark-to-market loss of approximately \$34 million. The gain in 2008 was primarily the result of the impact that the significant decrease in crude oil and LPG prices that occurred during the third quarter of 2008 had on financial derivatives we were utilizing in risk management strategies. The gains and losses are generally offset by future physical positions that are not included in the mark-to-market calculation because they qualify for the NPNS scope exception under FASB guidance. In addition, a portion of the risk management strategies were related to certain crude oil and LPG inventories which were revalued to market prices as of September 30, 2008 resulting in a loss in Purchases and related costs of approximately \$65 million. There was no inventory valuation adjustment for the nine months of 2009. The mark-to-market loss in the nine months of 2009 is associated with underlying physical activity that will occur in subsequent periods.
- *Crude Oil and Refined Products Marketing* — Lower results from our gathering and marketing activities in the third quarter of 2009 as compared to the third quarter of 2008. The 2009 period was negatively impacted by tighter differentials and lower volumes of lease gathering crude oil purchases and waterborne foreign crude oil import barrels.

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*Equity Compensation Charges.* Equity compensation charges increased in 2009 compared to 2008 primarily as a result of an increase in unit price for the nine-month period ended September 30, 2009 compared to a decrease in unit price for the nine-month period ended September 30, 2008. See Note 9 to our Condensed Consolidated Financial Statements for additional information on our equity compensation plans.

### **Other Income and Expenses**

*Depreciation and Amortization.* Depreciation and amortization expense increased approximately \$10 million and \$23 million for the three and nine months ended September 30, 2009 compared to the three and nine months ended September 30, 2008, respectively. Such increases were primarily the result of an increased amount of depreciable assets resulting from our acquisition activities and internal growth projects. Depreciation and amortization expense was also impacted by a \$3 million impairment of excess equipment in the first quarter of 2009 and a \$3 million gain on sale of non-core assets in the third quarter of 2008.

*Interest Expense.* Interest expense for the three and nine months ended September 30, 2009 increased approximately \$7 million and \$22 million in comparison to the three and nine months ended September 30, 2008, respectively. Although the overall average debt balance in the comparable three month periods stayed relatively constant, there was an increase in interest expense primarily related to higher average rates as more of the balance was shifted to the senior notes. The nine month period of 2009 had a higher average debt balance than the comparable 2008 period which led to much of the increase as well as less capitalized interest and interest allocated to contango transactions which is recorded in purchases and related costs.

*Other Income/(Expense), Net.* Other income/(expense), net decreased by approximately \$2 million and \$10 million for the three and nine months ended September 30, 2009 in comparison to the same periods during 2008, respectively. The decrease in other income/(expense), net was primarily a result of the significant gains recognized during the prior year. The gains during the prior year included (i) a gain of approximately \$12 million resulting from the sale of our shares in NYMEX Holdings, Inc., which was recognized during the third quarter of 2008 and (ii) a gain of approximately \$11 million on the forward currency exchange hedge and commodity price risk hedge that we entered into in connection with the Rainbow acquisition, which was recognized during the second quarter of 2008. During the current year, we recognized a (i) net gain of approximately \$9 million in connection with our PNGS Acquisition, which occurred during the third quarter of 2009 and (ii) approximately \$5 million of foreign currency gains, which were recognized throughout 2009. See Note 4 to the Condensed Consolidated Financial Statements for further discussion regarding our PNGS Acquisition.

**Income Tax Expense.** Income tax expense decreased approximately \$1 million and \$6 million for the three and nine months ended September 30, 2009 compared to the three and nine months ended September 30, 2008, respectively. The decrease primarily related to a reduction in the statutory tax rate and a reduction of net income earned for a portion of our Canadian operations. See Note 11 to our Condensed Consolidated Financial Statements regarding the tax treatment of certain of our Canadian subsidiaries.

## Liquidity and Capital Resources

### General

Cash flow from operations and borrowings under our credit facilities are our primary sources of liquidity. At September 30, 2009, we had a working capital surplus of approximately \$157 million and approximately of \$1.6 billion of liquidity available to meet our ongoing operational, investing and finance needs as noted below (in millions):

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	As of September 30, 2009
Availability under our senior unsecured revolving credit facility	\$ 1,198
Availability under our senior secured hedged inventory facility	425
Cash and cash equivalents	16
Total <sup>(1)</sup>	\$ 1,639

<sup>(1)</sup> On October 5, 2009, we utilized approximately \$260 million of our available liquidity to redeem all of our outstanding \$250 million 7.13% senior notes due in 2014.

We believe that we have and will continue to have the ability to access our credit facilities, which we use to meet our short-term cash needs. We believe that our financial position remains strong and we have sufficient liquidity; however, extended disruptions in the financial markets and/or energy price volatility that adversely affect our business may have a material adverse effect on our financial condition, results of operations or cash flows. See Item 1A. "Risk Factors" in our 2008 Annual Report on Form 10-K for further discussion regarding risks that may impact our liquidity and capital resources. We are currently in compliance with the covenants contained in our credit agreements and indentures.

### Cash Flow from Operations

For a comprehensive discussion of the primary drivers of our cash flow from operations, including the impact of varying market conditions and the timing of settlement of our derivative activities, see "Liquidity and Capital Resources—Cash Flow from Operations" under Item 7 of our 2008 Annual Report on Form 10-K.

Our cash flow from operations was positively impacted by cash generated by our recurring operations. Our cash flow from operations can be significantly impacted in periods when we are increasing or decreasing the amount of inventory in storage. During the first nine months of 2009, we increased the amount of our inventory. The increase in inventory was due to both increased volumes and an increase in prices and was primarily related to our crude oil contango market storage activities. The net increased levels of inventory were financed through borrowings under our credit facilities and senior note issuances resulting in a negative impact to our operating cash flow for the period.

Our cash flow provided by operating activities in the first nine months of 2008 was approximately \$239 million, resulting from cash generated by our recurring operations and our primary drivers. Also, during 2008 we increased our inventory levels primarily related to the routine seasonal build of LPG inventory which occurred in the third quarter. This increase in inventory was financed under our credit facilities and had a negative impact on our cash flow from operations for the first nine months of 2008.

### Equity and Debt Financing Activities

Our financing activities primarily relate to funding acquisitions and internal capital projects, and short-term working capital and hedged inventory borrowings related to our contango market activities. Our financing activities have primarily consisted of equity offerings, senior notes offerings and borrowings and repayments under our credit facilities.

**Registration Statements.** We periodically access the capital markets for debt and equity financing. In November 2008, we filed a registration statement with the Securities and Exchange Commission ("SEC") covering the issuance of up to \$2 billion in debt or equity securities. As of September 30, 2009, approximately \$191 million of unsold securities remained available under this registration statement. In order to replenish this availability, in October 2009 we filed the following registration statements with the SEC:

- A shelf registration statement, which, when declared effective by the SEC, will provide us with the ability to offer and sell up to \$2.0 billion of debt and equity securities, subject to market conditions and our capital needs.
- A universal shelf registration statement, which provides us with the ability to offer and sell an unlimited amount of debt and equity securities, subject to market conditions and our capital needs. This registration statement was immediately effective upon filing.

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**Senior Notes.** In September 2009, we completed the issuance of \$500 million of 5.75% senior notes due January 15, 2020. The senior notes were sold at 99.523% of face value. Interest payments are due on January 15 and July 15 of each year, beginning on January 15, 2010. We used the net proceeds from this offering to repay outstanding borrowings under our credit facilities, a portion of which was used to fund the cash requirements of the PNGS Acquisition (which included repayment of all of PNGS's debt). See Note 4 to our Condensed Consolidated Financial Statements for further discussion of the PNGS Acquisition.

On August 15, 2009, our \$175 million senior notes matured. We utilized our cash on hand and available capacity under our credit facilities to retire these senior notes.

In July 2009, we completed the issuance of \$500 million of 4.25% senior notes due September 1, 2012. The senior notes were sold at 99.802% of face value. Interest payments are due on March 1 and September 1 of each year, beginning on March 1, 2010. We used the net proceeds from this offering to supplement the capital available under our existing hedged inventory facility to fund working capital needs associated with base levels of

routine foreign crude oil import and for seasonal LPG inventory requirements.

In April 2009, we completed the issuance of \$350 million of 8.75% senior notes due May 1, 2019. These senior notes were sold at 99.994% of face value. Interest payments are due on May 1 and November 1 of each year, beginning on November 1, 2009. We used the net proceeds from this offering to reduce outstanding borrowings under our credit facilities.

**Equity Offerings.** In September 2009, we completed the issuance of 5,290,000 common units at \$46.70 per unit for net proceeds of approximately \$246 million. The net proceeds include our general partner's proportionate capital contribution and is reflected net of costs associated with the offering.

In March 2009, we completed the issuance of 5,750,000 common units at \$36.90 per unit for net proceeds of approximately \$210 million. The net proceeds include our general partner's proportionate capital contribution and is reflected net of costs associated with the offering.

**Credit Facilities.** During the nine months ended September 30, 2009, we had net repayments on our revolving credit facility and our hedged inventory facility of approximately \$454 million and \$180 million, respectively. The net repayments resulted primarily from proceeds from our other financing activities discussed above. During the nine months ended September 30, 2008, we had net borrowings on our revolving credit facility and hedged inventory facility of approximately \$259 million and \$111 million, respectively. For further discussion related to our credit facilities and long-term debt, see "Liquidity and Capital Resources—Credit Facilities and Long-Term Debt" under Item 7 of our 2008 Annual Report on Form 10-K.

#### **Capital Expenditures and Distributions Paid to Unitholders and General Partner**

We use cash primarily for our acquisition activities, internal growth projects and distributions paid to our unitholders and general partner. We have made and will continue to make capital expenditures for acquisitions, expansion capital and maintenance capital. Historically, we have financed these expenditures primarily with cash generated by operations and the financing activities discussed above. See "Internal Growth Projects and Acquisitions" above and "—Internal Growth Projects and Acquisitions" under Item 7 of our 2008 Annual Report on Form 10-K for further discussion of such capital expenditures.

**Distributions to Unitholders and General Partner.** We distribute 100% of our available cash within 45 days after the end of each quarter to unitholders of record and to our general partner. See Note 8 to our Condensed Consolidated Financial Statements for details of distributions paid. Also, see Item 5. "Market for Registrant's Common Units, Related Unitholder Matters and Issuer Purchases of Equity Securities—Cash Distribution Policy" of our 2008 Annual Report on Form 10-K for additional discussion of distribution thresholds.

Upon closing of the Pacific, Rainbow and PNGS acquisitions, our general partner agreed to reduce the amounts due it as incentive distributions. The incentive distribution reduction in connection with the PNGS Acquisition will become effective upon payment of a quarterly distribution of \$0.9200 per limited partner unit. See Note 8 to our Condensed Consolidated Financial Statements for details related to the general partner's incentive distribution reduction.

We believe that we have sufficient liquid assets, cash flow from operations and borrowing capacity under our credit agreements to meet our financial commitments, debt service obligations, contingencies and anticipated capital expenditures. We are subject to business and operational risks, however, that could adversely affect our cash flow. A material decrease in our cash flows would likely produce an adverse effect on our borrowing capacity.

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#### **Contingencies**

See Note 12 to our Condensed Consolidated Financial Statements.

#### **Commitments**

**Contractual Obligations.** The amounts presented in the table below include our best estimate as of September 30, 2009 of the amount and timing of the net obligations associated with those contractual obligations that varied significantly since December 31, 2008. In the case of crude oil and LPG purchases, in the ordinary course of doing business, we purchase crude oil and LPG from third parties under contracts, the majority of which range in term from thirty-day evergreen to three years. We establish a margin for these purchases by entering into various types of physical and financial sale and exchange transactions through which we seek to maintain a position that is substantially balanced between purchases on the one hand and sales and future delivery obligations on the other. Where applicable, the amounts presented represent the net obligations associated with buy/sell contracts and those subject to a net settlement arrangement with the counterparty. We do not expect to use a significant amount of internal capital to meet these obligations, as the obligations will be funded by corresponding sales to creditworthy entities.

	2009	2010	2011	2012	2013	2014 and Thereafter	Total
Long-term debt and interest payments <sup>(1)</sup>	\$ 317	\$ 261	\$ 261	\$ 950	\$ 472	\$ 5,141	\$ 7,402
Leases <sup>(2)</sup>	\$ 29	\$ 72	\$ 61	\$ 54	\$ 33	\$ 258	\$ 507
Crude oil, refined products and LPG purchases <sup>(3)</sup>	\$ 3,216	\$ 1,246	\$ 495	\$ 305	\$ 6	\$ —	\$ 5,268

<sup>(1)</sup> Includes debt service payments, interest payments due on our senior notes and the commitment fee on our revolving credit facility. Although there is an outstanding balance on our revolving credit facility at September 30, 2009, we historically repay and borrow at varying amounts. As such, we have included only the maximum commitment fee (as if no amounts were outstanding on the facility) in the amounts above.

<sup>(2)</sup> Leases are primarily for (i) storage, (ii) rights-of-way, (iii) office rent and (iv) trucks and trailers used in our gathering activities.

<sup>(3)</sup> Amounts are based on estimated volumes and market prices based on average activity during September 2009. The actual physical volume purchased and actual settlement prices will vary from the assumptions used in the table. Uncertainties involved in these estimates include levels of production at the wellhead, weather conditions, changes in market prices and other conditions beyond our control.

#### **Letters of Credit**

In connection with our crude oil marketing, we provide certain suppliers with irrevocable standby letters of credit to secure our obligations for the purchase of crude oil. At September 30, 2009 and December 31, 2008, we had outstanding letters of credit of approximately \$66 million and \$51 million, respectively.

#### **Recent Accounting Pronouncements**

See Note 2 to our Condensed Consolidated Financial Statements.

## Critical Accounting Policies and Estimates

For additional discussion regarding our critical accounting policies and estimates, see "Critical Accounting Policies and Estimates" under Item 7 of our 2008 Annual Report on Form 10-K.

## Forward-Looking Statements and Associated Risks

All statements included in this report, other than statements of historical fact, are forward-looking statements, including but not limited to statements identified by the words "anticipate," "believe," "estimate," "expect," "plan," "intend" and "forecast," as well as similar expressions and statements regarding our business strategy, plans and objectives of our management for future operations. The absence of these words, however, does not mean that the statements are not forward-looking. These statements reflect our current

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views with respect to future events, based on what we believe are reasonable assumptions. Certain factors could cause actual results to differ materially from results anticipated in the forward-looking statements. These factors include, but are not limited to:

- failure to implement or capitalize on planned internal growth projects;
- maintenance of our credit rating and ability to receive open credit from our suppliers and trade counterparties;
- continued creditworthiness of, and performance by, our counterparties, including financial institutions and trading companies with which we do business;
- the success of our risk management activities;
- environmental liabilities or events that are not covered by an indemnity, insurance or existing reserves;
- abrupt or severe declines or interruptions in outer continental shelf production located offshore California and transported on our pipeline systems;
- shortages or cost increases of power supplies, materials or labor;
- the availability of adequate third-party production volumes for transportation and marketing in the areas in which we operate and other factors that could cause declines in volumes shipped on our pipelines by us and third-party shippers, such as declines in production from existing oil and gas reserves or failure to develop additional oil and gas reserves;
- fluctuations in refinery capacity in areas supplied by our mainlines and other factors affecting demand for various grades of crude oil, refined products and natural gas and resulting changes in pricing conditions or transportation throughput requirements;
- the availability of, and our ability to consummate, acquisition or combination opportunities;
- our ability to obtain debt or equity financing on satisfactory terms to fund additional acquisitions, expansion projects, working capital requirements and the repayment or refinancing of indebtedness;
- the successful integration and future performance of acquired assets or businesses and the risks associated with operating in lines of business that are distinct and separate from our historical operations;
- unanticipated changes in crude oil market structure, grade differentials and volatility (or lack thereof);
- the impact of current and future laws, rulings, governmental regulations, accounting standards and statements and related interpretations;
- the effects of competition;
- interruptions in service and fluctuations in tariffs or volumes on third-party pipelines;
- increased costs or lack of availability of insurance;
- fluctuations in the debt and equity markets, including the price of our units at the time of vesting under our long-term incentive plans;
- the currency exchange rate of the Canadian dollar;
- weather interference with business operations or project construction;
- risks related to the development and operation of natural gas storage facilities;
- future developments and circumstances at the time distributions are declared;
- general economic, market or business conditions and the amplification of other risks caused by deteriorated financial markets, capital constraints and pervasive liquidity concerns; and
- other factors and uncertainties inherent in the transportation, storage, terminalling and marketing of crude oil, refined products and liquefied petroleum gas and other natural gas related petroleum products.

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Other factors, such as the "Risks Related to Our Business" discussed in Item 1A of our most recent annual report on Form 10-K and factors that are unknown or unpredictable, could also have a material adverse effect on future results. Except as required by applicable securities laws, we do not intend to update these forward-looking statements and information.

### Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The following should be read in conjunction with Quantitative and Qualitative Disclosures About Market Risk included under Item 7A in our 2008 Annual Report on Form 10-K. There have been no material changes in that information other than as discussed below. Also, see Note 10 to our Condensed Consolidated Financial Statements for additional discussion related to derivative instruments and hedging activities.

#### Commodity Price Risk

All of our open commodity price risk derivatives at September 30, 2009 were categorized as non-trading. The fair value of these instruments and the change in fair value that would be expected from a ten percent price decrease are shown in the table below (in millions):

	Fair Value	Effect of 10% Price Decrease
Crude oil:		
Futures contracts	\$ 67	\$ 14
Swaps and options contracts	43	44
LPG and other:		
Futures contracts	(5)	—
Swaps, options and other contracts <sup>(1)</sup>	(51)	(17)
Total Fair Value	<u>\$ 54</u>	

<sup>(1)</sup> Amount includes an asset of approximately \$8 million associated with LPG physical contracts not eligible for the NPNS scope exception under FASB guidance.

### Item 4. CONTROLS AND PROCEDURES

#### Disclosure Controls and Procedures

We maintain written “disclosure controls and procedures,” which we refer to as our “DCP.” The purpose of our DCP is to provide reasonable assurance that (i) information is recorded, processed, summarized and reported in a manner that allows for timely disclosure of such information in accordance with the securities laws and SEC regulations and (ii) information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow for timely decisions regarding required disclosure.

Applicable SEC rules require an evaluation of the effectiveness of the design and operation of our DCP. Management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our DCP as of the end of the period covered by this report, and has found our DCP to be effective in providing reasonable assurance of the timely recording, processing, summarization and reporting of information, and in accumulation and communication of information to management to allow for timely decisions with regard to required disclosure.

#### Changes in Internal Control over Financial Reporting

In addition to the information concerning our DCP, we are required to disclose certain changes in our internal control over financial reporting. Although we have made various enhancements to our controls, there have been no changes in our internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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#### Certifications

The certifications of our Chief Executive Officer and Chief Financial Officer pursuant to Exchange Act rules 13a-14(a) and 15d-14(a) are filed with this report as Exhibits 31.1 and 31.2. The certifications of our Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350 are furnished with this report as Exhibits 32.1 and 32.2.

## PART II. OTHER INFORMATION

### Item 1. LEGAL PROCEEDINGS

The information required by this item is included under the caption “Litigation” in Note 12 to our Condensed Consolidated Financial Statements, and is incorporated herein by reference thereto.

### Item 1A. RISK FACTORS

For a discussion regarding our risk factors, see Item 1A of our 2008 Annual Report on Form 10-K. Those risks and uncertainties are not the only ones facing us and there may be additional matters of which we are unaware or that we currently consider immaterial. All of those risks and uncertainties could adversely affect our business, financial condition and/or results of operations.

### Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

#### Repurchases of Equity Securities

Period	Total Number of Units Purchased	Average Price Paid per Unit	Total Number of Units Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or approximate dollar value) of Units that May Yet be Purchased Under the Plans or Programs
July 1, 2009 - July 31, 2009	—	N/A	N/A	N/A
August 1, 2009 - August 31, 2009	9,063 <sup>(1)</sup>	\$ 47.56	N/A	N/A
September 1, 2009 - September 30, 2009	—	N/A	N/A	N/A

Total \$ 9,063

(1) In August 2009, we purchased 9,063 common units from our general partner for an average price of \$47.56 per unit. The common units were used to satisfy our obligations with respect to awards that vested under our Long-Term Incentive Plans.

### Issuances of Equity Securities

In connection with the acquisition of a 50% interest in PNGS, the Partnership issued 1,907,305 of its common units as a portion of the consideration paid for such interest. The Partnership believes that this transaction was exempt from registration requirements pursuant to Section 4(2) of the Securities Act of 1933, as amended, or Regulation D promulgated thereunder. The seller represented its intention to acquire the common units for investment only and not with a view toward their distribution.

### Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

### Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

### Item 5. OTHER INFORMATION

None.

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### Item 6. EXHIBITS

- 3.1 — Third Amended and Restated Agreement of Limited Partnership of Plains All American Pipeline, L.P. dated as of June 27, 2001 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed August 27, 2001).
- 3.2 — Amendment No. 1 dated April 15, 2004 to the Third Amended and Restated Agreement of Limited Partnership of Plains All American Pipeline, L.P. (incorporated by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2004).
- 3.3 — Amendment No. 2 dated November 15, 2006 to Third Amended and Restated Agreement of Limited Partnership of Plains All American Pipeline, L.P. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed November 21, 2006).
- 3.4 — Amendment No. 3 dated August 16, 2007 to Third Amended and Restated Agreement of Limited Partnership of Plains All American Pipeline, L.P. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed August 22, 2007).
- 3.5 — Amendment No. 4 effective as of January 1, 2007 to Third Amended and Restated Agreement of Limited Partnership of Plains All American Pipeline, L.P. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed April 15, 2008).
- 3.6 — Amendment No. 5 dated May 28, 2008 to Third Amended and Restated Agreement of Limited Partnership of Plains All American Pipeline, L.P. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed May 30, 2008).
- 3.7 — Amendment No. 6 dated September 3, 2009 to Third Amended and Restated Agreement of Limited Partnership of Plains All American Pipeline, L.P. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed September 3, 2009).
- 3.8 — Third Amended and Restated Agreement of Limited Partnership of Plains Pipeline, L.P. dated as of April 1, 2004 (incorporated by reference to Exhibit 3.2 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2004).
- 3.9 — Third Amended and Restated Agreement of Limited Partnership of Plains Pipeline, L.P. dated as of April 1, 2004 (incorporated by reference to Exhibit 3.3 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2004).
- 3.10<sup>†</sup> — Fourth Amended and Restated Limited Liability Company Agreement of Plains All American GP LLC dated August 7, 2008, as amended November 2, 2009.
- 3.11 — Fifth Amended and Restated Limited Partnership Agreement of Plains AAP, L.P. dated August 7, 2008 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed August 7, 2008).
- 3.12 — Certificate of Incorporation of PAA Finance Corp (f/k/a Pacific Energy Finance Corporation, successor-by-merger to PAA Finance Corp.) (incorporated by reference to Exhibit 3.10 to the Annual Report on Form 10-K for the year ended December 31, 2006).
- 3.13 — Bylaws of PAA Finance Corp (f/k/a Pacific Energy Finance Corporation, successor-by-merger to PAA Finance Corp.) (incorporated by reference to Exhibit 3.11 to the Annual Report on Form 10-K for the year ended December 31, 2006).
- 3.14 — Limited Liability Company Agreement of PAA GP LLC dated December 28, 2007 (incorporated by reference to Exhibit 3.3 to the Current Report on Form 8-K filed January 4, 2008).
- 4.1 — Indenture dated September 25, 2002 among Plains All American Pipeline, L.P., PAA Finance Corp. and Wachovia Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2002).
- 4.2 — First Supplemental Indenture (Series A and Series B 7.75% Senior Notes due 2012) dated as of September 25, 2002 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and Wachovia Bank, National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2002).
- 4.3 — Second Supplemental Indenture (Series A and Series B 5.625% Senior Notes due 2013) dated as of December 10, 2003 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and Wachovia Bank, National Association, as trustee (incorporated by reference to Exhibit 4.4 to the Annual Report on Form 10-K for the year ended December 31, 2003).

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- 4.4 — Third Supplemental Indenture (Series A and Series B 4.75% Senior Notes due 2009) dated August 12, 2004 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and Wachovia Bank, National Association, as trustee (incorporated by reference to Exhibit 4.4 to the Registration Statement on Form S-4, File No. 333-121168).
- 4.5 — Fourth Supplemental Indenture (Series A and Series B 5.875% Senior Notes due 2016) dated August 12, 2004 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and Wachovia Bank, National Association, as trustee (incorporated by reference to Exhibit 4.5 to the Registration Statement on Form S-4, File No. 333-121168).
- 4.6 — Fifth Supplemental Indenture (Series A and Series B 5.25% Senior Notes due 2015) dated May 27, 2005 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and Wachovia Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed May 31, 2005).
- 4.7 — Sixth Supplemental Indenture (Series A and Series B 6.70% Senior Notes due 2036) dated May 12, 2006 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and Wachovia Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed May 12, 2006).
- 4.8 — Seventh Supplemental Indenture dated May 12, 2006 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and Wachovia Bank, National Association, as trustee (incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K filed May 12, 2006).
- 4.9 — Eighth Supplemental Indenture dated August 25, 2006 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and Wachovia Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed August 25, 2006).
- 4.10 — Ninth Supplemental Indenture (Series A and Series B 6.125% Senior Notes due 2017) dated October 30, 2006 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed October 30, 2006).
- 4.11 — Tenth Supplemental Indenture (Series A and Series B 6.650% Senior Notes due 2037) dated October 30, 2006 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed October 30, 2006).
- 4.12 — Eleventh Supplemental Indenture dated November 15, 2006 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed November 21, 2006).
- 4.13 — Twelfth Supplemental Indenture dated January 1, 2008 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.21 to the Annual Report on Form 10-K for the year ended December 31, 2007).
- 4.14 — Thirteenth Supplemental Indenture (Series A and Series B 6.5% Senior Notes due 2018) dated April 23, 2008 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed April 23, 2008).
- 4.15 — Fourteenth Supplemental Indenture dated July 1, 2008 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.15 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2008).
- 4.16 — Fifteenth Supplemental Indenture (8.75% Senior Notes due 2019) dated April 20, 2009 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed April 20, 2009).
- 4.17 — Sixteenth Supplemental Indenture (4.25% Senior Notes due 2012) dated July 23, 2009 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed July 23, 2009).

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- 4.18 — Seventeenth Supplemental Indenture (5.75% Senior Notes due 2020) dated September 4, 2009 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein, and U.S. Bank National Association as trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed September 4, 2009).
- 4.19 — Indenture dated June 16, 2004 among Pacific Energy Partners, L.P., PAA Finance Corp. (f/k/a Pacific Energy Finance Corporation), the Guarantors named therein, and Wells Fargo Bank, National Association, as trustee of the 7<sup>1</sup>/<sub>8</sub>% senior notes due 2014 (incorporated by reference to Exhibit 4.21 to Pacific Energy Partners, L.P.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2004).
- 4.20 — First Supplemental Indenture dated March 3, 2005 among Pacific Energy Partners, L.P., PAA Finance Corp. (f/k/a Pacific Energy Finance Corporation), the Guarantors named therein, and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to Pacific Energy Partners, L.P.'s Current Report on Form 8-K filed March 9, 2005).
- 4.21 — Second Supplemental Indenture dated September 23, 2005 among Pacific Energy Partners, L.P., PAA Finance Corp. (f/k/a Pacific Energy Finance Corporation), the Guarantors named therein, and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.17 to the Annual Report on Form 10-K for the year ended December 31, 2006).
- 4.22 — Third Supplemental Indenture dated November 15, 2006 among Plains All American Pipeline, L.P., PAA Finance Corp. (f/k/a Pacific Energy Finance Corporation), the Guarantors named therein, and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed November 21, 2006).





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- 3.1 — Third Amended and Restated Agreement of Limited Partnership of Plains All American Pipeline, L.P. dated as of June 27, 2001 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed August 27, 2001).
- 3.2 — Amendment No. 1 dated April 15, 2004 to the Third Amended and Restated Agreement of Limited Partnership of Plains All American Pipeline, L.P. (incorporated by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2004).
- 3.3 — Amendment No. 2 dated November 15, 2006 to Third Amended and Restated Agreement of Limited Partnership of Plains All American Pipeline, L.P. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed November 21, 2006).
- 3.4 — Amendment No. 3 dated August 16, 2007 to Third Amended and Restated Agreement of Limited Partnership of Plains All American Pipeline, L.P. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed August 22, 2007).
- 3.5 — Amendment No. 4 effective as of January 1, 2007 to Third Amended and Restated Agreement of Limited Partnership of Plains All American Pipeline, L.P. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed April 15, 2008).
- 3.6 — Amendment No. 5 dated May 28, 2008 to Third Amended and Restated Agreement of Limited Partnership of Plains All American Pipeline, L.P. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed May 30, 2008).
- 3.7 — Amendment No. 6 dated September 3, 2009 to Third Amended and Restated Agreement of Limited Partnership of Plains All American Pipeline, L.P. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed September 3, 2009).
- 3.8 — Third Amended and Restated Agreement of Limited Partnership of Plains Marketing, L.P. dated as of April 1, 2004 (incorporated by reference to Exhibit 3.2 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2004).
- 3.9 — Third Amended and Restated Agreement of Limited Partnership of Plains Pipeline, L.P. dated as of April 1, 2004 (incorporated by reference to Exhibit 3.3 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2004).
- 3.10<sup>†</sup> — Fourth Amended and Restated Limited Liability Company Agreement of Plains All American GP LLC dated August 7, 2008, as amended November 2, 2009.
- 3.11 — Fifth Amended and Restated Limited Partnership Agreement of Plains AAP, L.P. dated August 7, 2008 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed August 7, 2008).
- 3.12 — Certificate of Incorporation of PAA Finance Corp (f/k/a Pacific Energy Finance Corporation, successor-by-merger to PAA Finance Corp.) (incorporated by reference to Exhibit 3.10 to the Annual Report on Form 10-K for the year ended December 31, 2006).
- 3.13 — Bylaws of PAA Finance Corp (f/k/a Pacific Energy Finance Corporation, successor-by-merger to PAA Finance Corp.) (incorporated by reference to Exhibit 3.11 to the Annual Report on Form 10-K for the year ended December 31, 2006).
- 3.14 — Limited Liability Company Agreement of PAA GP LLC dated December 28, 2007 (incorporated by reference to Exhibit 3.3 to the Current Report on Form 8-K filed January 4, 2008).
- 4.1 — Indenture dated September 25, 2002 among Plains All American Pipeline, L.P., PAA Finance Corp. and Wachovia Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2002).
- 4.2 — First Supplemental Indenture (Series A and Series B 7.75% Senior Notes due 2012) dated as of September 25, 2002 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and Wachovia Bank, National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2002).
- 4.3 — Second Supplemental Indenture (Series A and Series B 5.625% Senior Notes due 2013) dated as of December 10, 2003 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and Wachovia Bank, National Association, as trustee (incorporated by reference to Exhibit 4.4 to the Annual Report on Form 10-K for the year ended December 31, 2003).

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- 4.4 — Third Supplemental Indenture (Series A and Series B 4.75% Senior Notes due 2009) dated August 12, 2004 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and Wachovia Bank, National Association, as trustee (incorporated by reference to Exhibit 4.4 to the Registration Statement on Form S-4, File No. 333-121168).
- 4.5 — Fourth Supplemental Indenture (Series A and Series B 5.875% Senior Notes due 2016) dated August 12, 2004 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and Wachovia Bank, National Association, as trustee (incorporated by reference to Exhibit 4.5 to the Registration Statement on Form S-4, File No. 333-121168).
- 4.6 — Fifth Supplemental Indenture (Series A and Series B 5.25% Senior Notes due 2015) dated May 27, 2005 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and Wachovia Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed May 31, 2005).
- 4.7 — Sixth Supplemental Indenture (Series A and Series B 6.70% Senior Notes due 2036) dated May 12, 2006 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and Wachovia Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed May 12, 2006).

- 4.8 — Seventh Supplemental Indenture dated May 12, 2006 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and Wachovia Bank, National Association, as trustee (incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K filed May 12, 2006).
- 4.9 — Eighth Supplemental Indenture dated August 25, 2006 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and Wachovia Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed August 25, 2006).
- 4.10 — Ninth Supplemental Indenture (Series A and Series B 6.125% Senior Notes due 2017) dated October 30, 2006 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed October 30, 2006).
- 4.11 — Tenth Supplemental Indenture (Series A and Series B 6.650% Senior Notes due 2037) dated October 30, 2006 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed October 30, 2006).
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- 4.13 — Twelfth Supplemental Indenture dated January 1, 2008 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.21 to the Annual Report on Form 10-K for the year ended December 31, 2007).
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- 4.15 — Fourteenth Supplemental Indenture dated July 1, 2008 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.15 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2008).
- 4.16 — Fifteenth Supplemental Indenture (8.75% Senior Notes due 2019) dated April 20, 2009 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed April 20, 2009).
- 4.17 — Sixteenth Supplemental Indenture (4.25% Senior Notes due 2012) dated July 23, 2009 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed July 23, 2009).

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- 4.18 — Seventeenth Supplemental Indenture (5.75% Senior Notes due 2020) dated September 4, 2009 among Plains All American Pipeline, L.P., PAA Finance Corp., the Subsidiary Guarantors named therein, and U.S. Bank National Association as trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed September 4, 2009).
- 4.19 — Indenture dated June 16, 2004 among Pacific Energy Partners, L.P., PAA Finance Corp. (f/k/a Pacific Energy Finance Corporation), the Guarantors named therein, and Wells Fargo Bank, National Association, as trustee of the 7<sup>1</sup>/<sub>8</sub>% senior notes due 2014 (incorporated by reference to Exhibit 4.21 to Pacific Energy Partners, L.P.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2004).
- 4.20 — First Supplemental Indenture dated March 3, 2005 among Pacific Energy Partners, L.P., PAA Finance Corp. (f/k/a Pacific Energy Finance Corporation), the Guarantors named therein, and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to Pacific Energy Partners, L.P.'s Current Report on Form 8-K filed March 9, 2005).
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- 4.23 — Fourth Supplemental Indenture dated January 1, 2008 among Plains All American Pipeline, L.P., PAA Finance Corp. (f/k/a Pacific Energy Finance Corporation), the Guarantors named therein, and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.23 to the Annual Report on Form 10-K for the year ended December 31, 2007).
- 4.24 — Fifth Supplemental Indenture dated December 17, 2008 among Plains All American Pipeline, L.P., PAA Finance Corp., the Guarantors named therein, and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.21 to the Annual Report on Form 10-K for the year ended December 31, 2008).
- 4.25 — Indenture dated September 23, 2005 among Pacific Energy Partners, L.P., PAA Finance Corp. (f/k/a Pacific Energy Finance Corporation), the Guarantors named therein, and Wells Fargo Bank, National Association, as trustee of the 6<sup>1</sup>/<sub>4</sub>% senior notes due 2015 (incorporated by reference to Exhibit 4.1 to Pacific Energy Partners, L.P.'s Current Report on Form 8-K filed September 28, 2005).
- 4.26 — First Supplemental Indenture dated November 15, 2006 among Plains All American Pipeline, L.P., PAA Finance Corp. (f/k/a Pacific Energy Finance Corporation), the Guarantors named therein, and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K filed November 21, 2006).
- 4.27 — Second Supplemental Indenture dated January 1, 2008 among Plains All American Pipeline, L.P., PAA Finance Corp. (f/k/a Pacific Energy Finance Corporation), the Guarantors named therein, and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.22 to the Annual Report on Form 10-K for the year ended December 31, 2007).

4.28	—	Registration Rights Agreement dated September 3, 2009 by and between Plains All American Pipeline, L.P. and Vulcan Gas Storage LLC (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-3, File No. 333-162477).
12.1 <sup>†</sup>	—	Computation of Ratio of Earnings to Fixed Charges
31.1 <sup>†</sup>	—	Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a).

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31.2 <sup>†</sup>	—	Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a).
32.1 <sup>†</sup>	—	Certification of Principal Executive Officer pursuant to 18 U.S.C. 1350
32.2 <sup>†</sup>	—	Certification of Principal Financial Officer pursuant to 18 U.S.C. 1350
101 <sup>†</sup>	—	The following financial information from the quarterly report on Form 10-Q of Plains All American Pipeline, L.P. for the quarter ended September 30, 2009, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Statements of Operations, (ii) Condensed Consolidated Balance Sheets, (iii) Condensed Consolidated Statements of Cash Flows, (iv) Condensed Consolidated Statement of Partners' Capital, (v) Condensed Consolidated Statements of Comprehensive Income, (vi) Condensed Consolidated Statement of Changes in Accumulated Other Comprehensive Income and (vii) Notes to the Condensed Consolidated Financial Statements, tagged as blocks of text.

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<sup>†</sup> Filed herewith

<sup>\*\*</sup> Management compensatory plan or arrangement

FOURTH AMENDED AND RESTATED  
LIMITED LIABILITY COMPANY AGREEMENT OF  
PLAINS ALL AMERICAN GP LLC  
(As amended by the Members on November 2, 2009)

On November 2, 2009, the Members of Plains All American GP LLC (the "Company") adopted the following technical amendments to the Fourth Amended and Restated Limited Liability Company Agreement of Plains All American GP LLC dated as of August 7, 2008 (the "Agreement"):

Section 1. Section 6.4 of the Agreement is amended by adding the following sentence at the end thereof:

"A consent transmitted by electronic transmission by a Member shall be deemed to be written and signed."

Section 2. The last sentence of Section 7.3 of the Agreement is amended by inserting the language underlined below:

"Any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing (including by electronic transmission), and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form."

A copy of the Agreement, as amended, is attached hereto.

FOURTH AMENDED AND RESTATED  
LIMITED LIABILITY COMPANY AGREEMENT  
OF  
PLAINS ALL AMERICAN GP LLC  
dated as of August 7, 2008  
(as amended by the Members on November 2, 2009)

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**FOURTH AMENDED AND RESTATED  
LIMITED LIABILITY COMPANY AGREEMENT  
OF  
PLAINS ALL AMERICAN GP LLC**  
(as amended by the Members on November 2, 2009)

THIS FOURTH AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT (as amended, this "**Agreement**") of Plains All American GP LLC, a Delaware limited liability company (the "**Company**"), is made and entered into as of the 7th day of August, 2008, by and among the Persons executing this Agreement on the signature pages hereto as a member (together with such other Persons that may hereafter become members as provided herein, referred to collectively as the "**Members**" or, individually, as a "**Member**").

WHEREAS, Members owning the requisite Membership Interests have approved the amendment and restatement of the limited liability company agreement of the Company in its entirety with the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein, the parties agree as follows:

**ARTICLE 1  
DEFINITIONS**

As used herein, the following terms shall have the following meanings, unless the context otherwise requires:

"**Acceptance Notice**" shall have the meaning set forth in Section 9.8(b).

"**Act**" means the Delaware Limited Liability Company Act, 6 Del. C. Section 18-101, et seq., as amended from time to time.

"**Adjusted Capital Account Deficit**" means, with respect to a Member, the deficit balance, if any, in such Member's Capital Account as of the end of the relevant Taxable Year, after giving effect to the following adjustments:

- (a) Credit to such Capital Account any amounts which such Member is obligated to restore pursuant to any provision of this Agreement or is deemed to be obligated to restore pursuant to Regulation Sections 1.704-1(b)(2)(ii)(c), 1.704-2(g)(1) and 1.704-2(i)(5); and
- (b) Debit to such Capital Account the items described in Regulation Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), and 1.704-1(b)(2)(ii)(d)(6).

"**Affiliate**" means, with respect to any specified Person, any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such specified Person.

"**Agreement**" shall have the meaning set forth in the preamble hereof, as the same may be amended from time to time in accordance with the terms hereof.

"**Authorized Representative**" shall have the meaning set forth in Section 6.1.

"**Available Cash**" means, with respect to a fiscal quarter, all cash and cash equivalents of the Company at the end of such quarter less the amount of cash reserves that is necessary or appropriate in the reasonable discretion of the Board to (a) provide for the proper conduct of the business of the Company (including reserves for future capital expenditures and for anticipated future credit needs of the Company) subsequent to such quarter or (b) comply with applicable law or any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which the Company is a party or by which it is bound or its assets or Property is subject; *provided, however*, that disbursements made by Plains AAP or PAA GP to the Company or cash reserves established, increased or reduced after the expiration of such quarter but on or before the date of determination of Available Cash with respect to such quarter shall be deemed to have been made, established, increased or reduced, for purposes of determining Available Cash, during such quarter if the Board so determines in its reasonable discretion.

"**Board**" means the Board of Directors of the Company.

"**Business Day**" means any day that is not a Saturday, a Sunday or other day on which banks are required or authorized by law to be closed in the City of New York.

"**Capital Account**" means, with respect to any Member, a separate account established by the Company and maintained for each Member in accordance with Section 3.4 hereof.

"**Capital Contribution**" means, with respect to any Member, the amount of money and the initial Gross Asset Value of any Property (other than money) contributed to the Company with respect to the interests purchased by such Member pursuant to the terms of this Agreement, in return for which the Member contributing such capital shall have received a Membership Interest.

"**Certificates**" means the Certificates of Formation of the Company and PAA GP and the Certificate of Limited Partnership of Plains AAP filed with the Secretary of State of Delaware, as amended or restated from time to time.

"**Closing Date**" has the meaning set forth in Section 7.10.

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

"**Company**" shall have the meaning set forth in the preamble hereof.

"**Company Affiliate**" shall have the meaning set forth in Section 8.2.

"**Credit Agreements**" means any credit agreement of the Company or any of the Company's Subsidiaries (whether existing on the date hereof or entered into after the date hereof), as such credit agreements may be or may have been amended, modified or supplemented from time to time,

restatements thereof giving effect to increases, renewals, extensions, refundings, deferrals, restructurings, replacements or refinancings of, or additions to, the arrangements provided in such credit agreements.

“**Customary Registration Rights**” has the meaning set forth in [Section 7.11\(b\)](#).

“**Depreciation**” means, for each Taxable Year or other period, an amount equal to the depreciation, amortization or other cost recovery deduction allowable with respect to an asset for such Taxable Year, except that if the Gross Asset Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such Taxable Year, Depreciation shall be an amount which bears the same ratio to such beginning Gross Asset Value as the federal income tax depreciation, amortization or other cost recovery deduction for such Taxable Year bears to such beginning adjusted tax basis; *provided, however*, that if the adjusted basis for federal income tax purposes of an asset at the beginning of such Taxable Year is zero, Depreciation shall be determined with reference to such beginning Gross Asset Value using any reasonable method selected by the Board.

“**Directors**” shall have the meaning set forth in [Section 7.1\(a\)](#).

“**E-Holdings**” means E-Holdings III, L.P., a Texas limited partnership.

“**Employees**” shall have the meaning set forth in [Section 13.2](#).

“**EnCap**” shall have the meaning set forth in [Section 13.1](#).

“**Encumbrance**” means any security interest, pledge, mortgage, lien (including, without limitation, environmental and tax liens), charge, encumbrance, adverse claim, any defect or imperfection in title, preferential arrangement or restriction, right to purchase, right of first refusal or other burden or encumbrance of any kind, other than those imposed by this Agreement.

“**First Refusal Notice**” shall have the meaning set forth in [Section 9.8\(a\)](#).

“**Flores Employment Agreement**” means the Employment Agreement dated May 8, 2001 between James C. Flores and Plains Resources, Inc.

“**General Partner's Percentage**” means the “Percentage Interest” as to the “General Partner” (with respect to its “General Partner Interest”) as such terms are defined in the MLP Partnership Agreement.

“**Gross Asset Value**” means with respect to any asset, the asset's adjusted basis for federal income tax purposes, except as follows and as otherwise provided in [Section 3.2\(b\)](#):

(a) The initial Gross Asset Value of any asset contributed by a Member to the Company shall be the gross fair market value of such asset, as reasonably determined by the Board; *provided, however*, that the initial Gross Asset Values of the assets contributed to the Company pursuant to [Section 3.1](#) hereof shall be as set forth in such section or the schedule referred to therein;

(b) The Gross Asset Values of all Company assets shall be adjusted to equal their respective gross fair market values (taking Code Section 7701(g) into account), as reasonably determined by the Board as of the following times: (i) the acquisition of an additional interest in the Company by any new or existing Member in exchange for more than a de minimis Capital Contribution; (ii) the distribution by the Company to a Member of more than a de minimis amount of Company property as consideration for an interest in the Company; and (iii) the liquidation of the Company within the meaning of Regulation Section 1.704-1(b)(2)(ii)(g); and

(c) The Gross Asset Value of any item of Company assets distributed to any Member shall be adjusted to equal the gross fair market value (taking Code Section 7701(g) into account) of such asset on the date of distribution as reasonably determined by the Board.

If the Gross Asset Value of an asset has been determined or adjusted pursuant to subparagraph (b), such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset, for purposes of computing Profits and Losses.

“**Independent Director**” means a Director who is eligible to serve on the Conflicts Committee (as defined, and provided for, in the MLP Partnership Agreement) and is otherwise independent as defined in Sections 303.01(B)(2)(a) and (3) or any successor provisions of the listing standards of the New York Stock Exchange.

“**Initial Designating Member**” means Vulcan and Kafu.

“**Initial Public Offering**” has the meaning set forth in [Section 7.11\(b\)](#).

“**Institutional Investments**” shall have the meaning set forth in [Section 13.1](#).

“**IPO Issuer**” has the meaning set forth in [Section 7.11](#).

“**Kafu**” means KAFU Holdings, LP, a Delaware limited partnership.

“**Kayne Anderson**” shall have the meaning set forth in [Section 13.1](#).

“**Limited Partnership Interest**” means, with respect to a Member, such Member's limited partnership interest in Plains AAP, which refers to all of such Member's rights and interests in Plains AAP in such Member's capacity as a limited partner thereof, all as provided in the Plains AAP Partnership Agreement and the Delaware Revised Uniform Limited Partnership Act.

“**Liquidating Trustee**” shall have the meaning set forth in [Section 10.3\(a\)](#).

“**Losses**” shall have the meaning set forth in the definition of “Profits” and “Losses”.

“**Majority in Interest**” means, with respect to the Members or to any specified group or class of Members, Members owning more than fifty percent (50%) of the total Percentage Interests held by all Members or such specified group or class of Members, as applicable.



“**Member**” or “**Members**” shall have the meaning set forth in the preamble hereof.

“**Membership Interest**” means a Member’s limited liability company interest in the Company which refers to all of a Member’s rights and interests in the Company in such Member’s capacity as a Member, all as provided in this Agreement and the Act.

“**Membership Transfer**” shall have the meaning set forth in [Section 9.1\(b\)](#).

“**MLP**” means Plains All American Pipeline, L.P., a Delaware limited partnership.

“**MLP Partnership Agreement**” means the Third Amended and Restated Agreement of Limited Partnership of the MLP, as amended from time to time.

“**National Securities Exchange**” has the meaning set forth in [Section 7.11\(b\)](#).

“**Non-Purchasing Member**” has the meaning set forth in [Section 9.8\(d\)](#).

“**Non-Qualifying Date**” has the meaning set forth in [Section 9.2\(a\)](#).

“**Non-Qualifying Transferee**” has the meaning set forth in [Section 9.2\(a\)](#).

“**Non-Selling Members**” has the meaning set forth in [Section 9.8\(b\)](#).

“**Notice**” means a writing, containing the information required by this Agreement to be communicated to a party, and shall be deemed to have been received (a) when personally delivered or sent by telecopy, (b) one day following delivery by overnight delivery courier, with all delivery charges pre-paid, or (c) on the third Business Day following the date on which it was sent by United States mail, postage prepaid, to such party at the address or fax number, as the case may be, of such party as shown on the records of the Company.

“**Observer**” has the meaning set forth in [Section 7.10](#).

“**Offer**” shall have the meaning set forth in [Section 9.8\(a\)](#).

“**Offeror**” shall have the meaning set forth in [Section 9.8\(a\)](#).

“**Officer**” shall have the meaning set forth in [Section 7.8](#).

“**Optioned Interest**” shall have the meaning set forth in [Section 9.8\(a\)](#).

“**Oxy**” means Oxy Holding Company (Pipeline), Inc., a Delaware corporation.

“**PAA GP**” means PAA GP LLC, a Delaware limited liability company.

“**PAA GP Agreement**” means the limited liability company agreement of PAA GP, as amended from time to time in accordance with the terms thereof.

“**Percentage Interest**” of a Member means the aggregate percentage of Membership Interests of such Member set forth on [Schedule 1](#) hereto, as the same may be modified from time to time as provided herein.

“**Permitted Transfer**” shall mean:

(a) a Transfer of any or all of the Membership Interest by any Member who is a natural person to (i) such Member’s spouse, children (including legally adopted children and stepchildren), spouses of children or grandchildren or spouses of grandchildren; (ii) a trust for the benefit of the Member and/or any of the Persons described in clause (i); or (iii) a limited partnership or limited liability company whose sole partners or members, as the case may be, are the Member and/or any of the Persons described in clause (i) or clause (ii); *provided*, that in any of clauses (i), (ii) or (iii), the Member transferring such Membership Interest, or portion thereof, retains exclusive power to exercise all rights under this Agreement;

(b) a Transfer of any or all of the Membership Interest by any Member to the Company; or

(c) a Transfer of any or all of the Membership Interest by a Member to any Affiliate of such Member; *provided, however*, that such transfer shall be a Permitted Transfer only so long as such Membership Interest, or portion thereof, is held by such Affiliate or is otherwise transferred in another Permitted Transfer.

*Provided, however*, that no Permitted Transfer shall be effective unless and until the transferee of the Membership Interest, or portion thereof, so transferred complies with [Section 9.1\(b\)](#). Except in the case of a Permitted Transfer pursuant to clause (b) above, from and after the date on which a Permitted Transfer becomes effective, the Permitted Transferee of the Membership Interest, or portion thereof, so transferred shall have the same rights, and shall be bound by the same obligations, under this Agreement as the transferor of such Membership Interest, or portion thereof, and shall be deemed for all purposes hereunder a Member and such Permitted Transferee shall, as a condition to such Transfer, agree in writing to be bound by the terms of this Agreement. No Permitted Transfer shall conflict with or result in any violation of any judgment, order, decree, statute, law, ordinance, rule or regulation or require the Company, if not currently subject, to become subject, or if currently subject, to become subject to a greater extent, to any statute, law, ordinance, rule or regulation, excluding matters of a ministerial nature that are not materially burdensome to the Company.

“**Permitted Transferee**” shall mean any Person who shall have acquired and who shall hold a Membership Interest, or portion thereof, pursuant to a Permitted Transfer.

“**Person**” means any individual, partnership, corporation, limited liability company, trust, incorporated or unincorporated organization or other legal entity of any kind.

**"Plains AAP"** means Plains AAP, L.P., a Delaware limited partnership.

**"Plains AAP Partnership Agreement"** means the Fifth Amended and Restated Agreement of Limited Partnership of Plains AAP, dated as of the date hereof, by and among the

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Company, as the general partner, certain limited partners and any other Persons who become partners in Plains AAP as provided therein, as amended from time to time in accordance with the terms thereof.

**"Plains AAP Transfer"** shall have the meaning set forth in [Section 9.1\(b\)](#).

**"Profits"** and **"Losses"** means, for each Taxable Year, an amount equal to the Company's net taxable income or loss for a taxable year, determined in accordance with Section 703(a) of the Code (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Section 703(a)(1) of the Code shall be included in computing such taxable income or loss), with the following adjustments:

- (a) Any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Profits or Losses shall be added to such taxable income or loss;
- (b) Any expenditures of the Company described in Section 705(a)(2)(B) of the Code or treated as Code Section 705(a)(2)(B) expenditures pursuant to Regulation Section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Profits or Losses, shall be subtracted from such taxable income or loss;
- (c) In the event the Gross Asset Value of any Company asset is adjusted pursuant to subparagraphs (b) or (c) of the definition of Gross Asset Value, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the Gross Asset Value of the asset) or an item of loss (if the adjustment decreases the Gross Asset Value of the asset) from the disposition of such asset and shall be taken into account for purposes of computing Profits or Losses;
- (d) Gain or loss resulting from any disposition of Property with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the Gross Asset Value of the Property disposed of, notwithstanding that the adjusted tax basis of such Property differs from its Gross Asset Value;
- (e) In lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such Taxable Year, computed in accordance with the definition of Depreciation; and
- (f) To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Code Section 734(b) or Code Section 743(b) is required, pursuant to Regulation Sections 1.704-1(b)(2)(iv)(m)(4) to be taken into account in determining Capital Accounts as a result of a distribution other than in liquidation of a Member's interest in the Company, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) from the disposition of such asset and shall be taken into account for purposes of computing Profits or Losses.

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**"Property"** means all assets, real or intangible, that the Company may own or otherwise have an interest in from time to time.

**"Regulations"** means the regulations, including temporary regulations, promulgated by the United States Department of Treasury with respect to the Code, as such regulations are amended from time to time, or corresponding provisions of future regulations.

**"Regulatory Allocations"** shall have the meaning set forth in [Section 5.3\(c\)](#).

**"Representatives"** has the meaning set forth in [Section 12.6](#).

**"Sable"** means Sable Investments, L.P.

**"Selling Member"** shall have the meaning set forth in [Section 9.8\(a\)](#).

**"Significant Subsidiary"** shall have the meaning set forth in [Section 7.9\(a\)](#).

**"Subsidiary"** means, with respect to a Person, any corporation, partnership, association or other business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (irrespective of whether, at the time, stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (ii) if a partnership, association or other business entity, a majority of either (x) the partnership or other similar ownership interest thereof or (y) the stock or equity interest of such partnership, association or other business entity's general partner, managing member or other similar controlling Person, is at the time owned or controlled, directly or indirectly, by such Person or one or more Subsidiaries of that Person or a combination thereof. For purposes of this Agreement, with respect to the Company, each of Plains AAP, PAA GP and the MLP, and each of their respective Subsidiaries, shall be a Subsidiary of the Company.

**"Super Majority in Interest"** means Members owning Membership Interests with Percentage Interests aggregating at least 66 <sup>2</sup>/<sub>3</sub>%.

**"Tax Matters Member"** shall have the meaning set forth in [Section 11.1](#).

**"Taxable Year"** shall mean the calendar year.

**"Threshold Condition"** has the meaning set forth in [Section 7.10](#).

**"Transaction Agreement"** means the Transaction Agreement dated as of July 1, 2008 among the Members, GP LLC and Plains AAP.

**"Transfer"** or **"Transferred"** means to give, sell, exchange, assign, transfer, pledge, hypothecate, bequeath, devise or otherwise dispose of or encumber, voluntarily or involuntarily, by operation of law or otherwise. When referring to a Membership Interest, "Transfer" shall

mean the Transfer of such Membership Interest whether of record, beneficially, by participation or otherwise.

“**Triggering Event**” means the occurrence of both (a) Greg Armstrong ceasing to be the Chairman of the Board and Chief Executive Officer of the Company and (b) Harry Pefanis ceasing to be the President and Chief Operating Officer of the Company; provided, however, that if following such occurrence Harry Pefanis is the Chief Executive Officer of the Company, then a Triggering Event shall not be deemed to occur until Harry Pefanis ceases to be the Chief Executive Officer of the Company.

“**Vulcan**” means Vulcan Energy GP Holdings Inc., a Delaware corporation.

“**Wachovia**” means Wachovia Investors, Inc.

## ARTICLE 2 GENERAL

2.1 **Formation.** The name of the Company is Plains All American GP LLC. The rights and liabilities of the Members shall be as provided in the Act for Members except as provided herein. To the extent that the rights or obligations of any Member are different by reason of any provision of this Agreement than they would be in the absence of such provision, to the extent permitted by the Act, this Agreement shall control.

2.2 **Principal Office.** The principal office of the Company shall be located at 333 Clay Street, 16th Floor, Houston, Texas 77002 or at such other place(s) as the Board may determine from time to time.

2.3 **Registered Office and Registered Agent.** The location of the registered office and the name of the registered agent of the Company in the State of Delaware shall be as stated in the Certificate of Formation or as determined from time to time by the Board.

2.4 **Purpose of the Company.** The Company's purposes, and the nature of the business to be conducted and promoted by the Company, are (a) to act as the general partner of Plains AAP in accordance with the terms of Plains AAP Partnership Agreement and (b) to engage in any and all activities necessary, advisable, convenient or incidental to the foregoing.

2.5 **Date of Dissolution.** The Company shall have perpetual existence unless the Company is dissolved pursuant to Article 10 hereof. The existence of the Company as a separate legal entity shall continue until cancellation of the Certificate of Formation of the Company in the manner required by the Act.

2.6 **Qualification.** The President and Chief Executive Officer, any Vice President, the Secretary and any Assistant Secretary of the Company is hereby authorized to qualify the Company to do business as a foreign limited liability company in any jurisdiction in which the Company may wish to conduct business and each is hereby designated as an authorized person, within the meaning of the Act (or as a “manager” for such limited purposes only, if signature of a manager is required under relevant state regulations), to execute, deliver and file any amendments or restatements of the Certificate of Formation of the Company and any other

certificates and any amendments or restatements thereof necessary for the Company to so qualify to do business in any such state or territory.

2.7 **Members.**

(a) **Powers of Members.** The Members shall have the power to exercise any and all rights or powers granted to the Members pursuant to the express terms of this Agreement. Except as expressly provided herein, the Members shall have no power to bind the Company and no authority to act on behalf of the Company.

(b) **Partition.** Each Member waives any and all rights that it may have to maintain an action for partition of the Company's Property.

(c) **Resignation.** Except upon a Transfer of all of its Membership Interests in accordance with this Agreement, a Member may not resign from the Company prior to the dissolution and winding up of the Company. A Member ceases to be a Member only upon: (i) a Permitted Transfer of all of such Member's Membership Interest and the transferee's admission as a substitute Member, all in accordance with the terms of this Agreement, (ii) a Transfer of all of such Member's Membership Interest pursuant to Section 9.8 or (iii) completion of dissolution and winding up of the Company pursuant to Article 10.

(d) **Ownership.** Each Member shall be entitled to receive a Membership Interest in exchange for a Capital Contribution. Each Membership Interest shall correspond to a “limited liability company interest” as is provided in the Act. The Company shall be the owner of the Property. No Member shall have any ownership interest or right in the Property, including Property conveyed by a Member to the Company, except indirectly by virtue of a Member's ownership of a Membership Interest.

2.8 **Reliance by Third Parties.** Except with respect to certain tax matters, Persons dealing with the Company shall be entitled to rely conclusively upon the power and authority of an Officer.

## ARTICLE 3 CAPITALIZATION OF THE COMPANY

3.1 **Initial Capital Contributions.** The Percentage Interest of each Member as of the date hereof is as set forth on Schedule 1 hereto, which shall be amended from time to time in accordance with the terms hereof (including, but not limited to, upon the making of additional Capital Contributions pursuant to Section 3.2(b)) to reflect appropriate adjustments to such Percentage Interests.

3.2 **Additional Capital Contributions.**

(a) Except for Capital Contributions from each Member in proportion to such Member's then outstanding Percentage Interest in respect of the General Partner's Percentage for equity issuances by the MLP, and for equity issuances approved pursuant to Section 7.9(b)(ii), no Member shall be required to make any additional Capital Contribution.

(b) Subject to the approval of a Majority in Interest pursuant to Section 7.9, the Company may offer additional Membership Interests to any Person with the approval of the Board. Such approval of the Majority in Interest shall also include their approval of any related valuations of Gross Asset Value by the Board and, if such Majority in Interest approves such issuance without approving such valuation, Gross Asset Value shall be determined by a third Person familiar with the valuation of such transactions selected by the Majority in Interest not later than ten (10) days after their approval of such issuance or, if the Majority in Interest fails to so select a third Person, then such third Person will be selected in accordance with the rules and procedures of the American Arbitration Association in Houston, Texas. If any additional Capital Contributions are made by Members but not in proportion to their respective Percentage Interests, the Percentage Interest of each Member shall be adjusted such that each Member's revised Percentage Interest determined immediately following each such additional Capital Contribution shall be equal to a fraction (i) the numerator of which is the sum of (A) the positive Capital Account balance of the Member determined immediately preceding the date such additional Capital Contribution is made (such Capital Account to be computed by adjusting the book value for Capital Account purposes of each Company asset to equal its Gross Asset Value as of such date, as provided in subparagraph (b) of the definition herein of "Gross Asset Value"), and (B) such additional Capital Contribution, if any, made by such Member, and (ii) the denominator of which is the sum of the positive Capital Account balances immediately preceding the date such additional Capital Contribution is made plus additional Capital Contributions of all Members on the date of such additional Capital Contribution, including Capital Contributions of any new Members (in each case calculated as provided in (i) above). The names, addresses and Capital Contributions of the Members shall be reflected in the books and records of the Company.

### 3.3 Loans.

(a) No Member shall be obligated to loan funds to the Company. Loans by a Member to the Company shall not be considered Capital Contributions. The amount of any such loan shall be a debt of the Company owed to such Member in accordance with the terms and conditions upon which such loan is made.

(b) A Member may (but shall not be obligated to) guarantee a loan made to the Company. If a Member guarantees a loan made to the Company and is required to make payment pursuant to such guarantee to the maker of the loan, then the amounts so paid to the maker of the loan shall be treated as a loan by such Member to the Company and not as an additional Capital Contribution.

### 3.4 Maintenance of Capital Accounts.

(a) The Company shall maintain for each Member a separate Capital Account with respect to the Membership Interest owned by such Member in accordance with the following provisions:

(i) To each Member's Capital Account there shall be credited (A) such Member's Capital Contributions, (B) such Member's share of Profits and (C) the amount of any Company liabilities assumed by such Member or which are secured by any

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Property distributed to such Member. The principal amount of a promissory note which is not readily traded on an established securities market and which is contributed to the Company by the maker of the note (or a Member related to the maker of the note within the meaning of Regulation Section 1.704-1(b)(2)(ii)(c)) shall not be included in the Capital Account of any Member until the Company makes a taxable disposition of the note or until (and only to the extent) principal payments are made on the note, all in accordance with Regulation Section 1.704-1(b)(2)(iv)(d)(2);

(ii) To each Member's Capital Account there shall be debited (A) the amount of money and the Gross Asset Value of any Property distributed or treated as an advance distribution to such Member pursuant to any provision of this Agreement (including without limitation any distributions pursuant to Section 4.1), (B) such Member's share of Losses and (C) the amount of any liabilities of such Member assumed by the Company or which are secured by any Property contributed by such Member to the Company;

(iii) In the event Membership Interests are Transferred in accordance with the terms of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent such Capital Account relates to the Transferred Membership Interests; and

(iv) In determining the amount of any liability for purposes of Sections 3.4(a)(i) and (ii) there shall be taken into account Code Section 752(c) and any other applicable provisions of the Code and Regulations.

(b) The foregoing Section 3.4(a) and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Regulation Section 1.704-1(b) and, to the greatest extent practicable, shall be interpreted and applied in a manner consistent with such Regulation. The Board in its discretion and to the extent otherwise consistent with the terms of this Agreement shall (i) make any adjustments that are necessary or appropriate to maintain equality between the Capital Accounts of the Members and the amount of capital reflected on the Company's balance sheet, as computed for book purposes, in accordance with Regulation Section 1.704-1(b)(2)(iv)(q), and (ii) make any appropriate modifications in the event unanticipated events might otherwise cause this Agreement not to comply with Regulation Section 1.704-1(b).

3.5 Capital Withdrawal Rights, Interest and Priority. Except as expressly provided in this Agreement, no Member shall be entitled to (a) withdraw or reduce such Member's Capital Contribution or to receive any distributions from the Company, or (b) receive or be credited with any interest on the balance of such Member's Capital Contribution at any time.

## ARTICLE 4 DISTRIBUTIONS

4.1 Distributions of Available Cash. An amount equal to 100% of Available Cash with respect to each fiscal quarter shall be distributed to the Members in proportion to their relative Percentage Interests within forty-five days after the end of such quarter.

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4.2 Persons Entitled to Distributions. All distributions of Available Cash to Members for a fiscal quarter pursuant to Section 4.1 or approved pursuant to Section 7.9(b) shall be made to the Members shown on the records of the Company to be entitled thereto as of the last day of such quarter, unless the transferor and transferee of any Membership Interest otherwise agree in writing to a different distribution and such distribution is consented to in writing by the Board.

### 4.3 Limitations on Distributions.

(a) Notwithstanding any provision of this Agreement to the contrary, no distributions shall be made except pursuant to this Article 4 or Article 10 or as approved pursuant to Section 7.9(b).

(b) Notwithstanding any provision of this Agreement to the contrary, no distribution hereunder shall be permitted if such distribution would violate Section 18-607 of the Act or other applicable law.

## ARTICLE 5 ALLOCATIONS

5.1 Profits. Profits for any Taxable Year shall be allocated:

(a) first, to those Members to which Losses have previously been allocated pursuant to Section 5.2(c) hereof so as to bring each such Member's Capital Account to zero, pro rata in accordance with the sum of each such Member's Losses; and

(b) second, any remaining Profits shall be allocated among the Members in proportion to their respective Percentage Interests.

5.2 Losses. Losses for any Taxable Year shall be allocated:

(a) first, to the Members to which Profits have previously been allocated pursuant to Section 5.1(b) to the extent of such Profits;

(b) second, to Members in proportion to their positive Capital Account balances until such Capital Account balances have been reduced to zero; and

(c) third, any remaining Losses shall be allocated among the Members in proportion to their respective Percentage Interests.

5.3 Regulatory Allocations.

(a) Gross Income Allocation. In the event any Member has an Adjusted Capital Account Deficit at the end of any Taxable Year, such Member shall be specially allocated items of Company income and gain in the amount of such deficit balance as quickly as possible; *provided*, that an allocation pursuant to this Section 5.3(a) shall be made only if and to the extent that such Member would have an Adjusted Capital Account Deficit balance after all other allocations provided for in this Article 5 have been made.

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(b) Qualified Income Offset. In the event any Member unexpectedly receives any adjustments, allocations, or distributions described in Regulation Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) or 1.704-1(b)(2)(ii)(d)(6), items of Company income and gain shall be specially allocated to such Member in an amount and manner sufficient to eliminate, to the extent required by the Regulations, the Adjusted Capital Account Deficit of such Member as quickly as possible, *provided*, that an allocation pursuant to this Section 5.3(b) shall be made only if and to the extent that such Member would have an Adjusted Capital Account Deficit after all other allocations provided for in this Article 5 have been made.

(c) Curative Allocations. The allocations set forth in Sections 5.3(a) and (b) hereof (the "**Regulatory Allocations**") are intended to comply with certain requirements of the Regulations. It is the intent of the Members that, to the extent possible, all Regulatory Allocations shall be offset either with other Regulatory Allocations or with special allocations of other items of Company income, gain, loss or deduction pursuant to this Section 5.3(c). Therefore, notwithstanding any other provision of this Article 5 (other than the Regulatory Allocations), the Board shall make such offsetting special allocations of income, gain, loss or deduction in whatever manner it determines appropriate so that, after such offsetting allocations are made, each Member's Capital Account balance is, to the extent possible, equal to the Capital Account balance such Member would have had if the Regulatory Allocations were not part of this Agreement and all such items were allocated pursuant to Sections 5.1 and 5.2 without regard to the Regulatory Allocations.

5.4 Tax Allocations: Code Section 704(c).

(a) Except as otherwise provided herein, for federal income tax purposes, (i) each item of income, gain, loss and deduction shall be allocated among the Members in the same manner as its correlative item of "book" income, gain, loss or deduction is allocated pursuant to Sections 5.1 and 5.2, and (ii) each tax credit shall be allocated to the Members in the same manner as the receipt or expenditure giving rise to such credit is allocated pursuant to Section 5.1 and 5.2.

(b) In accordance with Code Section 704(c) and the Regulations thereunder, income, gain, loss and deduction with respect to any Property contributed to the capital of the Company shall, solely for tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of such Property to the Company for federal income tax purposes and its initial Gross Asset Value (computed in accordance with the definition herein of "Gross Asset Value").

(c) In the event the Gross Asset Value of any Company asset is adjusted pursuant to subparagraph (b) of the definition herein of "Gross Asset Value", subsequent allocations of income, gain, loss and deduction with respect to such asset shall take account of any variation between the adjusted basis of such asset for federal income tax purposes and its Gross Asset Value in the same manner as under Code Section 704(c) and the Regulations thereunder.

(d) Any elections or other decisions relating to such allocations shall be made by the Board in any manner that reasonably reflects the purpose and intention of this Agreement; *provided*, that the Company, in the discretion of the Board, may make, or not make, "curative" or

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"remedial" allocations (within the meaning of the Regulations under Code Section 704(c)) including, but not limited to, "curative" allocations which offset the effect of the "ceiling rule" for a prior Taxable Year (within the meaning of Regulation Section 1.704-3(c)(3)(ii)) and "curative" allocations from disposition of contributed property (within the meaning of Regulation Section 1.704-3(c)(3)(iii)(B)). Allocations pursuant to this Section 5.4 are solely for purposes of federal, state, and local taxes and shall not affect, or in any way be taken into account in computing, any Member's Capital Account or share of Profits, Losses, other items, or distributions pursuant to any provision of this Agreement.

5.5 Change in Percentage Interests. In the event that the Members' Percentage Interests change during a Taxable Year, Profits and Losses shall be allocated taking into account the Members' varying Percentage Interests for such Taxable Year, determined on a daily, monthly or other basis as determined by the Board, using any permissible method under Code Section 706 and the Regulations thereunder.

5.6 Withholding. Each Member hereby authorizes the Company to withhold from income or distributions allocable to such Member and to

pay over any taxes payable by the Company or any of its Affiliates as a result of such Member's participation in the Company; if and to the extent that the Company shall be required to withhold any such taxes, such Member shall be deemed for all purposes of this Agreement to have received a distribution from the Company as of the time such withholding is required to be paid, which distribution shall be deemed to be a distribution to such Member to the extent that the Member is then entitled to receive a distribution. To the extent that the aggregate of such distributions in respect of a Member for any period exceeds the distributions to which such Member is entitled for such period, the amount of such excess shall be considered a demand loan from the Company to such Member, with interest at the rate of interest per annum that Citibank, N.A., or any successor entity thereto, announces from time to time as its prime lending rate, which interest shall be treated as an item of Company income, until discharged by such Member by repayment, which may be made in the sole discretion of the Board out of distributions to which such Member would otherwise be subsequently entitled. The withholdings referred to in this Section 5.6 shall be made at the maximum applicable statutory rate under applicable tax law unless the Board shall have received an opinion of counsel or other evidence, satisfactory to the Board, to the effect that a lower rate is applicable, or that no withholding is applicable.

## ARTICLE 6 MEMBERS' MEETINGS

6.1 Meetings of Members; Place of Meetings. Regular meetings of the Members shall be held on an annual basis or more frequently as determined by a Majority in Interest. All meetings of the Members shall be held at a location either within or outside the State of Delaware as designated from time to time by the Board and stated in the Notice of the meeting or in a duly executed waiver of the Notice thereof. Special meetings of the Members may be held for any purpose or purposes, unless otherwise prohibited by law, and may be called by the Board or by a Majority in Interest. A Member expecting to be absent from a meeting shall be entitled to designate in writing (or orally; *provided*, that such oral designation is later confirmed in writing) a proxy (an "**Authorized Representative**") to act on behalf of such Member with respect to such meeting (to the same extent and with the same force and effect as the Member who has

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designated such Authorized Representative). Such Authorized Representative shall have full power and authority to act and take actions or refrain from taking actions as the Member by whom such Authorized Representative has been designated. Members and Authorized Representatives may participate in a meeting of the Members by means of conference telephone or other similar communication equipment whereby all Members or Authorized Representatives participating in the meeting can hear each other. Participation in a meeting in this manner shall constitute presence in person at the meeting, except when a Member or Authorized Representative participates for the express purpose of objecting to the transaction of any business on the ground that the meeting was not lawfully called or convened.

6.2 Quorum; Voting Requirement. The presence, in person or by proxy, of a Majority in Interest of the Members shall constitute a quorum for the transaction of business by the Members. The affirmative vote of a Majority in Interest shall constitute a valid decision of the Members, except where a different vote is required by the Act or this Agreement.

6.3 Proxies. At any meeting of the Members, every Member having the right to vote thereat shall be entitled to vote in person or by proxy appointed by an instrument in writing signed by such Member and bearing a date not more than one year prior to the date of such meeting.

6.4 Action Without Meeting. Any action required or permitted to be taken at any meeting of Members of the Company may be taken without a meeting, without prior Notice and without a vote if a consent in writing setting forth the action so taken is signed by Members having not less than the minimum Percentage Interest that would be necessary to authorize or take such action at a meeting of the Members. Prompt Notice of the taking of any action taken pursuant to this Section 6.4 by less than the unanimous written consent of the Members shall be given to those Members who have not consented in writing. A consent transmitted by electronic transmission by a Member shall be deemed to be written and signed.

6.5 Notice. Notice stating the place, day and hour of the meeting of Members and the purpose for which the meeting is called shall be delivered personally or sent by mail or by telecopier not less than two Business Days nor more than sixty days before the date of the meeting by or at the direction of the Board or other Person calling the meeting, to each Member entitled to vote at such meeting.

6.6 Waiver of Notice. When any Notice is required to be given to any Member hereunder, a waiver thereof in writing signed by the Member, whether before, at or after the time stated therein, shall be equivalent to the giving of such Notice.

## ARTICLE 7 MANAGEMENT AND CONTROL

### 7.1 Board of Directors.

(a) (i) Except as otherwise provided hereunder, the business and affairs of the Company shall be managed by or under the direction of the Board, which shall, subject to Section 7.1(a)(iv), consist of eight (8) individuals designated as directors of the Company (the "**Directors**") as follows: (A) subject to Section 7.1(a)(iv), each Initial Designating Member shall

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be entitled to designate one (1) Director, (B) a Majority in Interest shall elect three (3) Directors, each of whom shall be Independent Directors, (C) the Chief Executive Officer of the Company shall be a Director and (D) any remaining Directors shall (at the discretion of the Majority in Interest or the Member with the power to elect or designate such Director hereunder, as applicable) be elected in accordance with the provisions of Section 7.1(a)(iv).

(ii) At each annual meeting of the Members and at each special meeting of the Members called for the purpose of electing Directors (subject to the third to last sentence of this Section 7.1(a)(iii)), each Member shall be entitled to designate the number of Directors as set forth in Section 7.1(a)(i). Each Member shall cooperate with respect to calling and attending meetings of Members and electing the Directors designated by the Members, including voting in favor of Directors designated pursuant to Section 7.1(a)(i) and any replacement Directors pursuant to Section 7.1(a)(iii); *provided*, that the failure to hold any such meetings shall not limit or eliminate a Member's right to designate Directors pursuant to Section 7.1(a)(i). Directors shall be elected to serve annual terms expiring on the date of the annual meeting of Members following such election. Each Director shall hold office until his or her successor is elected pursuant to this Section 7.1(a) or until his or her earlier death, resignation or removal. The provisions of Section 7.1(a)(i), (ii) and (iii) are subject to the limitations contained in Section 7.1(a)(iv).

(iii) Any individual designated by a Member as a Director (other than Independent Directors and the Chief Executive Officer of the Company) may be removed at any time, with or without cause, only by such designating Member and the Members shall cooperate with respect to such removal, including voting in favor of such removal. Persons elected as an Independent Director may be removed at any time, with or without cause, by a vote of a Majority in Interest. Subject to Section 7.1(a)(iv), in the event of the death, resignation or removal of a Director (other than an Independent Director, the Chief Executive Officer of the Company), the Member that designated such Director may designate a replacement Director. In the event of the death, resignation or removal of an Independent Director, a Majority in Interest may designate a replacement Director. In the event the individual serving as Chief Executive Officer of the Company no longer holds such office for any reason,

such individual shall be automatically removed as a Director and the successor to such individual as Chief Executive Officer of the Company shall, by virtue of such appointment, be designated to replace such individual as a Director.

(iv) Each Initial Designating Member shall have the right to designate a Director pursuant to Section 7.1(a)(i)(A) so long as such Member's Percentage Interest is greater than 10% of all Membership Interests. In the event a Member ceases to have the right to designate a Director pursuant to Section 7.1(a)(i)(A), such individual designated by such Member shall be automatically removed as a Director and any Member with a Percentage Interest of greater than 25% and not otherwise entitled to designate a Director shall designate a replacement Director, or, if there is no such Member, a Majority in Interest shall elect a replacement Director and in either case such Director shall serve a term expiring on the date of the annual meeting of Members following such election and shall hold office until his or her successor is elected; *provided, however*, in the event that there is more than one Member with a Percentage Interest greater than 25% and not

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otherwise entitled to designate a Director, the Member who first accumulated a Percentage Interest of 25% or greater shall be entitled to designate the replacement Director. At such time as no Member has the right to designate Directors pursuant to Section 7.1(a)(i)(A) or this Section 7.1(a)(iv), then the provisions of Sections 7.1(a)(i), (ii) and (iii) and the second sentence of this Section 7.1(a)(iv) shall terminate and the number of Directors comprising the Board shall be eight (8) and shall consist of at least three (3) Independent Directors and the Chief Executive Officer of the Company. All such Directors shall be elected by a Majority in Interest and shall serve annual terms expiring on the date of the annual meeting of Members following such election. Each such Director shall hold office until his or her successor is elected pursuant to this Section 7.1(a)(iv) or until his or her earlier death, resignation or removal. Any Director elected pursuant to this Section 7.1(a)(iv) may be removed, with or without cause, by a Majority in Interest. In the event of the death, resignation or removal of a Director, the remaining Directors may appoint a replacement Director. Notwithstanding any other provision of this Agreement, in no event shall both a Member and its Permitted Transferee be entitled to designate a Director pursuant to Section 7.1(a)(i)(A).

(b) Except as otherwise expressly provided herein, the power and authority granted to the Board hereunder shall include all those necessary or convenient for the furtherance of the purposes of the Company and shall include the power to make or delegate to Officers all decisions with regard to the management, operations, assets, financing and capitalization of the Company.

7.2 Meetings of the Board. The Board may hold meetings, both regular and special, within or outside the State of Delaware. Regular meetings of the Board may be called by the Chief Executive Officer or two or more of the Directors upon delivery of written Notice at least ten days prior to the date of such meeting. Special meetings of the Board may be called at the request of the Chief Executive Officer or any two or more of the Directors upon delivery of written Notice sent to each other Director by the means most likely to reach such Director as may be determined by the Secretary in his best judgment so as to be received at least twenty-four hours prior to the time of such meeting. Notwithstanding anything contained herein to the contrary, such Notice may be telephonic if no other reasonable means are available. Such Notices shall be accompanied by a proposed agenda or statement of purpose.

7.3 Quorum and Acts of the Board. A majority of the Directors shall constitute a quorum for the transaction of business at all meetings of the Board, and, except as otherwise provided in this Agreement, the act of a majority of the Directors present at any meeting at which there is a quorum shall be the act of the Board. If a quorum shall not be present at any meeting of the Board, the Directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present. Any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting, if all members of the Board or committee, as the case may be, consent thereto in writing (including by electronic transmission), and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

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7.4 Electronic Communications. Members of the Board, or any committee designated by the Board, may participate in a meeting of the Board or any committee thereof by means of conference telephone or similar communications equipment through which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

7.5 Committees of Directors. The Board, by unanimous resolution of all Directors present and voting at a duly constituted meeting of the Board or by unanimous written consent, may designate one or more committees, each committee to consist of one (1) or more of the Directors. In the event of the disqualification, resignation or removal of a committee member, the Board may appoint another member of the Board to fill such vacancy. Any such committee, to the extent provided in the Board's resolution, shall have and may exercise all the powers and authority of the Board in the management of the Company's business and affairs subject to any limitations contained herein or in the Act. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board. Each committee shall keep regular minutes of its meetings and report the same to the Board when required.

7.6 Compensation of Directors. Each Director shall be entitled to reimbursement from the Company for all reasonable direct out-of-pocket expenses incurred by such Director in connection with attending Board meetings and such compensation as may be approved by a Majority in Interest.

7.7 Directors as Agents. The Board, acting as a body pursuant to this Agreement, shall constitute a "manager" for purposes of the Act. No Director, in such capacity, acting singly or with any other Director, shall have any authority or right to act on behalf of or bind the Company other than by exercising the Director's voting power as a member of the Board, unless specifically authorized by the Board in each instance.

7.8 Officers; Agents. The Board shall have the power to appoint any Person or Persons as the Company's officers (the "**Officers**") to act for the Company and to delegate to such Officers such of the powers as are granted to the Board hereunder. Any decision or act of an Officer within the scope of the Officer's designated or delegated authority shall control and shall bind the Company (and any business entity for which the Company exercises direct or indirect executory authority). The Officers may have such titles as the Board shall deem appropriate, which may include (but need not be limited to) Chairman of the Board, President, Chief Executive Officer, Executive Vice President, Vice President, Chief Operating Officer, Chief Financial Officer, Treasurer, Controller or Secretary. A Director may be an Officer. The Officers of the Company as of the date hereof shall continue in office subject to terms hereof. Unless the authority of an Officer is limited by the Board, any Officer so appointed shall have the same authority to act for the Company as a corresponding officer of a Delaware corporation would have to act for a Delaware corporation in the absence of a specific delegation of authority. The Officers shall hold office until their respective successors are chosen and qualify or until their earlier death, resignation or removal. Any Officer elected or appointed by the Board may be removed at any time by the affirmative vote of a majority of the Board. Any vacancy occurring in any office of the Company shall be filled by a majority of the Board.

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7.9 Matters Requiring Member Approval. (a) Without the prior written consent of a Super Majority in Interest, the Company shall not, and shall not permit any of its Subsidiaries to effect any:

(i) merger, consolidation or share exchange into or with any other Person, or any other similar business combination transaction (other than any such transaction entered into solely between the Company and any of its Subsidiaries or among any of them) involving the Company or any of its Significant Subsidiaries (as defined in Rule 1-02(w) of Regulation S-X promulgated by the Securities and Exchange Commission, as amended and which shall be deemed to include the MLP) or financial restructuring of the Company, Plains AAP or PAA GP; *provided, however,* that in the event not all Members receive identical consideration, whether in their capacity as a Member or as a limited partner of Plains AAP, both in form and amount (in proportion to their Membership Interests or Limited Partner Interests, as the case may be) in such transaction, such transaction shall require the prior written consent of any Member receiving consideration that differs from the consideration to be received by a Majority in Interest;

(ii) voluntary filing for bankruptcy, liquidation, dissolution or winding up of the Company or any of its Subsidiaries or any event that would cause a dissolution or winding up of the Company or any of its Subsidiaries or any consent by the Company or any of its Subsidiaries to any action brought by any other Person relating to any of the foregoing;

(iii) amendment or repeal of the Certificates, the Plains AAP Partnership Agreement or the PAA GP Agreement; *provided, however,* that if any amendment to the Plains AAP Partnership Agreement that would, if proposed with respect to this Agreement, require the prior written consent of a particular Member, then such amendment shall require the prior written consent of such Member in its capacity as a limited partner of Plains AAP;

(iv) sale, lease, transfer, pledge or other disposition of all or substantially all of the properties or assets of the Company or the Company and any of its Subsidiaries taken as a whole, other than sales, leases, transfers, pledges or other dispositions of assets in the ordinary course of business or refinancing of the Credit Agreements; or

(v) agreement or transaction (or series of related agreements or transactions) between the Company, Plains AAP or PAA GP, on the one hand, and a Member or any of its Affiliates, on the other hand, that involve payments or receipts by the Company or such Subsidiary in excess of \$500,000 in the aggregate in any calendar year (but excluding the Administrative Services Agreement between the Company and Vulcan Energy Corporation dated October 14, 2005, other than any amendment thereto that increases or decreases the annual consideration thereunder by more than \$500,000);

(b) Without the prior written consent of a Majority in Interest, the Company shall not, and shall not permit Plains AAP or PAA GP to, effect any:

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(i) except for distributions of Available Cash pursuant to Section 4.1 and distributions pursuant to Section 10.3, and distributions required pursuant to the Plains AAP Partnership Agreement or the PAA GP Agreement (in each case, as amended from time to time in accordance with the terms thereof), declaration or payment of any dividends or other distributions on the Membership Interests, partnership interests or other debt or equity securities by the Company, Plains AAP or PAA GP, including, without limitation, any dividend or other distribution by means of a redemption or repurchase of such securities;

(ii) other than equity securities issued upon exercise of convertible or exchangeable securities authorized or outstanding on the date hereof (including 200,000 Class B Units of Plains AAP) or subsequently approved pursuant to this Section 7.9, authorization, sale and/or issuance by the Company, Plains AAP or PAA GP of any of their respective Membership Interests, partnership interests or other equity securities, whether in a private or public offering, including an initial public offering, or the grant, sale or issuance of other securities (including rights, warrants and options) convertible into, exchangeable for or exercisable for any of their respective Membership Interests, partnership interests or other equity securities, whether or not presently convertible, exchangeable or exercisable;

(iii) (a) incurrence of any indebtedness by the Company, Plains AAP or PAA GP, (b) the assumption, incurrence, or undertaking by the Company, Plains AAP or PAA GP of, or the grant by the Company, Plains AAP or PAA GP of any security (other than a pledge of substantially all of the properties or assets of the Company or the Company and any of its Subsidiaries taken as a whole) for, any financial commitment of any type whatsoever, including without limitation, any purchase, sale, lease, loan, contract, borrowing or expenditure, or (c) the lending of money by the Company, Plains AAP or PAA GP to, or the guarantee by the Company, Plains AAP or PAA GP of the debts of, any other Person;

(iv) capital expenditures, or commitment to make capital expenditures, in excess of fifteen percent (15%) of the amount budgeted for capital expenditures in any fiscal year by the Company, Plains AAP or PAA GP; or

(v) any repurchase or redemption by the Company of any of its Membership Interests, or other debt or equity securities.

7.10 Certain Board Rights. (a) Subject to the terms and conditions set forth below, for a period of five years from August 7, 2008 (the "**Closing Date**") and provided that (x) Oxy has not disposed of any part of the Membership Interest or Limited Partnership Interest it holds as of the Closing Date in any transaction that is not a Permitted Transfer under clause (c) of the definition thereof and (y) no Change of Control (as defined in the Transaction Agreement) has occurred (collectively, the "**Threshold Condition**"), (i) Oxy shall have the right to designate an individual (who initially shall be Vicki Sutil, Senior Manager of Corporate Development; any replacement shall also be a senior member of Oxy's management and acceptable to the Board) (the "**Observer**") to receive notice of and attend meetings of the Board in an observer capacity and (ii) upon written request from Oxy and thereafter until Oxy's rights to designate an Observer

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terminate or Oxy rescinds such request in writing, the Observer shall be entitled to receive copies of information routinely provided to the Directors; provided that the failure to give any such notice or documents or information shall not effect the validity of any action taken by the Board. The terms and conditions of the foregoing provisions are as follows:

(A) Oxy agrees to treat any and all such information, whether written or oral, as confidential information subject to Section 12.6 hereof;

(B) In recognition that Oxy or one or more of its affiliates are currently or may become engaged in certain aspects of the midstream crude oil, refined products, natural gas and LPG or other current or future energy infrastructure related activities that may be deemed to be competitive with the MLP, written materials may be redacted or withheld from Oxy and the Observer if the Board, the Chairman, the Chief



Executive Officer or the General Counsel reasonably believes that providing such information could result in the MLP's competitive positioning being compromised;

(C) Written materials may be redacted or withheld from Oxy and the Observer if the Board, the Chairman, the Chief Executive Officer or the General Counsel reasonably believe that providing such information (1) would result in a potential breach of the MLP's confidentiality agreements with third parties; (2) may otherwise disadvantage Plains AAP, GP LLC, the MLP or any of their subsidiaries in ongoing commercial dealings with Oxy or any of its affiliates or (3) is necessary or advisable for the protection and retention of any attorney-client privilege;

(D) At the discretion of a majority of the Directors (or any committee of the Board) then in attendance, the Observer may be excluded from relevant portions of the board meetings or committee meetings if such majority reasonably believes that the Observer's attendance (1) would result in a potential breach of the MLP's confidentiality agreements with third parties; (2) may otherwise disadvantage Plains AAP, GP LLC, the MLP or any of their subsidiaries in ongoing commercial dealings with Oxy or any of its affiliates; (3) is necessary or advisable for the protection and retention of any attorney-client privilege; or (4) could result in the MLP's competitive positioning being compromised;

(E) Oxy may eliminate the foregoing restrictions in clauses (B), (C) and (D) above by requesting information or requesting that the Observer not be excluded and, if applicable, agreeing in writing to be bound by any applicable confidentiality agreements that would permit disclosure of the information being redacted or withheld, unless such disclosure or presence of the Observer would (1) adversely affect the retention of any attorney-client privilege or (2) disadvantage Plains AAP, GP LLC, the MLP or any of their subsidiaries in ongoing commercial dealings with Oxy or any of its affiliates;

(F) Notwithstanding Section 12.6 or Section 13.1 hereof, with respect to materials provided to Oxy pursuant to Section 7.10(a) (B) above or otherwise provided by GP LLC or Plains AAP without solicitation by Oxy, Oxy shall not be presumed to have misused such information solely because the Oxy representative may have retained a mental impression of such information in connection with Oxy's participation in

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activities competitive with GP LLC, Plains AAP or the MLP. This Section 7.10(a)(F) shall not apply with respect to information provided to Oxy pursuant to Section 7.10(a)(E) above or otherwise provided upon Oxy's request; and

(G) The Observer shall not have any voting rights. No consent or approval of the Observer shall be required for any action taken by the Board. The attendance or participation of the Observer at a meeting shall not be required for action by the Board.

(b) If, within five years from the Closing Date, a Triggering Event occurs, then if Oxy meets the Threshold Condition, (i) Section 7.1(a) (i) hereof shall be deemed to be amended to provide that (A) the Board shall thereafter consist of nine (9) Directors and (B) subject to Section 7.1(a) (iv) hereof, Oxy shall be entitled to designate one (1) Director; (ii) each Member agrees to take all actions necessary to add Oxy's designee to the Board as soon as practicable after such Triggering Event; (iii) Section 7.1(a)(iv) hereof shall be deemed to be amended to provide that Oxy shall have the right to designate a Director pursuant to Section 7.1(a)(i)(A) so long as it meets the Threshold Condition; and (iv) Oxy's rights to designate an Observer set forth in clause (a) above shall terminate.

7.11 Registration Rights. (a) In connection with any Initial Public Offering by the Company, Plains AAP or any Person that directly or indirectly owns the MLP's general partner interest or Incentive Distribution Rights (as defined in the MLP Partnership Agreement) (the Company, Plains AAP or any such other Person, the "**IPO Issuer**"), the Company shall cause the IPO Issuer to grant to the Members at such time Customary Registration Rights in respect of any securities held or received by such Members that are of the same type that are offered in such registered public offering.

(b) For purposes of this Section 7.11, (i) "**Initial Public Offering**" means any firm commitment underwritten initial public offering by the IPO Issuer of equity securities pursuant to an effective registration statement under the Securities Act of 1933, as amended, after which such equity securities are authorized and approved for listing on a National Securities Exchange; (ii) "**National Securities Exchange**" means an exchange registered with the Securities and Exchange Commission under Section 6(a) of the Securities Exchange Act of 1934, as amended, and any successor to such statute; and (iii) "**Customary Registration Rights**" means (A) pro rata participation by the Members in the Initial Public Offering to the extent secondary sales of securities held by the Members are included in such offering, (B) participation by the Members (subject to allocation) in any demand registration for the benefit of the Members following completion of the Initial Public Offering, (C) inclusion of securities for sale in a shelf registration statement for the benefit of the Members to be filed on Form S-3 following completion of the Initial Public Offering and (D) "piggyback" participation rights on any firm commitment underwritten offering by the IPO Issuer following completion of the Initial Public Offering; provided, however, that the registration rights described in (B), (C), and (D) will be contained in a registration rights agreement to be entered into by the Members in conjunction with the Initial Public Offering that will include provisions with respect to participation and allocation of sales rights among the Members for underwritten offerings, cut-back rights in favor of the underwriters and the IPO Issuer, black-out rights in favor of the IPO Issuer, lock-up requirements and indemnification and other such provisions as are typically included in registration rights agreements. Notwithstanding the foregoing, in the case of Oxy, so long as it meets the

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Threshold Condition, Customary Registration Rights must include (1) if Oxy's Percentage Interest is the second largest Percentage Interest of all Members, one demand registration right exercisable by Oxy and no less favorable participation and allocation rights and protection from cut-back rights than those received by Members with smaller Percentage Interests and (2) if Oxy's Percentage Interest is not the second largest Percentage Interest of all Members, no less favorable demand registration rights and participation and allocation rights and protection from cut-back rights than those received by the Member that has the second largest Percentage Interest of all Members.

## ARTICLE 8 LIABILITY AND INDEMNIFICATION

8.1 Limitation on Liability of Members, Directors and Officers. No Member (when not acting in violation of this Agreement or applicable law), Director or Officer shall have any liability to the Company or the Members for any losses sustained or liabilities incurred as a result of any act or omission of such Member, Director or Officer in connection with the conduct of the business of the Company if, in the case of an Officer, the Officer acted in a manner he or she reasonably believed to be in, or not opposed to, the interests of the Company or applicable law and to be within the scope of his or her authority and, in the case of a Member (when not acting in violation of this Agreement or applicable law), Director or Officer, the conduct did not constitute bad faith, fraud, gross negligence or willful misconduct. To the fullest extent permitted by Section 18-1101(c) of the Act, a Director (other than Independent Directors), in performing his or her obligations under this Agreement, shall be entitled to act or omit to act at the direction of the Member who designated such Director, considering only such factors, including the separate interests of the designating Member, as such Director or the designating Member chooses to consider, and any action of a Director or failure to act, taken or omitted in good faith reliance on the foregoing provisions of this Section 8.1 shall not constitute a breach of any duty including any fiduciary duty on the part of the Director or designating Member to the Company or any

other Member or Director. Except as required by the Act, the Company's debts, obligations, and liabilities, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company, and no Officer, Member or Director shall be personally responsible for any such debt, obligation or liability of the Company solely by reason of being an Officer, Member or Director. No Member shall be responsible for any debts, obligations or liabilities, whether arising in contract, tort or otherwise, of any other Member.

## 8.2 Indemnification.

(a) The Company shall indemnify and hold harmless the Members (when not acting in violation of this Agreement or applicable law), Directors and Officers (each, a "**Company Affiliate**") from and against any and all losses, claims, demands, costs, damages, liabilities, expenses of any nature (including reasonable attorneys' fees and disbursements), judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, in which a Company Affiliate may be involved, or threatened to be involved, as a party or otherwise, by reason of his, her or its status as a Company Affiliate, regardless of whether a Company Affiliate continues to be a Company Affiliate at the time any such liability or expense is paid or incurred, if such Company Affiliate acted in good faith and in a manner he or she reasonably believed to be in, or not

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opposed to, the interests of the Company and with respect to any criminal proceeding, had no reason to believe his, her or its conduct was unlawful.

(b) Expenses incurred by a Company Affiliate in defending any claim, demand, action, suit or proceeding subject to Section 8.2(a) shall, from time to time, be advanced by the Company prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Company of an undertaking by or on behalf of the Company Affiliate to repay such amounts if it is ultimately determined that the Company Affiliate is not entitled to be indemnified as authorized in this Section 8.2.

(c) The indemnification provided by this Section 8.2 shall be in addition to any other rights to which a Company Affiliate may be entitled pursuant to any approval of a Majority in Interest, as a matter of law or equity, or otherwise, and shall continue as to a Company Affiliate who has ceased to serve in such capacity and shall inure to the benefit of the heirs, successors, assigns, and administrators of such Company Affiliate; *provided, however*, that in the event such Company Affiliate is also an Affiliate of a Member, such Member's Percentage Interest shall be disregarded for purposes of determining a Majority in Interest for purposes of this Section 8.2(c). The Company shall not be required to indemnify any Member in connection with any losses, claims, demands, actions, disputes, suits or proceedings, of any Member against any other Member.

(d) The Company may purchase and maintain directors and officers insurance or similar coverage for its Directors and Officers in such amounts and with such deductibles or self-insured retentions as determined in the sole discretion of the Board.

(e) Any indemnification hereunder shall be satisfied only out of the assets of the Company, and the Members shall not be subject to personal liability by reason of the indemnification provisions under this Section 8.2.

(f) A Company Affiliate shall not be denied indemnification in whole or in part under this Section 8.2 because the Company Affiliate had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement and all material facts relating to such indemnitee's interest were adequately disclosed to the Board at the time the transaction was consummated.

(g) Subject to Section 8.2(c), the provisions of this Section 8.2 are for the benefit of the Company Affiliates and the heirs, successors, assigns and administrators of the Company Affiliates and shall not be deemed to create any rights for the benefit of any other Persons.

(h) Any repeal or amendment of any provisions of this Section 8.2 shall be prospective only and shall not adversely affect any Company Affiliates' rights existing at the time of such repeal or amendment.

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## ARTICLE 9 TRANSFERS OF MEMBERSHIP INTERESTS

### 9.1 General Restrictions.

(a) No Member may Transfer all or any part of such Member's Membership Interest to any Person except (i) to a Permitted Transferee pursuant to Section 9.2 or (ii) pursuant to the terms of Section 9.8; *provided, however*, any such Transfer under (i) or (ii) above shall comply with the terms of Section 9.1(b). Any purported Transfer of a Membership Interest or a portion thereof in violation of the terms of this Agreement shall be null and void and of no force and effect. Except upon a Transfer of all of a Member's Membership Interest in accordance with this Section 9.1, no Member shall have the right to withdraw as a Member of the Company.

(b) As a condition to a Transfer by a Member of all or any part of such Member's Membership Interest to a transferee as permitted under Section 9.1(a)(i) or (ii), (a "**Membership Transfer**"), such Member shall simultaneously Transfer (the "**Plains AAP Transfer**") to such transferee an amount of such Member's Limited Partnership Interest equal to: (i) such Member's Limited Partnership Interest, multiplied by (ii) a percentage equal to (1) the Percentage Interest of such Member to be Transferred to such transferee, divided by (2) such Member's Percentage Interest immediately before such Transfer. If for any reason Plains AAP Transfer does not occur simultaneously with the Membership Transfer, then the Membership Transfer and Plains AAP Transfer shall be null and void and of no force and effect.

(c) Notwithstanding any other provision of this Agreement, no Member may pledge, mortgage or otherwise subject its Member Interest to any Encumbrance.

### 9.2 Permitted Transferees.

(a) Notwithstanding the provisions of Section 9.8, each Member shall, subject to Section 9.1(b), have the right to Transfer (but not to substitute the transferee as a substitute Member in such Member's place, except in accordance with Section 9.3), by a written instrument, all or any part of a Member's Membership Interest to a Permitted Transferee. Notwithstanding the previous sentence, if the Permitted Transferee is such because it was an Affiliate of the transferring Member at the time of such Transfer or the Transfer was a Permitted Transfer under clause (a) of the definition of Permitted Transfer and, at any time after such Transfer, such Permitted Transferee ceases to be an Affiliate of such Member or such Transfer or such Permitted Transferee ceases to qualify under such clause (a) (a "**Non-Qualifying Transferee**"), such Transfer shall be deemed to not be a Permitted Transfer and shall be subject to Section 9.8. Pursuant to Section 9.8, such transferring Member, or such transferring Member's legal representative, shall deliver the First Refusal Notice promptly after the time when such transferee ceases to be an Affiliate of such transferring Member, or such Transfer or such Permitted Transferee ceases to qualify under clause (a) of the definition of Permitted Transfer, and such transferring Member shall otherwise comply with the terms of Section 9.8 with respect to such Transfer; *provided*, that the purchase price for such Transfer for purposes of Section 9.8 shall

be an amount agreed upon by such transferring Member and a Majority in Interest (excluding such transferring Member's Percentage Interest) or, if such Member and such Majority in Interest cannot agree on a price within five (5) Business Days after delivery of the First Refusal Notice, such price shall be the fair market value of the Membership Interest transferred pursuant to the Transfer as of the date the transferee ceased to be an Affiliate of such transferring Member or such Transfer or such Permitted Transferee ceases to qualify under clause (a) of the definition of Permitted Transfer (such date, the "**Non-Qualifying Date**"), as determined at the Company's expense by a nationally recognized investment banking firm

mutually selected by such transferring Member and a Majority in Interest (excluding such transferring Member's Percentage Interest). If such transferring Member and such Majority in Interest are unable, within ten (10) days after the expiration of such five (5) Business Day period, to mutually agree upon an investment banking firm, then each of such transferring Member and such Majority in Interest shall choose a nationally recognized investment banking firm and the two investment banking firms so chosen shall choose a third nationally recognized investment banking firm which shall determine the fair market value of the Membership Interest transferred pursuant to such Transfer at the Company's expense. The determination of fair market value shall be based on the value that a willing buyer with knowledge of all relevant facts would pay a willing seller for all the outstanding equity securities of the Company in connection with an auction for the Company as a going concern and shall not take into account any acquisitions made by the Company or its Affiliates or any other events subsequent to the Non-Qualifying Date and shall not be subject to any discount for a sale of a minority interest. If such transferring Member fails to comply with all the terms of Section 9.8, such Transfer shall be null and void and of no force and effect. No Non-Qualifying Transferee shall be entitled to receive any distributions from the Company on or after the Non-Qualifying Date and any distributions made in respect of the Membership Interests on or after the Non-Qualifying Date and held by such Non-Qualifying Members shall be paid to the Member who transferred such Membership Interest or otherwise to the rightful owner thereof as reasonably determined by the Board.

(b) Unless and until admitted as a substitute Member pursuant to Section 9.3, a transferee of a Member's Membership Interest in whole or in part shall be an assignee with respect to such Transferred Membership Interest and shall not be entitled to participate in the management of the business and affairs of the Company or to become, or to exercise the rights of, a Member, including the right to appoint Directors, the right to vote, the right to require any information or accounting of the Company's business, or the right to inspect the Company's books and records. Such transferee shall only be entitled to receive, to the extent of the Membership Interest Transferred to such transferee, the share of distributions and profits, including distributions representing the return of Capital Contributions, to which the transferor would otherwise be entitled with respect to the Transferred Membership Interest. The transferor shall have the right to vote such Transferred Membership Interest until the transferee is admitted to the Company as a substitute Member with respect to the Transferred Membership Interest.

9.3 Substitute Members. No transferee of all or part of a Member's Membership Interest shall become a substitute Member in place of the transferor unless and until:

- (a) Such Transfer is in compliance with the terms of Section 9.1;
- (b) the transferee has executed an instrument in form and substance reasonably satisfactory to the Board accepting and adopting, and agreeing to be bound by, the terms and provisions of the Certificate of Formation of the Company and this Agreement; and
- (c) the transferee has caused to be paid all reasonable expenses of the Company in connection with the admission of the transferee as a substitute Member.

Upon satisfaction of all the foregoing conditions with respect to a particular transferee, the books and records of the Company shall be adjusted to reflect the admission of the transferee as a substitute Member to the extent of the Transferred Membership Interest held by such transferee.

9.4 Effect of Admission as a Substitute Member. A transferee who has become a substitute Member has, to the extent of the Transferred Membership Interest, all the rights, powers and benefits of, and is subject to the obligations, restrictions and liabilities of a Member under, the Certificate of Formation of the Company, this Agreement and the Act. Upon admission of a transferee as a substitute Member, the transferor of the Membership Interest so held by the substitute Member shall cease to be a Member of the Company to the extent of such Transferred Membership Interest.

9.5 Consent. Each Member hereby agrees that upon satisfaction of the terms and conditions of this Article 9 with respect to any proposed Transfer, the transferee may be admitted as a Member without any further action by a Member hereunder.

9.6 No Dissolution. If a Member Transfers all of its Membership Interest pursuant to this Article 9 and the transferee of such Membership Interest is admitted as a Member pursuant to Section 9.3, such Person shall be admitted to the Company as a Member effective on the effective date of the Transfer and the Company shall not dissolve pursuant to Section 10.1.

9.7 Additional Members. Subject to Section 3.2 and Section 7.9, any Person acceptable to the Board may become an additional Member of the Company for such consideration as the Board shall determine, *provided* that such additional Member complies with all the requirements of a transferee under Section 9.3(b) and (c).

9.8 Right of First Refusal. The Members shall have the following right of first refusal:

(a) If at any time any of the Members (a "**Selling Member**") has received and wishes to accept a *bona fide* offer (the "**Offer**") for cash from a third party (the "**Offeror**") for all or part of such Selling Member's Membership Interest (and a proportionate amount of such Selling Member's Limited Partnership Interest in accordance with Section 9.1(b)), such Selling Member shall give Notice thereof (the "**First Refusal Notice**") to each of the other Members, other than any Non-Purchasing Members (as hereinafter defined), and the Company. The First Refusal Notice shall state the portion of the Selling Member's Membership Interest and Limited Partnership Interest that the Selling Member wishes to sell (the "**Optioned Interest**"), the price and all other material terms of the Offer, the name of the Offeror, and certification from the Selling Member affirming that the Offer is *bona fide* and that the description thereof is true and correct, and that the Offeror has stated that it will purchase the Optioned Interest if the rights of first refusal herein described are not exercised.

(b) Each of the Members other than the Selling Member and any Non-Purchasing Member (the "**Non-Selling Members**") shall have the right exercisable by Notice (an "**Acceptance Notice**") given to the Selling Member and the Company within twenty (20) days after receipt of the First Refusal Notice, to agree that it will purchase up to 100% of the Optioned Interest on the terms set forth in the First Refusal Notice; *provided, however*, if the Non-Selling

Members in the aggregate desire to purchase more than 100% of the Optioned Interest, each such Non-Selling Member's right to purchase the Optioned Interest shall be reduced (pro rata based on the percentage of Optioned Interest for which such Non-Selling Member has exercised its right to purchase hereunder compared to all other Non-Selling Members, but not below such Non-Selling Member's Membership Interest as a percentage of the aggregate Membership Interests of all Non-Selling Members who have exercised their right to purchase) so that such Non-Selling Members purchase no more than 100% of the Optioned Interest. If a Non-Selling Member does not submit an Acceptance Notice within the twenty (20) day period set forth in this Section 9.8(b), such Non-Selling Member shall be deemed to have rejected the offer to purchase any portion of the Optioned Interest.

(c) If the Non-Selling Members do not in the aggregate exercise the right to purchase all of the Optioned Interest by the expiration of the twenty (20) day period set forth in Section 9.8(b), then any Acceptance Notice shall be void and of no effect, and the Selling Member shall be entitled to complete the proposed sale at any time in the thirty (30) day period commencing on the date of the First Refusal Notice, but only upon the terms set forth in the First Refusal Notice. If no such sale is completed in such thirty (30) day period, the provisions hereof shall apply again to any proposed sale of the Optioned Interest.

(d) If any Non-Selling Member exercises the right to purchase the Optioned Interest as provided herein and such Non-Selling Member(s) have elected to purchase all of the Optioned Interest, the purchase of such Optioned Interest shall be completed within the thirty (30) day period commencing on the date of delivery of the First Refusal Notice. If such Non-Selling Member does not consummate the Purchase of such Optioned Interest, (x) the Selling Member shall be entitled to all expenses of collection and (y) such Non-Selling Member shall be deemed a "**Non-Purchasing Member**" for the duration of this Agreement.

## ARTICLE 10 DISSOLUTION AND TERMINATION

### 10.1 Events Causing Dissolution.

(a) The Company shall be dissolved and its affairs wound up upon the first to occur of the following events:

- (i) The affirmative vote of a Super Majority in Interest to dissolve;
- (ii) The Transfer of all or substantially all of the assets of the Company and the receipt and distribution of all the proceeds therefrom; or
- (iii) The entry of a decree of judicial dissolution pursuant to Section 18-802 of the Act.

(b) The withdrawal, death, retirement, resignation, expulsion, bankruptcy or dissolution of any Member or the occurrence of any other event that terminates the continued membership of any Member in the Company shall not, in and of itself, cause the Company's dissolution.

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10.2 Final Accounting. Upon dissolution and winding up of the Company, an accounting will be made of the accounts of the Company and each Member and of the Company's assets, liabilities and operations from the date of the last previous accounting to the date of such dissolution.

### 10.3 Distributions Following Dissolution and Termination.

(a) Liquidating Trustee. Upon the dissolution of the Company, such party as is designated by a Majority in Interest will act as liquidating trustee of the Company (the "**Liquidating Trustee**") and proceed to wind up the business and affairs of the Company in accordance with the terms of this Agreement and applicable law. The Liquidating Trustee will use its reasonable best efforts to sell all Company assets (except cash) in the exercise of its best judgment under the circumstances then presented, that it deems in the best interest of the Members. The Liquidating Trustee will attempt to convert all assets of the Company to cash so long as it can do so consistently with prudent business practice. The Members and their respective designees will have the right to purchase any Company property to be sold on liquidation, provided that the terms on which such sale is made are no less favorable than would otherwise be available from third parties. The gains and losses from the sale of the Company assets, together with all other revenue, income, gain, deduction, expense, loss and credit during the period, will be allocated in accordance with Article 5. A reasonable amount of time shall be allowed for the period of winding up in light of prevailing market conditions and so as to avoid undue loss in connection with any sale of Company assets. This Agreement shall remain in full force and effect during the period of winding up. In addition, upon request of the Board and if the Liquidating Trustee determines that it would be imprudent to dispose of any non-cash assets of the Company, such assets may be distributed in kind to the Members in lieu of cash, proportionately to their right to receive cash distributions hereunder.

(b) Accounting. The Liquidating Trustee will then cause proper accounting to be made of the Capital Account of each Member, including recognition of gain or loss on any asset to be distributed in kind as if such asset had been sold for consideration equal to the fair market value of the asset at the time of the distribution. The Members intend that the allocations provided herein shall result in Capital Account balances in proportion to the Percentage Interests of the Members.

(c) Liquidating Distributions. In settling accounts after dissolution of the Company, the assets of the Company shall be paid to creditors of the Company and to the Members in the following order:

- (i) to creditors of the Company (including Members) in the order of priority as provided by law whether by payment or the making of reasonable provision for payment thereof, and in connection therewith there shall be withheld such reasonable reserves for contingent, conditioned or unconditioned liabilities as the Liquidating Trustee in its reasonable discretion deems adequate, such reserves (or balances thereof) to be held and distributed in such manner and at such times as the Liquidating Trustee, in its discretion, deems reasonably advisable; *provided, however,* that such amounts be maintained in a separate bank account and that any amounts in such bank account

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remaining after three years be distributed to the Members or their successors and assigns as if such amount had been available for distribution under Section 10.3(c)(ii); and then

(ii) to the Members in proportion to the positive balances of their Capital Accounts, as fully adjusted pursuant to Section 3.4, including adjustment for all gains and losses actually or deemed realized upon disposition or distribution of assets in connection with the liquidation and winding up of the Company.

(iii) Any distribution to the Members in liquidation of the Company shall be made by the later of the end of the taxable year in which the liquidation occurs or 90 days after the date of such liquidation. For purposes of the preceding sentence, the term "liquidation" shall have the

same meaning as set forth in Regulation Section 1.704-1(b)(2)(ii) as in effect at such time and liquidating distributions shall be further deemed to be made pursuant to this Agreement upon the event of a liquidation as defined in such Regulation for which no actual liquidation occurs with a deemed recontribution by the Members of such deemed liquidating distributions to the continuing Company pursuant to this Agreement.

(d) The provisions of this Agreement, including, without limitation, this Section 10.3, are intended solely to benefit the Members and, to the fullest extent permitted by law, shall not be construed as conferring any benefit upon any creditor of the Company, and no such creditor of the Company shall be a third-party beneficiary of this Agreement, and no Member or Director shall have any duty or obligation to any creditor of the Company to issue any call for capital pursuant to this Agreement.

10.4 Termination of the Company. The Company shall terminate when all assets of the Company, after payment or due provision for all debts, liabilities and obligations of the Company, shall have been distributed to the Members in the manner provided for in this Article 10, and the Certificate of Formation of the Company shall have been canceled in the manner required by the Act.

10.5 No Action for Dissolution. The Members acknowledge that irreparable damage would be done to the goodwill and reputation of the Company if any Member should bring an action in court to dissolve the Company under circumstances where dissolution is not required by Section 10.1. Accordingly, except where the Board has failed to cause the liquidation of the Company as required by Section 10.1 and except as specifically provided in Section 18-802, each Member hereby to the fullest extent permitted by law waives and renounces his right to initiate legal action to seek dissolution of the Company or to seek the appointment of a receiver or trustee to wind up the affairs of the Company, except in the cases of fraud, violation of law, bad faith, gross negligence, willful misconduct or willful violation of this Agreement.

## ARTICLE 11 TAX MATTERS

11.1 Tax Matters Member. Vulcan shall be the Tax Matters Member of the Company as provided in the Regulations under Section 6231 of the Code and analogous provisions of state

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law. The Board shall have the authority to remove or replace the Tax Matters Member of the Company and designate its successor.

11.2 Certain Authorizations. The Tax Matters Member shall represent the Company, at the Company's expense, in connection with all examinations of the Company's affairs by tax authorities including any resulting administrative or judicial proceedings. Without limiting the generality of the foregoing, and subject to the restrictions set forth herein, the Tax Matters Member, but only with the consent of a Majority in Interest, is hereby authorized:

(a) to enter into any settlement agreement with respect to any tax audit or judicial review, in which agreement the Tax Matters Member may expressly state that such agreement shall bind the other Members except that such settlement agreement shall not bind any Member that has not approved such settlement agreement in writing;

(b) if a notice of a final administrative adjustment at the Company level of any item required to be taken into account by a Member for tax purposes is mailed to the Tax Matters Member, to seek judicial review of such final adjustment, including the filing of a petition for readjustment with the Tax Court, the District Court of the United States for the district in which the Company's principal place of business is located, or elsewhere as allowed by law, or the United States Claims Court;

(c) to intervene in any action brought by any other Member for judicial review of a final adjustment;

(d) to file a request for an administrative adjustment at any time and, if any part of such request is not allowed, to file a petition for judicial review with respect to such request;

(e) to enter into an agreement with the Internal Revenue Service to extend the period for assessing any tax that is attributable to any item required to be taken into account by a Member for tax purposes, or an item affected by such item; and

(f) to take any other action on behalf of the Members (with respect to the Company) or the Company in connection with any administrative or judicial tax proceeding to the extent permitted by applicable law or the Regulations.

Each Member shall have the right to participate in any such actions and proceedings to the extent provided for under the Code and Regulations.

11.3 Indemnity of Tax Matters Member. To the maximum extent permitted by applicable law and without limiting Article 8, the Company shall indemnify and reimburse the Tax Matters Member for all expenses (including reasonable legal and accounting fees) incurred as Tax Matters Member pursuant to this Article 11 in connection with any administrative or judicial proceeding with respect to the tax liability of the Members as long as the Tax Matters Member has determined in good faith that the Tax Matters Member's course of conduct was in, or not opposed to, the best interest of the Company. The taking of any action and the incurring of any expense by the Tax Matters Member in connection with any such proceeding, except to the extent provided herein or required by law, is a matter in the sole discretion of the Tax Matters Member.

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11.4 Information Furnished. To the extent and in the manner provided by applicable law and Regulations, the Tax Matters Member shall furnish the name, address, profits and loss interest, and taxpayer identification number of each Member to the Internal Revenue Service.

11.5 Notice of Proceedings, etc. The Tax Matters Member shall use its reasonable best efforts to keep each Member informed of any administrative and judicial proceedings for the adjustment at the Company level of any item required to be taken into account by a Member for income tax purposes or any extension of the period of limitations for making assessments of any tax against a Member with respect to any Company item, or of any agreement with the Internal Revenue Service that would result in any material change either in Profits or Losses as previously reported.

11.6 Notices to Tax Matters Member. Any Member that receives a notice of an administrative proceeding under Section 6233 of the Code relating to the Company shall promptly provide Notice to the Tax Matters Member of the treatment of any Company item on such Member's Federal income tax return that is or may be inconsistent with the treatment of that item on the Company's return. Any Member that enters into a settlement agreement with the Internal Revenue Service or any other government agency or official with respect to any Company item shall provide Notice to the Tax Matters Member of such agreement and its terms within sixty (60) days after the date of such agreement.

11.7 Preparation of Tax Returns. The Tax Matters Member shall arrange for the preparation and timely filing of all returns of Company income, gains, deductions, losses and other items necessary for Federal, state and local income tax purposes and shall use all reasonable efforts to

furnish to the Members within ninety (90) days of the close of the taxable year a Schedule K-1 and such other tax information reasonably required for Federal, state and local income tax reporting purposes. The classification, realization and recognition of income, gain, losses and deductions and other items shall be on the cash or accrual method of accounting for Federal income tax purposes, as the Board shall determine in its sole discretion in accordance with applicable law.

11.8 Tax Elections. Subject to Section 11.9, a Majority in Interest shall, in its sole discretion, determine whether to make any available election.

11.9 Taxation as a Partnership. No election shall be made by the Company or any Member for the Company to be excluded from the application of any of the provisions of Subchapter K, Chapter I of Subtitle A of the Code or from any similar provisions of any state tax laws or to be treated as a corporation for federal tax purposes.

## ARTICLE 12 ACCOUNTING AND BANK ACCOUNTS

12.1 Fiscal Year and Accounting Method. The fiscal year and taxable year of the Company shall be the calendar year. The Company shall use an accrual method of accounting.

12.2 Books and Records. The Company shall maintain at its principal office, or such other office as may be determined by the Board, all the following:

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(a) A current list of the full name and last known business or residence address of each Member, and of each member of the Board, together with information regarding the amount of cash and a description and statement of the agreed value of any other property or services contributed by each Member and which each Member has agreed to contribute in the future, and the date on which each Member became a Member of the Company;

(b) A copy of the Certificate of Formation of the Company and this Agreement, including any and all amendments to either thereof, together with executed copies of any powers of attorney pursuant to which the Certificate of Formation of the Company, this Agreement, or any amendments have been executed;

(c) Copies of the Company's Federal, state, and local income tax or information returns and reports, if any, which shall be retained for at least six fiscal years;

(d) The financial statements of the Company; and

(e) The Company's books and records.

12.3 Delivery to Members: Inspection. Upon the request of any Member, for any purpose reasonably related to such Member's interest as a member of the Company, the Board shall cause to be made available to the requesting Member the information required to be maintained by clauses (a) through (e) of Section 12.2 and such other information regarding the business and affairs and financial condition of the Company as any Member may reasonably request.

12.4 Financial Statements. The Board shall cause to be prepared for the Members at least annually, at the Company's expense, financial statements of the Company, and its subsidiaries, prepared in accordance with generally accepted accounting principles and audited by a nationally recognized accounting firm. The financial statements so furnished shall include a balance sheet, statement of income or loss, statement of cash flows, and statement of Members' equity. In addition, the Board shall provide on a timely basis to the Members monthly and quarterly financials, statements of cash flow, any available internal budgets or forecast or other available financial reports, as well as any reports or notices as are provided by the Company, or any of its Subsidiaries to any financial institution. The requirements of Section 12.2(d) and this Section 12.4 shall be deemed satisfied so long as (i) the MLP files annual reports on Form 10-K and quarterly reports on Form 10-Q, (ii) the MLP files or furnishes "guidance" 8-K's on a quarterly basis and (iii) the MLP annually files an 8-K attaching a balance sheet of PAA GP.

12.5 Filings. At the Company's expense, the Board shall cause the income tax returns for the Company to be prepared and timely filed with the appropriate authorities and to have prepared and to furnish to each Member such information with respect to the Company as is necessary (or as may be reasonably requested by a Member) to enable the Members to prepare their Federal, state and local income tax returns. The Board, at the Company's expense, shall also cause to be prepared and timely filed, with appropriate Federal, state and local regulatory and administrative bodies, all reports required to be filed by the Company with those entities under then current applicable laws, rules, and regulations. The reports shall be prepared on the accounting or reporting basis required by the regulatory bodies.

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12.6 Non-Disclosure. Each Member agrees that, except as otherwise consented to by the Board in writing, all non-public and confidential information furnished to it pursuant to this Agreement will be kept confidential and will not be disclosed by such Member, or by any of its agents, representatives, or employees, in any manner whatsoever, in whole or in part, except that (a) each Member shall be permitted to disclose such information to those of its agents, representatives, and employees who need to be familiar with such information in connection with such Member's investment in the Company (collectively, "**Representatives**") and are apprised of the confidential nature of such information, (b) each Member shall be permitted to disclose information to the extent required by law, legal process or regulatory requirements, so long as such Member shall have used its reasonable efforts to first afford the Company with a reasonable opportunity to contest the necessity of disclosing such information, (c) each Member shall be permitted to disclose such information to possible purchasers of all or a portion of the Member's Membership Interest, provided that such prospective purchaser shall execute a suitable confidentiality agreement in a form approved by the Company containing terms not less restrictive than the terms set forth herein, and (d) each Member shall be permitted to disclose information to the extent necessary for the enforcement of any right of such Member arising under this Agreement. Each Member shall be responsible for any breach of this Section 12.6 by its Representatives.

## ARTICLE 13 NON-COMPETITION AND NON-SOLICITATION

13.1 Non-Competition. Each of the Members hereby acknowledges that the Company and MLP operate in a competitive business and compete with other Persons operating in the midstream segment of the oil and gas industry for acquisition opportunities. Each of the Members agrees that during the period that it is a Member, it shall not, directly or indirectly, use any of the confidential information it receives as a Member or which its designee receives as a Director of the Company to compete, or to engage in or become interested financially in as a principal, employee, partner, shareholder, agent, manager, owner, advisor, lender, guarantor of any Person that competes in North America with the business conducted by the

Company, Plains AAP, PAA GP and the MLP. Each of the Members also acknowledge that EnCap Investments L.L.C. and Persons that it controls ("**EnCap**"), Kayne Anderson Capital Advisors L.P. and its Affiliates ("**Kayne Anderson**") and Wachovia and its affiliates may make and manage investments in the energy industry in the ordinary course of business (such investments "**Institutional Investments**"). The Members agree that EnCap, Kayne Anderson and Wachovia and its affiliates may make Institutional Investments, even if such Institutional Investments are competitive with the Company's and its Subsidiaries' business, so long as such Institutional Investments are not in violation of the provisions of Section 12.6 or the second sentence of this Section 13.1 or obligations owed to the Company under applicable law with respect to usurpation of an opportunity legally belonging to the Company or its Subsidiaries. Each of the Members confirms that the restrictions in this Section 13.1 are reasonable and valid and all defenses to the strict enforcement thereof are hereby waived by each of the Members. The restrictions contained in this Section 13.1 shall in no way impair the rights granted (i) to James C. Flores pursuant to the Flores Employment Agreement or (ii) to John T. Raymond pursuant to any employment agreement between Raymond and Plains Resources, Inc.

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13.2 Non-Solicitation. Each of the Members undertakes toward the Company and is obligated, without the prior written consent of the Company, during the period that it is a Member and for a period of one year thereafter, not to solicit or hire, directly or indirectly, in any manner whatsoever (except in response to a general solicitation or a non-directed executive search), in the capacity of employee, consultant or in any other capacity whatsoever, one or more of the employees, directors or officers or other Persons (hereinafter collectively referred to as "**Employees**") who at the time of solicitation or hire, or in the 90-day period prior thereto, are working full-time or part-time for the Company or any of its Affiliates and not to endeavor, directly or indirectly, in any manner whatsoever, to encourage any of said Employees to leave his or her job with the Company or any of its Affiliates and not to endeavor, directly or indirectly, and in any manner whatsoever, to incite or induce any client of the Company or any of its Affiliates to terminate, in whole or in part, its business relations with the Company or any of its Affiliates.

13.3 Damages. Each of the Members acknowledges that damages may not be an adequate compensation for the losses which may be suffered by the Company as a result of the breach by such Member of the covenants contained in this Article 13 and that the Company shall be entitled to seek injunctive relief with respect to any such breach in lieu of or in addition to any recourse in damages without the posting of a bond or other security.

13.4 Limitations. In the event that a court of competent jurisdiction decides that the limitations set forth in Section 13.1 hereof are too broad, such limitations shall be reduced to those limitations that such court deems reasonable.

#### ARTICLE 14 MISCELLANEOUS

14.1 Waiver of Default. No consent or waiver, express or implied, by the Company or a Member with respect to any breach or default by the Company or a Member hereunder shall be deemed or construed to be a consent or waiver with respect to any other breach or default by any party of the same provision or any other provision of this Agreement. Failure on the part of the Company or a Member to complain of any act or failure to act of the Company or a Member or to declare such party in default shall not be deemed or constitute a waiver by the Company or the Member of any rights hereunder.

#### 14.2 Amendment.

(a) Except as otherwise expressly provided elsewhere in this Agreement, this Agreement shall not be altered, modified or changed except by an amendment approved by a Super Majority in Interest; *provided, however*, that no modification of the terms of this Agreement that (i) increases or extends any financial obligation or liability of a Member, (ii) alters the method of division of profits and losses or a method of distributions made to a Member, (iii) adversely affects a Member's ability to designate Directors or (iv) otherwise adversely affects the obligations or rights of a Member (as a Member under this Agreement) in a manner different than a Majority in Interest shall be effective without the prior written consent of such Member; *provided, further*, that no amendment of Section 7.3, 7.9(a)(iii), 13.1 or this

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Section 14.2 that adversely affects the obligations or rights of a Member shall be effective as to any Member without the prior written consent of that Member.

(b) In addition to any amendments otherwise authorized herein, the Board may make any amendments to any of the Schedules to this Agreement from time to time to reflect transfers of Membership Interests and issuances of additional Membership Interests. Copies of such amendments shall be delivered to the Members upon execution thereof.

(c) The Board shall cause to be prepared and filed any amendment to the Certificate that may be required to be filed under the Act as a consequence of any amendment to this Agreement.

(d) Any modification or amendment to this Agreement or the Certificate of Formation of the Company made in accordance with this Section 14.2 shall be binding on all Members and the Board.

14.3 No Third Party Rights. Except as provided in Article 8, none of the provisions contained in this Agreement shall be for the benefit of or enforceable by any third parties, including creditors of the Company.

14.4 Severability. In the event any provision of this Agreement is held to be illegal, invalid or unenforceable to any extent, the legality, validity and enforceability of the remainder of this Agreement shall not be affected thereby and shall remain in full force and effect and shall be enforced to the greatest extent permitted by law.

14.5 Nature of Interest in the Company. A Member's Membership Interest shall be personal property for all purposes.

14.6 Binding Agreement. Subject to the restrictions on the disposition of Membership Interests herein contained, the provisions of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective heirs, personal representatives, successors and permitted assigns.

14.7 Headings. The headings of the sections of this Agreement are for convenience only and shall not be considered in construing or interpreting any of the terms or provisions hereof.

14.8 Word Meanings. The words "herein", "hereinafter", "hereof", and "hereunder" refer to this Agreement as a whole and not merely to a subdivision in which such words appear unless the context otherwise requires. The singular shall include the plural, and vice versa, unless the context otherwise requires. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." When verbs are used as nouns, the nouns correspond to such verbs and vice versa.

14.9 Counterparts. This Agreement may be executed in several counterparts, all of which together shall constitute one agreement binding on all parties hereto, notwithstanding that all the parties have not signed the same counterpart.

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14.10 Entire Agreement. This Agreement and the Transaction Agreement contain the entire agreement between the parties hereto and thereto and supersedes all prior writings or agreements with respect to the subject matter hereof.

14.11 Partition. The Members agree that the Property is not and will not be suitable for partition. Accordingly, each of the Members hereby irrevocably waives any and all right such Member may have to maintain any action for partition of any of the Property. No Member shall have any right to any specific assets of the Company upon the liquidation of, or any distribution from, the Company.

14.12 Governing Law; Consent to Jurisdiction and Venue. This Agreement shall be construed according to and governed by the laws of the State of Delaware without regard to principles of conflict of laws. The parties hereby submit to the exclusive jurisdiction and venue of the state courts of Harris County, Texas or to the Court of Chancery of the State of Delaware and the United States District Court for the Southern District of Texas and of the United States District Court for the District of Delaware, as the case may be, and agree that the Company or Members may, at their option, enforce their rights hereunder in such courts.

**Approved and Authorized by a**

**Supermajority in Interest**

**August 7, 2008**

**(as amended by the Members on November 2, 2009)**

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**STATEMENT OF COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES**  
(in millions)

	Nine Months Ended September 30, 2009	Year Ended December 31,				
		2008	2007	2006	2005	2004
<b>EARNINGS <sup>(1)</sup></b>						
Pre-tax income from continuing operations before noncontrolling interest and income from equity investees	\$ 458	\$ 430	\$ 350	\$ 278	\$ 216	\$ 130
add: Fixed charges	210	264	233	149	92	55
Distributed income of equity investees	7	10	2	1	1	—
Amortization of capitalized interest	1	1	—	—	—	—
less: Capitalized interest	(9)	(17)	(14)	(6)	(2)	(1)
<b>Total Earnings</b>	<b>\$ 667</b>	<b>\$ 688</b>	<b>\$ 571</b>	<b>\$ 422</b>	<b>\$ 307</b>	<b>\$ 184</b>
<b>FIXED CHARGES <sup>(1)</sup></b>						
Interest expensed and capitalized <sup>(2)</sup>	\$ 183	\$ 233	\$ 220	\$ 141	\$ 85	\$ 49
Amortization of debt expense	5	4	3	3	3	3
Portion of rent expense related to interest (33.33%)	22	27	10	5	4	3
<b>Total Fixed Charges</b>	<b>\$ 210</b>	<b>\$ 264</b>	<b>\$ 233</b>	<b>\$ 149</b>	<b>\$ 92</b>	<b>\$ 55</b>
<b>RATIO OF EARNINGS TO FIXED CHARGES <sup>(3)</sup></b>	<b>3.19x</b>	<b>2.60x</b>	<b>2.45x</b>	<b>2.83x</b>	<b>3.34x</b>	<b>3.37x</b>

<sup>(1)</sup> For purposes of computing the ratio of earnings to fixed charges, "earnings" consists of pre-tax income from continuing operations before income from equity investees plus fixed charges (excluding capitalized interest), distributed income of equity investees and amortization of capitalized interest. "Fixed charges" represents interest incurred (whether expensed or capitalized), amortization of debt expense (including discounts and premiums relating to indebtedness) and the portion of rental expense on operating leases deemed to be the equivalent of interest.

<sup>(2)</sup> Includes interest costs of \$8 million attributable to borrowings for inventory stored in a contango market for the nine months ended September 30, 2009 and \$21 million, \$44 million, \$49 million, \$24 million and \$2 million for each of the years ended December 31, 2008, 2007, 2006, 2005 and 2004, respectively.

<sup>(3)</sup> Ratios may not recalculate due to rounding.

## CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

## PLAINS ALL AMERICAN PIPELINE, L.P.

I, Greg L. Armstrong, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Plains All American Pipeline, L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2009

/s/ GREG L. ARMSTRONG

Greg L. Armstrong

Chief Executive Officer

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## CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

## PLAINS ALL AMERICAN PIPELINE, L.P.

I, Al Swanson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Plains All American Pipeline, L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2009

/s/ Al Swanson

Al Swanson

Chief Financial Officer

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**CERTIFICATION OF  
PRINCIPAL EXECUTIVE OFFICER  
OF PLAINS ALL AMERICAN PIPELINE, L.P.  
PURSUANT TO 18 U.S.C. 1350**

I, Greg L. Armstrong, Chief Executive Officer of Plains All American Pipeline, L.P. (the "Company"), hereby certify that:

- (i) the accompanying report on Form 10-Q for the period ended September 30, 2009 and filed with the Securities and Exchange Commission on the date hereof (the "Report") by the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ GREG L. ARMSTRONG

Name: Greg L. Armstrong

Date: November 6, 2009

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**CERTIFICATION OF  
PRINCIPAL FINANCIAL OFFICER  
OF PLAINS ALL AMERICAN PIPELINE, L.P.  
PURSUANT TO 18 U.S.C. 1350**

I, Al Swanson, Chief Financial Officer of Plains All American Pipeline, L.P. (the "Company"), hereby certify that:

- (i) the accompanying report on Form 10-Q for the period ended September 30, 2009 and filed with the Securities and Exchange Commission on the date hereof (the "Report") by the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Al Swanson

Name: Al Swanson

Date: November 6, 2009

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